

Why Private Equity is Right for Ukraine and for Investors

An interview with Horizon Capital Managing Partner Natalie A. Jaresko explores the rewards of private equity investing in Ukraine. Having 10-years of success in the region, Ms. Jaresko shares with EuroWeek what kind of private equity opportunities exist "just over the horizon".

What makes private equity investment in emerging markets so attractive in general, and particularly in Ukraine?

Horizon Capital sees the private equity market in Ukraine in the context of the broader private equity market that emerged and took form in Central and Eastern Europe (CEE) after the fall of the Iron Curtain in the early 1990's. Since then the private equity market has become an integral part of the area's capital markets. Private equity offers superior returns for investors, and it fuels dynamic and lasting changes in these economies.

Why Ukraine, and why now?

Just as Central and Eastern Europe appeared 15 years ago, Ukraine has now entered the market spotlight. A nation of forty-seven million people, with a growing appetite for consumer goods and services, Ukraine offers exceptional investment possibilities following five years of double-digit economic growth. A middle-class backed "Orange Revolution" in December 2004 decisively ended a decade of corrupt leadership and brought to power liberal-market reformer President Viktor Yushchenko.

How would you describe the market opportunities in Ukraine for private equity investors?

The opportunities in Ukraine are especially promising for mid-cap private equity investors. Mid-sized businesses, which Horizon Capital defines as companies with

revenues between \$5 and \$100 million, have traditionally been undercapitalized. Yet, the mid-cap market serves the strengthening middle-class. For the first time, over 50% of Ukrainians identify themselves as "middle-class". Thus, this rapidly growing segment of the economy offers unique opportunities to take advantage of the demand for medium capital and the exceptional M&A activity resulting from strong economic growth, the post-"Orange Revolution" and pre-European Union accession environment.

With these dynamic changes, Horizon Capital believes that the mid-cap market in Ukraine offers investors the possibility for the greatest return.

Who is Horizon Capital and what is its investment strategy?

Horizon Capital is a private equity fund manager that capitalizes on investment opportunities in Ukraine and Moldova. Horizon Capital serves as a successor to Western NIS Enterprise Fund (WNISEF). Horizon Capital's team draws on ten years of investing in various economic cycles. They invested \$95 million in twenty-six companies in Ukraine and Moldova since WNISEF's inception, and as of March 2005, completed 11 full and seven partial realizations.

Horizon Capital, made up of seven investment professionals with over 60 years of private equity experience in the region, identifies good management teams in fast growing segments of the economy, and partners with them to establish successful companies. Horizon Capital brings portfolio company management the tools they can effectively utilize to improve strategy and operations, and attract the capital they need to grow. The Horizon Capital investment professionals' investment successes transformed businesses into market leaders with significant market shares, strong profitability, capable management teams, transparent accounting and effective corporate governance.



What industries of the economy does Horizon Capital find to be the most attractive for private equity investors?

We commit our investor funds in expansion and buyout opportunities in financial services, fast-moving consumer goods (FMCG), retail, and industrial goods, as well as other selective sectors.

Ukraine's rapidly growing financial services industry, in particular, draws our attention. We founded International Mortgage Bank (IMB) with \$7 million in equity to meet the growing demand for mortgage products. With a 300% increase in residential mortgage loans in Ukraine over the past several years, IMB is clearly in a stellar growth sector. A recent \$30 million loan facility from the Overseas Private Investment Corporation (OPIC) will fuel its success.

We also find FMCG attractive. For the past five years, per capita disposable income and spending on FMCG food and non-food goods has grown at double digit rates. WNISEF's recent \$7 million investment in Shostka Dairy is a good example of the type of investment that attracts Horizon Capital. The fragmented dairy market and Shostka's strong financial performance create an exciting consolidation opportunity.

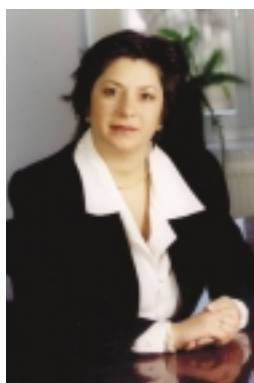
How can you evaluate your success in the region?

Our results in Ukraine and Moldova are exemplified by successful exits - at 2-2.5 times invested capital and portfolio company market leadership. This is evidence that we can turn the challenges of fast-growing emerging markets into superior returns for our investors.

What makes Horizon Capital an attractive partner for foreign private equity investors?

Horizon Capital is the only private equity fund manager with a deep knowledge of the region and an impressive 10-year track record. Our team of dedicated professionals is intimately familiar with the local business environment and legal practices in the region, making us an invaluable business partner.

www.horizoncapital.com.ua



Horizon Capital
Managing Partner
Natalie A. Jaresko