

INITIATING  
COVERAGE

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# TMM Real Estate Development

## Sizing Up



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# INVESTMENT THESIS

# TMM Real Estate Development

<http://tmm.ua/eng/>

## BUY

### INVESTMENT CASE

**TMM, one of Ukraine's largest real estate developers, expanded its project portfolio 2.3 times following the placement of a 13.12% stake with portfolio investors in May 2007. Our valuation indicates that the Frankfurt-listed stock has a 47% upside to the current market price. We initiate coverage with a BUY recommendation.**

#### Market booming, Low saturation

Ukraine's real estate market has seen a boom in all major segments in the past several years. Specifically, the residential segment in the capital of Kyiv, TMM's key mainstay, produced returns of 40-70% in 2003-2006. We believe the investment appeal of the Ukrainian real estate sector will remain high at least in the next three-five years given the wide deficit of quality residential and commercial premises.

#### Leading player with a solid track record

After more than 13 years on the Ukrainian market, TMM is among Kyiv's top five players in the business/premium class residential segment, with a strong presence in Ukraine's second largest city, Kharkiv and projects in the cities of Yalta and Zhytomyr and in Kherson region. Due to its in-house construction capacities, the company is in control of project costs and timing. The total area of TMM-constructed property to date is 360 ths m<sup>2</sup>.

#### Delivering as promised

TMM's project management expertise received another confirmation recently. Just as planned, in July 2007 the company announced the completion of two residential projects in Kharkiv - Atoll and Druzhba - with a total area deliverable this year of 34.2 ths m<sup>2</sup>. TMM is well on track to deliver two more residential premises in Kharkiv and one more in Kyiv by year end, which will add 27.8 ths m<sup>2</sup> to its record.

#### Portfolio more than doubles following placement

In May 2007, TMM raised USD 105 mln by placing a 13.12% stake of equity with portfolio investors and is now directing the proceeds into the development of new projects. By July, TMM added to its portfolio commercial and residential projects with a total saleable area of ~780 ths m<sup>2</sup>, an increase in deliverable space by some 130%. The beefed up portfolio will be appraised by Colliers as of the end of 1H07, with the results expected in September.

#### Appears to be valued attractively

We valued TMM's expanded portfolio at USD 1.2 bln based on a DCF approach. Our 12 month target price for the company's stock is USD 26.04 per share, which implies a growth potential of 47%. That said, we admit that adjustments to our valuation might be needed when the final concepts for the new projects are approved by the company and accepted by Colliers.

# Real Estate / Ukraine

12M target, USD

26.04

### Market information

Frankfurt/ XETRA	TR61 GR
Market price, USD	17.74
Chg YTD	13%
Hi/Lo YTD, USD	18.15/15.70
MCap, USD mln	919.1
No of shares, mln	51.8
Avg Mo Tr Vol YTD, USD mln	0.81
Free float	13.12%
Free float, USD mln	120.6

### Stock ownership

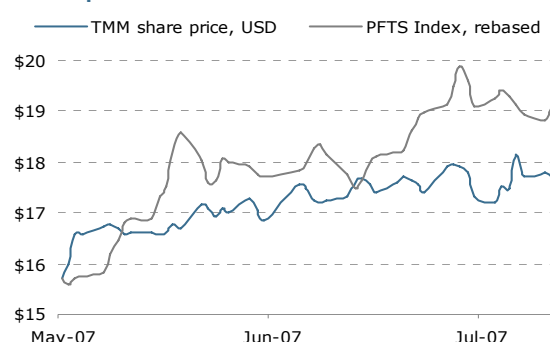
Mr. Tolmachov	70.4%
Management	16.5%
Portfolio investors	13.1%

### Key financials, USD mln

	2007E	2008F	2009F
Revenue	82	157	201
EBITDA	20	85	113
Net Income	22	82	118
Book Value	208	292	203
Debt/Equity	0.5	0.4	0.1

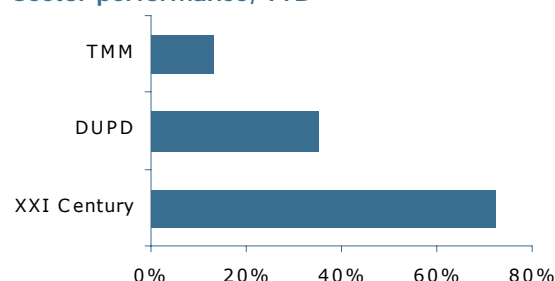
Source: Concorde Capital estimates

### Stock performance vs. PFTS



Source: Bloomberg, PFTS

### Sector performance, YTD\*



\*TMM and DUPD were listed in May 2007

Source: Bloomberg

## EXECUTIVE SUMMARY

## Getting Exposure to Booming Real Estate Market

Returns on residential and commercial property in Kyiv remain among the most attractive in the EMEA. Institutional investors willing to get exposure to the booming market often have to deal with its low transparency and lack of investable high quality property making investment into real estate stocks a feasible alternative.

## Opportunities Scarce, TMM among the Few

At present, there are very few real estate stocks in the Ukrainian stock universe. XXI Century was the first to enter the market with an IPO in late 2005 followed by several private placements in 2006 and 2007.

TMM's placement in May 2007 provided additional liquidity to the market where XXI Century (Bloomberg ticker XXIC LN) has been recently the only publicly traded real estate stock.

### Ukrainian Real Estate Stock Market

Company	Date of placement	Equity raised, USD mln	Stake offered, %	Stock Exchange	Constructed area to date, ths m <sup>2</sup>	Area in the pipeline, ths m <sup>2</sup>
XXI Century	Dec'05	139	36%	LSE AIM	45	4 296
Sablink	Jun'06	35	73%	n/a	n/a	n/a
VK Development	Nov'06	23	37%	n/a	0	451
TMM	May'07	105	13%	DB OM	360	1 323
DUPD	May'07	208	100%	LSE AIM	0	n/a
Karavan Real Estate	Jun'07	55	<10%	n/a	47	n/a
TKS Management	Jul'07	40	22%	DB OM	68	150
AISI Realty Public	Aug'07	33	30%	LSE AIM	0	241

Source: Bloomberg, Concorde Capital

## Leader in High End Housing Market

TMM is one of Ukraine's leading real estate development and construction companies with a 13 year presence in the market. The company's key focus is high-end residential property, although it has also developed and constructed a few commercial premises. Since its foundation the company has completed 22 projects with a total area of 360 ths m<sup>2</sup> and has another 27 projects on the way. TMM's current portfolio is comprised primarily of premium and business class property. TMM's project costs and timing are on a tight lease thanks to the company's vertical integration.

It is the only company on the Ukrainian residential market that offers an all-inclusive approach by selling apartments furnished with fine interiors and infrastructure. In addition, TMM is one of the very few real estate companies in Ukraine to provide tenants with a comprehensive array of utility and maintenance services.

## Investment Characteristics

TMM's combination of development and construction business as well as its clear focus on high-end residential real estate suggests that it should be viewed at a different angle than its public peers.

Given TMM's concentration on residential projects, its business envisages prepayments from customers, which makes cash inflows from operations more stable compared to the developers investing mainly in commercial real estate. We think the company is more secured on the downside should Ukrainian real estate market see a turnaround.

On the other hand, presales scheme prevents the company from fully capturing potential property appreciation. Proceeds from the planned placement should enable TMM to lessen the extent of prepayments in its sales, as it is going to fund new projects with the capital raised decreasing the share of operating cash flows/debt in project financing.

## Valuation

We derived TMM's 12 month target price using sum-of-the-parts (SOTP) method based on DCF. We estimate the 12 month target at USD 26.04/ share, a market capitalization of USD 1349 mln.

## Project Portfolio

TMM's project portfolio includes 30+ projects spanning four regions: Kyiv, Kharkiv, Zhytomyr, and Yalta. Most of the projects are business and premium class residential properties. In addition to residential property, the portfolio includes five commercial premises.

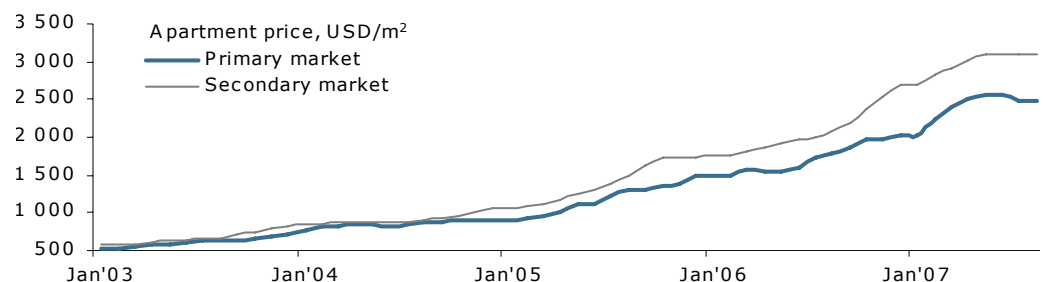
Since the placement in May 2007, TMM has added 5 more new projects to its portfolio more than doubling both the floor plate and NPV. We estimate total NPV of the current portfolio at USD 1.2 bln.

## Demand for Housing Fueled by Strong Macro

Ukraine's sound economic development in the past seven years, supported by strong export commodity markets and growing domestic consumption, resulted in GDP growth at a 7% CAGR. Real disposable income nearly tripled during the period, with a notable acceleration in the last three years at a CAGR of 20%. With support from the overall macro picture, Ukrainians are seeking out their own "Ukrainian dream" in overwhelming numbers. The residential market is booming.

Ukraine's per capita residential real estate stock of 22 m<sup>2</sup> in 2006 is about half of the European average, which amounts to ~40 m<sup>2</sup> per capita. The main market driver is low stock per capita, an issue inherited from Soviet times. In fact, the housing supply/demand imbalance has put upward pressure on prices for residential real estate, sending them skyrocketing upward in the last five years.

### Kyiv housing pricing



Source: Realt.Ua

A key facilitating factor has been the increasing availability of mortgages, which in 2005 tripled in amount from a year earlier and more than doubled in 2006. By the end of 1H07, the amount of mortgage credits outstanding constituted a little bit over 5% of the country's GDP, on par with Russia. In developed economies this figure is 40-50%.

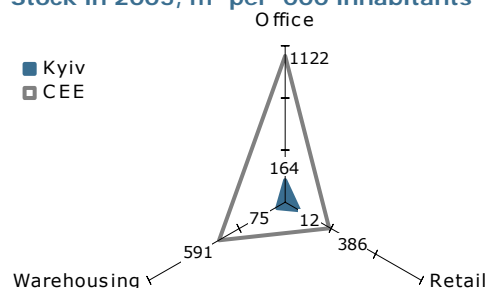
With a lack of alternative investment opportunities for individuals, and superior historical performance of the market, we think that investment money will continue to be pumped into the premium segment of the market in 2007-2009.

## Commercial Market: Vast Room for Growth

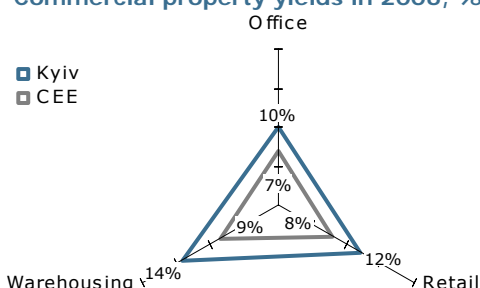
Escalating business activity in Ukraine's large cities has created high demand for office premises while the supply of quality office space is lagging far behind. Demand for retail space has been also growing enormously on the back of retail spree. With a 23% CAGR in 2002-06 in real terms, Ukraine's retail trade made the country the fastest growing retail market in Central and Eastern Europe (CEE). Total retail turnover jumped up 25% and reached USD 24.5 bln in 2006 in nominal terms.

Kyiv alone accounts for ~17% of Ukraine's GDP, and its officially registered population amounts to 5.7% of the country's total. Ukraine's largest and most economically developed city, Kyiv represents the largest market for office and retail space.

Stock in 2005, m<sup>2</sup> per '000 inhabitants



Commercial property yields in 2006, %



Source: Jones Lang LaSalle, CBRE, Concorde Capital estimates



## MARKET OVERVIEW

## Macro background

**Ukraine's economy: Seven years of solid growth.** Ukraine's sound economic development in the past seven years supported by strong export commodity markets and growing domestic consumption resulted in a 7% GDP CAGR. Real disposable income nearly tripled for the period, with growth accelerating in the last three years at a CAGR of 20%. Domestic consumption bolstered by rising incomes posted a 16% CAGR in 2004-06. We expect GDP growth in 2007E-2010F will continue to promote further increase in disposable income and provide a supportive background for demand for real estate.

**Inflation: Under control.** Ukraine's CPI in 2001-06 never exceeded 13% p.a., which, in our view, indicates the National Bank's increased ability to keep inflation within reasonable bounds. The country's economy was able to shoulder the doubling of imported natural gas prices in 2006 without a significant impact on inflation or the economy as a whole. In 2007E, we expect CPI to total 10.5%, an improvement over 2006, due to the current government's efforts to tighten budgets for social payments.

### Ukraine's key macroeconomic indicators

	2003	2004	2005	2006	2007E
GDP (eop, change in %)	9.6	12.1	2.6	7.1	7.3
CPI (eop, change in %)	8.2	12.3	10.4	11.6	10.5
PPI (eop, change in %)	11.2	24.3	9.6	14.2	18.7
Current account balance (% of GDP)	5.8	10.6	3.1	-1.5	-3.7
Exchange rate (UAH/USD, eop)	5.33	5.31	5.05	5.05	5.05
Budget deficit (% of GDP)	0.2	2.9	1.7	0.7	1.9
FDI (USD mln, cumulative, eop)	6,794	9,047	16,890	21,186	26,685

Source: State Statistical Committee, CASE Ukraine and Concorde Capital estimates

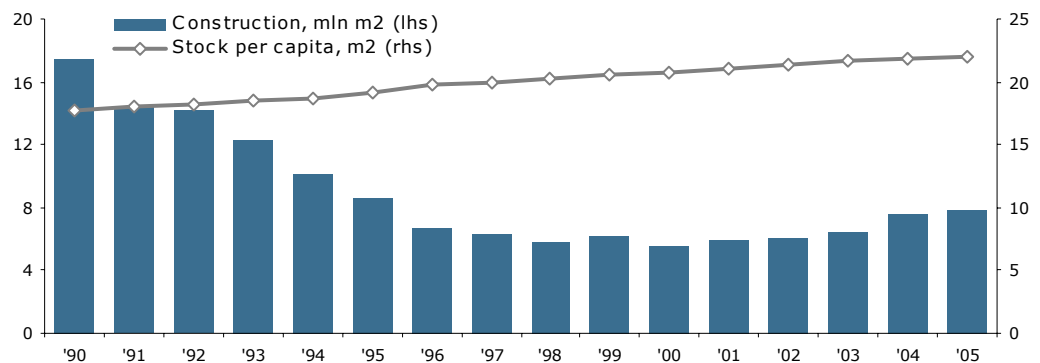
**Steady foreign direct investment inflow signals investor confidence.** The inflow of FDI to Ukraine amounted to USD 4.3 bln in 2006, resulting in FDI stock of USD 21.2 bln at the beginning of 2007 according to the State Statistics Committee. We expect to see another USD ~5.5 bln in 2007.

# Residential Property Market

## Housing Stock in Low Supply

Ukraine's residential construction has been rising at a CAGR of 7.1% since 2000 but annual additions to housing stock still have been far smaller than in 1990. Severe housing shortages, a legacy from the Soviet Union, still remain an issue. This is most obvious when comparing Ukraine with European countries: Ukraine's per capita residential real estate stock of 22 m<sup>2</sup> in 2005 is about half of the European average, which amounts to ~40 m<sup>2</sup> per capita. Thus given the current rate of housing stock augmentation and assuming no population growth, it would take Ukraine more than one hundred years to catch up to European countries in terms of residential stock per capita.

### Residential real estate construction and stock in Ukraine

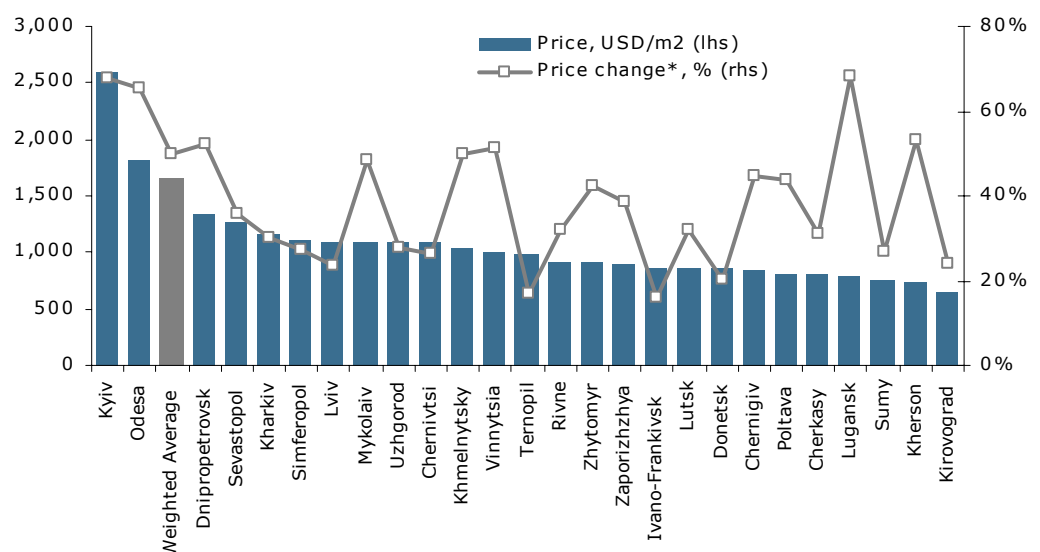


Source: State Statistics Committee

## Prices Reach Record Highs in 2006

The housing supply/demand imbalance has been putting upward pressure on prices for residential real estate sending them skyrocketing up for the past five years. In 2006 alone, appreciation of residential real estate in Ukraine's major cities averaged 50%, ranging from 16.0% in Ivano-Frankivsk to 68% in Kyiv and Lugansk. Consensus opinion on the market puts 2005 and 2006 as years record high growth in Ukraine's housing prices.

### Housing price in 2006



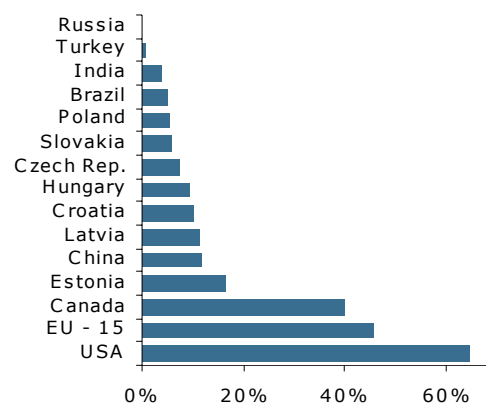
\* Price changes are from Jan 2006 to Jan 2007

Source: Planeta Obolon

## Greater Mortgage Availability to Further Fuel Demand

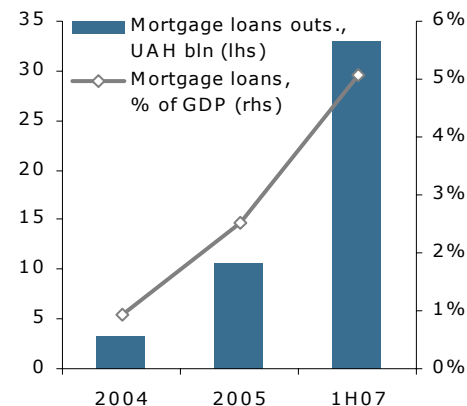
The law on mortgage financing came into force in January 2004. Prior to that, purchasing a home using bank loans was quite complicated, did not provide for long enough maturity, required a significant down payment and interest rates were too high to make this type of transaction widespread. From 2000 to 2006, effective interest rates on mortgage loans shrank by nearly three times and at the end of last year averaged ~13.4% for dollar-denominated and 18.2% for hryvna-denominated loans, according to Prostobank Consulting.

**Outstanding Housing Debt '04, % of GDP**



Source: World Bank

**Mortgage financing in Ukraine**



Source: Ukrainian National Mortgage Association, Concorde Capital estimates

The enhanced availability of mortgage loans starting from 2004 resulted in a tripling of their amount in 2005 and more than doubling in 2006. Housing mortgage loans comprise the lion's share of mortgage lending, accounting for 60-65% of the total mortgage pool. Credit is becoming a major source of financing for the purchase of housing in Ukraine. According to the ARCO Real Estate Agency, in the past five years the number of deals using mortgage financing grew from 5% to 55% and as of April 2006 more than 60% of housing purchases in Kyiv were made using loans.

We believe that there is enormous potential for the further increase of mortgage financing in Ukraine. By the end of 1H07, the amount of mortgage credits outstanding constituted a little bit over 5% of the country's GDP, on par with Russia, whereas in developed economies this figure is 40-50%. We would expect Ukraine's mortgage to GDP ratio to reach ~15% in the next three-four years, on par with that of China, Thailand, Chile and Estonia in 2004. This would more than triple the amount of funds available for purchasing of housing.

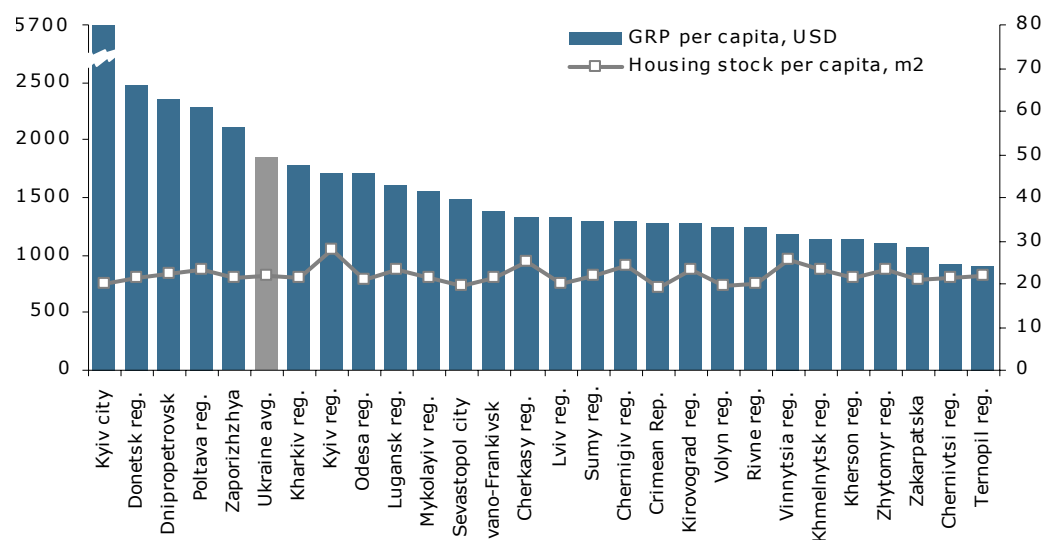
## The Kyiv Housing Market

Ukraine's capital, Kyiv, is the center of the country's business and political activity. It is Ukraine's largest city with an officially registered population of 2.7 mln in 2005. Kyiv accounts for ~15% of new housing construction and represents the largest market in the country. Turnover in Kyiv's secondary housing market is estimated at USD 4.5 bln for 2006 while that of the primary market is hard to measure due to prevalence of mortgage financing.

### Need for Residential Properties Escalating

Kyiv's per capita housing supply of 20.2 m<sup>2</sup> in 2005 is below Ukraine's average of 22.0 and much lower than the European benchmark of 40 m<sup>2</sup>. These calculations do not take into account the fact that the city's real population is significantly higher than official data. According to the real estate consultancy Ukrainian Trade Guild, migrants into Kyiv to a large extent determine demand for the capital's residential real estate. According to official statistics, ~30 ths people move to Kyiv each year in search for jobs, education and career development, while more realistic estimates suggest that migrants increase the city's population by 55-60 ths (or ~2%) annually. This figure matches the rate of net additions to the capital's housing stock of 1.5-2% over the last three years.

GRP and housing supply by region, 2005



Source: State Statistics Committee

Kyiv's GRP per person is a multiple of per capita GRPs for any of Ukraine's other regions, which, from a macroeconomic perspective, makes citizens of Kyiv by far the wealthiest in Ukrainian. This, in effect, boils down to Kyiv's strong demand for residential property and the city having the highest real estate prices in Ukraine.

### Will There Be an End to Price Skyrocketing?

According to the data obtained from the Ukrainian Real Estate Portal, apartment prices in the capital grew on average 37% on the primary market and 52% on the secondary market in 2006 continuing to boom for the fourth consecutive year. Other industry experts (e.g., Planeta Obolon, Global Solutions) have prices growing 60-70% in Kyiv last year. On average, prices on the primary market passed the threshold of USD 2,000 /m<sup>2</sup> while those on the secondary market climbed up to USD 2,700 /m<sup>2</sup> at the end of 2006.

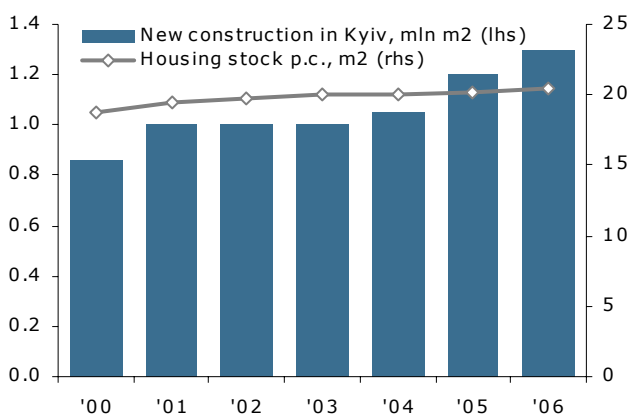
These unprecedented highs raise questions about whether the average Kyivite can still afford such expensive apartments and whether the current price level is sustainable. Official salary and income data do not answer this question since a

large portion of income remains unseen due to the significance of the shadow economy in Ukraine. Apart from the factor of higher real income, other important Kyiv specific prices conducive to price growth are:

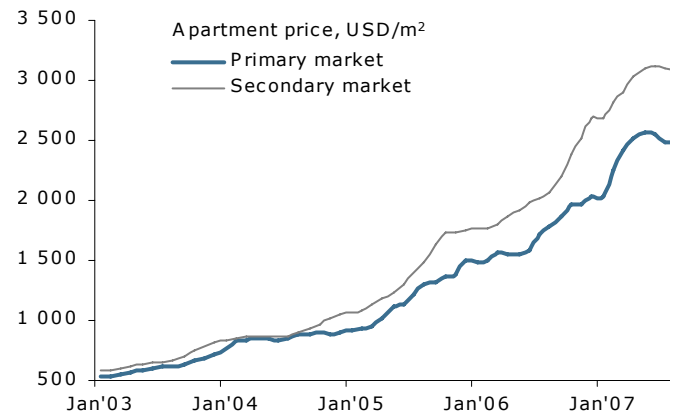
- rapid development of mortgage lending, as discussed above
- growth of household incomes on the back of the strong economy
- inflow of migrants from other regions, many of whom have wealth and income much higher than average (regional elites)
- demand for residential property as an investment vehicle (well-off Ukrainian residents and foreign citizens) and anti-inflation protection (average income Ukrainian residents). We will discuss this in the next section.
- limited supply of new properties.

While according to many Kyiv realtors, the most significant price driver in 2006 was arrival of regional elites, predominantly from the Donetsk region, caused by Parliamentary elections, we do not think this factor will be decisive in the near future. Migrant flows will continue but their purchasing power will hardly match that of 2006.

#### Kyiv housing market: price and construction dynamics



Source: State Statistics Committee



Source: Realt.Ua

On the other hand, the supply factor deserves special mention. In 2006, new residential construction in Kyiv totaled 1.3 mln m<sup>2</sup> and it is not expected to grow significantly in 2007-2008. At the same time, by most conservative estimates the capital needs no less than 2.0 mln m<sup>2</sup> p.a. Two companies, Kyivmiskbud and Zhytlo-Invest, control ~80% of Kyiv's economy housing market and are able to regulate the supply of new apartments and thus maintain high prices. We forecast that Kyiv will remain a seller's market at least in the medium term, as competition is unlikely to evolve fast: local companies are well connected and much better positioned to effectively communicate with local authorities, prepare all paper work and obtain permits for construction sites.

All in all, we believe that in the middle term apartment prices will be further prompted by a mere shortage of properties, investment demand and greater availability of mortgages, while in the longer term, e.g., starting from 2010F, apartment price increases will be more moderate, up to 10% per annum and in line with household income and housing mortgage volume growth.

### Segment Analysis: Where the Promise Lies

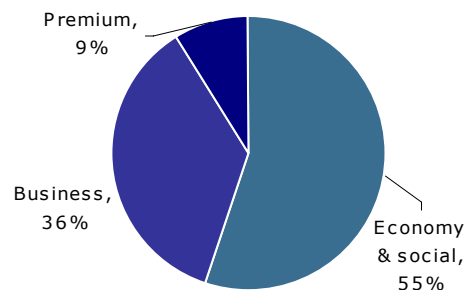
Segmentation of the Ukrainian housing market into classes by quality has historically been arbitrary due to the lack of an officially recognized property classification system. In 2006 the largest market operators adopted a general classification of residential property with five distinct classes: deluxe, premium, business, economy and social. Although this system has not yet been recognized by regulators, it is expected to establish common rules in the market, discipline prices and enable intelligible price segmentation.

### Apartment Classification

	Social	Economy	Business	Premium	Deluxe
Location	Bedroom communities	Bedroom communities	Districts adjacent to city center	City center and adjacent districts,	Historic city center
# of storeys	Any	Any	Any	8-12	Up to 7
Construction technology	Concrete panel	Solid-cast frame, brickwork; concrete panel	Solid-cast frame, brickwork	Solid-cast frame, brickwork	Solid-cast frame, brickwork
# of appts	Any	Any	Any	Up to 30	Up to 30
Underground parking	0.5 parking slots per appt	Up to 1 parking slot per appt	1 parking slot per appt	2 parking slots per appt	2 parking slots per appt
Security	No requirements	Minimum	Limited	Full-scale	Full-scale
Elevator	Any	Any	Business class	High speed elite	High speed elite
Building and site fixtures	Basic	Basic	Most	Full range	Full range
Other amenities	1 phone line	1 phone line	>1 phone line, access to I-net	AC, unlimited # of phone lines, fiber optic distribution	AC, unlimited # of phone lines, fiber optic distribution; wireless I-net

Source: Ukrainian Construction Association

### Kyiv primary market structure in 2005



Source: ARCO Real Estate

While there is a shortage of all classes of housing in Ukraine, elite properties (deluxe and premium classes) are arguably in the highest demand in Kyiv. The elite housing segment is the least developed in Ukraine, and the deluxe class is practically non-existent.

Ukraine's wealthiest individuals who buy high-end housing for personal use are an important component of the overall demand for elite properties. They are typically owners of large and middle-size businesses, top managers, foreign

citizens representing multinational companies in Ukraine, government officials, politicians, or involved in show business. This stratum of Ukraine's society, although not numerous, is constantly growing and moving to the capital, while the supply of quality housing is lagging behind.

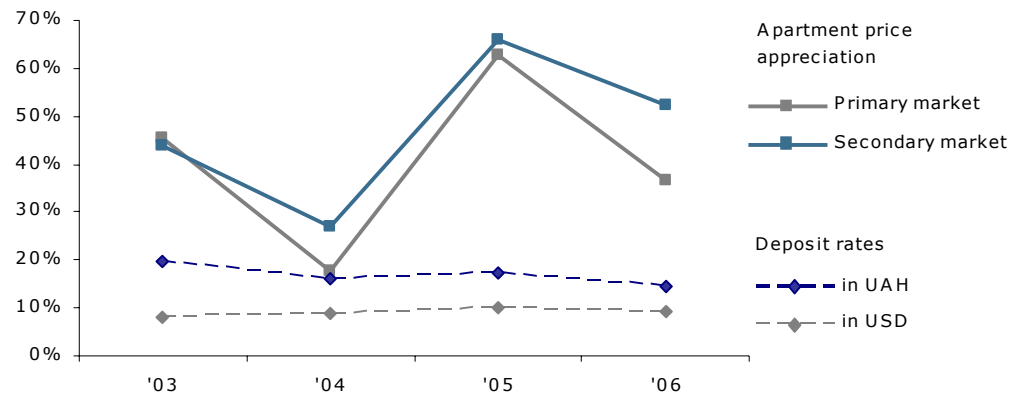
As suitable location is a primary prerequisite for construction of elite real estate, this imposes an additional restriction on the supply of luxury apartments. There is a shortage of space in the prestigious central and historic parts of the city whereas gated community development on the outskirts of Kyiv is in a very nascent stage due to the lack of infrastructure. Only those few lucky developers who are able to obtain land plots in prime areas can construct elite housing.

## Investment Market: Still Attractive

As in Moscow, a large number of apartments in Kyiv are being purchased by investors seeking price appreciation and/or to lease them out. For years, this has proved to be a top-performing investment strategy given that housing price growth in the capital significantly exceeded interest earned on bank deposits.

It is common practice in Kyiv to fix rent payments and apartment prices in US dollars. Given price appreciation ranging from 20% to 60% in the past four years and estimated current rental yields of 5-8% p.a. (7-10% in early 2006), historical return on residential property has been more impressive than interest on USD-denominated deposits. We anticipate total returns on residential real estate to remain more appealing than interest on banking deposits at least in 2007-2008 due to the expected double digit price appreciation of 15-25%. We think that average rental yields on residential property should be relatively stable in 2007E-2008F and explain their compression in 2006 by the fact that average increase in rentals (15-20%) lagged behind the enormous growth of apartment prices.

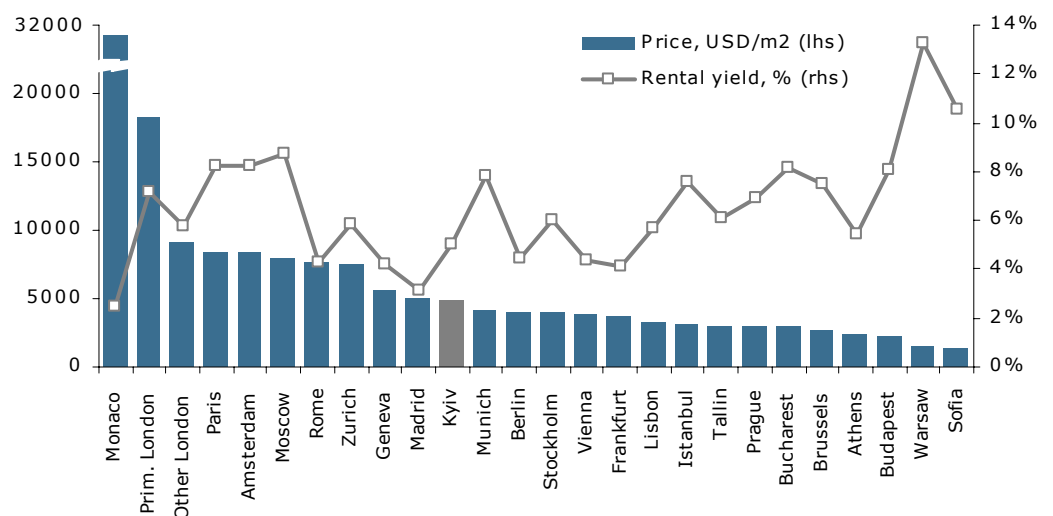
### Capital gains: residential real estate vs. bank deposits



Source: National Bank of Ukraine, Realt.Ua

Given the superior past performance and a scarcity of alternative investment opportunities for individual investors in Ukraine, we think that investment money will continue to be pumped into housing properties in Kyiv in 2007E-2009F. Within this horizon, we do not expect any destabilization in the market resulting from a potential sharp increase of housing supply followed by outflow of investment capital. At present, high-grade apartments are in high demand by individual investors in Kyiv real estate and will probably remain in low supply.

### Elite apartment statistics, 2006



Source: Global Property Guide, Planeta Obolon



## Regional Housing Markets

### The Kharkiv Housing Market

Kharkiv is Ukraine's second largest city with population of 1.5 mln people. It has a developed industrial economy and advanced infrastructure, and is among the three cities in Ukraine that have subways. It is the capital of Ukraine's large eastern region bordering with highly developed Russian regions. Kharkiv region's GRP per capita is the fifth largest in Ukraine, and its amount of CapEx per capita is the third largest in the country. Industrial output accounts for 50% of the Kharkiv region's GRP.

Due to its proximity to Ukraine's coal, metal and mining domains, Donetsk and Dnipropetrovsk regions, Kharkiv has emerged as the center of the country's machine building, engineering and metal processing industry. Rich in natural gas, Kharkiv region has a developed fuel and energy sector. In addition, its resource base gave rise to chemicals, glass and construction materials industries.

Fueled by growth of household incomes and insufficient housing supplies, demand for new and comfortable apartments has been escalating in Kharkiv since 2002. In 2005-2006, prices for residential property in Kharkiv grew at 30% p.a. The city remains among the most promising markets for residential real estate.

### The Zhytomyr Housing Market

Zhytomyr is the capital of the region in the north-western Ukraine and is an important transportation junction. The city is located 165 km away from Kyiv by rail and 131 km by car. Highways from Kyiv to Warsaw and from Izmail to Minsk pass through Zhytomyr. It has railway connections with Moscow, Saint Petersburg, Lviv, Odesa, Kharkiv, etc. Zhytomyr region is the fifth largest in Ukraine and is rich in timber and mineral resources. It is yet to see an inflow of investments to develop its industrial potential. Currently the food industry accounts for about 40% of the region's industrial production.

Zhytomyr is an average-sized city populated by 280 ths people. Yet the city's housing deficit is a serious issue, the supply of new developments is scanty and low quality. Generally overlooked by developers, the city's residential property market presents excellent opportunities for aggressive first-comers.

### The Yalta Housing Market

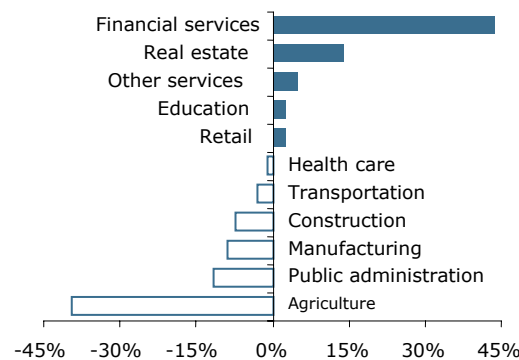
Yalta is among Ukraine's most renowned resorts, located on the southern coast of the Crimean Peninsula, with a mild Mediterranean climate. This city has the Black sea, on one side, and the Crimean mountains, on the other, making it one of Ukraine's most visited cities in the summer season despite its relatively small population of 100 ths people. Yalta's housing market has seen a swift revival over the past two years. From fall 2004 to summer 2006 apartment prices jumped by 40%-100%, depending on segment and location. Demand for housing in Yalta to a great extent is being fueled by Russian buyers, whose share in the primary housing market grew to some 40% vs. 15% in the past. According to local realtors, demand now overwhelmingly surpasses existing supply pushing prices for residential real estate further upwards. Yalta's land plots in close proximity to the seashore are regarded as prime sites for the development of cottages and hotel real estate.

# Office Real Estate

## Economic Growth and Structural Shifts Fuel Demand

Escalating business activity in Ukraine's large cities has created high demand for office premises while the supply of quality office space is lagging far behind. Among fundamental drivers of the demand are general economic growth and the change in the economy's profile.

### Employment change in Ukraine, 2001-06



Source: State Statistical Committee

Ukraine's GDP grew at 7% CAGR in 2000-2006 thanks to strong export commodity markets and growing domestic consumption. At the same time, development of service-related sectors dramatically changed the employment profile in the country, with work force moving from manufacturing and agriculture to service industries concentrated primarily in large cities. Specifically, over 2001-2006 the financial services industry saw a cumulative 44% growth in work force employed followed by real estate and other service industries.

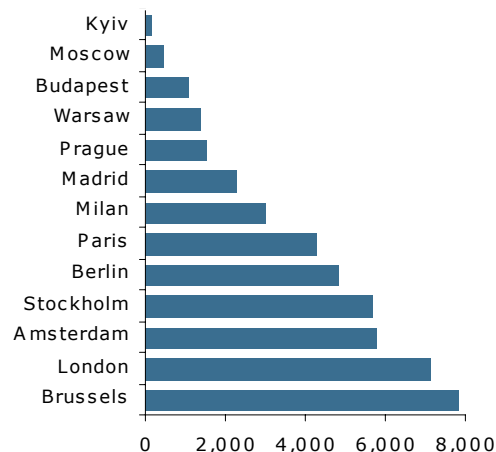
Consolidation in Ukraine's traditionally developed industries coupled with the dynamic development of newly emerged industries has resulted in a heightened demand for office space in regional centers.

## The Kyiv Office Market: Far from Saturation

Kyiv alone accounts for ~17% of Ukraine's GDP, while its officially registered population amounts to 5.7% of the country's total. Ukraine's largest and most economically developed city, Kyiv represents the largest market for office space.

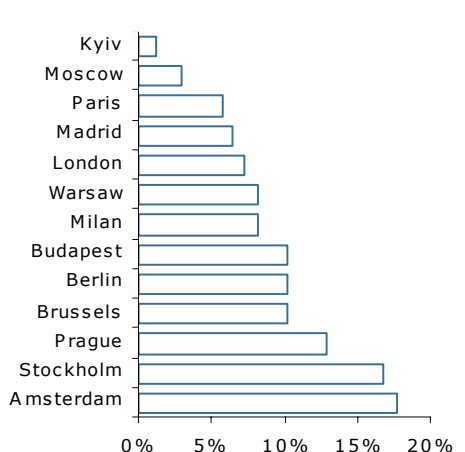
**Office space needed.** In per capita terms, Kyiv has the fewest amount of office space among other European capitals.

### Office stock per '000 inhabitants in 2005, m<sup>2</sup>



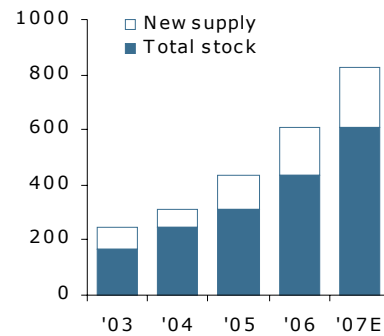
Source: Jones Lang LaSalle, Colliers

### Office vacancy rates in 2005, %



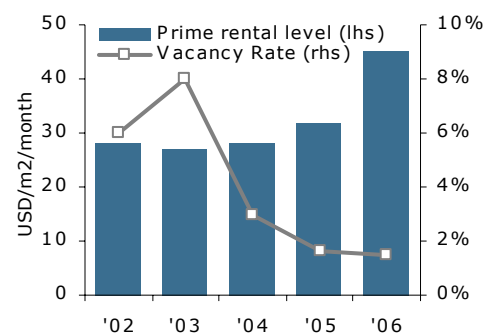
Modest supply, about 290 ths. m<sup>2</sup> cumulative during 2005-06, was not sufficient to meet growing demand and was absorbed by the market at once. According to estimates by Colliers and DTZ, deferred demand in Kyiv amounted up to 500 ths m<sup>2</sup>, while the city's entire office stock by the end of 2006 totaled 607 ths m<sup>2</sup>.

### Office space stock in Kyiv, ths m<sup>2</sup>



Source: Colliers

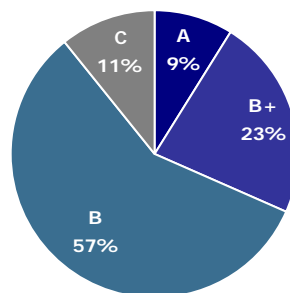
### Rental rates vs. vacancy in Kyiv



Source: Colliers

High demand coupled with low office stock resulted in vacancy rates dropping to 1.5% by the end of 2006 – the lowest ratio in Europe – reflecting the deficit of quality space in the market. Simultaneously, rental rates increased by 40% and reached USD 45-50 /m<sup>2</sup>/month for A-class and USD 30-35 /m<sup>2</sup>/month for B-class by the end of 2006.

### Office space by class in Kyiv, 2006



Source: Colliers

### Quality premises lacking the most.

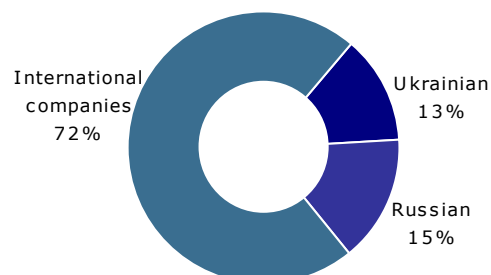
Currently, the bulk of existing space does not meet requirements for modern office buildings. Class A and B+ office space accounted only for 32% of total office space in Kyiv in 2006. Most of the space is class B and class C, which are mainly refurbished old industrial or administrative buildings.

The quality segment of Kyiv's office real estate market enjoys the most dynamic development. As new quality office premises come onstream, businesses that were previously forced to rent renovated administrative buildings, former research centers or even apartments for their offices are relocating there.

**Demand shaped by foreign companies.** Largely thanks to Kyiv's status as the capital, demand from foreign companies is especially high: they took up ~87% of newly constructed office space in 2006.

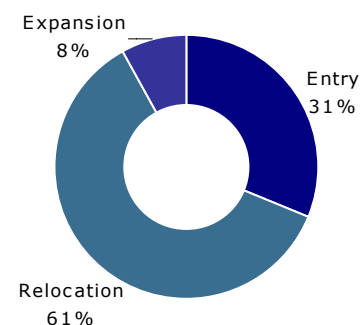
About two thirds of all transactions in Kyiv in 2006 were due to either relocating or expansion, and the balance was due to the entry of new companies.

### Take-up by company origin, 2006



Source: Colliers

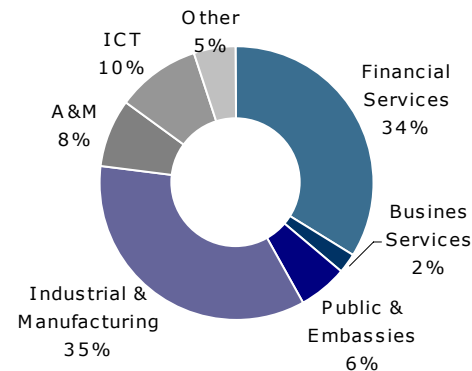
### Take-up by type of transaction, 2006



Source: Colliers

Industry-wise in 2005, the take-up by companies delivering financials services comprised 34% of the total, nearly matching that of industrial & manufacturing companies, with 35%.

#### Take-up by industry in Kyiv, 2005



Source: DTZ

**More projects in the pipeline but still not enough.** More than 600 ths m<sup>2</sup> of office space, a six-fold increase compared to the supply in 2006, are to be delivered in 2007-08 in Kyiv.

#### Office premises put into operation in 2006

Property	Location	Class	Total Area, m <sup>2</sup>
Iceberg	Zhylyanska Str., 73-79	B	39 000
Komod	Lunacharskogo Str., 7	B+	26 000
Lviv Gate	Artema Str., 17	B+	14 700
Renaissance	Vorovskogo Str., 24	B	14 000
Europe Plaza	Shevchenka Blv./Saksaganskogo St.	A	12 000
Business Center	Zabolotnogo Str., 150	B	11 000

Source: Astera

Still, given that current deficit of quality office premises is already 500 ths m<sup>2</sup> and demand is steadily increasing, we think the supply will not be in excess over the next two-three years. More likely, the market will see delays in construction of new office premises compared to the planned schedule, which should further aggravate demand-supply imbalance. We expect low vacancy rates and growing rental rates to prevail in the midterm.

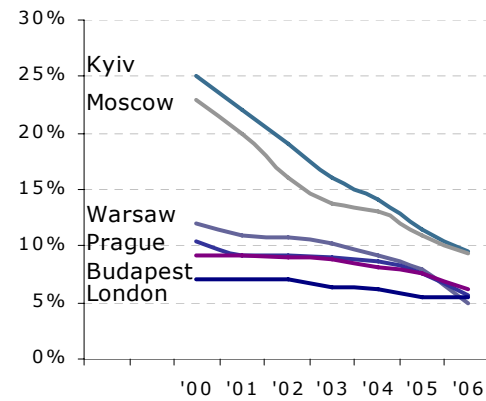
#### Office premises pipeline for 2007-2008

Property	Location	Class	Total Area, m <sup>2</sup>
International Business Park	Polzunova St.	A	105 000
Chokolovsky	40 Ushynskogo St.	B	60 500
Business Center	5 Uborevycha St.	A	39 000
Forum Part Plaza 2	9 Moskovsky Av.	B	35 000
Il'yinsky	6a Ilyinska St.	B+	35 000
Parus	Mechnykova St. & Ukrayinky St.	A	30 000
Business Center	Moskovsky Av. & Elektrykiv St.	A	30 000
Toronto-Kyiv	78 Gorkogo St.	A	28 000
Lybid' Plaza	176 Antonovycha St.	A	20 000
Vynogradar	35 Svitlyckogo St.	B	18 000
Business Center	22/15 Novokonstyantynivska St.	B	18 000
Olimp	1 Sportyvna Sq.	A	17 000
Business Center	23 Yaroslaviv Val St.	B	14 500
Business Center	Dontsa St.	B	13 500
Merks	Kovpaka St. and Vasylykivskoyi St.	A	12 000
Business Center	19 Kharkivske Way Av.	B	10 000
Business Park	Povitroflotsky Av.	B	32 000
Business Center	12 Gospytalna St.	B	20 000
Business Center	12 Mykhaylivska St.	A	12 000
Ambassador	47-50 Zhylyanska St.	B	10 000
Business Center	24 Mykhaylivska St.	B	10 000
Capital Center	43 Glybochyt'ska St.	A, B+	64 380

Source: Astera

**Rental yields attractively high.** Compared to CEE and Western European markets, yields on office properties in Kyiv are quite high. Despite a decline in the benchmark prime yield from 23% in 2000 to 10% in 2006, it is still above the prime yields in Central and Eastern European capitals lying in the vicinity of 5-7%, let alone yields in Western Europe.

#### Prime Yields



Source: Colliers

Due to significant investment appeal, the Kyiv office market draws the attention of foreign players operating in CEE and Russia.

Until recently, there were only a few transactions on the market, the acquisition of the Leonardo Business Center by Irish Quinn Group for USD 95 mln being the biggest deal in 2006.

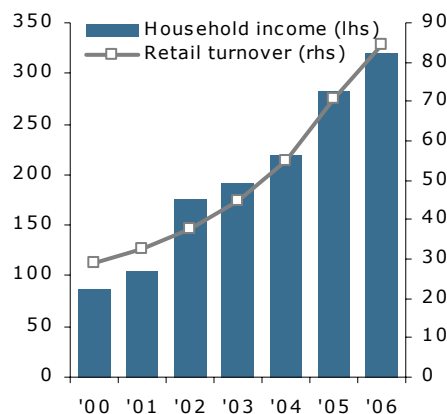
We expect rental yields for Kyiv office property to remain attractive in the mid-term and converge with CEE levels no earlier than in three years.

# Retail Property

## Demand fueled by retail trade growth

**Retail in a stage of explosive growth.** With 23% CAGR in 2002-06 in real terms, retail is one of the most dynamic sectors of the Ukrainian economy, making Ukraine the fastest growing retail market in Central and Eastern Europe (CEE). Total retail turnover jumped up 25% and reached USD 24.5 bln in 2006 in nominal terms. In 2006, for the second consecutive year, A.T. Kearney ranked Ukraine among the five most promising retail markets within GEM, following India, Russia, Vietnam but ahead of China.

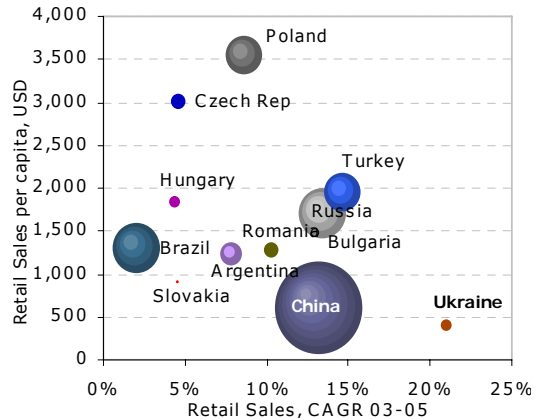
**Retail vs. Income in Ukraine, UAH bln\***



\* adjusted for CPI

Source: State Statistic Committee

**Ukraine's vs. Global retail sector market**

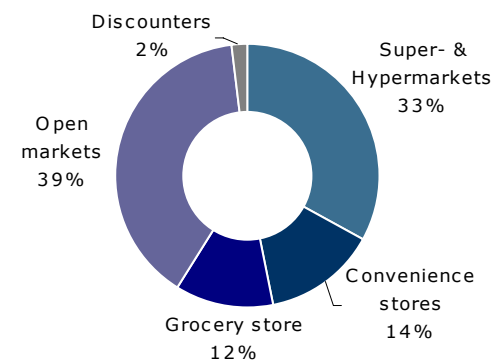


Bubble size represents retail turnover

Source: Bloomberg, National Statistic Agencies

**Shift to modern retail formats calls for retail premises construction.** Over the last few years, Ukrainians shifted their preferences toward civilized trade formats: super and hypermarkets have experienced the highest growth rates in volume terms, expanding their market share from 8-10% in 2002 to 33% in 2005 whereas the share of open markets dropped from 50% to 39% for the same period.

**Retail trade by Formats in Ukraine, '05**



Source: State Statistic Committee

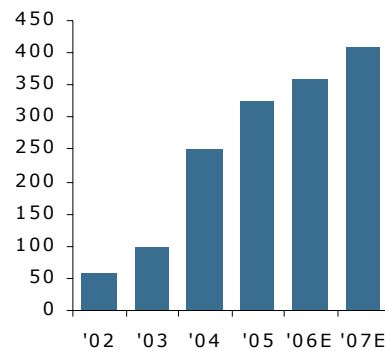
New retail formats require appropriate premises. At the same time, a legacy from Soviet times, Ukraine has one of the lowest ratios of modern retail stock per capita across Europe. Given that modern trade is quickly gaining market share, the supply of quality retail space cannot catch up with vastly increasing demand.

## Kyiv retail real estate market

**Kyiv is the most dynamic hub of retail activity.** The average wage in Kyiv is the highest of any region in Ukraine, at USD 4.44 ths p.a., according to official statistics. In 2006, the city accounted for 19% of Ukraine's total retail trade turnover, and retail trade growth was as high as 37%, significantly outpacing Ukraine's average growth of 25%.

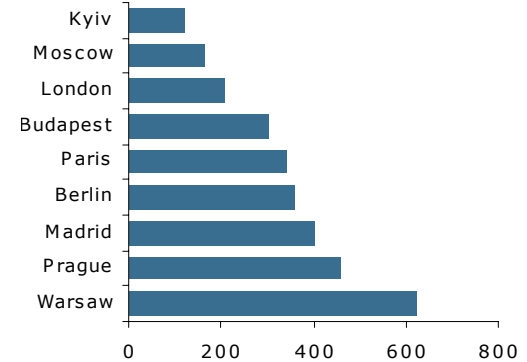
**Retail space market badly undersupplied.** Kyiv has the lowest amount of retail space per capita among any European capital. The deficit of quality retail space in Kyiv resulted in a vacancy rate as low as 2.5% and caused growth of rental rates by 30%-40% by the end of 2006.

**Retail space stock in Kyiv, ths m<sup>2</sup>**



Source: DTZ

**Retail stock per '000 inhabitants 2005, m<sup>2</sup>**

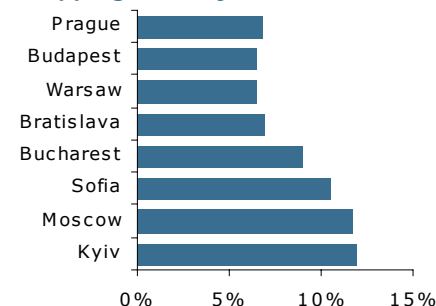


Source: Jones Lang LaSalle, DTZ

According to DTZ, average monthly rental rates within shopping centers vary from USD 10-15/m<sup>2</sup>/month for anchor tenants to USD 60-120/m<sup>2</sup>/month for boutiques. Rental rates may be as high as USD 200-250/m<sup>2</sup>/month for kiosks in the most popular central retail centers.

We expect that in the mid-term, the Ukrainian retail sector will continue to enjoy double-digit growth, sharpening the need for modern retail property. Market experts estimate current demand to exceed supply by about 40%. As supply is unlikely to fully cover demand, rental rates should remain high in near future.

**Shopping center yields, 2006**



Source: CBRE, Concorde Capital estimates

**Retail Centers pipeline for 2007-2008**

Scheme	Location	Developer	Year	GLA, m <sup>2</sup>
Mega Mall	NC	IKEA	2008/09	130 000
Lybid Plaza	NC	Lybid-Plaza	2008/10	83 000
Troitskyi	CBD	NEST	2007/08	60 000
Esplanada	CBD	Mandarin Plaza	2008/09	55 000
Petrivka Shopping Mall	NC	Petrivka Book Market	2008/09	53 000
Kvadrat-Vyrlytsya	NC	XXI Century	2008/09	35 000
Lifestyle Centre	NC	Local	2007/08	32 000
Mava	NC	Rainford	2007/08	22 000
Kvadrat-Aurora	NC	XXI Century	2007/08	20 600

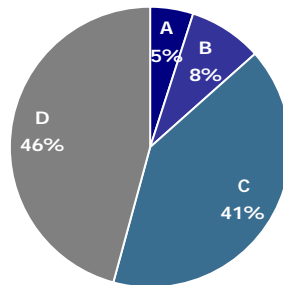
CBD – Central Business District, NC –Non-Central

Source: DTZ

## Warehouse Market

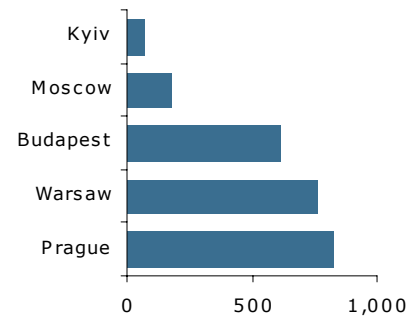
**Segment at a nascent stage.** The warehousing market is the least developed segment of commercial property in Ukraine. Total stock of warehousing premises is estimated to be at ~600 ths m<sup>2</sup>. Still, according to DTZ, only 13% of this space qualifies as quality space, resulting in a meager per capita ratio.

Warehouse Space by Class, '05



Source: Astera

Stock per '000 inhabitants '06, m<sup>2</sup>



Source: Jones Lang LaSalle, DTZ

**Demand drivers.** High demand results from:

- Fast retail development. Retail sales growth triggers expansion of retail chains and distributing companies.
- Substantial growth of consumer and industrial goods production. In 2006 food industry production grew by 10% and production of construction materials was up by 13%.
- Organic growth of domestic and international logistics operators like Kuehne&Nagel, Maersk, DHL, FM Logistics, etc.

**Low supply to secure both high rent and high yields.** The current supply of warehouse space is by far insufficient to meet the significantly increased demand from retail, distribution and production companies.

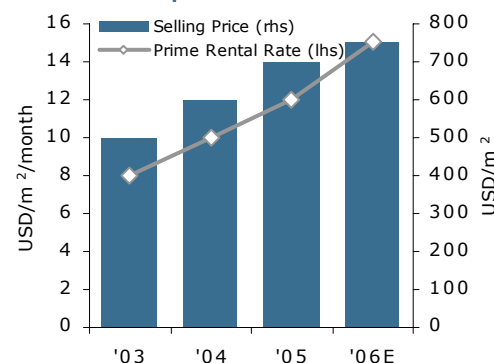
Warehouse Space Put into Operation in 2006

Property	Location	Developer/Owner	Area, m <sup>2</sup>
Warehouse complex	Kyiv	FIM Consulting	23 000
Logistics complex	Kyiv Region	Asnova Holding	22 000
Warehouse complex	Kyiv Region	Raben	20 000
Logistics complex	Kyiv Region	HCM Group	10 000
Warehouse complex	Kyiv	Komora-C	9 000
Logistics terminal	Kyiv	Kuehne&Nagel	7 000

Source: Astera

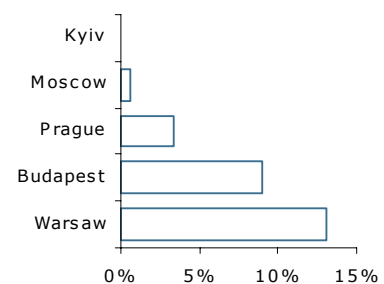
The lack of quality warehouse space resulted in 100% occupancy in all high-standard warehouses in Kyiv.

Warehouse Space Prices



Source: Astera

Warehouses Vacancy Rates '05, %



Source: Jones Lang LaSalle, DTZ



Despite the expected addition of about 300 ths m<sup>2</sup> in 2007E-08F, new supply is unlikely to catch up with growing demand.

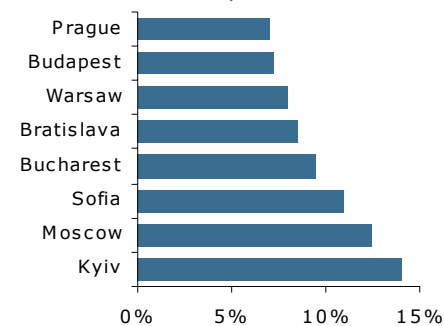
#### Warehouse Space in Pipeline

Property	Developer/Owner	Year	Area, m <sup>2</sup>
Alacor Logistics Park	Alacor	2008/09	118 000
Logistics Complex	XXI Century Investment	2007/09	100 000
MLP Chayka	MLP	2006/08	98 600
Logistics Complex	Raben	2006/07	80 000
Kyiv Ring Road Logistics Complex	Europolis / HCM Group	2007/08	88 000
Boryspil Warehouse	GLD Invest	2007/08	39 800
Logistics Complex	UVK	2007/08	35 000
Alacor Business Park City	Alacor / Immoeast	2007/08	19 500

Source: DTZ

We estimate that in 2005-2006 rentals increased at 14% CAGR. We project rental rates to remain high at USD 10-14/m<sup>2</sup>/month for class A and B, USD 7-9/m<sup>2</sup>/month for class C properties in the near future. In our view, yields for prime warehouse property will remain significantly above CEE levels.

#### Warehouse Yields, '06



Source: CBRE, Concorde Capital estimates

## Market Players

TMM is among Kyiv's top-five players in the segment of business/premium residential property in terms of completed/ongoing projects. Its nearest competitors are XXI Century, NEST, Granit, Kyiv Zhytlo-Invest and Kyivmiskbud-1.

### Major Market Players in Business/Elite Residential Property Segment

Company	Projects	Type	Class	Status
TMM	Volodymyrska St. 49A	Residential, office & retail	Premium	Completed
	Panelna St. 3	Residential & office	Business	Completed
	Gali Tymofeevoyi St. 3	Residential	Business	Completed
	Lysenko St. 2A	Residential	Premium	Completed
	Vorovskogo St. 3B	Residential	Premium	Completed
	Sun City	Residential	Business	Under construction
	Triumph	Residential	Premium	Under construction
XXI Century	Arc de Triomphe	Residential	Premium	Completed
	Capitolium	Residential	Premium	Under construction
	Parus	Residential	Business	Under construction
NEST	Four Seasons	Residential	Business	Under construction
	Izumrudny	Residential	Business	Under construction
	Pokrovsky Posad	Residential	Business	Under construction
Granit	Shevchenko Blvd. 11A	Residential	Business	Completed
	Vetrova St. 9B-11	Residential	Business	Completed
	Mezhygirska St. 3/7B	Residential	Business	Completed
	Panasa Myrnogo St. 11/17	Residential	Premium	Completed
	Vetrova St. 23A	Residential	Premium	Under construction
	Graf Tolstoy	Residential	Premium	Under construction
Kyiv Zhytlo-Invest	Botanic Towers	Residential	Business	Under construction
	Vvedensky	Residential	Business	Under construction
	Empire Tower	Residential	Premium	Under construction
Kyivmiskbud-1	Lvivsky	Residential & office	Business	Completed
	Parkovy	Residential & office	Business	Under construction
	Vozdvizhenka	Cottage community	Premium	Under construction
YuZTS	Panorama	Residential & office	Premium	Completed
	Sofiyska Brama	Residential & retail	Premium	Completed
	Sofiysky	Residential & sport	Premium	Completed
	Schorsa St. 44	Residential	Business	Under construction
	Solomianska St. 15	Residential	Business	Under construction
	Druzhby Narodiv St. 14-16	Residential	Business	Under construction
Poznyakyzhytlobud	Staronavodnytska St. 13	Residential	Business	Completed
	Kovpaka St. 17	Residential	Business	Completed
	Klinichna St. 23-25	Residential	Business	Completed
	Lesi Ukrainky Blvd. 23	Residential	Business	Completed
	Lesi Ukrainky Blvd. 30B	Residential	Business	Completed
	Dmytrovska St. 13	Residential	Business	Completed
	Lesi Ukrainky Blvd. 7-9	Residential	Business	Under construction
	P. Lumumby St.	Residential	Business	Under construction
Konsol	Staronavodnytska St. 15	Residential	Business	Under construction
	B. Khmelnytskogo St. 58	Residential	Business	Under construction
	Zlatoustivska St. 50	Residential	Business	Under construction
	Dmytrovska St. 46-56	Residential	Business	Under construction

Source: Company data

The competition in the segment is quite moderate and TMM is able to capitalize both on its vertically integrated structure and a unique all-inclusive approach to servicing its customers.

## PROFILE AND STRATEGY

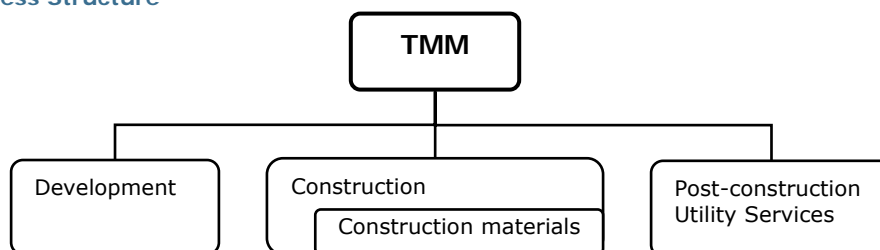
## Business Overview

TMM is one of Ukraine's leading real estate development and construction companies with a 13 year presence in the market. The company's key focus is high-end residential property, although it has also developed and constructed a few commercial premises. Since its foundation the company has completed 22 projects with a total area of 360 ths m<sup>2</sup> and has another 27 projects on the way. TMM's current portfolio is comprised primarily of premium and business class property.

To date, TMM is the only company in the Ukrainian residential market to offer an all-inclusive approach. The company differs from its peers in that it furnishes apartments with fine-finished interior, provides their tenants with a full range of utility and maintenance services. This all-inclusive approach is a pillar for TMM's strong brand and enables the company to sell its apartments at ~30% premium to its competitor's prices.

The company is able to exercise control over project costs and timing of construction works thanks to its ownership of necessary equipment for construction works and in-house production of basic construction materials (concrete, metal ware, etc.). Its operations span a range of activities including land plot allocation, concept design, marketing, construction works and provision of post-sale services.

### Business Structure



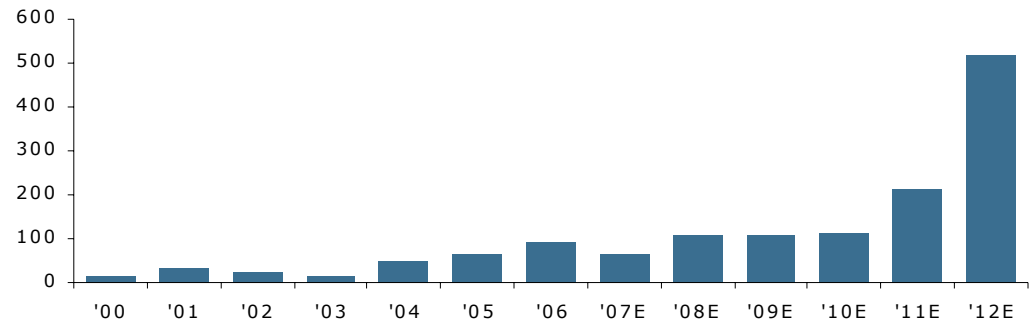
Source: Company data

**Development.** Land plot availability is one of the binding constraints for property development in Ukraine. Additionally, massive red tape seriously drags out the development process. In this respect, TMM enjoys a significant advantage over new market entrants thanks to its well established connections with local authorities and long history of successfully developed projects.

- **Architectural and design bureau.** Currently, the bureau is responsible for interior design of apartments. It creates designs, installs finishing elements (tiling, light fixtures, etc) at the request of future tenants, and controls execution of interior works as specified. In the future, the company plans to themselves produce blueprints of future projects.
- **Engineering Center (EC).** The objective of the engineering center is to ensure optimal usage of all available resources and guarantee timely completion of projects within their approved budgets. For this purpose EC is responsible for project management along with pre-project research, concept design, feasibility studies, development of all necessary documentation.

**Construction.** Currently TMM's construction department performs 80-85% of all construction works for the company's development projects. We estimate this enables the company to save ~15% on construction cost as compared to other developers.

### Construction completion, ths m<sup>2</sup>



Source: Company data

- **Construction materials.** TMM operates in-house concrete production which ensures incessant supply of basic construction material, reinforced concrete, which amounts to 25%-30% of total construction cost of monolithic-frame building. In addition, the company itself processes metal ware used in construction process, specifically, for welding monolithic wire frame. Today, the capacity of TMM's concrete plant is more than 6 ths m<sup>3</sup>/month of concrete and 300-350 mt/month of metal ware.
- **Construction of energy units.** TMM has a 50% interest in CJSC TMM-Energobud, a company involved in construction of electric power units and other power-related objects. Apart from third party orders, TMM Energobud constructs power units and power-related infrastructure to service buildings constructed by TMM.

**Post-construction utility services.** Company provides complex maintenance of all engineering systems and equipment, servicing and major repair of buildings, as well as cleaning and guard of complexes, planting of greenery in outdoors facilities.

## Strategy

The company has declared the following strategic objectives.

**Development of premium and business residential property.** The rationale for this is that luxury segments earn higher margins. The average price per square meter of premium property is sometimes twice as high as that for economy class dwellings, whereas, according to company's management, the cost of construction is only 15%-20% higher. The premium and business residential property segments account for 40% and 38% of the company's portfolio NPV, respectively. In addition to the residential segment, TMM is diversifying into the commercial segment.

**Building up vertical integration.** To facilitate quality and cost control over all stages of development and construction and to ensure project completion on a timely basis, TMM is investing into the creation of a full-scale engineering center. This will provide the company with complete control over concept design, project flow, timing, budgeting, and related documentation.

In order to guarantee constant supply of concrete, the company is currently preparing to more than double its concrete production capacities to 15 ths m<sup>3</sup> per month.

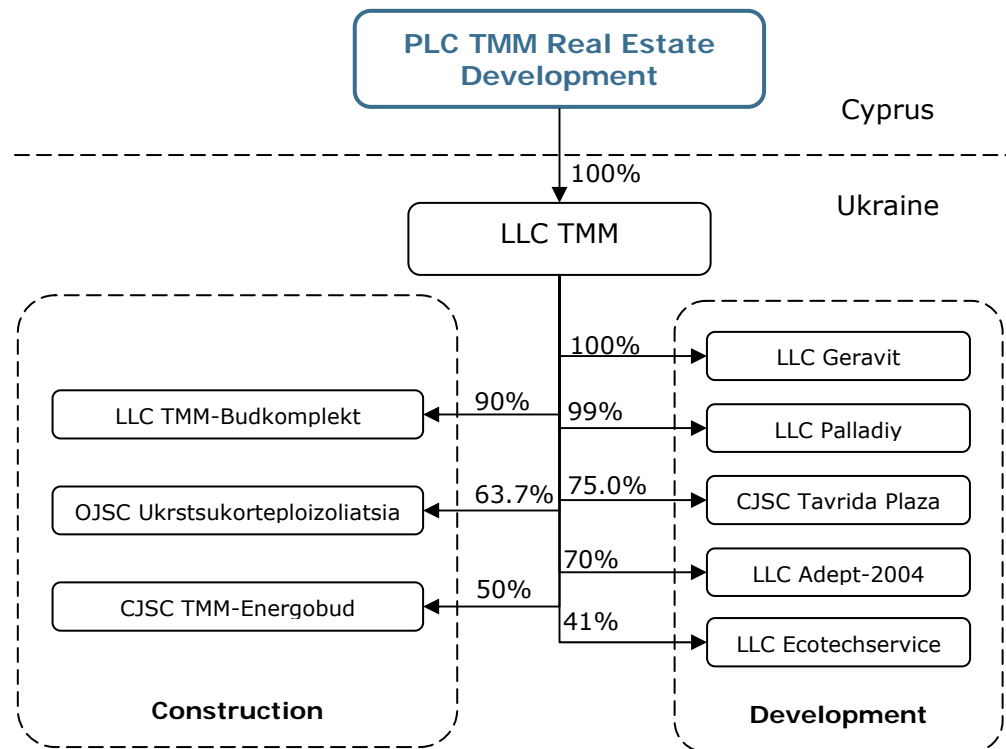
**Regional expansion.** TMM's key targeted markets are Kyiv and Kyiv region, Kharkiv, Zhytomyr, and Crimean resort centers, in particular, Yalta. Kyiv is the most attractive of the four markets in terms of population, income per capita, and, consecutively, effective demand. The other markets were selected based upon demand/competition analysis.

To help realization of its strategic plans, the company has raised funds through a placement of its ordinary shares on Frankfurt Stock Exchange. In May 2007, TMM sold a 13.12% stake to portfolio investors for USD 105 mln. The proceeds are being used for land plot acquisition and development of new projects, primarily in Kyiv region (cottage towns and logistics centers), Crimea and on the Sea of Azov shore (cottages and resorts).

## Legal Structure

A Ukraine-registered company LLC TMM is wholly owned by a Cyprus-registered entity PLC TMM Real Estate Development created with the purpose of raising equity capital. In turn, a 100% stake in PLC TMM Real Estate Development belongs to another Cypriot entity, PLC TMM Holdings. TMM Holdings' principal shareholder with a stake of 70.4% is Mr. Mykola Tolmachov, LLC TMM's CEO and founder. The management of the company has a 16.5% stake in PLC TMM Holdings, while the remaining 13.1% stake is held by institutional investors.

### Company's ownership structure



Source: Company data

**CJSC TMM-Energobud** was set up in 2005. It is engaged in the construction of power units and stations, heating plants and cable systems with 110 kilovolt voltage. The company has two completed projects:

- A substation for a commercial office complex on 7, Lunacharskogo str., in Kyiv.
- Funnel for Heat Supply Unit № 1 (ST-1) in Kyiv, with a total contract value of USD 4 mln.

**OJSC Ukrstsukorteploizoliatsia.** The entity has a long-term lease on a land plot with an area 4.4 ha located in a few kilometers from Kyiv and owns TMM's construction equipment. The land plot is planned to be used as a site for the company's new concrete production facilities.

**LLC TMM-Budkomplekt** produces reinforced concrete and processes metal ware used in TMM's construction. As the subsidiary is located near Kyiv's center, TMM plans to relocate TMM-Budkomplekt's facilities to a site controlled by Ukrstsukorteploizoliatsia so that the land plot TMM-Budkomplekt is situated on could be used for future development projects.

TMM also controls five other legal entities: Geravit, Palladiy, Tavrida Plaza, Adept-2004, and Ecotechservice. These entities either lease or own land plots which TMM plans to develop in Kharkiv and Yalta.

## Management team



**Mykola Tolmachov, 45, PhD** is TMM's founder of and its principal owner. Mr. Tolmachov graduated from Kharkiv Aviation Institute in 1984 and holds a doctorate degree in engineering sciences. In addition, Mr. Tolmachov earned degree in Finance from Kharkiv National University in 2000. In 2006 Mr. Tolmachov was nominated "Entrepreneur of the Year" by the prestigious nation-wide recognition program "Man of the Year". According to ratings published by Investgazeta weekly, Mr. Tolmachov was also ranked among top 100 managers of Ukraine in 2006, leaving managers from other construction/ development companies behind.



**Larysa Chyvurina, 43**, was appointed TMM's Financial Director (CFO) in 2005. Prior to her appointment as CFO, Chyvurina served as the company's Chief Accountant from 1994. Chyvurina holds a degree in economics from Kharkiv's Karazin State University and a degree in engineering from Kharkiv's Institute of Aviation.



**Yuriy Isayev, 41**, is TMM's Deputy General Director (Deputy CEO) for legal issues. Prior to joining the company in 1995, he was the head of the legal department of the Kyiv branch of the Commercial Joint Stock Bank of Social Development in the city of Kharkiv. From 1989 to 1993, he was a legal advisor for the Administration of South Railway and Investment Commercial Joint Stock Bank Kharkiv. Mr. Isaev holds a degree in jurisprudence from the Yaroslav the Wise National Law Academy and a degree in economics from Kharkiv's Karazin State University.



**Pavlo Chyslovskyy, 44**, is Director of TMM's Kyiv office. He joined the company in 1995 as an engineer technologist in the industrial department. From 1996 to 2002, he held the post of Deputy Director of TMM's Kyiv office. Prior to joining the company, he served as the head of a technical bureau at The Kyiv Mechanical Factory. A site designed by Chyslovskiy was named the best residence and site for civil and industrial purposes in Kyiv in 2002. Mr. Chyslovsky holds a degree in engineering from Kyiv's Polytechnic Institute.



**Volodymyr Ustinov, 47**, has been TMM's Chief Engineer since 2001 and has been working in the construction industry since 1981. Prior to joining the company, Ustinov served as an engineer and head of the engineering department of the construction organization "Kyivpromstroy" and JSC "Budkontrakt". He holds a degree in engineering from Kyiv's Construction Institute.



**Oleksandr Polotnenko, 36**, has been the Director of TMM's Kharkiv office since 1994, and has been with the company since its founding in 1992. Mr. Polotnenko holds a degree from the faculty of Industrial and Civil Architecture and Construction at Kharkiv's Technical State University of Construction and Architecture. He also has a degree in Engineering from Kharkiv's Institute of Aviation.



**Tetyana Polotnenko, 34**, is TMM's Chief Accountant. Prior to joining the company in 2004, she was the accountant of Denit LLC and Solomon-Invest LLC. She holds a degree in Accounting from Kharkiv's Institute of Management, and a degree in Information Technologies from Kharkiv's Institute of Aviation.

Source: Company data



## PROJECT PORTFOLIO

## Project Portfolio

TMM's portfolio consists of 30+ projects in four regions: Kyiv, Kharkiv, Zhytomyr, and Crimea. The dominating type of projects is business and premium class residential property. The majority of the projects are concentrated in Kyiv where on top of residential property TMM has three commercial real estate projects.

Since the placement in May 2007, TMM has added 5 more new projects to its portfolio more than doubling both the floor plate and NPV. We estimate total NPV of the current portfolio at USD 1.2 bln.

### Company's portfolio\*

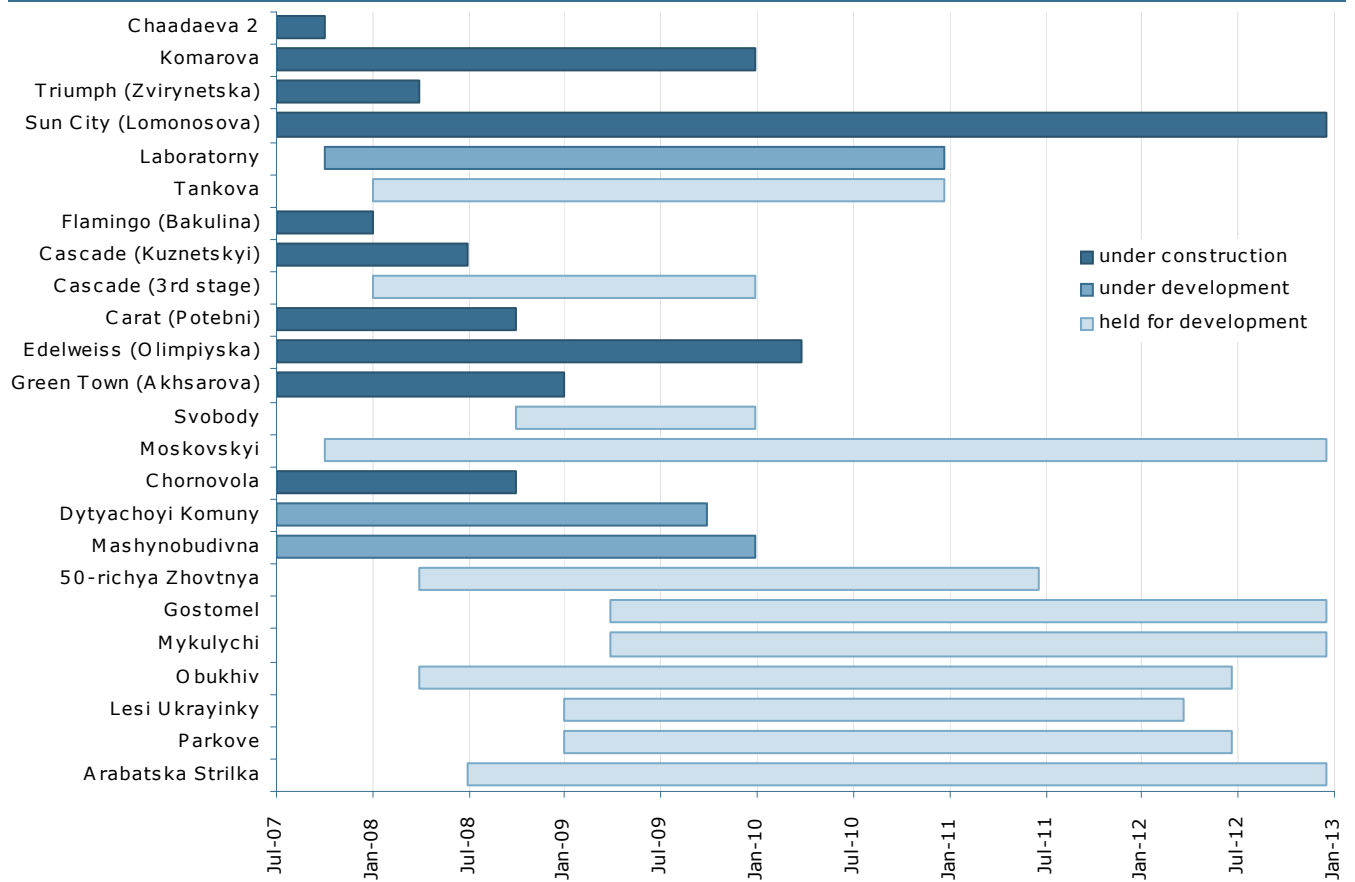
Region	Type	Name	Stage	Due in	Net saleable area**, m <sup>2</sup>	NPV, USD mln
Kyiv	Residential	Chaadaeva 2	under construction	2007	14 456	7.6
		Komarova	under construction	2009	21 369	8.0
		Triumph	under construction	2008	51 202	65.2
		Sun City	under construction	2012	178 767	140.4
		Laboratoryny	under development	2010	44 509	93.5
		Tankova	held for development	2010	29 590	16.8
Kharkiv	Residential	Atoll	in operation	2007	24 898	7.9
		Druzhba	in operation	2007	11 108	0.5
		Flamingo	under construction	2007	4 183	4.8
		Cascade	under construction	2008	6 815	4.1
		Carat	under construction	2008	5 960	5.5
		Green Town	under construction	2008	24 171	5.3
		Edelweiss	under construction	2010	15 964	6.6
		Cascade (3rd stage)	held for development	2009	4 943	2.8
		Svobody	held for development	2009	6 449	1.9
		Moskovskiyi	held for development	2012	60 000	9.0
Zhytomyr	Residential	Chornovola	under construction	2008	6 461	2.5
		Dytyachoyi Komuny	under development	2009	14 995	10.8
Kyiv	Office	Volodymyrska	in operation	2005	4 128	49.1
	Office/Retail	Komod	in operation	2006	8 570	23.6
	Office	Mashynobudivna	under development	2009	7 897	19.7
	Office/Retail	50-richya Zhovtnya	held for development	2011	42 941	40.6
Kyiv Region	Warehousing	Gostomel	held for development	2012	100 000	66.9
	Cottages	Mykulychi	held for development	2012	90 000	66.3
	Cottages	Obukhiv	held for development	2012	45 732	33.6
Crimea	Resort/Residential	Lesi Ukrayinky	held for development	2012	5 610	10.9
		Parkove	held for development	2012	40 933	54.1
		Arabatska Strilka	held for development	2012	500 000	413.2
Total					1 371 651	1 171.4

\* Small projects (Poznyaky in Kyiv, Demchenko in Kharkiv) with estimated total value of less than USD 0.5 mln were not considered

\*\* at the start of sales

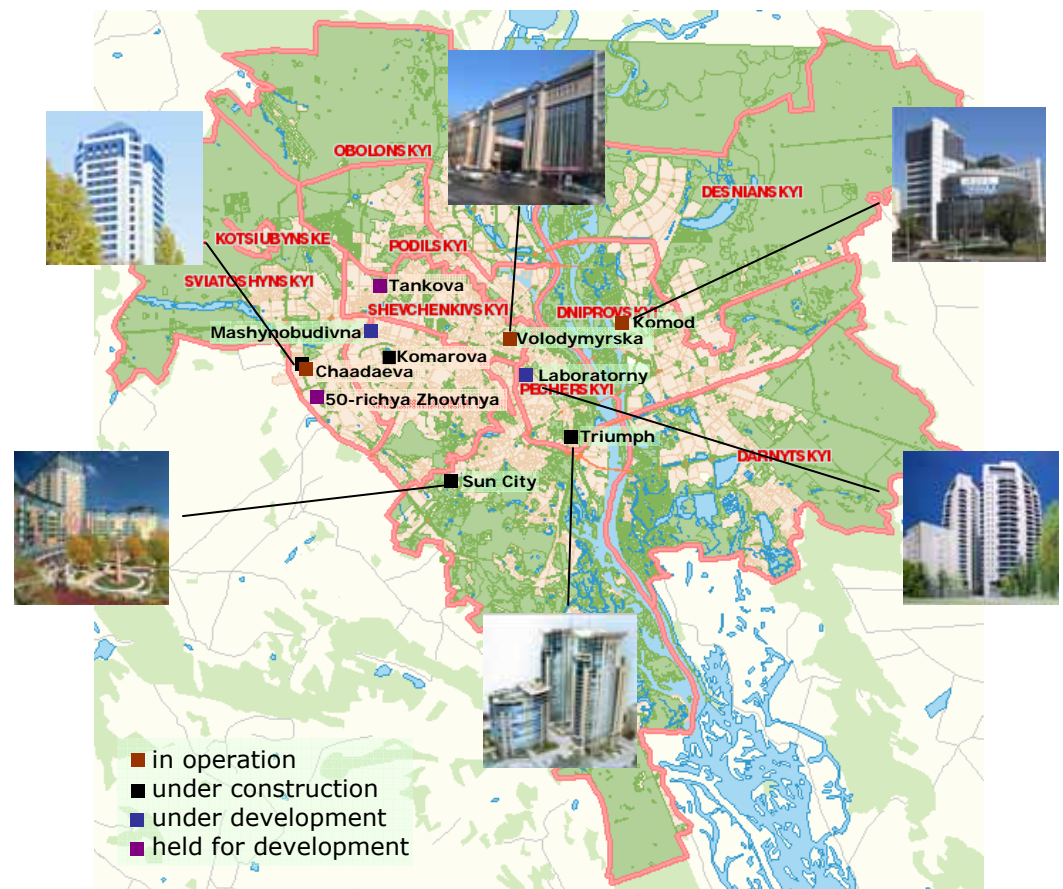
Source: Company data, NPV by Concorde Capital

## Project Timeline



Source: Company data

## Kyiv Projects



## Chaadaeva 2 residential complex

The project represents economy class 23 storey building with parking.

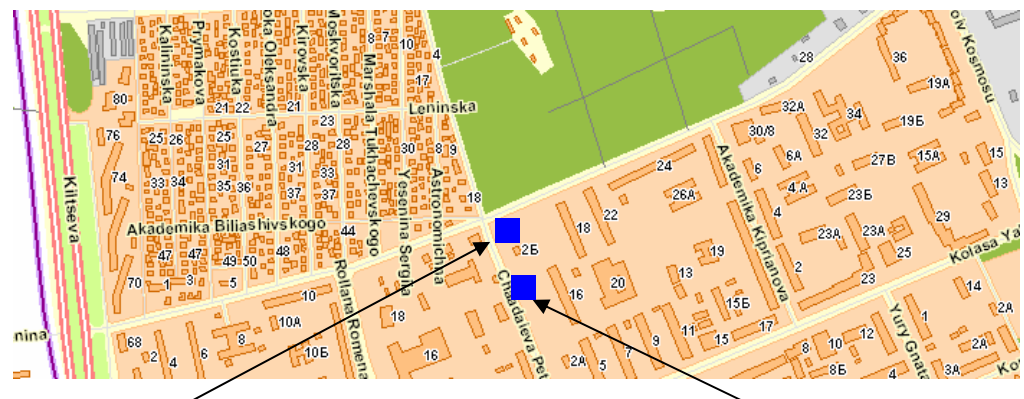
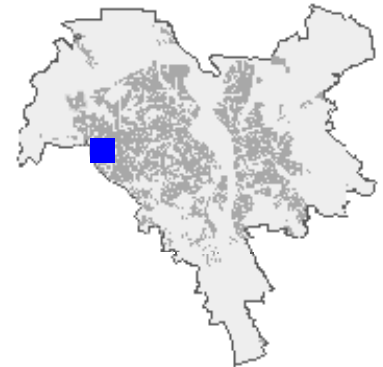
The property is located in a peripheral district on the Dnieper river's right bank. The quiet neighboring area is surrounded by the Sokrovishnyj forest. The city center is a 30 minute journey on public transportation.

The company has signed a 25-year lease for the land plot.

Region	Kyiv
Address	<b>Chaadaeva Str., 2</b>
Type	Residential
Class	Economy
Total saleable area*, m <sup>2</sup>	14,456
- residential	10,415
- parking	2,870
- non-residential	1,171
Stage	Under construction
Project start	Q4 2004
Expected completion	Q3 2007
NPV, USD mln	7.6

\* at the start of sales

Source: Company data, NPV by Concorde Capital



Chaadaeva 2v residential complex



Source: Company data

Chaadaeva 2 construction (March '07)



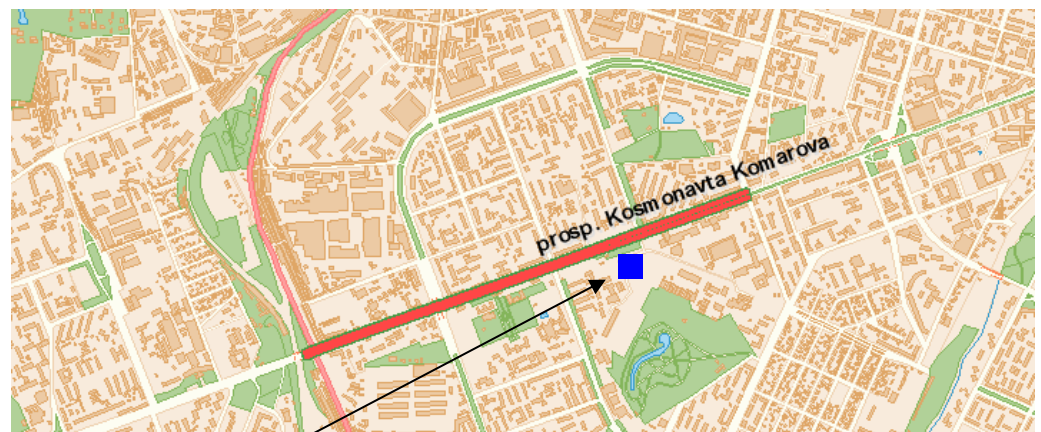
## Komarova, residential complex

The project envisages the construction of a 22-storey economy class residential dwelling with underground parking and a stand alone building with office space and retail premises including two stores, a drugstore and post office.

The property is located in a peripheral district on the Dnieper river's right bank. There is a park adjacent to the property.

Region	Kyiv
Address	<b>Komarova Ave., 22-28</b>
Type	Residential
Class	Economy
Total saleable area, m <sup>2</sup>	21,369
- residential	14,065
- parking	2,882
- non-residential	4,422
Stage	Under construction
Project start	Q1 2007
Expected completion	Q4 2009
NPV, USD mln	8.0

Source: Company data, NPV by Concorde Capital



Komarova construction (March '07)



Source: Company data



## Triumph, residential complex

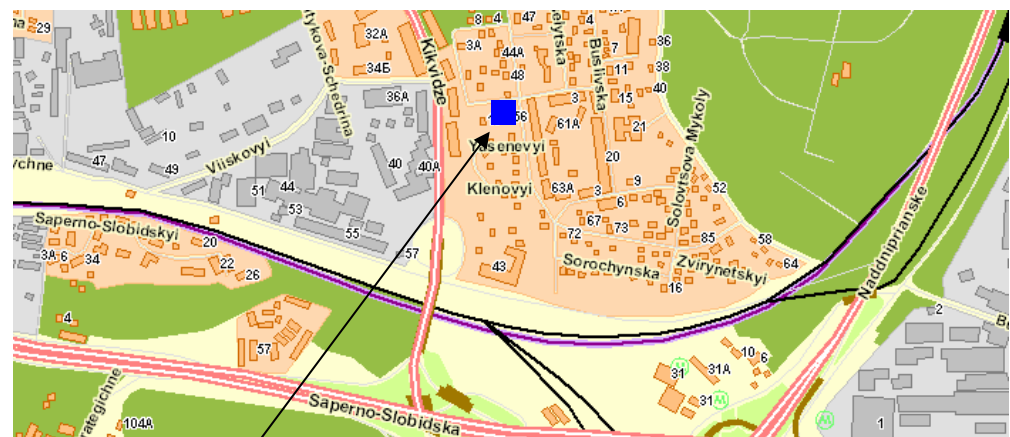
The complex is made up of three residential buildings complete with a fitness center and other social infrastructure, as well as underground parking.

The property is located in a quiet district on Kyiv's historic Dnieper river right bank near the city's botanical gardens. The property is surrounded by low-rise buildings. The district is suitably connected to the city center via Kikvidze street.

Region	Kyiv
Address	<b>Zvirynetska Str., 59</b>
Type	Residential
Class	Premium
Total saleable area, m <sup>2</sup>	51,202*
- residential	32,076
- parking	12,503
- non-residential	6,623
Stage	Under construction
Project start	Q2 2004
Expected completion	Q1 2008
NPV, USD mln	65.2

\* at the start of sales

Source: Company data, NPV by Concorde Capital



Triumph complex (visualization)



Source: Company data

Construction progress (March '07)



## Sun City, residential complex

The project envisages the construction of a business class neighborhood and all necessary infrastructure. The property will contain 14 buildings with a total of 1187 apartments. In addition the site will include a supermarket, drugstore, day-care facilities, a café, restaurant, bank, beauty salon, fitness centre and offices. The infrastructure of the complex also includes recreation and entertainment areas with a park zone, fountain and playground. In the central part of the courtyard, a sundial is going to be installed.

The property is located in a sleepy area on Kyiv's right bank. It takes 20 minutes to get to the city center via public transportation. There is currently no subway connection, however the Kyiv City Council has approved a plan for its construction which is expected to be completed within 5 years.

Shevchenko University owns the land plot.

Region	Kyiv
Address	<b>Lomonosova Str., 73-79</b>
Type	Residential
Class	Business
Total saleable area, m <sup>2</sup>	178,767
- residential	126,244
- parking	37,740
- non-residential	14,783
Stage	Under construction
Project start	Q1 2006
Expected completion	Q4 2012
NPV, USD mln	140.4

Source: Company data, NPV by Concorde Capital



Sun City (visualization)



Source: Company data

Construction progress (March '07)





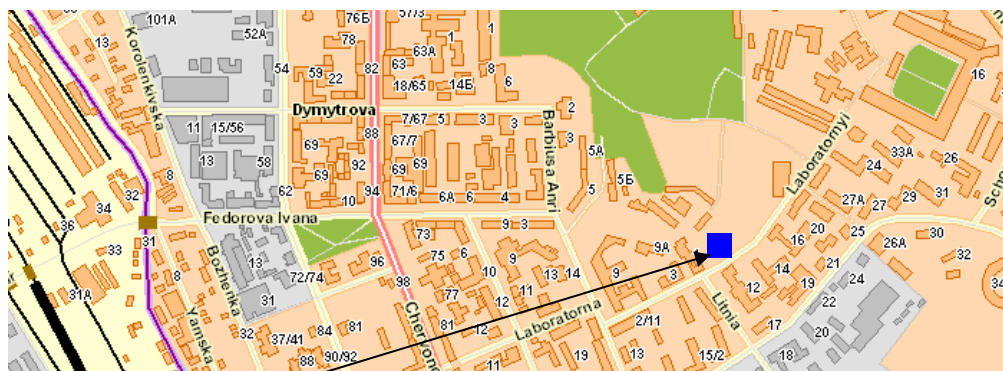
## Laboratory, residential complex

The property will contain a 24-storey residential dwelling with nonresidential areas and underground parking.

The land plot is located near the center of Kyiv. It has a convenient transportation connection as the site is situated between two of the city's largest transportation arteries Velyka Vasylkivska str and Lesi Ukrayinky blvd. The subway stations, Palats Ukrayina and Pecherska, are a 15-minute walk away.

Region	Kyiv
Address	<b>Laboratory lane, 7</b>
Type	Residential
Class	Premium
Total saleable area, m <sup>2</sup>	44,509
- residential	33,749
- parking	8,084
- non-residential	2,676
Stage	Under development
Project start	Q4 2007
Expected completion	Q4 2010
NPV, USD mln	93.5

Source: Company data, NPV by Concorde Capital



Laboratory (visualization)



Source: Company data

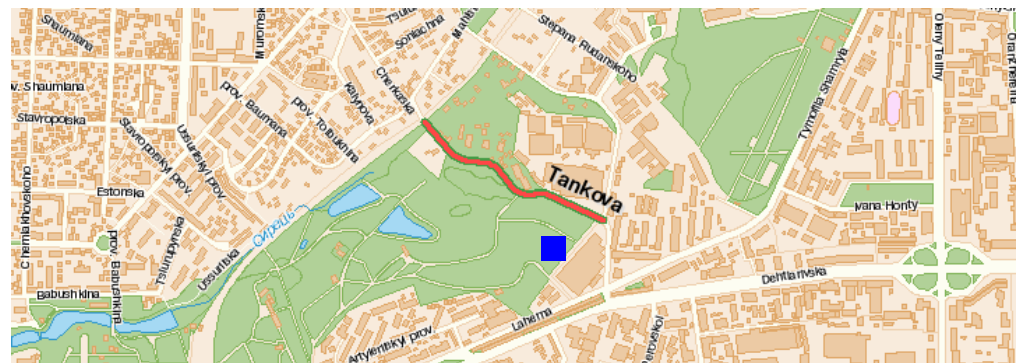
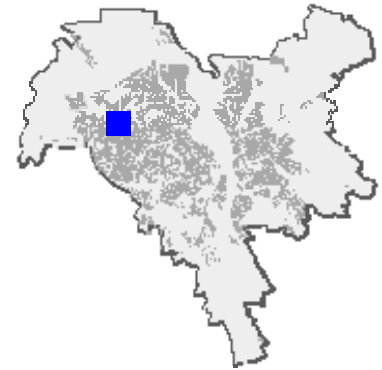
## Tankova, residential complex

The project envisages the construction of a 24-storey residential complex with underground parking.

The property is located on Kyiv's westside. The Nyvky forest preserve makes up most of the neighboring area. The nearest subway station, Beresteyska, is a 15-minute walk away.

Region	Kyiv
Address	<b>Tankova Str.</b>
Type	Residential
Class	Business
Total saleable area, m <sup>2</sup>	29,590
- residential	19,431
- parking	7,200
- non-residential	2,959
Stage	held for development
Project start	Q1 2008
Expected completion	Q4 2010
NPV, USD mln	16.8

Source: Company data, NPV by Concorde Capital



Tankova (visualization)



Source: Company data

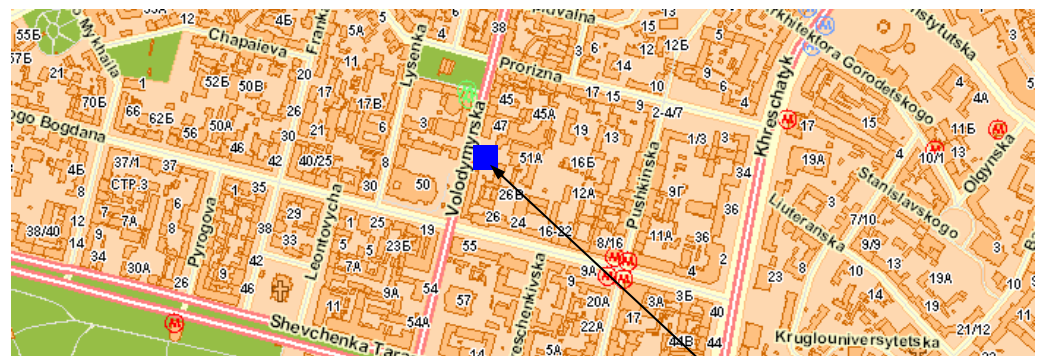
## Volodymyrska, office premises

The complex contains two office sections and five residential sections with a total area of 59,502 m<sup>2</sup>. Office space accounts for 15% and residential area occupies 85%. The company owns the premises located on the 2nd, 3rd, 5th and 6th floors.

The complex is located in Kyiv's central business district (CBD), opposite to National Opera House. The city's main street is a ten minute walk away.

Region	Kyiv
Address	<b>Volodymyrska Str., 49a</b>
Type	Office
Class	A
Net leasable area, m <sup>2</sup>	4,128
Stage	in operation
Project start	Q2 2004
Project completed	Q4 2005
NPV, USD mln	49.1

Source: Company data, NPV by Concorde Capital



Volodymyrska complex (visualization)



Source: Company data

Volodymyrska, office premises



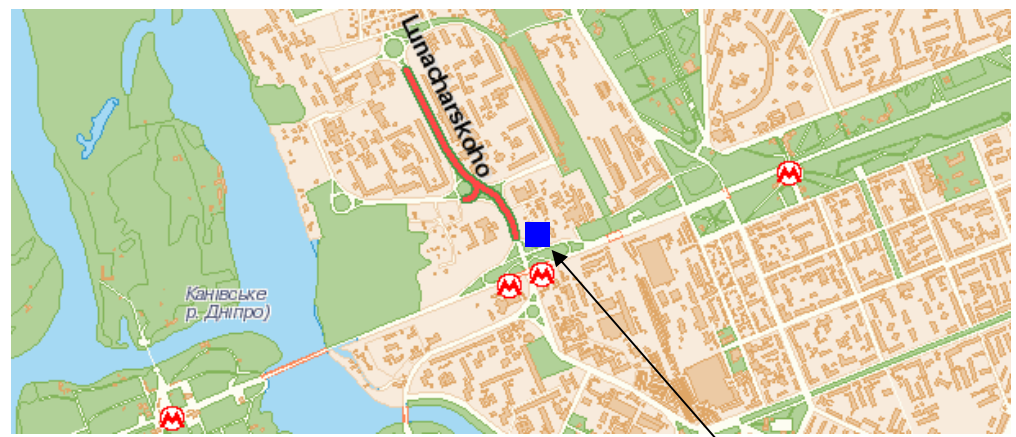
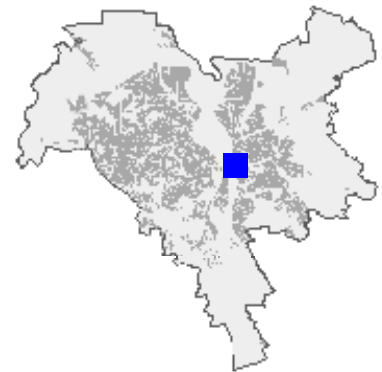
## Komod, retail/entertainment and office complex

The property contains an office complex, retail area and entertainment center. The premises are located in 14-storey tower. The entertainment zone contains a night club, restaurants and casino.

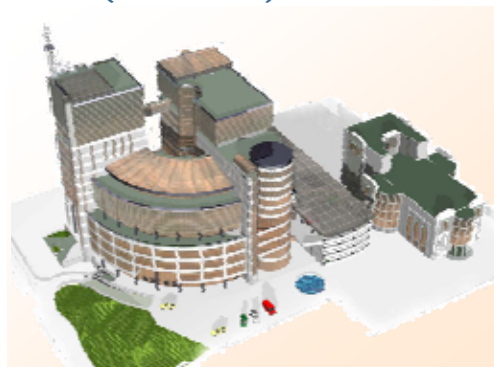
The land plot is located adjacent to one of Kyiv's main thoroughfare- Brovarskiy Ave – connecting left bank with the city center. There is convenient public transportation available in the area including a subway stop.

Region	Kyiv
Address	<b>Lunacharskogo Str., 7</b>
Type	Office/Retail
Class	B+
Net leasable area, m <sup>2</sup>	8,570
- commercial	3,580
- parking	4,990
Stage	in operation
Project start	Q2 2003
Project completed	Q4 2006
NPV, USD mln	23.6

Source: Company data, NPV by Concorde Capital



Komod (visualization)



Source: Company data

Komod (April '07)



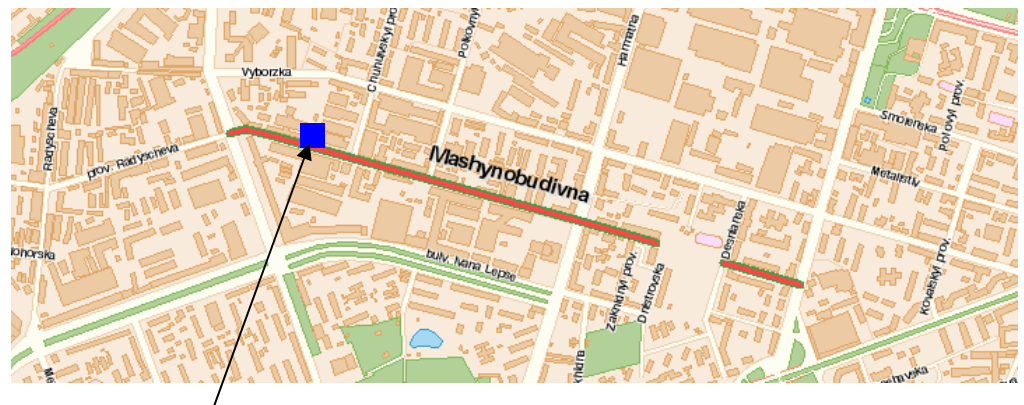
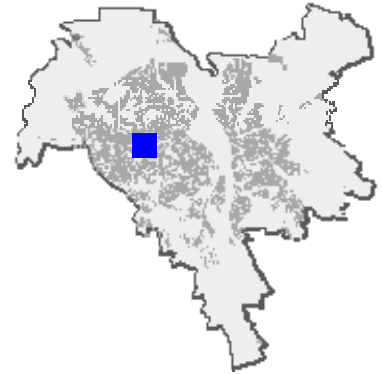


## Mashynobudivna, office center

The project envisions the construction of a 14-storey office center with a parking area. The property is located in one of Kyiv's main industrial zones - Shulyavka. Public transportation links the site to Peremogy and Komarova avenues, connecting with the city center.

Region	Kyiv
Address	<b>Mashynobudivna Str., 50</b>
Type	Office
Class	B
Net leasable area, m <sup>2</sup>	7,897
- office area	7,301
- parking	596
Stage	under development
Project start	Q1 2007
Expected completion	Q4 2009
NPV, USD mln	19.7

Source: Company data, NPV by Concorde Capital



Mashynobudivna landplot (July'06)



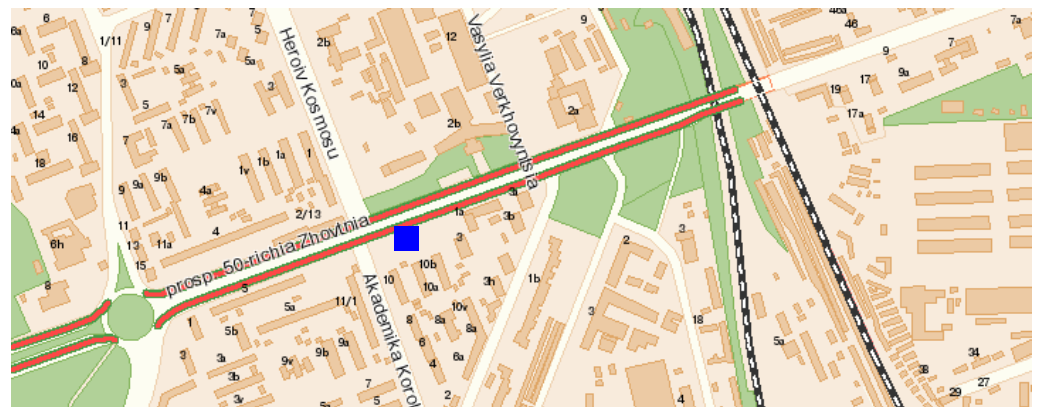
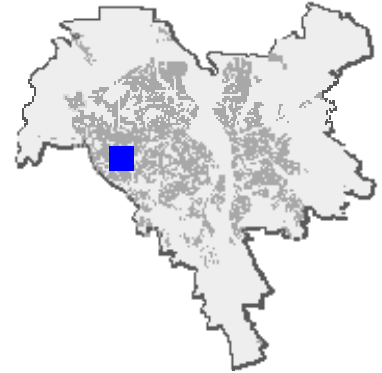
Source: Company data

## 50-richya Zhovtnya, retail/office center

The project involves the construction of a retail center with office premises plus an area for parking. The property, located in one of Kyiv's peripheral areas to the west- Borshchagivka, will supply modern retail space to a densely populated area. At the same time, the site has good accessibility from the city center by public transportation through Borschagivska Street.

Region	Kyiv
Address	<b>50-richya Zhovtnya, 1B</b>
Type	Retail/Office
Class	B
Net leasable area, m <sup>2</sup>	42,941
Stage	held for development
Project start	Q8 2008
Expected completion	Q2 2011
NPV, USD mln	40.6

Source: Company data, NPV by Concorde Capital



## Gostomel warehousing complex

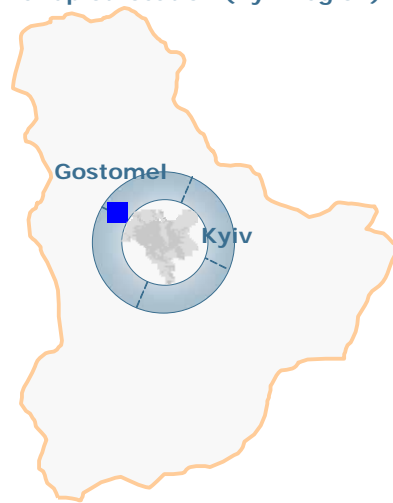
The Gostomel project presumes the construction of warehousing property combined with office premises. It is aimed at satisfying the enormous demand for quality warehousing space in Kyiv region from retail and distribution companies.

The site is located on the Kyiv-Warsaw highway heading toward the northwestern border of Ukraine. The property's convenient location allows it to serve both as a local distributing center and storage for transit freight flow.

Region	Kyiv Region
Address	<b>Gostomel</b>
Type	Warehouse/Office
Class	B
Net leasable area, m <sup>2</sup>	125,000
- warehousing	100,000
- offices	25,000
Stage	held for development
Project start	Q2 2009
Expected completion	Q4 2012
NPV, USD mln	66.9

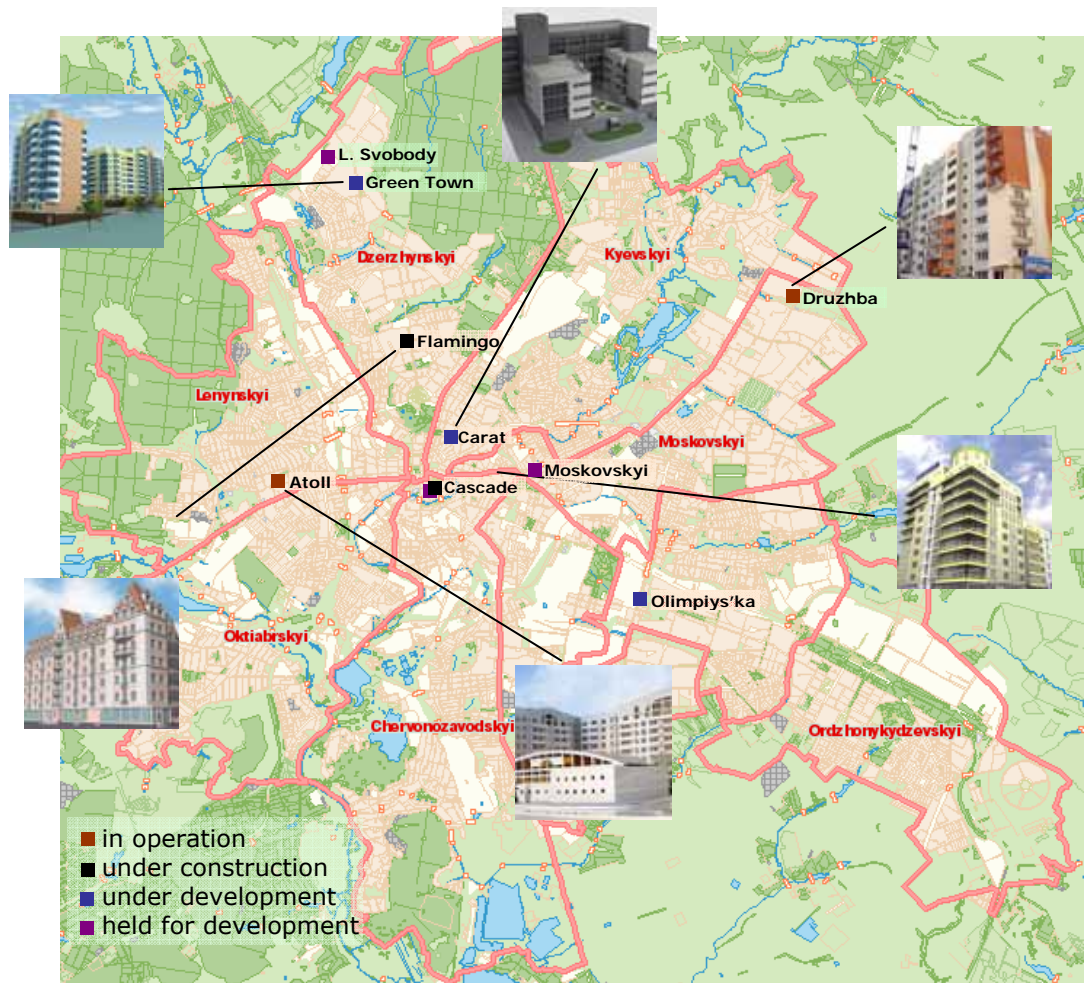
*Source: Company data, NPV by Concorde Capital*

### Landplot location (Kyiv region)



*Source: Company data*

## Kharkiv Projects





## Atoll, residential complex

The residential complex will contain three residential dwellings, underground parking and a two-storey standalone building which will house a medical center. The ground floor of the dwellings will contain a café, beauty salon, fitness center, bank, and office and retail premises.

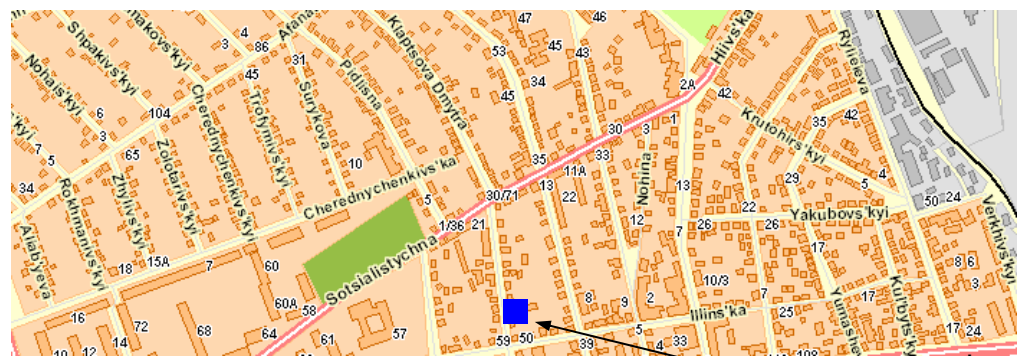
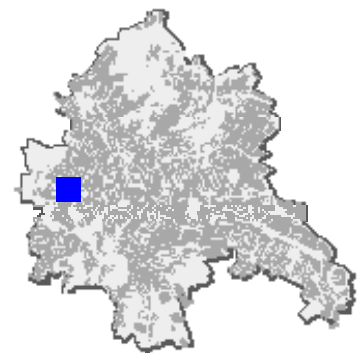
The property is located on Kharkiv's eastside. The region has developed transport links. The Kholodna Gora subway stop is nearest the complex.

Construction is being carried out in three stages. The first and second phases of construction were completed in December 2005 and November 2006, respectively. The third phase of construction was completed in 2Q07.

The project's co-investor has a lease on the land plot until 12/31/2008.

Region	Kharkiv
Address	<b>Klaptsova Str., 52/54</b>
Type	Residential
Class	Business
Total saleable area, m <sup>2</sup>	24,898
- residential	17,840
- parking	3,049
- non-residential	4,009
Stage	under construction
Project start	Q3 2003
Project completed	Q2 2007
NPV, USD mln	7.9

Source: Company data, NPV by Concorde Capital



Atoll complex (Visualization)



Source: Company data

Construction progress (March '07)



## Druzhba, dwelling house

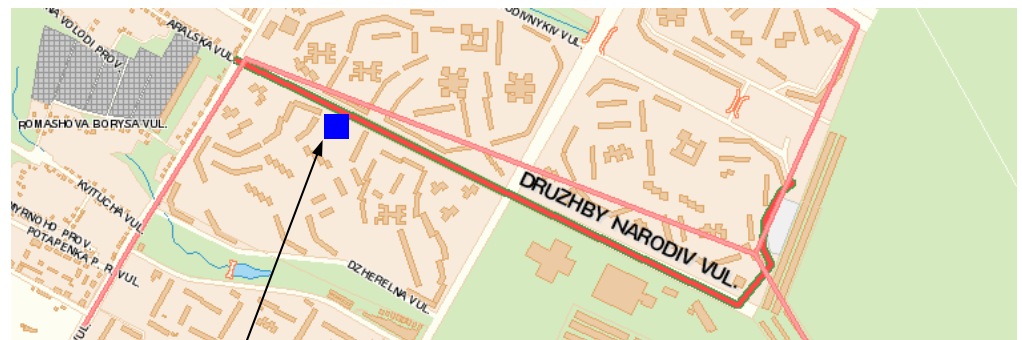
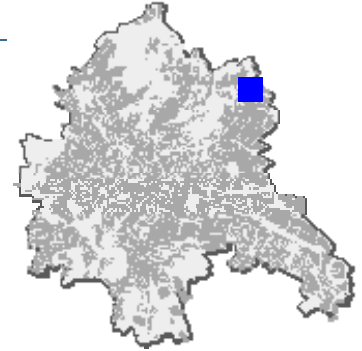
The project will contain a 9-story residential dwelling consisting of 6 sections with 162 apartments in total. No underground parking is planned.

The property is located on the outskirts of Kharkiv, in the Moskovskyi district.

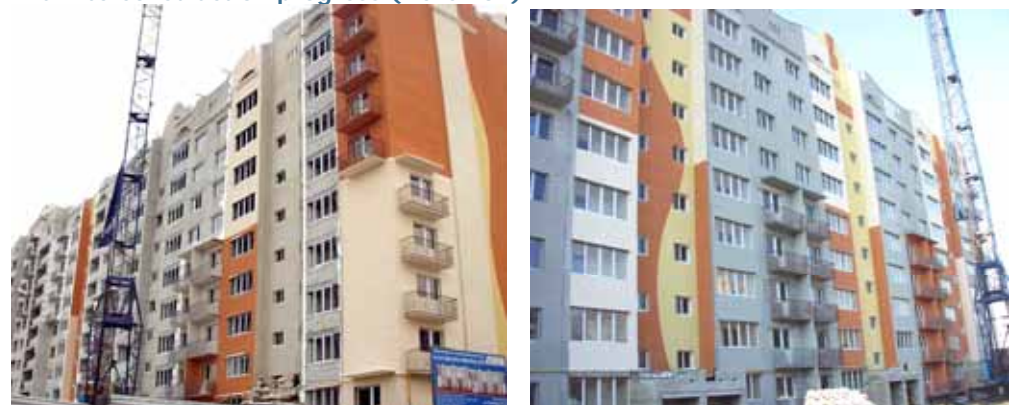
The project's co-investor StimulLTD+ Ltd has leased the land plot until 01/01/2028.

Region	Kharkiv
Address	<b>Druzhby Narodiv Str., 238</b>
Type	Residential
Class	Economy
Total saleable area, m <sup>2</sup>	11,108
- residential	11,108
- parking	-
- non-residential	-
Stage	under construction
Project start	Q2 2005
Project completed	Q2 2007
NPV, USD mln	0.5

Source: Company data, NPV by Concorde Capital



Druzhba construction progress (March'07)



Source: Company data

## Flamingo, dwelling house

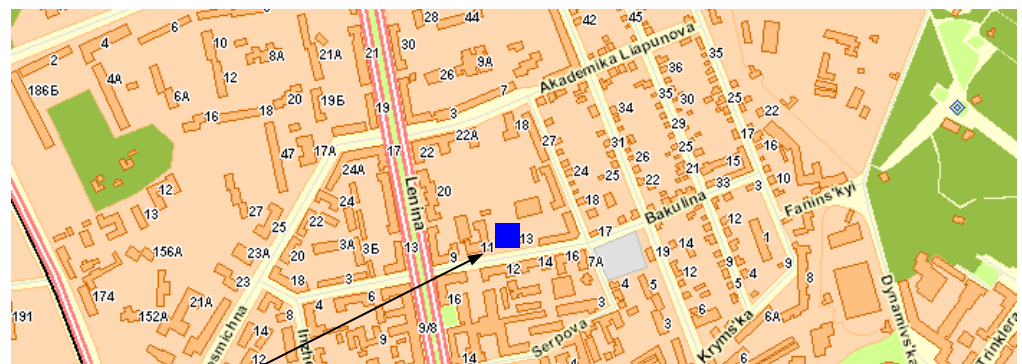
The project involves the reconstruction of a five-storey building. During the reconstruction the plan is to change the lay-out of the basement, install two elevators, re-construct two floors and install an attic. Following reconstruction the building will be a seven storey premium class dwelling.

The property is located in the historical and business center of Kharkiv. According to the investment agreement, 23 apartments in the renewed building will be retained by the National Aerospace University and the rest of the residential dwelling and its retail premises will belong to TMM.

The National Aerospace University owns the land plot.

Region	Kharkiv
Address	<b>Bakulina Str., 13</b>
Type	Residential
Class	Premium
Total saleable area, m <sup>2</sup>	4,183
- residential	3,633
- parking	-
- non-residential	550
Stage	under construction
Project start	Q3 2005
Expected completion	Q4 2007
NPV, USD mln	4.8

Source: Company data, NPV by Concorde Capital



Flamingo (Visualization)



Source: Company data

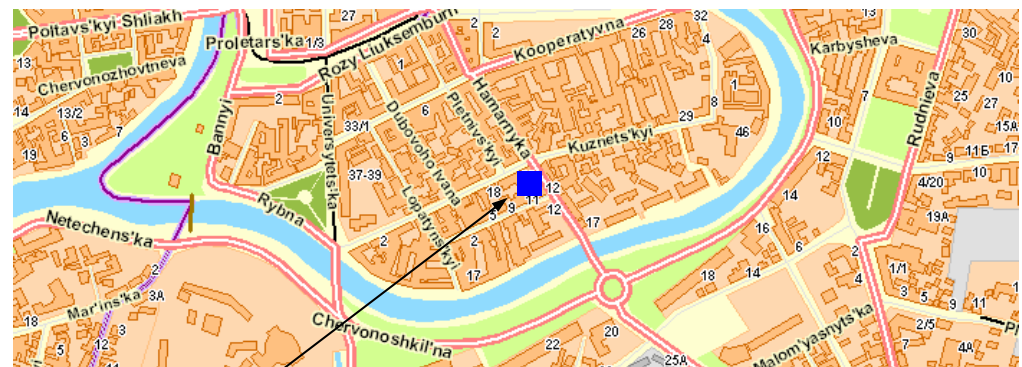
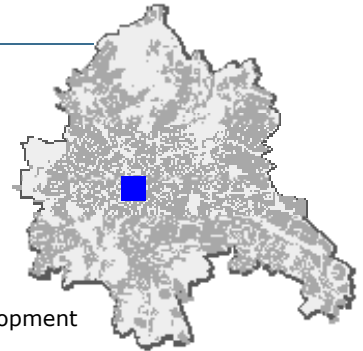
## Cascade, residential complex

The Cascade residential complex currently includes two 5-7-storey residential dwellings with retail premises and underground parking. The third part of the complex is held for development. The complex has autonomous water and heat supply and electrical power unit.

The property is located in the historical and business center of Kharkiv. A number of shops, restaurants, cafés and theaters are sited in the vicinity. All major city thoroughfares start nearby providing connections to all other parts of the city.

Region	Kharkiv	
Address	<b>Kuznetskyi lane, 22 (3rd stage)</b>	
Type	Residential	
Class	Premium	
Total saleable area, m <sup>2</sup>	6,815	4,943
- residential	4,735	4,335
- parking	1,302	165
- non-residential	778	443
Stage	under construction	held for development
Project start	Q3 2005	Q1 2008
Expected completion	Q2 2008	Q4 2009
NPV, USD mln	4.1	2.8

Source: Company data, NPV by Concorde Capital



Cascade (visualization)



Source: Company data





## Carat, residential complex

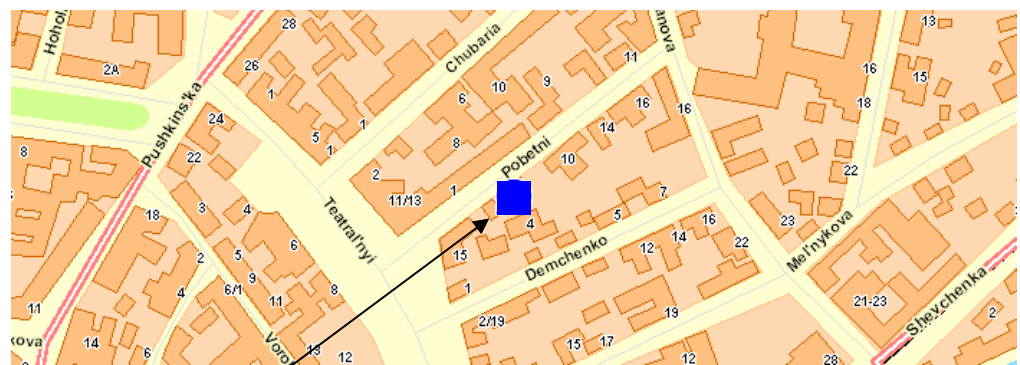
Karat is a six-storey building - five floors of residential premises, retail premises on the first floor and underground parking.

The property is located in the historical and business center of Kharkiv, near a major municipal transportation hub. The nearest metro station is Architect Beketov.

TMM has leased the land plot until 12/01/2030.

Region	Kharkiv
Address	<b>Potebni Str., 6</b>
Type	Residential
Class	Premium
Total saleable area, m <sup>2</sup>	5,960
- residential	4,176
- parking	1,120
- non-residential	664
Stage	under construction
Project start	Q3 2006
Expected completion	Q3 2008
NPV, USD mln	5.5

Source: Company data, NPV by Concorde Capital



Carat (visualization)



Source: Company data

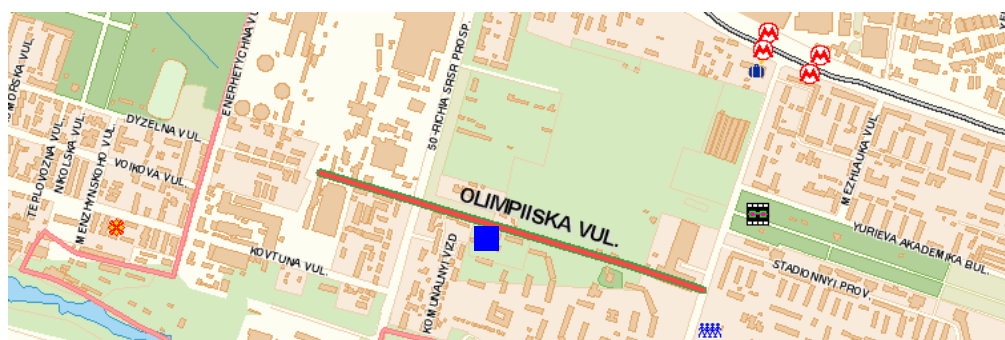
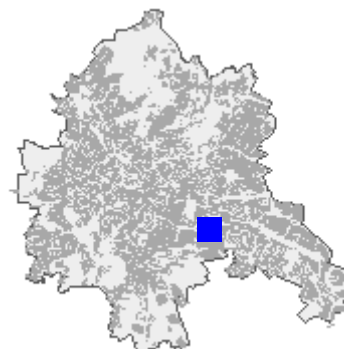
## Olimpiys'ka, residential complex

The complex includes a 23-storey residential dwelling with underground parking and office premises located on the first and second floors.

The property is located in a prestigious district adjacent to the city center. The nearest metro station is Marshala Zhukova.

Region	Kharkiv
Address	<b>Olimpiys'ka Str.</b>
Type	Residential
Class	Premium
Total saleable area, m <sup>2</sup>	15,964
- residential	10,456
- parking	2,730
- non-residential	2,778
Stage	under construction
Project start	Q2 2007
Expected completion	Q1 2010
NPV, USD mln	6.6

Source: Company data, NPV by Concorde Capital



Olimpiyska landplot (July '06)



Source: Company data

## Green Town, residential complex

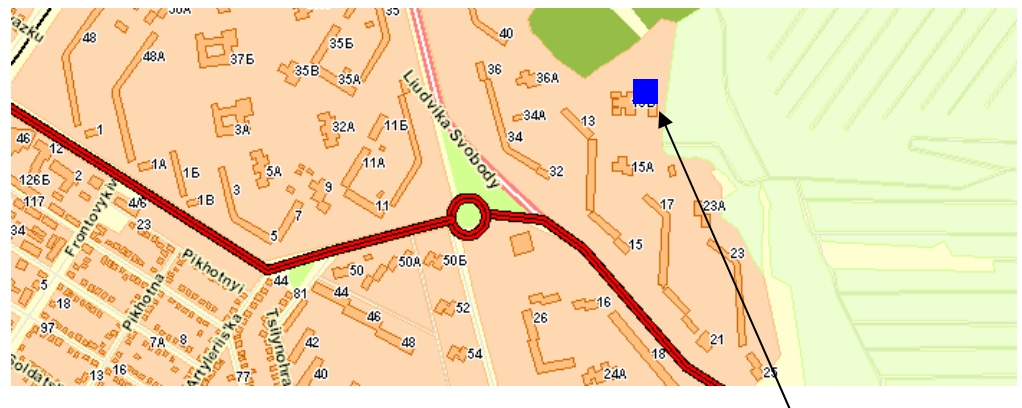
The residential complex is comprised of three dwelling houses with underground parking. Ground floor will host objects of social infrastructure, such as café, beauty shop, fitness center, bank branch, as well as office and retail premises.

Located in the outskirts of Kharkiv, Dzerzhynskiy administrative district, the land plot nevertheless has good vehicle accessibility. The district is a recreation center and is perceived as prestigious by inhabitants of the city.

Company has leased the land plot until 12/01/2029.

Region	Kharkiv
Address	<b>Akhsarova Str.</b>
Type	Residential
Class	Business
Total saleable area, m <sup>2</sup>	24,171
- residential	15,702
- parking	6,571
- non-residential	1,898
Stage	under construction
Project start	Q4 2006
Expected completion	Q4 2008
NPV, USD mln	5.3

Source: Company data, NPV by Concorde Capital



### Green Town residential complex (visualization)



Source: Company data

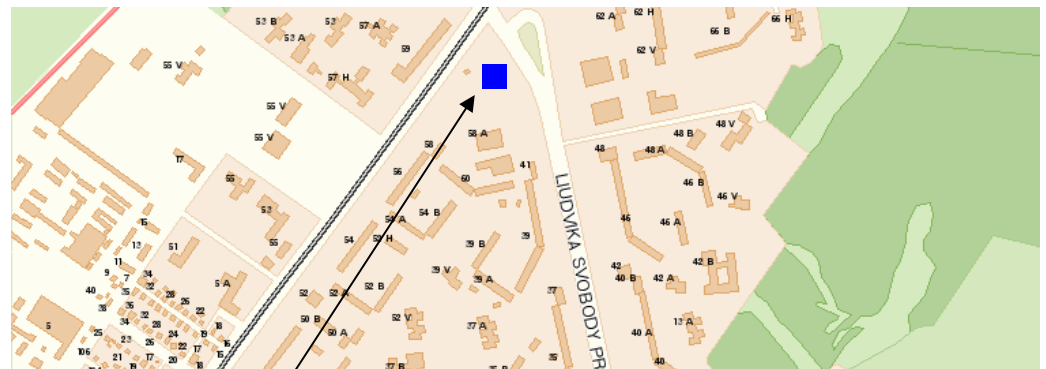
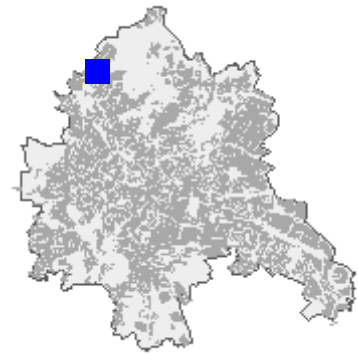
## L. Svobody, dwelling house

The project envisages a construction of a 9-storey dwelling house with a total of 44 business class apartments and a parking area.

The land plot is located in Kharkiv's peripheral district, Dzerzhynskiy. Still, it has good transportation links to the city center through Peremogy ave.

Region	Kharkiv
Address	<b>L. Svobody Str.</b>
Type	Residential
Class	Business
Total saleable area, m <sup>2</sup>	6,449
- residential	5,551
- parking	510
- non-residential	388
Stage	Held for development
Project start	Q3 2007
Expected completion	Q3 2009
NPV, USD mln	1.9

Source: Company data, NPV by Concorde Capital



L. Svobody landplot (July '06)



Source: Company data



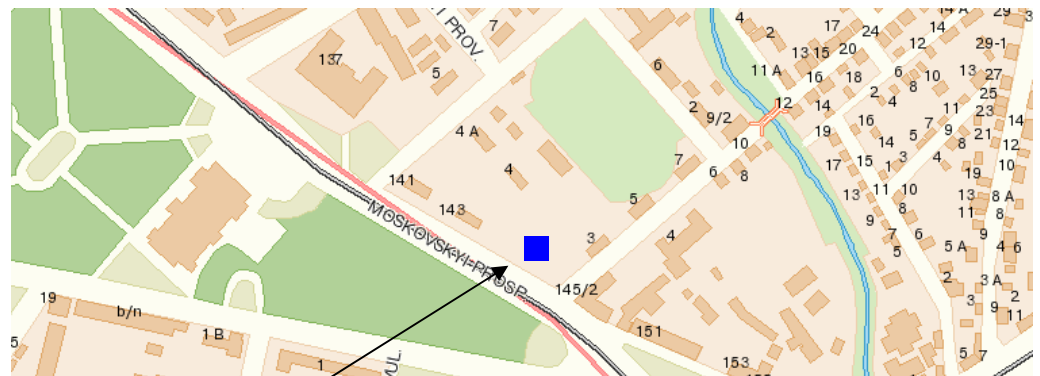
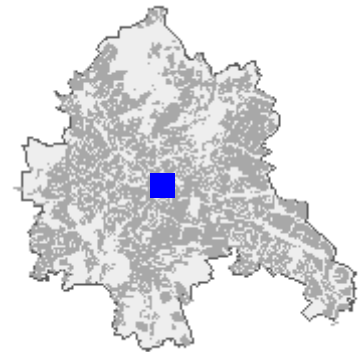
## Moskovskiy, residential complex

The complex has four residential sections with a total of 432 business class apartments. The project also envisages the construction of all necessary social infrastructure. The complex's retail premises include a supermarket, boutique, café, and restaurant. Other entertainment premises contain a fitness center, movie theatre and night club.

The property is located in the center of Kharkiv. The plot is on the edge of one of the city's largest transportation hubs.

Region	Kharkiv
Address	<b>Moskovskiy Ave., 143</b>
Type	Residential
Class	Business
Total saleable area, m <sup>2</sup>	60,000
- residential	50,000
- non-residential	10,000
Stage	Held for development
Project start	Q4 2007
Expected completion	Q4 2012
NPV, USD mln	9.0

Source: Company data, NPV by Concorde Capital



Moskovskiy landplot (March '07)



Source: Company data

# Zhytomyr Projects

## Chornovola and Dytyachoyi Komuny Dwelling Houses

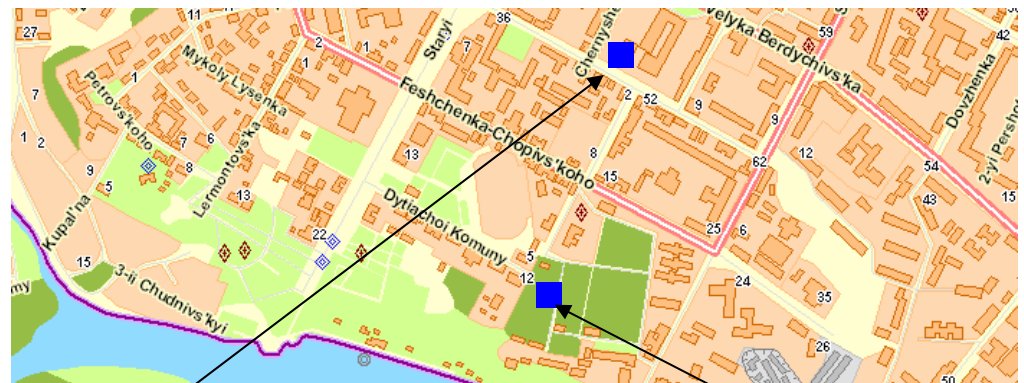
TMM is developing two properties in Zhytomyr. Both projects involve the construction of business class residential dwellings with office premises and underground parking.

The land plots are located in the center of Zhytomyr. The dwelling on Chornovola street has a very convenient access to the city's main thoroughfare. The dwelling on Dytyachoyi Komuny is close to city park and the apartments on upper floors have a picturesque view of the Teterev river.

The project's co-investor, KP Zhytomyrbudzamovnyk holds the lease on the land plot until 11/29/2010.

Region Address	Zhytomyr <b>Chornovola Str., 4</b>	Zhytomyr <b>Dytyachoyi Komuny Str., 4</b>
Type Class	Residential Business	Residential Business
Total saleable area, m <sup>2</sup>	6,461	14,995
- residential	4,664	11,570
- parking	1,797	3,425
- non-residential	-	-
Stage	under construction	under development
Project start	Q3 2006	Q3 2007
Expected completion	Q3 2008	Q3 2009
NPV, USD mln	2.5	10.8

Source: Company data, NPV by Concorde Capital



Chornovola (Visualization)



Source: Company data

Dytyachoyi Komuny landplot



Source: Company data

## Crimean projects

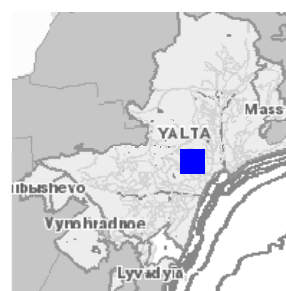
### Lesi Ukrayinky, residential/resort complex

Yalta is located on the southern coast of the Crimean Peninsula, a popular resort center in Ukraine. Yalta is the administrative center of a significant territory of the Crimea's Southern Coast over 70 km long.

TMM's property is located in the center of the city, at the base of the Darsan mountain. It is surrounded by a forest preserve. The Black Sea is 500 meters away. The buildings currently located on the site will be demolished in 2008.

Region	Yalta
Address	<b>Lesi Ukrayinky Str., 16</b>
Type	Residential/resort
Class	Premium
Total saleable area, m <sup>2</sup>	5,610
- residential	4,769
- parking	-
- non-residential	841
Stage	Held for development
Project start	Q1 2009
Expected completion	Q1 2012
NPV, USD mln	10.9

Source: Company data, NPV by Concorde Capital



Lesi Ukrayinky complex (Visualization)



Source: Company data



## Parkove village, residential/resort complex

The property is located 30 km from Yalta on a large plateau. Black sea is ~1,000 meters away.

The project involves the construction of a 4-12-storey apartment complex, 31 cottages, and 220 parking places. The complex will include:

- contemporary outdoor and indoor pool
- SPA-centre
- tennis court
- restaurant and bar
- retail stores and services
- an elevator that will bring guests down from the plateau to the Black Sea.

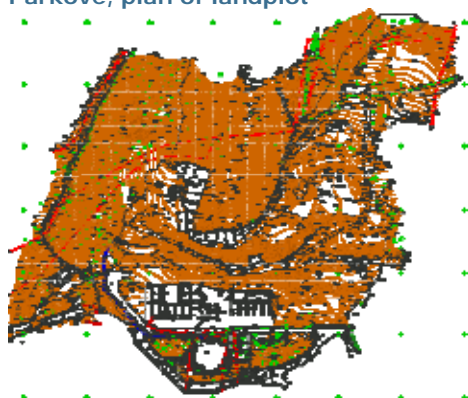
Region	Yalta district
Address	<b>Parkove village</b>
Type	Residential/resort
Class	Premium
Total saleable area, m <sup>2</sup>	40,933
- residential	28,833
- parking	7,920
- non-residential	4,180
Stage	Held for development
Project start	Q1 2009
Expected completion	Q2 2012
NPV, USD mln	54.1

Source: Company data, NPV by Concorde Capital



Source: Company data

### Parkove, plan of landplot



Source: Company data

## Arabatska Strilka, residential/resort complex

The project envisages construction of a complex comprised of:

- resort premises – the mineral water resort complex “Health factory” with a capacity of 4,000 visitors;
- residential premises – both apartment houses and cottages;
- retail and entertainment premises will include retail centers, restaurants, cafés, fitness center, etc.

The landplot of 50 ha is located on the Arabatska Strilka spit. It is a sand spit stretching for 115 km with a width ranging from 300 m to 7 km. It is washed by the Azov Sea on one side and by the Sivash Salt Lake on the other side. In summer the water temperature can reach up to 28 degrees Celsius, and has sunny days 90% of the season. The Sivash Lake is famous for its healing mud and brines, as well as thermal sources.

Region	Kherson region
Address	<b>Arabatska Strilka</b>
Type	Resort/residential
Class	Premium
Total sale-/leassable, m <sup>2</sup>	485,000
- residential	225,000
- resort	160,000
- retail	100,000
Stage	Held for development
Project start	Q3 2008
Expected completion	Q4 2012
NPV, USD mln	413.2

Source: Company data, NPV by Concorde Capital



### Arabatska Strilka (visualization)



Source: Company data



# Cottage Communities

## Obukhiv and Mykulychi projects

Both projects involve the construction of cottage and townhouse communities with all the necessary infrastructure including communications, energy and water supply as well as retail and entertainment centers, spas, etc.

The landplots are located within 30 km of Kyiv. The surrounding area is covered by forests, has lakes. Both landplots have good transportation accessibility from Kyiv. Mykulychi, located to the northwest, lies near Kyiv-Warsaw highway. Obukhiv, to the south, is accessible via the Kyiv-Odesa highway.

Region Address	Kyiv Region <b>Obukhiv</b>	Kyiv Region <b>Mykulychi</b>
Type Class	Residential Business	Residential Business
Total saleable area, m <sup>2</sup>	45,732	90,000
- residential	39,972	80,000
- parking	5,760	10,000
Stage	held for development	held for development
Project start	Q2 2008	Q2 2009
Expected completion	Q2 2012	Q4 2012
NPV, USD mln	33.6	66.3

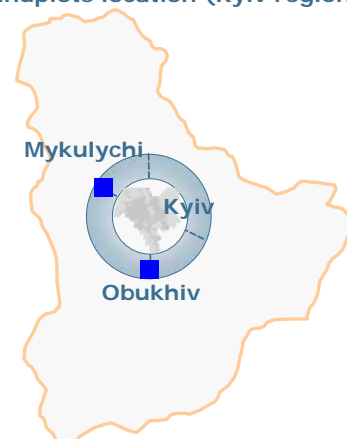
Source: Company data, NPV by Concorde Capital

### Obukhiv (visualization)



Source: Company data

### Landplots location (Kyiv region)



## Other Real Estate Assets

TMM has on its balance sheet a number of properties that currently do not generate income and are not included in our portfolio NPV calculation. However, we account for them in our sum-of-the-parts valuation based on their estimated market value.

Type Address	Total Area	Description	Value, USD mln	
			2007	2008
Residential	750 m <sup>2</sup>	The property has 8-bedroom premium class apartments on the 25-27 floors in a residential building. It is located close to the city's central district. The property has convenient transportation access.	3.4	4.1
Gali Tymofeyevoyi Str., 3 Kyiv				
Office	1,558 m <sup>2</sup>	The property represents three sections of class B+ office premises on the first six floors of the 25-story residential complex. The building is located near the middle of the city. It has convenient vehicle access through Peremogy Ave. that connects it with the city center.	7.5	9.0
Gali Tymofeyevoyi Str., 3 Kyiv				
Industrial	4.4 ha	Industrial premises owned by OJSC Ukrstsukorteploizoliatsia. The land plot is located just a few kilometers from the Kyiv ring road.	4.1	4.8
Chornovola Str., 37 Vyshneve, Kyiv Region				
Industrial	8,769 m <sup>2</sup>	Three buildings with industrial and warehousing premises are located on the property. It is in an industrial zone on the periphery of the city. The area has convenient transportation access through a dense street network.	13.0	14.9
Mashynobudivna, 50 Z/P Kyiv				
Industrial	16,104 m <sup>2</sup>	Industrial and warehousing complexes and office premises are situated on the property. The land plot has good accessibility by public transportation.	4.1	4.8
Moskovsky Ave., 199 Kharkiv				
Resort	3,228 m <sup>2</sup>	The property is home to a resort complex, which is comprised of accommodation and entertainment areas. It is located in the central part of the city, surrounded by a park. The Black Sea is less than 500 meters away.	6.6	8.0
Lesi Ukrayinky, 16 Yalta, Crimea				
<b>Total</b>			<b>38.7</b>	<b>45.5</b>

Source: Concorde Capital estimates

## Projects on the Horizon

Apart from existing properties and development projects described in the previous section, TMM is actively working on preparation of the additional pipeline. Three main directions that the company is going to develop in the near term are given below.

Type	Description
Residential	The company plans to eventually expand its cottage project in Mykulyhi as well as develop other sites under cottages and townhouses in the vicinity of Kyiv. It intends to carry out necessary land works and construct all needed infrastructure, including energy and water supply, and communications.
Hotel/ Resort	It is TMM's plan to develop more property in Crimea, Ukraine's highly popular resort center. Currently, the company is considering three projects in close proximity to Alupka, Balaklava and Koktebel. The projects presume the construction of 5-star hotel complexes, surrounded by premium class cottage communities.
Warehousing/ Logistics	Currently, the company is conducting negotiations with multinational logistics operators to roll out a network of warehouses on major distribution routes in Kyiv, Odessa, Kharkiv, and Donetsk. The company plans to construct large logistics hubs in the area of 30 to 60 ha.

*Source: Company data*



## VALUATION

## Valuation Summary

We derived TMM's 12 month target price using sum-of-the-parts (SOTP) method based on DCF. We estimate the 12 month target at USD 26.04 per share, a market capitalization of USD 1349 mln.

## Sum-of-the-Parts

A SOTP method was applied to TMM's portfolio of existing properties and projects in the course of realization. It produced a fair value estimate of TMM's MCap in 12 months of USD 1.3 bln.

Our SOTP is essentially based on a DCF analysis applied to separate projects and has an advantage of accounting for cash flows that will occur in the distant future.

Apart from DCF-valued projects, the few premises on TMM's balance sheet that are not for sale were valued based on an estimate made by independent appraiser Solomon Group. Since the appraiser carried out its valuation in January 2006, we adjusted the value of the respective properties by applying price appreciation applicable to these properties.

### Sum-of-the-parts valuation

	Current, USD mln	12M target, USD mln
Project portfolio valued by DCF	1 171	1 349
Other properties	39	46
Cumulative discounted corporate profit taxes	(59)	(67)
Net cash /(debt)	19	51
<b>Equity value</b>	<b>1 171</b>	<b>1 349</b>

Source: Concorde Capital estimates

A drawback of the SOTP method used here is that it does not factor in the company's projects on the horizon described in the previous section due to the lack of quantitative data on them. Neither does it account for the management's ability to generate brand-new projects although TMM's track record suggests this is where the value lies.

At the same time, the company has added 5 new projects to its portfolio since its placement in May 2007, more than doubling the portfolio both in terms of floor plate and NPV.

**Projects valued by DCF.** We followed the approach Colliers International used in their appraisal of TMM's projects, by differentiating properties in terms of class, location and stage of completion. However, given that the appraisal by Colliers was done on June 30, 2006, we had to revise the market prices for 2006 in line with the unpredictably high growth in price for residential real estate in 2H06 as well as to account for new projects added to the portfolio.

### Major assumptions

	2007F	2008F	2009F	2010F	2011F	2012F	2013F	2014F
Construction costs inflation	15%	13%	12%	11%	10%	10%	10%	10%
Price growth								
Kyiv, premium	23%	23%	23%	13%	3%	3%	3%	3%
business	20%	18%	16%	12%	3%	3%	3%	3%
economy	20%	18%	16%	11%	3%	3%	3%	3%
Yalta, premium	25%	25%	25%	3%	3%	3%	3%	3%
Other regions	18%	18%	18%	18%	3%	3%	3%	3%
Rental growth (commercial)	15%	18%	18%	15%	3%	3%	3%	3%

Source: Concorde Capital estimates

Our price growth assumptions are based on our understanding of the market outlook. Specifically, we assumed prices for premium residential property to post

higher growth rates than prices for economy and business class property in 2007-2010F, as we believe the premium segment will enjoy higher demand in the mid-term.

We assumed exit yields for Kyiv commercial property at 8% for the period of 2009F-2014F. Exit yields for warehousing projects are expected at 10% over the same period. Projects in Crimea were valued under the assumption of exit yield being equal to 12%.

#### WACC Calculation

	2007F	2008E	2009E	2010E	2011E	2012E	2013E	2014E
Average interest rate	14%	13%	12%	11%	11%	11%	11%	11%
Statutory tax rate	25%	25%	25%	25%	25%	25%	25%	25%
Ukrainian Eurobonds, YTM	6.0%	6.0%	5.8%	5.5%	5.2%	5.2%	5.2%	5.2%
Equity premium	9.0%	8.0%	7.0%	6.5%	6.0%	6.0%	6.0%	6.0%
Cost of equity	15.0%	14.0%	12.8%	12.0%	11.2%	11.2%	11.2%	11.2%
Target Debt/Equity, eop	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Weight of debt	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.250
Weight of equity	0.667	0.667	0.667	0.667	0.667	0.667	0.667	0.667
WACC	14%	13%	12%	11%	10%	10%	10%	10%
Discount rates for projects								
- in operation	14%	13%	12%	11%	10%	10%	10%	10%
- under construction	16%	15%	14%	13%	12%	12%	12%	12%
- under development	18%	17%	16%	15%	14%	14%	14%	14%
- held for development	20%	19%	18%	17%	16%	16%	16%	16%

Source: Concorde Capital estimates

Different discount rates were used for different categories of projects depending on their location, type of property, and development stage. We employed a premium build-up approach to estimate the company's WACC and used these discount rates to value property in operation, while discount rates applied to projects classified as under construction, under development and held for development were calculated with premiums to WACC of 2%, 4% and 6%, respectively.

#### Consolidated DCF\*

	2007F	2008F	2009F	2010F	2011F	2012F	2013F	2014F
Income, residential	56	164	473	561	605	564	173	0
Income, Non-residential	2	13	20	11	21	32	298	360
Total Project Income	59	176	493	572	626	596	471	360
OpEx	(2)	(6)	(9)	(10)	(9)	(6)	(186)	(270)
NOI	56	170	484	561	617	590	285	90
Construction Expense	(30)	(181)	(341)	(428)	(377)	(328)	(5)	0
Cash Flows	26	(11)	143	134	240	263	280	90
Discounted Cash Flows	25	(3)	99	80	124	115	109	28
Discounted TV	595							
TV as % of NPV	51%							
<b>NPV**</b>	<b>1 171</b>	<b>1 349</b>						

\* detailed valuation by project is given in Appendix A

\*\* as of June 30, 2007 and 2008, respectively

Source: Concorde Capital estimates

In addition to five purely commercial projects, a number of TMM's residential and resort projects envision areas for commercial use. The value of the commercial property not sold at the end of the forecast period is accounted for as a terminal value.

#### Other properties.

Type	Region	Address	Value, USD mln (Solomon Group)	Appreciation, 2006	Appreciation, 2007
Residential	Kyiv	Gali Tymofeyevoyi Str., 3	2.2	56%	20%
Office	Kyiv	Gali Tymofeyevoyi Str., 3	5.0	48%	20%
Industrial	Kyiv Region	Vyshneve, Chornovola Str., 37	3.6	15%	15%
Industrial	Kyiv	Mashynobudivna, 50 Zh/Z/P	11.3	15%	15%
Industrial	Kharkiv	Moskovsky Ave., 199	3.6	15%	15%
Resort	Yalta	Lesi Ukrayinky, 16	4.6	44%	22%

Source: Company data, Concorde Capital estimates

**Discounted tax value.** We accounted for TMM's corporate income tax payments by discounting their estimated annual values to date throughout our forecast horizon of 2007F-2014F. Average discount rates applied to TMM's projects were employed.

TMM's involvement in the construction business results in significant differences between its financial and tax accounting. The company is able to claim its construction costs as expenses for tax purposes in the period when they are incurred, while revenues from projects are recognized on the tax return only at the time the projects are approved for exploitation by the respective authorities.

On the other hand, TMM opts not to report property revaluation in its financial statements by Ukrainian standards and in tax returns, while it does account for the revaluation in IFRS statements. This creates an additional difference between tax expenses according to IFRS and taxes payable on TMM's tax return. Due to the differences between the IFRS and tax accounting, TMM's effective tax rate defined as a ratio of the company's tax expense to its pre-tax income was 38% in 2004 and 34% in 2005 according to its IFRS statements prepared by KPMG, while in fact TMM had to pay only 1.8% and 0.6% of its pre-tax income in respective years, the balance being deferred taxes.

Given that TMM is expected to expand its construction activities, construction costs related to new projects should result in low taxes payable in future periods. We think that the differences between financial and tax accounting will be at least partially irreversible. We project that in 2007-2009 tax expense will exceed taxes payable, resulting in deferred taxes, as was the case in 2004 and 2005.

At the same time, we assume that starting from 2010 TMM's taxes payable will equal its tax expenses. The company is expected during the adjustment period of 2007-2009 to bring its internal financial reporting in line with IFRS and to switch from its currently used tax optimization techniques to an industry standard of minimizing taxes by selling apartments through residential bond schemes.

The bond scheme enables Ukrainian home builders to reach an effective tax rate on apartment sales of close to zero and leave the amount of taxes paid by companies to their discretion. It works as follows: a developer sells bonds with an aggregate value equal to the cost of project construction to a related asset management fund, which in turn, sells the bonds to apartment buyers at a profit. Profits are accumulated at the fund and are not taxed under Ukrainian law until the fund's closure. Upon the fund's termination, its stakeholder, usually a Cyprus-registered holding company of the developer receives proceeds in Cyprus and is subject to a 0% capital gain tax in Cyprus while at the same time being exempted from a capital gain tax in Ukraine due to a double taxation treaty between Cyprus and Ukraine.

We conservatively forecast that starting from 2010 TMM will pay taxes in the amount of 7% of its IFRS pre-tax income, which is significantly higher than the company is paying now and than other Ukrainian developers currently do. The sum of projected tax payments discounted to date totaled USD 59 mln.

## Relative Valuation

**Price to portfolio NAV.** This valuation method implies TMM's fair price to lie within the range of USD 18.92 – 21.62 per share.

We employed P/NAV ratio as we think that portfolio NAV (the value of the company's project portfolios as derived by respected independent appraisers) provides a useful comparison base for real estate developers, although not without shortcomings related to differing appraisal dates. Our comparison group includes recently placed Ukrainian and Russian companies.

### Comparative valuation

Company	Current MCap, USD mln	Current NAV*, USD mln	P/NAV
AFI Development	5 053	3 690	1.4
AISI Realty Public	132	27	5.0
Mirland	1 126	853	1.3
PIK Development	12 319	8 800	1.4
RGI International	1 230	973	1.3
Sistema Hals	2 768	2 040	1.4
TKS Management	180	150	1.2
XXI Century	909	520	1.7
<i>Weighted Average:</i>			<i>1.4</i>

\* in this section we define portfolio NAV as the value of a portfolio derived by independent appraiser

Source: RBC, LSE, Concorde Capital estimates

We took a ratio of current market capitalization to the appraisal value for each respective company and found that this ratio makes up the range 1.3-1.7. We conclude that the market must have ascribed more value to the companies than appraisers did due to two main reasons:

- overly conservative assumptions employed by appraisers, and
- market expectations that the developers will generate more value than locked in their appraised projects due to the pipeline of un-appraised projects.

Last portfolio appraisal for TMM done by Colliers International was dated June 30, 2006. New appraisal of the portfolio as of June 30, 2007 is expected in mid-September 2007 only.

With the guidance from TMM's management, we anticipate the new appraiser's valuation to lie within the range of USD 650-750 mln, taking into account that the company has added 9 new projects into the portfolio that will be appraised more than doubling it in terms of the floor plate.

### Implied price sensitivity

		P/NAV					
		1.3	1.4	1.5	1.6	1.7	1.8
NAV	550	13.80	14.87	15.93	16.99	18.05	19.11
	600	15.06	16.22	17.38	18.53	19.69	20.85
	650	16.31	17.57	18.82	20.08	21.33	22.59
	700	17.57	18.92	20.27	21.62	22.98	24.33
	750	18.82	20.27	21.72	23.17	24.62	26.06
	800	20.08	21.62	23.17	24.71	26.26	27.80

Source: Concorde Capital estimates

**Financials-based multiples.** We think the relative method based on the P/B metric, although most frequently used in valuing real estate companies in developed markets, is less applicable in the case of TMM. Many of the company's largest projects are in the early phase of realization and their potential value is not reflected in TMM's forward-looking book values, which limits the suitability of the P/B multiple. On the other hand, TMM's forward-looking 2008F EV/S, EV/EBITDA and P/E metrics imply a fair price of USD 18.61-23.70 per share.

#### Comparative valuation

	Price, USD	MCap, USD mln	EV/S		EV/EBITDA		P/E		P/BV	
			2007E	2008F	2007E	2008F	2007E	2008F	2007E	2008F
Echo Investment	32.7	1 372	11.2	10.2	19.2	17.4	14.0	13.3	2.7	2.3
Orco Property Group	141.0	1 468	7.4	7.2	25.4	20.8	17.7	14.2	1.5	1.2
Meinl European Land	23.3	6 979	15.3	18.8	38.4	8.9	15.4	10.9	1.0	0.9
Huaku	1.9	389	2.0	1.7	8.3	7.2	7.1	6.0	2.6	2.2
Open Investments	291.5	3 367	11.7	6.6	28.4	13.6	36.9	13.6	2.0	1.7
Cyrela Brazil Realty	11.1	3 934	4.5	2.8	20.3	11.6	22.0	16.4	3.2	2.8
Rossi Residencial	23.2	1 832	5.3	3.6	29.7	18.1	29.7	17.6	3.0	2.5
Urbi Desarrollos										
Urbanos	3.9	3 468	3.1	2.5	11.7	9.4	19.2	15.3	3.6	2.9
Consortio Ara	1.4	1 856	1.9	1.6	8.3	6.8	13.0	11.0	2.4	2.0
XXI Century	24.3	909	15.8	11.7	78.9	31.5	64.3	8.5	3.3	2.7
Sistema Hals	12.3	2 768	8.2	0.5	18.8	10.3	39.3	22.8	3.2	1.3
Dom Development	55.6	1 365	3.8	2.5	15.4	10.6	18.4	13.2	5.4	3.9
Mirland	11.3	1 126	n/a	2.2	6.3	4.2	8.9	7.6	4.7	4.0
<i>Average</i>			<i>7.5</i>	<i>6.6</i>	<i>25.8</i>	<i>14.2</i>	<i>25.5</i>	<i>14.2</i>	<i>3.2</i>	<i>2.5</i>
TMM – Implied Price			13.39	18.61	11.27	23.70	10.92	22.38	12.92	14.29

Source: Bloomberg, Concorde Capital estimates

We do not rely on TMM's 2007E forward-looking metrics, as they contain a transitional component, which we expect to vanish in 2008. We project that the effect of presales made prior to 2006, at lower market prices, will be carried throughout 2007 and in 2008 the share of presales in the company's sales will reach a sustainable level thanks, in part, to equity financing.

## FINANCIAL STATEMENTS

## Assumptions Used in Financial Projections

TMM's historical and projected financials are reported in line with IFRS based on the company's project portfolio and construction schedule. For 2004 and 2005, KPMG audited and prepared TMM's financial statements in accordance with international standards. We attempted to forecast TMM's IFRS financials for 2006 based on the company's available accounts prepared according to Ukrainian Accounting Standards (UAS).

**The key principles we employed in our projections are as follows:**

- revenue from sales of premises and corresponding cost of sales are recognized at the time when the title is transferred to the buyer of premises. The schedule of project completion can be thought of as an approximate guide in such revenue recognition;
- pre-payments from buyers are capitalized on the balance sheet as Advances from Customers;
- investments into un-finished construction projects are capitalized as Inventory (construction work in progress). Upon the project completion, they are either transferred to the Investment Property account or written off of the balance sheet as a result of sales of premises;
- re-valuation gain applicable to commercial property is derived from our DCF calculations of terminal value and discount rates;
- the company's equity grows mainly due to two components – retained earnings and re-valuation reserve. For 2007, we additionally credit USD 100 mln to the company's equity account to reflect the amount of proceeds the company received from the placement of its ordinary shares in May 2007;
- starting from 2010, taxes payable are assumed to equal tax expense. Prior to that, tax expense is projected to exceed taxes payable, resulting in deferred taxes, as was the case in 2004 and 2005. From 2007 to 2009, the company is expected to go through an adjustment period bringing its internal financial reporting in line with IFRS and switching from its currently used tax optimization techniques to an industry standard of minimizing taxes by selling apartments through residential bond scheme;
- given that pro forma accounts are based solely on TMM's existing portfolio, excess cash generated by the portfolio is accumulated on the balance sheet that otherwise would probably be invested into new projects. We made an assumption that the company starts paying dividends in 2009 reducing the amount of the excess cash.

We admit that TMM's actual IFRS statements for 2006, when prepared by an international auditing firm, might differ significantly from our projections due to the possibility of time differences when recognizing revenue. A portion of revenues as projected by us for 2006 might be shifted to 2007, but projected cash payments received for premises should be close to the actually reported ones.

In 2006, a sizable portion of TMM's revenue, according to UAS accounts, was due to low-margin construction contracts and inventory sales. We assume that in 2007 the company will minimize its involvement in third-party construction contracts. TMM's strategy foresees the maximum utilization of construction capacities to realize its own development projects that will be partially funded with placement proceeds received in 2007.



### Income Statement Summary, USD mln

	2004	2005	2006E	2007E	2008F	2009F	2010F	2011F	2012F
<b>Net Revenues</b>	<b>26</b>	<b>39</b>	<b>81</b>	<b>82</b>	<b>157</b>	<b>201</b>	<b>470</b>	<b>560</b>	<b>669</b>
Change y-o-y	N/A	50.6%	105.6%	2.0%	90.4%	28.5%	133.7%	19.0%	19.4%
Cost Of Sales	(20)	(33)	(63)	(56)	(63)	(80)	(191)	(205)	(260)
Gross Profit	6	6	18	26	94	121	280	355	408
<b>Other Operating Income</b>									
SG&A	(4)	(6)	(6)	(7)	(9)	(9)	(11)	(9)	(6)
<b>EBITDA</b>	<b>11</b>	<b>1</b>	<b>12</b>	<b>20</b>	<b>85</b>	<b>113</b>	<b>269</b>	<b>346</b>	<b>402</b>
EBITDA margin, %	42.8%	3.0%	15.0%	24.0%	54.0%	55.9%	57.2%	61.7%	60.1%
D&A	(0)	(0)	(1)	(1)	(2)	(2)	(2)	(2)	(2)
<b>EBIT</b>	<b>11</b>	<b>1</b>	<b>11</b>	<b>18</b>	<b>83</b>	<b>111</b>	<b>267</b>	<b>344</b>	<b>400</b>
EBIT margin, %	41.8%	1.9%	13.3%	22.3%	53.0%	55.1%	56.8%	61.4%	59.8%
Interest Expense	(1)	(0)	(5)	(9)	(17)	(9)	(4)	(5)	(5)
Financial income/(expense)	0	0	-	-	-	-	-	-	-
Other income/(expense)	1	9	24	20	32	33	24	31	45
<b>PBT</b>	<b>11</b>	<b>10</b>	<b>29</b>	<b>30</b>	<b>98</b>	<b>135</b>	<b>288</b>	<b>370</b>	<b>439</b>
Tax	(4)	(3)	(7)	(7)	(17)	(17)	(18)	(24)	(28)
Extraordinary Income/(loss)	-	-	-	-	-	-	-	-	-
<b>Net Income</b>	<b>7</b>	<b>6</b>	<b>22</b>	<b>22</b>	<b>82</b>	<b>118</b>	<b>269</b>	<b>346</b>	<b>411</b>
Net Margin, %	26.3%	16.5%	27.0%	27.0%	52.2%	58.5%	57.2%	61.8%	61.5%

Source: Company data, Concorde Capital estimates

### Balance Sheet Summary, USD mln

	2004	2005	2006E	2007E	2008F	2009F	2010F	2011F	2012F
<b>Current Assets</b>	<b>77</b>	<b>117</b>	<b>167</b>	<b>382</b>	<b>447</b>	<b>734</b>	<b>871</b>	<b>1 057</b>	<b>1 176</b>
Cash & Equivalents	2	10	4	211	150	149	33	33	44
Trade Receivables	31	45	56	53	55	71	71	84	101
Inventories	31	51	93	103	223	494	720	884	964
Other current assets	12	11	14	14	19	20	47	56	67
<b>Fixed Assets</b>	<b>38</b>	<b>72</b>	<b>99</b>	<b>120</b>	<b>162</b>	<b>149</b>	<b>194</b>	<b>234</b>	<b>262</b>
PP&E, net	23	45	50	50	53	55	58	62	65
Investment Property & Other Fixed Assets	15	26	49	69	109	94	136	172	197
<b>Total Assets</b>	<b>115</b>	<b>189</b>	<b>266</b>	<b>502</b>	<b>610</b>	<b>883</b>	<b>1 065</b>	<b>1 291</b>	<b>1 439</b>
<b>Shareholders' Equity</b>	<b>43</b>	<b>64</b>	<b>86</b>	<b>208</b>	<b>292</b>	<b>298</b>	<b>315</b>	<b>436</b>	<b>618</b>
Share Capital	62	64	67	167	169	172	174	174	176
Reserves and Other	(20)	0	19	41	124	126	141	262	443
<b>Current Liabilities</b>	<b>54</b>	<b>107</b>	<b>156</b>	<b>169</b>	<b>179</b>	<b>530</b>	<b>694</b>	<b>799</b>	<b>765</b>
ST Interest Bearing Debt	1	10	24	24	10	10	24	28	34
Trade Payables	29	24	25	22	25	20	58	62	47
Accrued Wages	-	-	-	-	-	-	-	-	-
Accrued Taxes	0	1	-	-	-	-	-	-	-
Advances from Customers & Other	24	73	107	122	143	500	613	710	684
<b>LT Liabilities</b>	<b>18</b>	<b>18</b>	<b>25</b>	<b>125</b>	<b>139</b>	<b>55</b>	<b>55</b>	<b>55</b>	<b>56</b>
LT Interest Bearing Debt	18	14	18	112	113	18	19	19	19
Deferred Taxes	-	4	7	14	26	37	37	37	37
<b>Total Liabilities &amp; Equity</b>	<b>115</b>	<b>189</b>	<b>266</b>	<b>502</b>	<b>610</b>	<b>883</b>	<b>1 065</b>	<b>1 291</b>	<b>1 439</b>

Source: Company data, Concorde Capital estimates

### Cash Flow Statement Summary, USD mln

	2004	2005	2006E	2007E	2008F	2009F	2010F	2011F	2012F
Net Income	7	6	22	22	82	118	269	346	411
D&A	0	0	1	1	2	2	2	2	2
Non-operating and non-cash items	(4)	(12)	(24)	(13)	(27)	28	(41)	(37)	(23)
Changes in working capital	(14)	16	(21)	5	(102)	64	(100)	(85)	(145)
<b>Operating Cash Flow</b>	<b>(11)</b>	<b>11</b>	<b>(21)</b>	<b>16</b>	<b>(45)</b>	<b>212</b>	<b>130</b>	<b>226</b>	<b>245</b>
Capital Expenditures, net	(4)	(6)	(2)	(2)	(4)	(2)	(5)	(6)	(5)
Other Investments, net	(0)	(3)	-	-	-	-	-	-	-
<b>Investing Cash Flow</b>	<b>(4)</b>	<b>(9)</b>	<b>(2)</b>	<b>(2)</b>	<b>(4)</b>	<b>(2)</b>	<b>(5)</b>	<b>(6)</b>	<b>(5)</b>
Net Borrowings/(repayments)	15	4	17	94	(14)	(96)	13	4	5
Dividends Paid	-	-	-	-	-	(118)	(256)	(225)	(234)
Equity Financing & Other	1	1	-	100	-	-	-	-	-
<b>Financing Cash Flow</b>	<b>17</b>	<b>5</b>	<b>17</b>	<b>194</b>	<b>(14)</b>	<b>(214)</b>	<b>(242)</b>	<b>(221)</b>	<b>(229)</b>
Beginning Cash Balance	1	2	10	4	211	150	149	33	33
Ending Cash Balance	2	10	4	211	150	149	33	33	44
Exchange Rate Impact	(0)	(0)	-	-	(2)	(3)	(1)	(0)	(0)
<b>Net Cash Inflows/Outflows</b>	<b>2</b>	<b>7</b>	<b>(6)</b>	<b>207</b>	<b>(63)</b>	<b>(5)</b>	<b>(117)</b>	<b>(0)</b>	<b>11</b>

Source: Company data, Concorde Capital estimates

### UAH/USD Exchange Rates

	2004	2005	2006	2007E	2008F	2009F	2010F	2011F	2012F
Average	5.32	5.12	5.05	5.05	5.03	4.95	4.88	4.85	4.83
Year-end	5.31	5.05	5.05	5.05	5.00	4.90	4.85	4.85	4.80

Source: Concorde Capital estimates

## RISKS

## Major Risks Faced by the Company

**General macroeconomic slowdown.** The Ukrainian economy is experiencing strong growth due to favorable export markets and rising domestic consumption. Possible slowing in economic development would negatively affect household income, pushing demand for residential property down. Nonetheless, this is not in line with our expectations of 6.5% GDP growth in 2007 and 5-6% growth in 2008-2009.

**Increased price competition.** Currently, there are only few companies taking part in the high-end segment of the market. Attracted by high margins, new players, predominantly Russian, are expected to enter the market in the mid-term and intensify competition, which could potentially put a downward pressure on price growth and adversely impact margins. We think that TMM is well equipped to withstand the test of competition, in particular, due to its experience in the market, industry connections and lower construction costs. Additionally, low saturation on the Ukrainian real estate market suggests that margins would remain high for several more years even in a more competitive environment.

**Human capital loss.** During its 13 years of operations in real estate market, the company has trained a team of professional managers and qualified specialists. The arrival of foreign developers and construction companies that require local experience will expose TMM to the risk of headhunting. This could lead to wage inflation or loss of workforce by the company. TMM's strategy in this regard is to motivate its key employees to stay by offering preferential terms for apartment purchases and other fringe benefits.

**Delays in completing projects.** The company might not successfully meet the intended schedule for development and construction work within the planned budget and in proper time. To mitigate the risk, TMM is establishing a full-scope engineering center, which will be in charge of project management.

**Inability to capture price growth in full.** Residential property construction in Ukraine is generally financed by prepayments from investors during construction. By the time construction is over, most apartments are usually fully paid for, with the effective price set at a discount to the market price for finished premises prevailing at the time payments were made. In a market with strongly growing prices, this might result in substantial opportunity losses. TMM's objective is to move away from the presales scheme, yet the possibility of insufficient project financing might force the company to continue relying on presales.

**Deterioration of relationships with authorities.** The development process in Ukraine is characterized by a high level of bureaucracy and presumes a lobbying power with local authorities. Weakening connections might result in delays in obtaining necessary paperwork to complete a project. TMM's long presence on the market and pre-emptive approach in dealing with changing local governments suggests that this risk should not be a serious concern.

**Unforeseen construction-related costs.** Although the company accounts for construction cost inflation in its estimates and is able to manage its costs relatively well due to possession of in-house construction and construction materials, it still faces the risk of additional construction-related and facilitation payments. Specifically, this concerns unexpected changes in municipal regulations that can increase requirements for transferring part of constructed properties to the city as a condition for receiving permits for land plot development. This type of risk is inherent in the Ukrainian real estate market and we believe TMM is positioned to cope with it better than other developers due to its experience and connections.

## LEGAL ENVIRONMENT

## Ownership

**Real estate ownership.** Ukraine recognizes the private ownership of real estate by Ukrainian residents, foreign individuals, foreign legal entities and others. Ukraine's Constitution, together with its Civil Code, Land Code and other applicable laws, uphold and protect the right to own private property.

Land is categorized by its approved use – residential, industrial and agricultural. Currently the majority of land in Ukraine is not privately owned, but is held by the government. Entities with foreign ownership (wholly or in part) are prohibited from owning some land privately: (1) land plots outside settlements that do not have any structures and (2) agricultural land.

**State registration of immovable property.** Ownership rights to real estate property are completed following the registration of the sale and purchase agreement with the appropriate local authority; the land purchase agreement must be registered with the local Department for Land Resources.

**Ownership liability.** Owners of land plots and buildings must comply with various environmental, public health, fire, residential, urban planning and other requirements. The owner of a building is generally liable for any issues connected to the building.

## Mortgage financing

Real-estate mortgages apply to land and other real estate, as well as to unfinished construction. Mortgages for privately-owned land have been permitted since January 2002.

## Leasing

**Land leases.** All Ukrainian and foreign individuals, entities and states can lease land in Ukraine. Subleasing arrangements are permitted, subject to the lessor's consent. There are two types of land leases: short-term (up to five years) and long-term (up to 50 years, the maximum lease term permitted under Ukrainian law).

Land lease agreements must be in writing and must contain provisions on: subject matter of the lease; term of the agreement; amount of the rent, and the terms and means of its payment; purposes of the lease; terms of maintenance of the leased land plot; terms of transfer of the leased land plot by the lessor to the lessee; terms for returning the leased land plot by the lessee to the lessor; a description of all existing restrictions and encumbrances; provisions allocating the risk of damage or loss; and liability.

Every land lease agreement must be registered with the appropriate state authorities and notarized. Leases can be extended an infinite number of times. The lessee has a pre-emptive right to extend the lease, provided it fulfilled its obligations under the original lease.

The lessee has a first-refusal right in the event that the lessor seeks to sell the leased property. However, a lessee has no right to extend the lease if the lessor decides to no longer lease the property. If a lessee wants to change the formal designated use of a leased land plot, they must apply to the government or local authority that granted the original lease.

**Leasing buildings and structures.** The lease of a building (or other structure) or part thereof must be concluded in writing, and must be notarized and registered with the government if entered into for a period of more than three years.

## Construction activities

**Obtaining land plots for construction.** Construction activities are regulated by the Cabinet of Ministers, parliament and municipal authorities. Construction on allocated land plots can only be carried out by the owner or lessee after obtaining a construction permit. The permit is issued for the expected term of construction, but it can be extended.

A lessee must transfer certain amount of the developed space upon completion to the city council, which the city may either retain for its use or sell to fund infrastructure improvements. The stake that has to be transferred is stipulated in municipal budgets. For 2007, Kyiv City Council set the stake from housing transferred by construction companies into the property of the city at the level of 15%-20% of the housing's area for land plots allocated after January 1, 2007.

After construction is completed, the owner is entitled to operate the building after its formal commissioning. The owners must register with local authorities to receive a title for the real estate.

**Licensing of construction activities.** Construction activities are subject to mandatory licensing. Construction licenses are issued for a term of five years. The term of the license can be extended.

## Taxation

Owners of land and those with permanent rights to use land must pay a land tax of 1 percent per annum of the formal valuation of the land. This tax rate is higher for certain (limited) land plots.

The formal valuation of a land is performed by authorized licensing organizations in accordance with methodology that takes into account the location of the land and the purpose for which the land is to be used.

Real-estate activities are subject to the following taxes:

- corporate profit tax (25%) on worldwide income (for Ukrainian companies) and on income earned in Ukraine (for foreign companies)
- value added tax (20%), which is applied the contracted value of services
- withholding tax (15%) on the proceeds of real estate sales of a foreign company or on the income from real estate sales of a foreign company's representative office in Ukraine; the tax rate varies for foreign companies that are based in countries that have signed a double taxation treaty with Ukraine (the appropriate tax rate is specified in the treaty)

## APPENDICES



## Appendix A: Projects DCF Analysis

### Kyiv, Chaadayeva 2

	'07E III	'07E IV	'08E I
Total project income	3 139	3 353	2 515
OpEx	(28)	(0)	(0)
NOI	3 111	3353	2 515
Construction expense	(842)		
Cash flows	2 269	3 353	2 515
Annual discount rate	15%	15%	14%
Discount factor	0.964	0.929	0.898
Discounted cash flows	2 187	3 115	2 257
<b>NPV</b>	<b>7 558</b>		

Source: Concorde Capital estimates

### Kyiv, Komarova

	'07E	'08E	'09E	'10E
Income, non-residential		3 462	4 100	2 649
Income, residential		6 639	7 864	4 955
Total project income		10 101	11 964	7 604
OpEx		(202)	(239)	(152)
NOI		9 899	11 725	7 452
Construction expense	(2 184)	(6 928)	(7 850)	
Cash flows	(2 184)	2 971	3 875	7 452
Annual discount rate	15%	14%	13%	12%
Discount factor	0.930	0.816	0.722	0.645
Discounted Cash Flows	(2 032)	2 424	2 798	4 805
<b>NPV</b>	<b>7 996</b>	<b>10 096</b>		

Source: Concorde Capital estimates

### Kyiv, Triumph (Zvirynetska)

	'07E III	'07E IV	'08E I	'08E II	'08E III	'08E IV	'09E I	'09E II	'09E III	'09E IV
Income, non-residential					602	606	702	708	713	718
Income, residential	12 073	6 138	6 146	8 420	19 884					
Total project income	12 073	6 138	6 146	8 420	20 486					
OpEx	(347)	(316)	(233)	(237)	(360)	(168)	(171)	(173)	(174)	(175)
NOI	11 726	5 823	5 912	8 183	20 126	438	531	535	539	543
Construction expense	(3 020)	(2 519)	(1 238)	(1 279)						
Cash flows	8 706	3 303	4 674	6 904	20 126	438	531	535	539	543
Annual discount rate	15%	15%	14%	14%	14%	14%	13%	13%	13%	13%
Discount factor	0.964	0.929	0.898	0.867	0.838	0.810	0.784	0.759	0.736	0.712
Discounted cash flows	8 392	3 069	4 195	5 987	16 864	354	416	406	396	387
Discounted TV	24 748								TV	34 741
TV as % of NPV	38%								Exit Yield	8%
<b>NPV</b>	<b>65 215</b>				<b>50 242</b>					

Source: Concorde Capital estimates

### Kyiv, Sun City (Lomonosova)

	'07E	'08E	'09E	'10E	'11E	'12E	'13E
Income, non-residential				2 627	5 040	7 153	9 396
Income, residential	6 043	41 289	77 095	72 583	61 001	61 652	64 911
Total project income	6 043	41 289	77 095	75 210	66 041	68 804	74 307
OpEx	(462)	(2 298)	(2 383)	(2 786)	(2 699)	(1 612)	(364)
NOI	5 581	38 991	74 713	72 425	63 342	67 192	73 943
Construction expense	(7 825)	(41 190)	(47 062)	(53 420)	(48 397)	(28 877)	(5 296)
Cash flows	(2 244)	(2 199)	27 651	19 005	14 945	38 315	68 647
Annual discount rate	15%	14%	13%	12%	12%	12%	12%
Discount factor	0.930	0.816	0.722	0.645	0.576	0.514	0.459
Discounted cash flows	(2 087)	(1 795)	19 967	12 253	8 604	19 693	31 504
Discounted TV	52 299	56 221				TV	113 961
TV as % of NPV	37%	34%				Exit yield	8%
<b>NPV</b>	<b>140 438</b>	<b>164 265</b>					

Source: Concorde Capital estimates

### Kyiv, Laboratoryny

	'07E III	'07E IV	'08E I	'08E II	'08E III	'08E IV	'09E I	'09E II	'09E III	'09E IV	'10E I	'10E II	'10E III	'10E IV	'11E I	'11E II	'11E III	'11E IV
Income, Non-residential															475	479	482	486
Income, residential		1621	2520	2272	6033	7576	9070	5469	16983	18470	11641	9550	20638	23069	26531	39518		
Total project income		1621	2520	2272	6033	7576	9070	5469	16983	18470	11641	9550	20638	23069	27006	39996	482	486
OpEx		(132)	(168)	(101)	(125)	(205)	(301)	(381)	(440)	(398)	(403)	(415)	(435)	(261)	(10)	(10)	(10)	(10)
NOI		1489	2352	2171	5908	7371	8769	5088	16543	18072	11238	9135	20203	22808	26996	39987	472	476
Construction expense		(1947)	(2506)	(1466)	(1836)	(3063)	(7700)	(5768)	(6681)	(6030)	(9912)	(6895)	(7225)	(4337)				
Cash flows		(458)	(154)	705	4072	4308	1070	(680)	9863	12043	1326	2240	12977	18471	26996	39987	472	476
Annual discount rate	17%	17%	16%	16%	16%	16%	15%	15%	15%	15%	14%	14%	14%	14%	14%	14%	14%	14%
Discount factor	0.959	0.920	0.885	0.851	0.818	0.787	0.758	0.731	0.704	0.679	0.656	0.634	0.612	0.592	0.572	0.552	0.534	0.516
Discounted Cash Flows		(421)	(136)	600	3331	3389	811	(497)	6946	8175	870	1420	7946	10927	15430	22082	252	245
Discounted TV	12112																TV	23496
TV as % of NPV	13%																Exit Yield	8%
<b>NPV</b>	<b>93481</b>				<b>109836</b>													

Source: Concorde Capital estimates

### Kyiv, Tankova

	'07E	'08E	'09E	'10E	'11E	'12E
Income, non-residential						2 541
Income, residential		5 859	11 432	13 281	14 661	14 326
Total project income		5 859	11 432	13 281	14 661	16 867
OpEx	(6)	(308)	(780)	(1 079)	(356)	(119)
NOI	(6)	5 552	10 652	12 201	14 305	16 747
Construction expense	(365)	(5 492)	(12 975)	(20 692)	(8 556)	
Cash flows	(371)	59	(2 323)	(8 490)	5 749	16 747
Annual discount rate	19%	18%	17%	16%	16%	16%
Discount factor	0.913	0.774	0.661	0.570	0.492	0.424
Discounted cash flows	(339)	46	(1 537)	(4 842)	2 826	7 097
Discounted TV	13 586				TV	32 060
TV as % of NPV	81%				Exit Yield	8%
<b>NPV</b>	<b>16 838</b>	<b>20 335</b>				

Source: Concorde Capital estimates

### Kyiv, Volodymyrska

	'07E III	'07E IV	'08E I	'08E II	'08E III	'08E IV	'09E I	'09E II	'09E III	'09E IV
Income, non-residential	728	734	850	856	862	869	1 007	1 014	1 022	1 029
Total project income	728	734	850	856	862	869	1 007	1 014	1 022	1 029
OpEx	(15)	(15)	(15)	(17)	(17)	(17)	(18)	(20)	(20)	(21)
NOI	714	719	835	839	845	851	989	994	1 001	1 009
Construction expense										
Cash flows	714	719	835	839	845	851	989	994	1 001	1 009
Annual discount rate	13%	13%	12%	12%	12%	12%	11%	11%	11%	11%
Discount factor	0.969	0.938	0.911	0.884	0.858	0.833	0.811	0.789	0.768	0.748
Discounted cash flows	691	674	760	742	726	710	802	784	769	754
Discounted TV	41 693								TV	55 760
TV as % of NPV	85%								Exit Yield	8%
<b>NPV</b>	<b>49 106</b>				<b>52 295</b>					

Source: Concorde Capital estimates

### Kyiv, Komod (Lunacharskogo)

	'07E III	'07E IV	'08E I	'08E II	'08E III	'08E IV	'09E I	'09E II	'09E III	'09E IV
Income, non-residential	367	370	429	432	435	438	508	511	515	519
Total project income	367	370	429	432	435	438	508	511	515	519
OpEx	(24)	(24)	(28)	(28)	(28)	(29)	(33)	(33)	(34)	(34)
NOI	343	346	401	403	406	409	474	478	482	485
Construction expense										
Cash flows	343	346	401	403	406	409	474	478	482	485
Annual discount rate	13%	13%	12%	12%	12%	12%	11%	11%	11%	11%
Discount factor	0.969	0.938	0.911	0.884	0.858	0.833	0.811	0.789	0.768	0.748
Discounted cash flows	332	324	365	357	349	341	385	377	370	363
Discounted TV	20 054								TV	26 820
TV as % of NPV	85%								Exit Yield	8%
<b>NPV</b>	<b>23 617</b>				<b>25 152</b>					

Source: Concorde Capital estimates

### Kyiv, Mashynobudivna

	'07E III	'07E IV	'08E I	'08E II	'08E III	'08E IV	'09E I	'09E II	'09E III	'09E IV
Income, non-residential								620	624	629
Total project income								620	624	629
OpEx	(26)	(28)	(34)	(49)	(68)	(70)	(62)	(255)	(57)	(57)
NOI	(26)	(28)	(34)	(49)	(68)	(70)	(62)	365	567	572
Construction expense	(211)	(244)	(336)	(556)	(845)	(888)	(760)			
Cash flows	(236)	(272)	(371)	(605)	(912)	(959)	(822)	365	567	572
Annual discount rate	17%	17%	16%	16%	16%	16%	15%	15%	15%	15%
Discount factor	0.959	0.920	0.885	0.851	0.818	0.787	0.758	0.731	0.704	0.679
Discounted cash flows	(227)	(250)	(328)	(515)	(746)	(754)	(623)	267	400	388
Discounted TV	22 124								TV	32 591
TV as % of NPV	112%								Exit Yield	8%
<b>NPV</b>	<b>19 735</b>				<b>24 750</b>					

Source: Concorde Capital estimates

### Kharkiv, Atoll (Klaptsova)

	'07E III	'07E IV	'08E I
Total project income	4 255	2 641	2 889
OpEx	(42)	(17)	(18)
NOI	4 214	2 624	2 871
Construction expense	(1 281)		
Cash flows	2 932	2 624	2 871
Annual discount rate	13%	13%	12%
Discount factor	0.969	0.938	0.911
Discounted cash flows	2 840	2 462	2 614
<b>NPV</b>	<b>7 916</b>		

Source: Concorde Capital estimates

### Kharkiv, Druzhby Narodiv

	'07E III
Total project income	1 199
OpEx	(25)
NOI	1 173
Construction expense	(656)
Cash flows	517
Annual discount rate	13%
Discount factor	0.969
Discounted cash flows	501
<b>NPV</b>	<b>501</b>

Source: Concorde Capital estimates

### Kharkiv, Flamingo (Bakulina)

	'07E III	'07E IV	'08E I	'08E II
Total project income	1 105	2 941	1 761	314
OpEx	(21)	(25)		
NOI	1 084	2 917	1 761	314
Construction expense	(321)	(518)		
Cash flows	764	2 398	1 761	314
Annual discount rate	15%	15%	14%	14%
Discount factor	0.964	0.929	0.898	0.867
Discounted cash flows	736	2 228	1 580	272
<b>NPV</b>	<b>4 816</b>			

Source: Concorde Capital estimates

### Kharkiv, Cascade (Kuznechna)

	'07E III	'07E IV	'08E I	'08E II	'08E III	'08E IV
Total project income	1 707	1 010	1 538	1 011	847	653
OpEx	(48)	(45)	(46)	(48)	(0)	(0)
NOI	1 659	966	1 491	964	847	653
Construction expense	(478)	(423)	(439)	(675)		
Cash flows	1 182	543	1 052	289	847	653
Annual discount rate	15%	15%	14%	14%	14%	14%
Discount factor	0.964	0.929	0.898	0.867	0.838	0.810
Discounted cash flows	1 139	504	945	250	709	528
<b>NPV</b>	<b>4 076</b>			<b>1 427</b>		

Source: Concorde Capital estimates

**Kharkiv, Cascade (3<sup>rd</sup> phase)**

	'07E	'08E	'09E
Income, non-residential		254	451
Income, residential		2 940	5 215
Total project income		3 195	5 666
OpEx		(64)	(113)
NOI		3 131	5 553
Construction expense		(2 139)	(2 423)
Cash flows		992	3 130
Annual discount rate	19%	18%	17%
Discount factor	0.913	0.774	0.661
Discounted Cash Flows		768	2 070
<b>NPV</b>	<b>2 838</b>	<b>2 909</b>	

Source: Concorde Capital estimates

**Kharkiv, Carat (Potebni)**

	'07E III	'07E IV	'08E I	'08E II	'08E III
Total project income	309	1 125	1 826	4 064	1 426
OpEx	(21)	(40)	(40)	(42)	(10)
NOI	288	1 084	1 786	4 021	1 416
Construction expense	(286)	(576)	(568)	(605)	(253)
Cash flows	2	508	1 218	3 416	1 163
Annual discount rate	15%	15%	14%	14%	14%
Discount factor	0.964	0.929	0.898	0.867	0.838
Discounted cash flows	2	472	1 093	2 962	974
<b>NPV</b>	<b>5 504</b>				<b>1 124</b>

Source: Concorde Capital estimates

**Kyiv, Edelweiss (Olimpiys'ka)**

	'07E III	'07E IV	'08E I	'08E II	'08E III	'08E IV	'09E I	'09E II	'09E III	'09E IV	'10E I
Total project income	243	493	1 064	1 500	1 522	1 332	1 267	1 243	1 290	1 306	5 202
OpEx	(24)	(14)	(29)	(33)	(48)	(56)	(58)	(60)	(62)	(62)	
NOI	219	479	1 035	1 467	1 474	1 276	1 209	1 184	1 228	1 244	5 202
Construction expense	(397)	(242)	(444)	(505)	(739)	(861)	(887)	(916)	(952)	(955)	(401)
Cash flows	(178)	236	592	962	735	415	322	268	276	289	4 800
Annual discount rate	15%	15%	14%	14%	14%	14%	13%	13%	13%	13%	12%
Discount factor	0.964	0.929	0.898	0.867	0.838	0.810	0.784	0.759	0.736	0.712	0.692
Discounted cash flows	(172)	220	531	834	616	336	253	203	203	206	3 320
<b>NPV</b>	<b>6 550</b>				<b>5 923</b>						

Source: Concorde Capital estimates

**Kharkiv, Green Town (Akhsarova)**

	'07E III	'07E IV	'08E I	'08E II	'08E III	'08E IV	'09E I
Total project income	1 897	2 268	2 903	3 108	2 810	2 709	1 885
OpEx	(108)	(132)	(134)	(134)	(142)	(43)	(2)
NOI	1 790	2 136	2 769	2 974	2 668	2 666	1 883
Construction expense	(1 567)	(1 934)	(1 928)	(1 923)	(2 050)	(1 173)	
Cash flows	223	202	841	1 051	618	1 492	1 883
Annual discount rate	15%	15%	14%	14%	14%	14%	13%
Discount factor	0.964	0.929	0.898	0.867	0.838	0.810	0.784
Discounted cash flows	215	188	755	911	518	1 208	1 477
<b>NPV</b>	<b>5 271</b>				<b>3 693</b>		

Source: Concorde Capital estimates

**Kharkiv, L. Slobody**

	'07E	'08E	'09E	'10E
Income, non-residential			669	198
Income, residential			5 573	1 647
Total project income			6 242	1 845
OpEx			(125)	(37)
NOI			6 117	1 808
Construction expense		(856)	(3 877)	
Cash flows		(856)	2 240	1 808
Annual discount rate	19%	18%	17%	16%
Discount factor	0.913	0.774	0.661	0.570
Discounted Cash Flows		(662)	1 481	1 031
<b>NPV</b>	<b>1 850</b>	<b>2 586</b>		

Source: Concorde Capital estimates

**Kharkiv, Moskovskiy**

	'07E	'08E	'09E	'10E	'11E	'12E
Income, non-residential		2 565	3 033	3 586	4 240	4 368
Income, residential		8 944	10 576	12 506	14 787	15 231
Total project income		11 509	13 609	16 092	19 028	19 598
OpEx		(230)	(272)	(322)	(381)	(392)
NOI		11 279	13 337	15 770	18 647	19 207
Construction expense		(9 646)	(10 929)	(13 251)	(13 522)	(13 928)
Cash flows		1 633	2 408	2 519	5 125	5 278
Annual discount rate	19%	18%	17%	16%	16%	16%
Discount factor	0.913	0.774	0.661	0.570	0.492	0.424
Discounted Cash Flows		1 264	1 593	1 436	2 519	2 237
<b>NPV</b>	<b>9 049</b>	<b>9 978</b>				

Source: Concorde Capital estimates

**Zhytomyr, Chornovola**

	'07E III	'07E IV	'08E I	'08E II	'08E III
Total project income	696	1 415	2 261	726	110
OpEx	(51)	(58)	(57)	(23)	(8)
NOI	645	1 357	2 204	703	102
Construction expense	(570)	(643)	(636)	(258)	(86)
Cash flows	76	714	1 568	444	16
Annual discount rate	15%	15%	14%	14%	14%
Discount factor	0.964	0.929	0.898	0.867	0.838
Discounted cash flows	73	663	1 407	385	13
<b>NPV</b>	<b>2 541</b>				<b>15</b>

Source: Concorde Capital estimates

**Zhytomyr, Dytyacha Komuna**

	'07E III	'07E IV	'08E I	'08E II	'08E III	'08E IV	'09E I	'09E II	'09E III
Total project income	192	476	780	1 465	1 760	2 179	4 601	6 936	3 139
OpEx	(54)	(34)	(26)	(68)	(78)	(103)	(102)	(60)	(16)
NOI	138	442	754	1 397	1 682	2 076	4 500	6 876	3 123
Construction expense	(626)	(400)	(307)	(804)	(927)	(1 232)	(1 225)	(729)	(190)
Cash flows	(487)	41	447	593	755	844	3 274	6 147	2 933
Annual discount rate	17%	17%	16%	16%	16%	16%	15%	15%	15%
Discount factor	0.959	0.920	0.885	0.851	0.818	0.787	0.758	0.731	0.704
Discounted cash flows	(467)	38	396	505	617	664	2 482	4 492	2 066
<b>NPV</b>	<b>10 793</b>				<b>12 133</b>				

Source: Concorde Capital estimates

**Yalta, Lesi Ukrayinky**

	'07E	'08E	'09E	'10E	'11E	'12E
Total project income			2 776	10 008	11 781	4 550
OpEx		(34)	(124)	(237)	(352)	
NOI		(34)	2 652	9 771	11 429	4 550
Construction expense	(112)	(292)	(1 080)	(2 224)	(3 277)	
Cash flows	(112)	(326)	1 572	7 547	8 152	4 550
Annual discount rate	19%	18%	17%	16%	16%	16%
Discount factor	0.913	0.774	0.661	0.570	0.492	0.424
Discounted cash flows	(103)	(252)	1 040	4 304	4 007	1 928
<b>NPV</b>	<b>10 924</b>	<b>13 221</b>				

Source: Concorde Capital estimates

**Yalta, Parkove village**

	'07E	'08E	'09E	'10E	'11E	'12E	'13E
Total project income			7 151	14 731	51 368	65 336	62 545
OpEx		(144)	(1 062)	(2 079)	(2 193)	(577)	
NOI		(144)	6 089	12 652	49 175	64 759	62 545
Construction expense	(245)	(1 988)	(9 234)	(19 523)	(20 839)	(5 366)	
Cash flows	(245)	(2 132)	(3 145)	(6 871)	28 337	59 394	62 545
Annual discount rate	19%	18%	17%	16%	16%	16%	16%
Discount factor	0.913	0.774	0.661	0.570	0.492	0.424	0.365
Discounted cash flows	(223)	(1 650)	(2 081)	(3 918)	13 930	25 170	22 850
<b>NPV</b>	<b>54 078</b>	<b>65 347</b>					

Source: Concorde Capital estimates

### Arabatska Strilka

	'07E	'08E	'09E	'10E	'11E	'12E	'13E	'14E
Income, non-residential							244 499	359 509
Income, residential			245 864	253 239	260 837	268 662		
Total project income			245 864	253 239	260 837	268 662	244 499	359 509
OpEx							(183 374)	(269 632)
NOI			245 864	253 239	260 837	268 662	61 125	89 877
Construction expense		(65 351)	(148 086)	(179 557)	(183 231)	(197 307)		
Cash flows		(65 351)	97 777	73 682	77 605	71 355	61 125	89 877
Annual discount rate	19%	18%	17%	16%	16%	16%	16%	16%
Discount factor	0.913	0.774	0.661	0.570	0.492	0.424	0.365	0.315
Discounted Cash Flows		(50 578)	64 678	42 017	38 150	30 239	22 331	28 306
Discounted TV	238 101						TV	756 018
TV as % of NPV	58%						Exit Yield	12%
<b>NPV</b>	<b>413 243</b>	<b>519 842</b>						

Source: Concorde Capital estimates

### Kyiv, 50-richchya Zhovtnya

	'07E	'08E	'09E	'10E	'11E	'12E	'13E
Income, non-residential					7 432	15 311	15 770
Total project income					7 432	15 311	15 770
OpEx					(149)	(306)	(315)
NOI					7 284	15 005	15 455
Construction expense		(10 409)	(22 892)	(27 757)	(14 592)		
Cash flows		(10 409)	(22 892)	(27 757)	(7 308)	15 005	15 455
Annual discount rate	19%	18%	17%	16%	16%	16%	16%
Discount factor	0.913	0.774	0.661	0.570	0.492	0.424	0.365
Discounted Cash Flows		(8 056)	(15 143)	(15 828)	(3 593)	6 359	5 646
Discounted TV	71 240					TV	195 001
TV as % of NPV	175%					Exit Yield	8%
<b>NPV</b>	<b>40 625</b>	<b>52 932</b>					

Source: Concorde Capital estimates

### Kyiv region, Gostomel

	'07E	'08E	'09E	'10E	'11E	'12E	'13E
Income, non-residential							27 330
Total project income							27 330
OpEx							(547)
NOI							26 783
Construction expense			(9 424)	(22 853)	(23 320)	(25 736)	
Cash flows			(9 424)	(22 853)	(23 320)	(25 736)	26 783
Annual discount rate	19%	18%	17%	16%	16%	16%	16%
Discount factor	0.913	0.774	0.661	0.570	0.492	0.424	0.365
Discounted Cash Flows			(6 234)	(13 032)	(11 464)	(10 906)	9 785
Discounted TV	98 767					TV	270 349
TV as % of NPV	148%					Exit Yield	10%
<b>NPV</b>	<b>66 916</b>	<b>79 323</b>					

Source: Concorde Capital estimates

### Kyiv region, Mykulychi

	'07E	'08E	'09E	'10E	'11E	'12E	'13E
Income, non-residential				1 167	1 346	1 486	714
Income, residential				74 686	86 158	95 082	45 703
Total project income				75 853	87 504	96 567	46 417
OpEx				(1 517)	(1 750)	(1 931)	(928)
NOI				74 336	85 754	94 636	45 488
Construction expense			(16 963)	(41 135)	(41 977)	(46 324)	
Cash flows			(16 963)	33 201	43 778	48 312	45 488
Annual discount rate	19%	18%	17%	16%	16%	16%	16%
Discount factor	0.913	0.774	0.661	0.570	0.492	0.424	0.365
Discounted Cash Flows			(11 220)	18 933	21 521	20 474	16 618
<b>NPV</b>	<b>66 325</b>	<b>78 622</b>					

Source: Concorde Capital estimates

### Kyiv region, Obukhiv

	'07E	'08E	'09E	'10E	'11E	'12E
Income, non-residential			507	600	692	713
Income, residential			28129	33319	38436	39590
Total project income			28636	33919	39129	40303
OpEx			(573)	(678)	(783)	(806)
NOI			28063	33241	38346	39497
Construction expense		(6521)	(15392)	(18663)	(19044)	(10200)
Cash flows		(6521)	12671	14578	19302	29296
Annual discount rate	19%	18%	17%	16%	16%	16%
Discount factor	0.913	0.774	0.661	0.570	0.492	0.424
Discounted Cash Flows		(5047)	8382	8313	9489	12415
<b>NPV</b>	<b>33552</b>	<b>42764</b>				

Source: Concorde Capital estimates

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