Private Equity in Emerging Markets

Michael Bleyzer
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London Business School
Returns of Private Equity vs. Public Equity
The ten-year Investment Horizon Return

* Thomson Financials' US Private Equity Performance Index (PEPI), through 09/30/2006
** Thomson Financials’ Pan-European Survey of Performance, through 12/31/2005
Source: Thomson Financials, EVCA
Global Private Equity, 1996-2005 ($ billion)

According to the estimates of the Private Equity Intelligence, global private equity fundraising amounted to $432 billion in 2006.

Source: International Financial Services, London (IFSL)
Private Equity in 2006 - 2007

- Private-equity firms announced a record of more than $700 billion in takeovers in 2006 and almost $50 billion already in 2007
- Investors, seeking returns that exceed stocks and bonds, poured $432 billion into buyout funds last year, also a record, according to London-based Private Equity Intelligence Ltd.
- KKR has raised $16.1 billion for a new U.S. buyout fund and expects to reach its cap of $16.6 billion
- Goldman Sachs may raise more than $18 billion for leveraged buyouts, almost double what it initially sought
- Blackstone latest fund will be $20 billion, making it the industry's largest
- KKR will pay at least $837 million in fees to IBs for deals in 2006
- A record level of LBOs in 2006 will generate $11 billion in fees for IBs
- Private equity firms have about $409 billion available in cash to invest and can raise another $1.2 trillion

Source: Bloomberg
Global Private Equity, by Region (% of total)

Source: International Financial Services, London (IFSL)
### Global Private Equity as a Percentage of GDP, by Region

<table>
<thead>
<tr>
<th>Region</th>
<th>Private equity funds raised in 2005, $ billion</th>
<th>$ billion of PE funds raised per $ trillion of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>111.1</td>
<td>9.1</td>
</tr>
<tr>
<td>Europe</td>
<td>76.9</td>
<td>7.8</td>
</tr>
<tr>
<td>Australasia</td>
<td>2.1</td>
<td>3.5</td>
</tr>
<tr>
<td>Asia</td>
<td>20.5</td>
<td>1.2</td>
</tr>
<tr>
<td>Eastern Europe</td>
<td>2.7</td>
<td>0.9</td>
</tr>
<tr>
<td>South America</td>
<td>0.7</td>
<td>0.2</td>
</tr>
<tr>
<td>Africa</td>
<td>0.1</td>
<td>0.1</td>
</tr>
</tbody>
</table>

*Source: PEI*
Global Private Equity Investments by Financing Stage, % of total

Source: International Financial Services, London (IFSL)
Buyout Boom in US and Western Europe

- Feb. 26 (Bloomberg) – KKR and TPG are buying TXU Corp., the largest power producer in Texas, for $45 billion (including debt) in the biggest-ever leveraged buyout
- The U.S. Justice Department is investigating whether collaboration among buyout firms limits competition for takeovers. So-called club deals have become more common as PE firms pursue larger companies
- Recently Blackstone bought Equity Office Properties Trust, the largest U.S. owner of office buildings, for $39 billion including debt
- The largest LBO before Equity Office was the $33 billion purchase in November 2006 of hospital chain HCA Inc. by Bain Capital LLC, Kohlberg Kravis, Merrill Lynch & Co. and HCA co-founder Thomas F. Frist Jr.
- That topped the $31.3 billion that Kohlberg Kravis paid in 1989 for RJR Nabisco Inc.

Source: Bloomberg
“If you find a job in a private equity fund you will be envy of many of your friends, even if they work in the world's top investment banks. Private equity funds don't employ many people and the few they do can earn stupendous amounts of money. While bankers live in fear of redundancies, senior private equity professionals also come as close as you can get in the financial services industry to having a job for life.”

http://news.efinancialcareers.co.uk/
### Where Would You Rather Invest?

<table>
<thead>
<tr>
<th>Mature Markets</th>
<th>Emerging Markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Efficient market</td>
<td>Inefficient market</td>
</tr>
<tr>
<td>“Fully priced”</td>
<td>Cheap assets</td>
</tr>
<tr>
<td>“Priced to perfection”</td>
<td>“Priced to failure”</td>
</tr>
<tr>
<td>High correlation</td>
<td>Low correlation</td>
</tr>
<tr>
<td>Sophisticated investment strategies</td>
<td>Simple investment strategies</td>
</tr>
<tr>
<td>Perceived low risk</td>
<td>Perceived high risk</td>
</tr>
<tr>
<td>Billions of $$ chasing opportunities</td>
<td>Millions of $$ observing opportunities</td>
</tr>
<tr>
<td>Everyone is buying</td>
<td>Everyone is selling</td>
</tr>
<tr>
<td>Efficient businesses</td>
<td>“Value destroyers”</td>
</tr>
<tr>
<td>Limited upside</td>
<td>Unlimited upside</td>
</tr>
</tbody>
</table>
Private Equity Fundraising in Emerging Markets, by Region

Source: EMPEA, PEI, Josh Lerner
Emerging Markets Share in Global Fundraising, %

Source: EMPEA, PEI, Josh Lerner

Where Opportunities Emerge
Fundraising for Private Equity Investments in Emerging Markets and Eastern Europe, $ billion

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Funds raised</td>
<td>0.57</td>
<td>0.38</td>
<td>0.96</td>
<td>1.1</td>
<td>0.7</td>
<td>0.37</td>
<td>0.6</td>
<td>0.35</td>
<td>1.78</td>
<td>2.71</td>
</tr>
</tbody>
</table>

Source: EMPEA
Central and Eastern Europe private equity investments make up only a fraction of their GDP compared to the West.
## PE Fundraising for CEE (in USD millions)

### 2004

<table>
<thead>
<tr>
<th>Fund Name</th>
<th>Amount (USD millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABN AMRO Danube Ventures BV</td>
<td>30.70</td>
</tr>
<tr>
<td>Delta Russia Fund</td>
<td>60.00</td>
</tr>
<tr>
<td>Dolphin Capital Investors</td>
<td>119.40</td>
</tr>
<tr>
<td>Euroventures Danube</td>
<td>18.80</td>
</tr>
<tr>
<td>Euroventures HungaryIII</td>
<td>9.90</td>
</tr>
<tr>
<td>Greek State Development Fund</td>
<td>4.00</td>
</tr>
<tr>
<td>Is Venture Capital Investment Trust</td>
<td>40.00</td>
</tr>
<tr>
<td>Polish Enterprise Fund V, L.P.</td>
<td>381.00</td>
</tr>
<tr>
<td>Poteza Adriatic Fund</td>
<td>48.90</td>
</tr>
<tr>
<td>Zaitech Fund</td>
<td>40.90</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>753.60</strong></td>
</tr>
</tbody>
</table>

### 2005

<table>
<thead>
<tr>
<th>Fund Name</th>
<th>Amount (USD millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>3TS Central European Fund II</td>
<td>128.20</td>
</tr>
<tr>
<td>Baring Vostok Private Equity Fund III</td>
<td>400.00</td>
</tr>
<tr>
<td>Corvinus International Investment Rt</td>
<td>0.60</td>
</tr>
<tr>
<td>Delta Russia Fund</td>
<td>60.00</td>
</tr>
<tr>
<td>Elkon Mezzanine</td>
<td>30.80</td>
</tr>
<tr>
<td>Environment Investment Partners II</td>
<td>5.00</td>
</tr>
<tr>
<td>Euroventures HungaryIII</td>
<td>22.80</td>
</tr>
<tr>
<td>Euroventures Ukraine Fund II</td>
<td>35.00</td>
</tr>
<tr>
<td>GED Eastern Fund II</td>
<td>61.50</td>
</tr>
<tr>
<td>Mint Capital II</td>
<td>70.00</td>
</tr>
<tr>
<td>Royalton Capital Investors (FKA: Emerging Europe Capital)</td>
<td>7.00</td>
</tr>
</tbody>
</table>

### 2006

<table>
<thead>
<tr>
<th>Fund Name</th>
<th>Amount (USD millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SigmaBleyzer SEE SBF IV</td>
<td>326.00</td>
</tr>
<tr>
<td>Alfa Private Equity Partners, L.P.</td>
<td>105.00</td>
</tr>
<tr>
<td>South Eastern Europe Fund (AKA: SEEF)</td>
<td>235.00</td>
</tr>
<tr>
<td>Mid Europa Emerging Europe Convergence Fund II</td>
<td>834.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,500.00</strong></td>
</tr>
</tbody>
</table>

Source: SigmaBleyzer, Thomson Financial, EVCA
Private Equity Investments in Emerging Markets

- PE in Emerging Markets – new frontier of the XXI century
- Mature markets provide diminishing returns on public equity due to increased market efficiency
- Private equity industry in US and Western Europe is approaching maturity
- Emerging markets offer the greatest value creation potential in the world because they start with a very low base – most enterprises in EM are “net value destroyers”
- The best way to unlock this value is through strategic investment by multinational corporations and private equity funds
- Private equity investments in emerging markets prepare the grounds for strategic industry players, while making money for their investors – true win-win for both
- EM PE – new specialty, new skills, new class of professionals
SigmaBleyzer Business Model

- Emerging markets specialist with a focus on transition economies of Eastern Europe and a unique socially responsible investment approach developed specifically for managing PE investments in the initial stages of market economy
- Long term commitment to the region – biculturalism as a pre-requisite for business
- Creating large local investment infrastructure
- Taking controlling positions and getting actively involved in every facet of each portfolio company - an industrialist approach to private equity
- Promoting a positive image of Western capital with social responsibilities to counter anti-globalization pressures
- Global experience in benchmarking transition economies and developing countries (The Bleyzer Foundation)
Hybrid Investment Style

- Simultaneous efforts: adding value at micro and macro levels
- Private equity investment at micro / enterprise level
  - Acquire control in high growth potential companies
  - Actively add value
  - Improve company efficiency
- Advocacy of economic reform at macro / government level
  - Create a better business environment
  - Promote transparency
  - Reduce corruption
  - Contribute to increased levels of FDI
  - Improve economy and market efficiency
- Hybrid investment approach creates real value for LPs while creating value for the countries of operation
The Bleyzer Foundation Investment Drivers

1. Macroeconomic Performance
2. Liberalization and Deregulation of Business Activities
3. Stable and Predictable Legal Environment (the Rule of Law)
4. Privatization, Public Administration reform and Corporate Governance
5. Removal of International Capital & Foreign Trade Restrictions
6. Facilitation of Business Financing by the Financial Sector
7. Reducing Corruption levels
8. Minimization of Political Risks
9. Improving Country Promotion and Image
SBF IV Fund Summary

- SigmaBleyzer Southeast Europe Fund IV (SBF IV) is a €250M private equity fund designed to invest in mid-cap buyouts mostly in Ukraine and in selected opportunities in Bulgaria and Romania.
- SBF IV is managed by an experienced team of senior managers working together for 8-12 years.
- SigmaBleyzer’s first three funds invested in Ukraine only, and enjoyed outstanding Western institutional and leading family office support (UGF family of funds – Ukrainian Growth Funds I, II and III).
- SBF IV is registered in the Netherlands as a Dutch limited partnership with participation exemption granted.
- Large pipeline of attractive deals, 30% of the capital (€75M) has been called, expect to commit close to 50% of the fund or more in 2007.
- Focus on several large deals in cable, pharma retail, food and beverage, financial sector, retail, IT, construction materials.
Principal Terms

- Management fee: 2%
- Organization Expenses: up to lesser of 1.0% and €1.25 million
- Carry: 20%
- Preferred Return: 8% (with catch-up)
- 10 year partnership (two one-year extensions)
- 5 years to invest, 5 years to harvest
- 10 – 15 deals
- 3 – 5 year estimated holding period for investments
- Co-investment Policy – pro rata to investments in the fund
SBF Portfolio – Cable Investments

- In the process of acquiring cable properties throughout Ukraine
- SBF IV has already acquired control over 600k subscribers and 800k homes passed
  - Total subscribers will increase to over 800K subs in these existing networks over the next 1-2 years through increased penetration rates and buildouts
- Negotiations are underway to acquire several more companies throughout Ukraine with an aggregate number of 300k to 400k subs
  - When acquired, these networks will support additions of another 100k to 200k subs, bringing the total to over 500k subs
- Total number of subs to be acquired is targeted at 1,000,000, with the potential of reaching 1,250,000 subscribers
SBF Portfolio – Food & Beverage / Other

- **Food & Beverage**
  - €30 million committed to the acquisition and modernization of two confectioneries in Ukraine and Bulgaria
  - LOIs signed
  - Due diligence completed on one company, and wrapping up on the other
  - Bulgarian acquisition is expected to close Q1-Q2 2007
- **Other Sectors**
  - Several active deals in financials services, pharmaceuticals, retail, packaging and other sectors
    - Targets identified
    - Due diligence teams actively engaged
- **We anticipate that approximately €100 million or more will be invested by mid 2007**
Deal Flow

- 10-15 expected acquisitions for €250 million fund
- €1.9 billion potential pipeline (75% of total value) is almost ten times the size of SBF IV

**Total Potential Deals:** 290  
**Total Value:** €2.57 billion
Pipeline By Sector

- Consumer Goods: €37.4
- Construction Retail: €34.9
- Packaging & Printing: €34.7
- Consumer Durables: €43.5
- Building Materials: €48.3
- Industrial Equip./Services: €69.3
- Electronics Retail: €132.0
- Financial Services: €135.0
- Pharma Retail: €135.0
- Pharmaceuticals & Medical products: €142.4
- IT: €267.4
- Food: €318.4
- Beverages: €323.1
- Cable TV: €415.4
- Food Retail: €388.0
- Others: €49.7

Total: €2,675.4
Projected SBF IV Portfolio Allocation

- Cable - €75M (excluding co-investments)
- Food and beverage - €60M
- Pharmaceutical Retail - €75M (potential for co-investments)
- IT / Outsourcing - €15M
- Financial Services - €50M (potential for co-investments)
- Other currently active deals:
  - Biofuel (potential for co-investments)
  - Packaging
  - Waste management (potential for co-investments)
  - Retail (consumer electronics, food, etc.) (potential for co-investments)
  - Construction materials
- Co-investment opportunities could equal or exceed the fund capital of €250M
Our Mission

- We **Manage** Capital in Transition Economy Countries to develop businesses and maximize profits
- We **Create** Opportunities for our Clients to Invest and Develop in the early stages of Market Economy
- We **Rely** on an optimal combination of the best world experience and national capabilities
- We **Assist** the best and the brightest people in the countries where we operate to realize their potential
- We **Facilitate** the successful completion of the transition to a market economy
Our Values

- **Professionalism** – we guarantee the professionalism and competency of our people
- **Quality** – we work to achieve 100% results
- **Reliability** – integrity, honesty and loyalty are the foundations of our business
- **Responsibility to our clients** – we guarantee the satisfaction of our clients
- **Adaptability** – change is our friend
- **Innovation** – we are pioneers in creating new paradigms, products and services
- **Long-term business** – we’re in it for the long haul
- **Respect** – we respect our clients, partners and ourselves
- **People development** – people are our most valuable assets
- **Teamwork** – we are a collection of unique personalities bound together by a common goal
SBF IV Organizational Structure and Corporate Governance

Advisory Committee

Governance Committee

Founders
Michael Bleyzer
Valeriy Dema
Lev Bleyzer

Investment Committee

Michael Bleyzer
Valeriy Dema
Lev Bleyzer
Edilberto Segura
Neal Sigda
Sergey Bulavin

Deal Teams
- Cable DTL N. Sigda
- Food DTL V. Plaksy
- Beverage
- IT DTL Y. Sivitsky
- Financial Services DTL E. Segura
- Pharmaceuticals DTL S. Bartoshchuk
- Retail / Other PM D. Smakhtina

Support Teams
- Deal Origination Exits S. Bulavin
- Due Diligence Security V. Morbakh
- Legal S. Omelchenko
- Accounting Audit Tax D. Barrett
- Equities Research T. Kirk
- Back Office / Investor Relations J. Ballard
- The Bleyzer Foundation V. Gekker

Where Opportunities Emerge
Transaction Examples

War stories
So how does it feel to invest in PE in EM?
Sevastopol Shipyard

- Largest Naval Yard in Ukraine with over 18,000 employees in late 80s; 15,000 by late 90s
- Local press, local authorities, management, employees react with a lot of concern about the future of SSY
- Company restructured into five profit centers from 39 companies, streamlining intra-company business flows
- Shift in focus from naval to commercial ship repair
- Multiple smaller enterprises created around SSY

**Investment Summary**

<table>
<thead>
<tr>
<th></th>
<th>1998</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost Basis</td>
<td>$2.1M</td>
<td></td>
</tr>
<tr>
<td>Exited Value</td>
<td></td>
<td>$7.5M</td>
</tr>
<tr>
<td>Investment Multiple</td>
<td></td>
<td>3.7x</td>
</tr>
<tr>
<td>Gross IRR at Exit</td>
<td></td>
<td>30%-40%+</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>1998</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales ($, million)</td>
<td>$12.1</td>
<td>$40.0*</td>
</tr>
<tr>
<td>Employees</td>
<td>15,000</td>
<td>3,600</td>
</tr>
<tr>
<td>Commercial ships repaired</td>
<td>7</td>
<td>60</td>
</tr>
<tr>
<td>Port cargo ('000)</td>
<td>146</td>
<td>1,200**</td>
</tr>
</tbody>
</table>

*Excludes port (sold in 2002)

**Port sold off in 2002
## Poltava Confectionery

- Initial investment of $1.2 million by UGF III to buy control, followed by second round investment of $4 million to build new factory
- Exports from 30-50% of production
- New production facility came online end-2002
- Swiss Experts brought in to assist
- New Leaf, worth up to $20M per year with guaranteed 10% Profit margin

### Investment Summary

<table>
<thead>
<tr>
<th></th>
<th>1999</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost Basis</td>
<td></td>
<td>$5.2M</td>
</tr>
<tr>
<td>Estimated Value</td>
<td></td>
<td>$52.5M</td>
</tr>
<tr>
<td>Investment Multiple</td>
<td></td>
<td>10.0x</td>
</tr>
<tr>
<td>Est. Gross IRR at Exit</td>
<td></td>
<td>30%</td>
</tr>
</tbody>
</table>

### Market Position

- **1999**: 11<sup>th</sup>
- **2006**: 5<sup>th</sup>

### Largest Segment

- **1999**: Caramels
- **2006**: Cookies

### Financials

<table>
<thead>
<tr>
<th></th>
<th>1999</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales ($ ‘000)</td>
<td>$11.1</td>
<td>$64.0</td>
</tr>
<tr>
<td>Production (tons)</td>
<td>9,160</td>
<td>48,810</td>
</tr>
<tr>
<td>Market Position</td>
<td>11&lt;sup&gt;th&lt;/sup&gt;</td>
<td>5&lt;sup&gt;th&lt;/sup&gt;</td>
</tr>
</tbody>
</table>
Poltava: Initial Plan
Welcome to Poltava!
Poltava: New Cookie Line
Poltava: New Easter Eggs Line
Makiivka Pipe Rolling Plant

- Control acquired in 2000
- Leading pipe producer through 2001
- Attack from local oligarchs to control assets
- Assets spun off to prevent acquisition by hostiles
- Main company forced into bankruptcy (with spin off alive)
- Production shifts to grinding bodies
- Remarkable turnaround

**Investment Summary**

<table>
<thead>
<tr>
<th></th>
<th>Cost Basis</th>
<th>Exit Value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>$</strong></td>
<td>$3.3M</td>
<td>$3.0M</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th>Est. Gross IRR at Exit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>-</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>1996</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales ($ million)</td>
<td>$3.2</td>
<td>$16.0</td>
</tr>
<tr>
<td>% of Ukrainian Pipe Prod</td>
<td>95%</td>
<td>0%</td>
</tr>
<tr>
<td>Grinding Bodies, tons</td>
<td>0</td>
<td>43,000</td>
</tr>
</tbody>
</table>
META

- Leading Cyrillic search engine (first in Ukraine)
- One of the 10 most popular Ukrainian sites
- 20% of all banner revenues go to META
- Essentially a start-up in 2001
- Company went from significant losses to an EBITDA margin of ~40% in 2006

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales ($ ‘000)</td>
<td>$10</td>
<td>$800+</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Investment Summary</th>
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</thead>
<tbody>
<tr>
<td>Cost Basis</td>
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<td>Estimated Value</td>
</tr>
<tr>
<td>Investment Multiple</td>
</tr>
<tr>
<td>Est. Gross IRR at Exit</td>
</tr>
</tbody>
</table>
Softline / Volia Software

- Leading Ukrainian systems developer
- Initial acquisition in 2000
- Annual sales up 20x since acquisition
- Over 700 employees today
- Successful outsourcing business in US
- Valuation up significantly
- Bids at $25-30 million
- Real estate play alone could be $20 million plus
- Outsourcing business can grow tenfold or more over the next 2-3 years

<table>
<thead>
<tr>
<th>Investment Summary</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost Basis</td>
<td>$2.3M</td>
<td></td>
</tr>
<tr>
<td>Estimated Value</td>
<td>$14.3M</td>
<td></td>
</tr>
<tr>
<td>Investment Multiple</td>
<td>6.2x</td>
<td></td>
</tr>
<tr>
<td>Est. Gross IRR at Exit</td>
<td>30%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales ($ ‘000)</td>
<td>$833</td>
<td>$18,031</td>
</tr>
<tr>
<td>Employees</td>
<td>150</td>
<td>700+</td>
</tr>
<tr>
<td>Gov’t Contracts (%)</td>
<td>80%</td>
<td>10-20%</td>
</tr>
<tr>
<td>Debt</td>
<td>$0</td>
<td>$4.7 million</td>
</tr>
<tr>
<td>Fastest Growing Segment</td>
<td>Gov’t</td>
<td>Outsourcing</td>
</tr>
</tbody>
</table>
Volia Cable

- Largest cable operator in Ukraine
  - Over 90% of the cable market in Kyiv
- Company created through consolidation of several separate buyouts and additional investment in network buildout
  - First two companies purchased in 1999
  - Merger of three companies into Volia Cable took place in 2001

<table>
<thead>
<tr>
<th>Investment Summary</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost Basis</td>
<td>$31.4M</td>
</tr>
<tr>
<td>Estimated Total Exit Value</td>
<td>$366M</td>
</tr>
<tr>
<td>Investment Multiple</td>
<td>11.7x</td>
</tr>
<tr>
<td>Est. Gross IRR at Exit</td>
<td>42%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>1999</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>$3.2</td>
<td>$31.8</td>
</tr>
<tr>
<td>Homes Passed</td>
<td>550,000</td>
<td>905,000</td>
</tr>
<tr>
<td>Subscribers</td>
<td>362,000</td>
<td>614,000</td>
</tr>
<tr>
<td>“Must Carry” Pricing</td>
<td>$0.75</td>
<td>$3.6 - $4.4</td>
</tr>
</tbody>
</table>
Volia Cable Subscribers (as of Feb 1, 2007)

Volia – Total (‘000)

Volia – Subsidiaries (‘000)

Volia – Kyiv (‘000)

Penetration Rates (%)

Homes Passed | Two-way HPs | RGU
---|---|---
Volia Total | 905 | 902 | 649
Volia Subsidiaries | 39 | 39 | 17
Volia Kyiv | 830 | 827 | 616

Kiev | L’viv | Alchevsk | Chernivtsi | Total
---|---|---|---|---
Penetration | 70.2% | 42.1% | 34.6% | 62.4% | 67.9%
Subscriber Growth

RGU - Kyiv

2006 Subscriber Growth Rates - Kyiv

7% 238% 135%

0% 50% 100% 150% 200% 250%

RGU Digital Internet

500,000 520,000 540,000 560,000 580,000 600,000 620,000 640,000

Jan-05 Apr-05 Jul-05 Oct-05 Jan-06 Apr-06 Jul-06 Oct-06 Jan-07

616,522

Where Opportunities Emerge
Volia Cable Strategy
Digital Subscribers Growth

+821%
Where Opportunities Emerge

Expect to shift majority of subscribers to Digital TV packages in 2008

Volia Digital TV – Projected Subscriber Growth
High Speed Internet - Volia Broadband

+1,092%
Volia Broadband – Projected Subscriber Growth

Where Opportunities Emerge
Financial Projections ($, millions)

- Expect significant increases across the board
Market Value Growth & Projections

- Volia Cable has shown phenomenal growth since the company was created in 2001.
- Range of $500-700 million value could be achieved either by IPO or by private sale in 2007.
- Volia Cable plus Volia II = about $2 billion value creation that started with $30 million investment.
Summary: EM PE Lessons

- Triple inefficiency play:
  - Market inefficiency
  - Business inefficiency
  - Economy inefficiency

- Must have:
  - The right team of local and western professionals
  - Improving business environment
  - Hybrid investment style

*In the next 10 years EM PE will provide a unique opportunity to achieve superior returns while making socially responsible investments that will make this world a safer place.*
Private Equity in Emerging Markets

more information on www.sigmableyzer.com

Where Opportunities Emerge