



CONCORDE CAPITAL

Ukraine / Real Estate

XXI Century Investments

End of Year Portfolio Valuation Released

January 22, 2008

Current price: USD 24.1/ GBP 12.3
12M Target: USD 37.2/ GBP 19.0

BUY

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Tickers

Bloomberg XXIC LN

Market information

| | |
|-------------------|-----------|
| Market price, GBP | 12.3 |
| USD | 24.1 |
| MCap, GBP mln | 485.9 |
| USD mln | 952.7 |
| Chg YTD | -13.7% |
| 52 Wk H/L, GBP | 18.4/7.4 |
| USD | 35.6/14.5 |

| | |
|--------------------------|--------|
| No of shares, mln | 37.3 |
| Avg M Tr Vol 6M, GBP mln | 7.7 |
| USD mln | 15.0 |
| Free float | 35.73% |
| Free float, GBP mln | 173.6 |
| USD mln | 340.4 |

Prices as of Jan 22, 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

| | |
|------------------------|-------|
| XXI Century Management | 64.3% |
| Other | 35.7% |

Today, XXI Century released the Jones Lang LaSalle valuation of its project portfolio as of Dec. 31, 2007, posting 31% appreciation in value since its last independent review on June 30, 2007. With a new NAV of USD 2.02 bln, the stock trades at a low P/NAV of 0.45, an upside of 54% to our target of USD 37.24 per share. We confirm BUY.

Sources of growth

According to the company's press release, XXI Century's portfolio value growth comes from two sources – a change in the status of 34 properties (79% of growth) and the valuation of eight new projects in Kyiv, Dnipropetrovsk, Kharkiv, Donetsk, Cherkasy and Simferopol added to the portfolio in 2H07 (21% of growth).

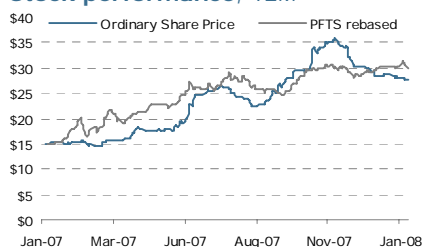
Financing risk remains

In our Dec. 12, 2007 report, we observed that XXI Century will likely face financing issues in realizing its portfolio. The developer's planned construction schedule is quite aggressive and calls for some USD 2.5 bln in external financing in 2008-2009. At the same time, Jones Lang LaSalle's appraisal was done under the assumption that full financing is available to complete projects within the declared timeframes. Proceeds from the company's SPO planned for 2008 or from selling a real estate fund that XXI Century may form by putting together some of its existing projects would not be sufficient to cover the developer's needs completely. An additional option besides leverage is the sale of some of its projects to foreign property funds or developers.

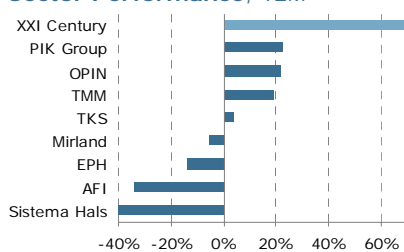
Attractive buying opportunity

Although we evaluate the risk of construction delays for XXI Century as high, we estimate it would affect the company's fair equity value to a lesser extent than its portfolio value, as in this case, leverage would also be lower. Furthermore, the negative effect on the portfolio value from delivery schedule protraction for certain projects may in fact be offset by value appreciation from progressing projects and/ or newly added ones, as time passes. We remain bullish on the stock given its currently low P/NAV of only 0.45 and consider it a play on portfolio appreciation. Our target is intact at USD 37.24 per share.

Stock performance, 12M



Sector Performance, 12M



P/NAV for XXI Century



Source: Bloomberg, PFTS. Note: Ukrainian Real Estate Index is MCap-weighted; includes XXIC, TMM, DUPD, TKS, AISI, VKDV, KDD, Club House

Key financials & ratios*, USD mln

| | Revenue | EBITDA | Net Income | Book Value | Debt/Equity |
|-------|---------|--------|------------|------------|-------------|
| 2006 | 13 | 1 | 15 | 256 | 0.1 |
| 2007E | 9 | -19 | -25 | 250 | 0.8 |
| 2008E | 127 | 15 | -17 | 644 | 1.6 |
| 2009E | 616 | 205 | 342 | 998 | 2.3 |

* Historical financials for 2006 are restated (see our report of Dec. 12, 2007).

Spot exchange rate: 5.05 UAH/USD

FLASH NOTE

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Appendix - Disclosures

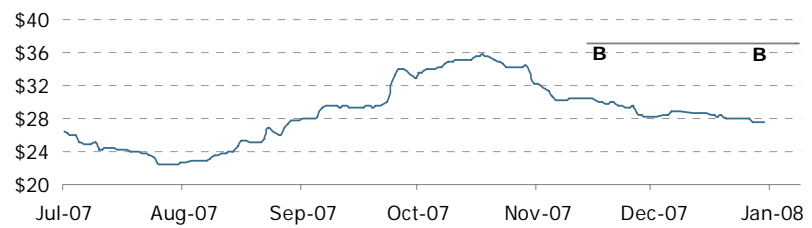
Analyst certification

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

XXI Century

| Date | 12M target price, USD | Market price, USD | Rating | Action |
|-----------|-----------------------|-------------------|--------|----------|
| 12-Dec-07 | 37.2 | 30.4 | BUY | Initiate |
| 22-Jan-08 | 37.2 | 24.1 | BUY | Maintain |

XXIC Recommendation history, USD per share



Investment Ratings

The time horizon for target prices in Concorde Capital's research is 12 months unless otherwise stated. Concorde Capital employs three basic investment ratings: Buy, Hold and Sell. Typically, Buy recommendation is associated with an upside of 15% or more from the current market price; Sell is prompted by downside from the current market price (upside <0%); Hold recommendation is generally for limited upside within 15%. Though investment ratings are generally induced by the magnitude of upside, they are not derived on this basis alone. In certain cases, an analyst may have reasons to establish a recommendation where the associated range given above does not correspond. Temporary discrepancies between an investment rating and its upside at a specific point in time due to price movement and/or volatility will be permitted; Concorde Capital may revise an investment rating at its discretion. A recommendation and/or target price might be placed Under Review when impelled by corporate events, changes in finances or operations. Investors should base decisions to Buy, Hold or Sell a stock on the complete information regarding the analyst's views in the research report and on their individual investment objectives and circumstances.

Concorde Capital ratings distribution

| | | |
|---------------------|-----|------|
| Buy | 38 | 31% |
| Hold | 29 | 23% |
| Sell | 14 | 11% |
| Under Review | 18 | 15% |
| Suspended\Not Rated | 25 | 20% |
| Total | 124 | 100% |

Investment banking clients*

| | | |
|---------------------|---|------|
| Buy | 7 | 78% |
| Hold | 1 | 11% |
| Sell | 0 | 0% |
| Under Review | 1 | 11% |
| Suspended\Not Rated | 0 | 0% |
| Total | 9 | 100% |

* Concorde Capital provided investment banking services to the company within the past 12 months.

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