



CONCORDE CAPITAL

Ukraine / Real Estate

# TMM Real Estate Development

2007 Yearend portfolio valuation released

May 13, 2008

Current price: EUR 9.9 / USD 15.5  
12M Target: EUR 19.1 / USD 29.6

**BUY**

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- Yesterday TMM officially released its updated portfolio valuation by Colliers, which put the company's NAV at USD 1.468 bln at yearend 2007
- TMM trades at a 21% discount to CIS peers based on P/NAV
- Additional stock price catalysts: IFRS 2007 financials release and management road show, both planned for early June 2008
- Our DCF-based 12M target price of USD 29.6 per DR suggests 90% upside
- We confirm our BUY recommendation

## Tickers

Bloomberg TR61 GR

## Market information

Market price, EUR	9.9
USD	15.5
MCap, EUR mln	512.8
USD mln	804.4
Chg YTD	-36%
52 Wk H/L, EUR	16.65/9.19
USD	24.09/14.90
DRs per common share	1:1
No of shares, mln	51.8
Avg Mon Tr Vol YTD, USD ths	193.0
Free float	13.12%
Free float, EUR mln	67.3
USD mln	105.5

Prices as of May 12, 2008

## Corporate Governance

Concorde Rating\* Q

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

## Shareholders

Mykola Tolmachov	70.4%
Management	16.5%
Portfolio investors	13.1%

## Upcoming events

IFRS 2007 financials release	June 07
Management roadshow	June 07

## Updated appraisal increases TMM's portfolio value by a third

Yesterday TMM officially released the new valuation of its portfolio by Colliers as of December 31, 2007, which values TMM's portfolio at USD 1.5 bln, close to the upper bound of the tentative range of USD 1.2-1.6 bln envisaged in our April 3 note. The total value of TMM's portfolio increased by 34% during 2H07. Six new projects added USD 171.1 mln to the overall value and accounted for 46% of its growth, the balance coming from reappraisal of the existing portfolio. One project in Zakarpattya region initially planned for inclusion was left out by Colliers for the sake of conservatism.

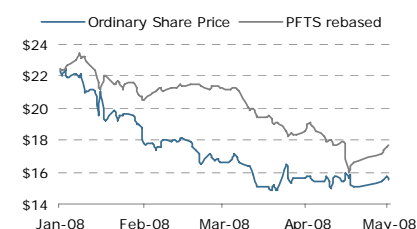
## P/NAV suggests 26% upside, DCF hints at least 90%

Based on the updated portfolio valuation, TMM is currently trading at a 46% discount to its portfolio NAV as of December 31, 2007. At the same time, relative valuation shows that the stock is trading at a 21% discount to its CIS peers. The company's historical P/NAV metric is currently at a low 0.54 vs. the CIS median of 0.68. A more rigorous method, DCF, implies the stock's fair value in 12 months at USD 29.6 per DR and suggests 90% upside even without accounting for the newly added projects (see our December 12, 2007 report). Our target is based on DCF, which we deem better able to capture the stock's fundamental value and negate the impact of transient changes in market sentiment.

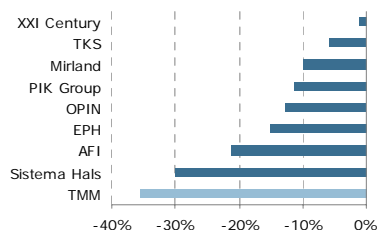
## Additional TMM stock price catalysts

In a conversation with TMM's management last week, we received confirmation that the company's IFRS 2007 financials audited by KPMG are due to be released in early June 2008. We think this event, which is expected to underscore TMM's cash generation ability, will serve as a strong catalyst for the stock's price. In addition, the company's management is planning to have a roadshow within the same period, during which it will visit TMM's current shareholders and potential investors.

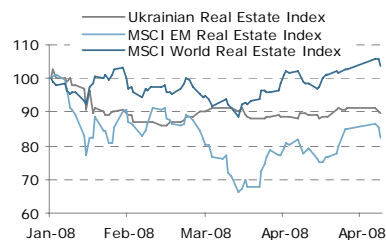
## Stock performance, YTD



## Sector Performance, YTD



## Real Estate Indices



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

## Key financials & ratios\*, USD mln

	Revenue	EBITDA	Net Income	Book Value	Net Debt/Equity
2006	96	18	23	107	0.3
2007E	82	20	18	225	0.1
2008E	183	93	64	274	0.7
2009E	207	113	80	354	0.5

\* Six newly added projects are not reflected  
Spot exchange rate: 5.05 UAH/USD

**Colliers valuation, USD mln**

	December 31, 2007	June 30, 2007
Revalued projects	1,297.1	1,095.5
Newly added projects	171.1	
<b>Total portfolio valuation</b>	<b>1,468.1</b>	<b>1,095.5</b>

Source: Company data

Company	MCap, USD mln	NAV USD mln	Appraisal date	Appraiser	P/NAV
Sistem Hals	1649	2882	30-Sep-07	C&W	0.57
RGI International	1050	1913	31-Dec-07	DTZ	0.55
Mirland	897	1215	31-Dec-07	C&W	0.74
RTM	308	790	31-Dec-07	Colliers	0.39
AFI Development	3884	5221	31-Dec-07	JLL	0.74
PIK Development	13441	8800	31-Dec-07	CBRE	1.53
KDD Group	619	908	30-Sep-07	Colliers	0.68
AISI Realty	104	68	1-Feb-08	DTZ	1.53
XXI Century	1034	2020	31-Dec-07	JLL	0.51
<i>Median</i>					<i>0.68</i>

Source: Bloomberg, Concorde Capital estimates

# Financial Statements<sup>\*</sup>, IFRS

## Income Statement Summary, USD mln

	2006	2007E	2008F	2009F	2010F	2011F	2012F
<b>Net Revenues</b>	<b>96</b>	<b>82</b>	<b>183</b>	<b>207</b>	<b>404</b>	<b>579</b>	<b>613</b>
Cost of Sales	(67)	(56)	(82)	(85)	(134)	(216)	(205)
Gross Profit	29	26	102	122	270	363	408
Other Operating Income/Costs, net	-	-	-	-	-	-	-
SG&A	(9)	(7)	(9)	(8)	(8)	(12)	(12)
<b>EBITDA</b>	<b>18</b>	<b>20</b>	<b>93</b>	<b>113</b>	<b>262</b>	<b>352</b>	<b>396</b>
<i>EBITDA margin, %</i>	<i>19.1%</i>	<i>24.0%</i>	<i>50.6%</i>	<i>54.8%</i>	<i>64.8%</i>	<i>60.7%</i>	<i>64.5%</i>
Depreciation	(1)	(3)	(5)	(6)	(6)	(6)	(6)
<b>EBIT</b>	<b>17</b>	<b>17</b>	<b>87</b>	<b>108</b>	<b>256</b>	<b>346</b>	<b>390</b>
<i>EBIT margin, %</i>	<i>17.7%</i>	<i>20.1%</i>	<i>47.7%</i>	<i>52.1%</i>	<i>63.4%</i>	<i>59.7%</i>	<i>63.6%</i>
Interest Expense	(1)	(13)	(23)	(25)	(14)	(4)	(3)
Financial Income	-	-	-	-	-	-	-
Other Income/(Expense)	14	20	5	4	33	131	13
<b>PBT</b>	<b>30</b>	<b>24</b>	<b>69</b>	<b>86</b>	<b>275</b>	<b>473</b>	<b>400</b>
Tax	(7)	(6)	(5)	(6)	(19)	(33)	(28)
<b>Net Income</b>	<b>23</b>	<b>18</b>	<b>64</b>	<b>80</b>	<b>256</b>	<b>440</b>	<b>372</b>
<i>Net Margin, %</i>	<i>23.7%</i>	<i>21.8%</i>	<i>35.1%</i>	<i>38.8%</i>	<i>63.4%</i>	<i>76.0%</i>	<i>60.7%</i>

## Balance Sheet Summary, USD mln

	2006	2007E	2008F	2009F	2010F	2011F	2012F
<b>Current Assets</b>	<b>123</b>	<b>310</b>	<b>395</b>	<b>644</b>	<b>879</b>	<b>1 014</b>	<b>1 178</b>
Cash & Equivalents	1	113	2	2	6	5	5
Trade Receivables	27	53	55	52	57	58	61
Inventories	78	130	312	541	741	852	991
Other Current Assets	18	14	26	50	76	100	121
<b>Fixed Assets</b>	<b>153</b>	<b>198</b>	<b>267</b>	<b>387</b>	<b>550</b>	<b>810</b>	<b>950</b>
PP&E, net	77	106	111	109	106	104	101
Investment Property & Other Fixed Assets	77	92	156	278	444	706	849
<b>Total Assets</b>	<b>276</b>	<b>508</b>	<b>663</b>	<b>1 031</b>	<b>1 429</b>	<b>1 824</b>	<b>2 128</b>
<b>Shareholders' Equity</b>	<b>107</b>	<b>225</b>	<b>274</b>	<b>354</b>	<b>451</b>	<b>552</b>	<b>631</b>
Share Capital	67	167	169	169	169	169	169
Reserves and Other	40	58	105	185	283	384	462
<b>Current Liabilities</b>	<b>124</b>	<b>166</b>	<b>214</b>	<b>499</b>	<b>956</b>	<b>1 240</b>	<b>1 464</b>
ST Interest Bearing Debt	9	24	18	21	20	14	15
Trade Payables	47	22	28	31	32	41	43
Advances from Customers & Other	68	120	168	447	904	1 185	1 406
<b>LT Liabilities</b>	<b>45</b>	<b>118</b>	<b>175</b>	<b>178</b>	<b>22</b>	<b>32</b>	<b>34</b>
LT Interest Bearing Debt	26	112	169	172	13	14	15
Other LT	19	6	6	6	9	18	19
<b>Total Liabilities &amp; Equity</b>	<b>276</b>	<b>508</b>	<b>663</b>	<b>1 031</b>	<b>1 429</b>	<b>1 824</b>	<b>2 128</b>

## Cash Flow Statement Summary, USD mln

	2006	2007E	2008F	2009F	2010F	2011F	2012F
Net Income	23	18	64	80	256	440	372
D&A	1	3	5	6	6	6	6
Non-operating and Non-cash Items	(6)	(60)	(32)	(6)	(34)	(125)	(16)
Changes in Working Capital	6	(49)	(140)	34	227	153	59
<b>Operating Cash Flow</b>	<b>24</b>	<b>(41)</b>	<b>(103)</b>	<b>113</b>	<b>454</b>	<b>474</b>	<b>421</b>
Capital Expenditures, net	(40)	(2)	(58)	(119)	(133)	(132)	(129)
Other Investments, net	(3)	-	-	-	-	-	-
<b>Investing Cash Flow</b>	<b>(43)</b>	<b>(2)</b>	<b>(58)</b>	<b>(119)</b>	<b>(133)</b>	<b>(132)</b>	<b>(129)</b>
Net Borrowings/(Repayments)	10	101	50	6	(159)	(5)	2
Dividends Paid	-	-	-	-	(159)	(339)	(294)
Equity Financing & Other	(1)	100	-	-	-	-	-
<b>Financing Cash Flow</b>	<b>10</b>	<b>201</b>	<b>50</b>	<b>6</b>	<b>(318)</b>	<b>(344)</b>	<b>(292)</b>
Beginning Cash Balance	10	1	113	2	2	6	5
Ending Cash Balance	1	113	2	2	6	5	5
<b>Net Cash Inflows/Outflows</b>	<b>(9)</b>	<b>111</b>	<b>(111)</b>	<b>0</b>	<b>4</b>	<b>(1)</b>	<b>(0)</b>

## UAH/USD Exchange Rates

	2006	2007E	2008F	2009F	2010F	2011F	2012F
Average	5.05	5.05	4.99	4.93	4.90	4.90	4.90
Year-end	5.05	5.05	4.95	4.90	4.90	4.90	4.90

<sup>\*</sup> Six newly added projects are not reflected  
Source: Company data, KPMG, Concorde Capital estimates

# Appendix - Disclosures

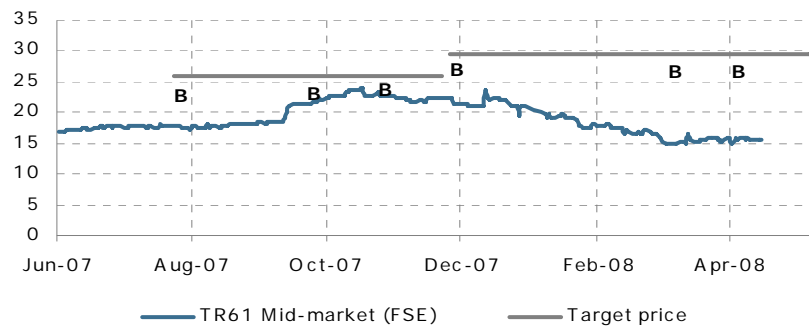
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We, Andriy Gostik and Alexander Romanov, hereby certify that the views expressed in this research report accurately reflect our personal views about the subject securities and issuers. We also certify that no part of our compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

### TR61 GR ratings history

Date	Target price, USD	Market Price, USD	Rating	Action
09-Aug-07	26.0	17.7	BUY	Initiating
25-Sep-07	26.0	18.3	BUY	Maintain
05-Oct-07	26.0	21.6	BUY	Maintain
12-Dec-07	29.6	22.5	BUY	Maintain
03-Apr-08	29.6	15.3	BUY	Maintain
13-May-08	29.6	15.3	BUY	Maintain

Target price history, USD per share



## Investment Ratings

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### Concorde Capital ratings distribution

Buy	50	44%
Hold	24	21%
Sell	20	18%
Under Review	19	17%
<b>Total</b>	<b>113</b>	<b>100%</b>

### Investment banking clients\*

Buy	6	100%
Hold	0	0%
Sell	0	0%
Under Review	0	0%
<b>Total</b>	<b>6</b>	<b>100%</b>

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

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