



CONCORDE CAPITAL

Ukraine / Real Estate

XXI Century Investments

Debt restructuring plan announced

April 21, 2009

Current price: USD 0.28/ GBP 0.19
12M Target: U/R

HOLD

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- **XXI Century, in a Friday press release, unveiled two options it will propose to Eurobond holders to restructure its obligations**
- **Eurobond holders are expected to consider the options at an EGM to be held no later than May 22**
- **In our view, approval of one of the options to restructure is likely. We do not recommend to sell the stock at its current depressed level; we grade it HOLD**

XXI Century unveils restructuring plan for its Eurobonds

On Friday, in a press release, XXI Century announced plans to restructure its obligations under the USD 175 mln 10% Guaranteed Secured Notes due 2010. The notes are puttable starting from May 24, 2009 and a semiannual coupon in the amount of USD 8.75 mln is also payable on May 24, 2009.

Restructuring options foresee maturity deferral to 2012-2014

Preliminary restructuring alternatives suggested by XXI Century are as follows:

First option – fixed income only:

- extension of the maturity on existing notes to November 2014
- introduction of a principal amortization schedule beginning in 2010 and ending in 2014 (USD 155 mln, or 89% of principal, to be repaid in 2012-2014)
- no write-down of the principal
- revision of certain covenants

Second option - fixed income+equity:

- exchange the existing notes for new notes with warrants attached
- 42% write-down of the principal amount of debt owed (new principal of up to USD 100 mln)
- amortization schedule for the new notes from 2010 to of 2012 (80% of the new principal payable in 2012)
- warrants entitle holders with the right to subscribe for the company's shares in an amount of up to 20% of the company's issued share capital
- subscription is to be done at a price of USD 0.01 per share on a fully diluted basis
- revision of certain covenants
- new notes will not be listed

According to the press release, a combination of the two options is possible. Both options envisage that the company has the right to capitalize interest payments. Interest rate is to be set at 9% if interest is paid in cash and at 11% if capitalized. In its proposal, XXI Century envisages a call option on either notes with a strike price equal to 50% of the par value if redeemed prior to Nov 24, 2020, 75% of par if redeemed between Nov 24, 2010 and Nov 24, 2011, and redemption at 100% of face value thereafter.

XXI Century said that it will provide additional guarantees to note holders by increasing its collateral base if restructuring is approved. Eurobond holders are expected to consider the options at an EGM to be held no later than May 22, 2009.

Either of proposed restructuring option implies significant losses for XXI Century's bondholders. The question is, whether it is more reasonable for them to demand bond redemption this May given the company's tenuous financial situation and the anticipated low recovery rate for the bonds at present. This very reason makes restructuring likely, in our view. **We do not recommend to sell the stock at its current depressed level and grade it as a HOLD.**

Tickers

LSE AIM XXIIC

Market information

Market price, GBP	0.19
USD	0.28
MCap, GBP mln	7.09
USD mln	10.31
Chg YTD	-96.8%
Hi/Lo YTD, GBP	20.73/0.06
USD	30.15/0.08
DRs per common share	1:1
No of shares, mln	38.3
Free float	35.7%
Free float, GBP mln	2.53
USD mln	3.68

Prices as of Apr. 20, 2009

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

Mr. Partskhaladze	53.2%
Management	11.1%
Portfolio investors	35.7%

XXI Century vs. UA CIU, 12M



Note: Ukrainian Concorde Investable Index (UA CIU) is a free float weighted index including 57 the most liquid Ukrainian stocks
Source: Concorde Capital, Bloomberg

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