



CONCORDE CAPITAL

Ukraine / Real Estate TMM Real Estate Development

1H07 Portfolio Valuation Released

October 5, 2007

Current price: USD 21.63/ EUR 15.30
12M Target: USD 26.04/ EUR 18.40

BUY

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Market information

Frankfurt/ XETRA	TR61 GR
Market price, EUR	15.30
USD	21.63
Chg YTD	38%
Hi/Lo YTD, EUR	15.30/11.65
USD	21.63/15.70
MCap, EUR mln	792.5
USD mln	1098.0
DR/ Ord. ratio	1:1
No of shares, mln	51.8
Avg Mo Tr Vol YTD, USD mln	0.29
Free float	13.12%
Free float, EUR mln	104.0
USD mln	144.1

Stock ownership

Mykola Tolmachov Management	70.4%
Portfolio investors	16.5%
	13.1%

Yesterday TMM released the valuation of its project portfolio as of June 30, 2007 by Colliers. Over the course of the year, TMM's portfolio nearly tripled in value (up 196.5%). We will be revising our target price for the stock shortly when the latest project data is available to us. Meanwhile, our 12-month target remains USD 26.04 per share, suggesting a 20% upside. **BUY**

Positive surprise from new appraisal

Colliers' new appraisal of TMM's portfolio at USD 1.1 bln exceeded our expectations (we anticipated it to lie in the range of USD 650-750) and came close to our own figure of USD 1.2 bln. Of the overall 196.5% portfolio appreciation, a re-valuation of TMM's previous portfolio (with two Kharkiv projects expanded) accounted for 65.0%, while eight newly added properties contributed 131.5%. TMM's stock now trades at a low backward-looking P/NAV of 1.0.

	Colliers valuation, USD mln	Concorde Capital valuation, USD mln	
	2007	2006	2007
Revalued projects	609.5	369.5	533.6
Newly added projects	486.0	0.0	637.7
Total portfolio valuation	1,095.5	369.5	1171.4

Source: Colliers, Concorde Capital as of June 30

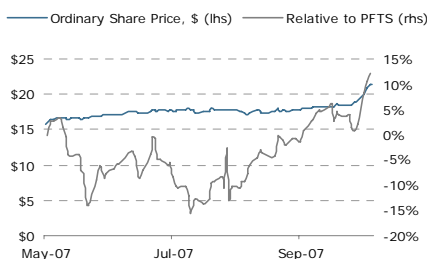
Ample room for further appreciation

TMM's two large projects, Arabatska Strilka resort complex and Gostomel warehouse, were conservatively valued by Colliers as land, for a total of USD 41 mln. We treated them as regular developments and estimated their combined value at USD 480 mln. We expect Colliers to revise their valuation of these properties upward next time, as the projects enter a more mature development stage. Another large resort complex in Crimea and a chain of logistics centers throughout Ukraine are likely to be added to TMM's portfolio for the next appraisal.

Target price upward revision to follow up

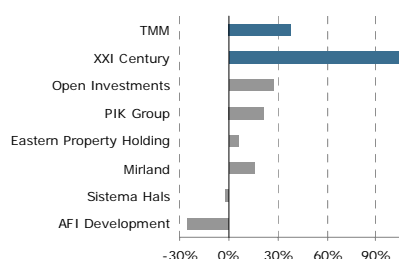
In our report on TMM dated August 9, 2007, we significantly undervalued a number of TMM's projects compared to the valuation by Colliers. Specifically, our appraisal of the Mykulychi cottage project was USD 201 mln short of Colliers' figure, because at the time of our valuation, detailed project data was not available. We will be revising our target price upward and in the meanwhile keep it at USD 26.04 per share.

Stock performance



Source: Bloomberg, PFTS

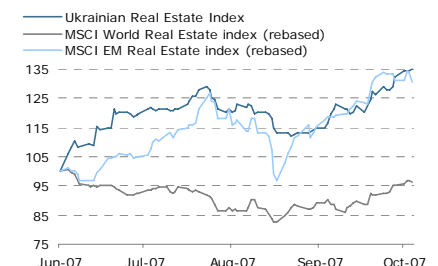
Sector performance YTD*



* TMM and AFI Development were listed in May 2007, PIK Group was listed in June 2007

Source: Bloomberg

Real estate indices



Ukrainian Real Estate Index is MCap-weighted and includes XXI Century, TMM and DUPD

Key financials & ratios, USD mln

	Revenue	EBITDA	Net Income	Book Value	Debt/Equity
2006	96	18	23	107	0.3
2007E	82	20	18	225	0.6
2008E	157	85	81	308	0.4
2009E	201	113	116	424	0.1

Spot exchange rate: 5.05

Financial Statements, IFRS

Income Statement Summary, USD mln

	2005	2006	2007E	2008F	2009F	2010F	2011F	2012F
Net Revenues	39	96	82	157	201	470	560	669
Cost Of Sales	(33)	(67)	(56)	(63)	(80)	(191)	(205)	(260)
Gross Profit	6	29	26	94	121	280	355	408
Other Operating Income/Costs. net								
SG&A	(6)	(9)	(7)	(9)	(9)	(11)	(9)	(6)
EBITDA	1	18	20	85	113	269	346	402
EBITDA margin. %	3.0%	19.1%	24.0%	54.0%	55.9%	57.2%	61.7%	60.1%
Depreciation	(0)	(1)	(3)	(3)	(3)	(4)	(4)	(4)
EBIT	1	17	17	81	109	265	342	398
EBIT margin. %	1.9%	17.7%	20.1%	51.9%	54.2%	56.4%	61.1%	59.6%
Interest Expense	(0)	(1)	(13)	(16)	(9)	(4)	(5)	(5)
Financial income	0	-	-	-	-	-	-	-
Other income/(expense)	9	14	20	32	33	24	31	45
PBT	10	30	24	97	133	286	368	437
Tax	(3)	(7)	(6)	(16)	(17)	(18)	(24)	(27)
Net Income	6	23	18	81	116	268	344	410
Net Margin. %	16.5%	23.7%	21.8%	51.4%	57.9%	56.9%	61.5%	61.3%

Balance Sheet Summary, USD mln

	2005	2006	2007E	2008F	2009F	2010F	2011F	2012F
Current Assets	117	123	310	375	773	891	1 070	1 173
Cash & Equivalents	10	1	113	51	166	36	28	33
Trade Receivables	45	27	53	55	70	71	84	100
Inventories	51	78	130	250	517	738	902	973
Other current assets	11	18	14	19	20	47	56	67
Fixed Assets	72	153	198	239	220	262	301	325
PP&E, net	45	77	106	107	106	107	109	110
Other Fixed Assets	26	77	92	132	115	155	192	215
Total Assets	189	276	508	615	994	1 153	1 371	1 499
Shareholders' Equity	66	107	225	308	424	424	442	585
Share Capital	67	67	167	169	169	169	169	169
Reserves and Other	(0)	40	58	140	256	256	273	417
Current Liabilities	105	124	166	176	524	683	789	746
ST Interest Bearing Debt	10	9	24	10	10	24	28	33
Trade Payables	24	47	22	25	20	57	62	47
Accrued Wages	-	-	-	-	-	-	-	-
Accrued Taxes	1	0	-	-	-	-	-	-
Other Current Liabilities	70	68	120	141	494	602	699	666
LT Liabilities	18	45	118	130	45	45	140	167
LT Interest Bearing Debt	14	26	112	113	18	18	18	18
Other LT	4	19	6	17	27	27	27	27
Total Liabilities & Equity	189	276	508	615	994	1 153	1 371	1 499

Cash Flow Statement Summary, USD mln

	2005	2006	2007E	2008F	2009F	2010F	2011F	2012F
Net Income	6	23	18	81	116	268	344	410
D&A	0	1	3	3	3	4	4	4
Non-operating and non-cash items	(12)	(6)	(60)	(27)	28	(41)	58	4
Changes in working capital	16	6	(49)	(102)	65	(102)	(86)	(146)
Operating Cash Flow	11	24	(88)	(45)	212	128	321	271
Capital Expenditures, net	(6)	(40)	(2)	(4)	(2)	(5)	(6)	(5)
Other Investments, net	(3)	(3)	-	-	-	-	-	-
Investing Cash Flow	(9)	(43)	(2)	(4)	(2)	(5)	(6)	(5)
Net Borrowings/(repayments)	4	10	101	(14)	(95)	13	4	5
Dividends Paid	-	-	-	-	-	(268)	(327)	(266)
Equity Financing & Other	1	(1)	100	-	-	-	-	-
Financing Cash Flow	5	10	201	(14)	(95)	(254)	(323)	(261)
Beginning Cash Balance	1	10	1	113	51	166	36	28
Ending Cash Balance	10	1	113	51	166	36	28	33
Exchange Rate Impact	(2)	0	-	(1)	-	-	-	-
Net Cash Inflows/Outflows	7	(9)	111	(62)	115	(130)	(8)	5

UAH/USD Exchange Rates

	2005	2006	2007E	2008F	2009F	2010F	2011F	2012F
Average	5.12	5.05	5.05	5.03	5.00	5.00	5.00	5.00
Year-end	5.05	5.05	5.05	5.00	5.00	5.00	5.00	5.00

Source: Company data, KPMG, Concorde Capital estimates

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