

A large, light blue world map composed of small dots, serving as a background for the title text.

DEG in Central America and DR - Finance for development

March, 27th, 2009

DEG at a glance.



DEG

- Seat: Cologne
- Founded: 1962
- Employees: 412
- Equity: approx. € 1,4 billion
- Sole Shareholder: KfW Banking Group, Frankfurt



KfW

- KfW is a statutory body with a guarantee of the Federal Republic of Germany
- Rating: AAA
- Total balance sheet approx. USD 500 billion

Our business: Financing for Development



- **Who we are:** The German Development Finance Institution for the promotion of private companies in developing countries and emerging markets. DEG is the biggest DFI in Europe.
- **What we do:** 1. Provide long-term investment capital for private enterprises on market-oriented conditions. 2. Provide Technical Assistance
- **Where we invest:** manufacturing industry, services, agribusiness, financial sector and in infrastructure.
- **Our goals:**
 - provide adequate solutions for the financing needs of our customers.
 - contribute to sustainable development, economic growth and poverty reduction.

DEG belongs to a strong family of brands



Promotion of SMEs,
business founders
and start-ups

Investment Finance in
Germany and Europe



Promotion of housing,
environmental and
climate protection,
education, infrastructure
and the social sector



Export and project
financing, large scale
investment and
corporate financing

Export and
Project Finance



Promotion of and
investment in emerging
markets:

DEG: Private Sector

KFW: Public Sector

Financial Cooperation,
Promotion of Private
Enterprise

DEG

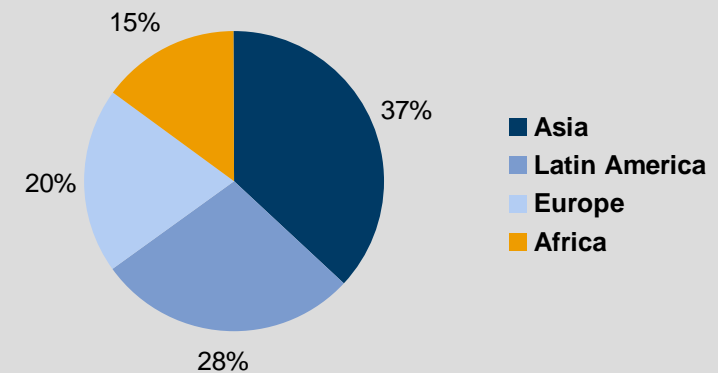
New business 2008



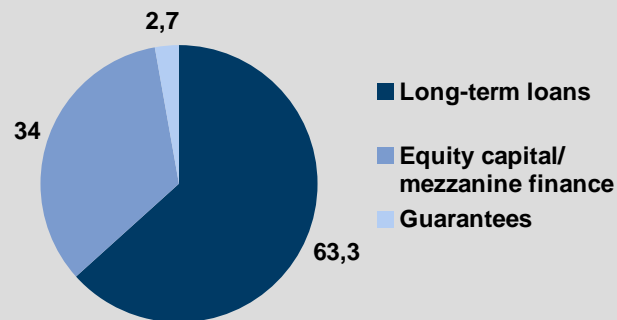
Key financial figures

- EUR 1.2 billion new commitments
- Portfolio: EUR 4.4 billion

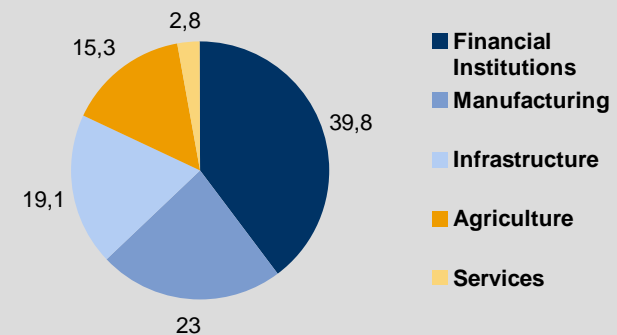
Breakdown by regions [in %]



Breakdown by products [in %]



Breakdown by industries [in %]



New business and portfolio - Latin America



- Commitments '08 approx. USD 450 mln
- DEG Portfolio approx. Euro 900 mln

DEG invests in almost all countries in Latin America



Central America: focus region for DEG and KfW



DEG:

1. DEG is financing investments in Central America since the 60ies
2. Historically, DEG has committed approx. USD 600 mln. for private companies
3. DEG is a reliable long term partner - we stay committed in difficult times
4. DEG works complementary to commercial banks and provides „value added“

KfW:

1. KfW, in addition to DEG, has an active portfolio in Central America amounting to approx. Euro 280 mln
2. Historically, KfW has committed approx. Euro 1,2 billion in Central America

Central America: Global crisis is affecting the region



- Crisis is not „home grown“ but was caused by contagion
- Will Central America be affected?
 - All countries of the region are heavily affected
 - Extent differs from country to country – the region is not homogeneous
 - How deep?, how long? – crisis is very serious, to last at least until 2010
- Consequences include:
 - Substantially lower GDP growth
 - Decrease in investment and domestic demand
 - Weakening of fiscal and external positions
 - Rise in unemployment
 - Sharp downturn in availability of debt and equity financing

Central America: Global crisis is affecting the region



Some issues specifically affecting the region:

- High dependence on remittances
- Importance of tourism
- Dependence on US economy is disproportionately high

Central America: opportunities for trade and investment



Some basic considerations:

- Consider the countries as part of a region
- Regions consists of liberal, market oriented economies
- investment protection agreements in place with Germany
- APS Plus scheme offers preferential tax treatment for imports into EU
- DR-CAFTA offers preferential access to US market
- Numerous other bilateral and regional free trade agreements in place
- Process for Association Treaty Central America – EU started in 2007

Central America: Good opportunities for trade



- Germany's share of total trade with Central America is disproportionately low
- US share in contrast is very high
- Potential for trade is not fully exploited for German companies!

Central America: Good opportunities for investments



- infrastructure
 - ports, DEG example: Caucedo / DR
 - electricity (hydro, thermal), DEG examples: Hidro Xacbal / Guatemala; Enersa / Honduras; hydropower / Panama
 - toll roads, example: Costa Rica
 - telecom: DEG example: Digicel / Honduras; Panama / mobile telephony
- agribusiness
 - broad range of products
 - DEG examples: Rizek / cacao / DR; Nicaragua Sugar / Nicaragua; Frutan / oranges / Nicaragua
- manufacturing industry; example: textile industry in Honduras (DEG: Caracol Knits) and Nicaragua; Intel / Costa Rica
- service sector
 - DEG example: Ultrapark / int. service and call center / Costa Rica
 - financial sector; DEG examples: CrediQ / vehicle finance / El Salvador; La Hipotecaria / low and middle income housing / Panama; Banrural / Guatemala
 - tourism: all countries in Central America

Central America: financing alternatives for investments



- Commercial banks; issues:
 - Presently limited appetite for long-term exposure due to crisis
 - Funding constraints
 - Local subsidiaries affected by parent problems
- Regional development banks; Cabei is a strong player
- Development Finance Institutions: IFC, IDB, DEG, other bilateral institutions

Institutions need to work together in order to meet the needs!

DEG: Tailor-made finance solutions



Equity Capital

Long-term loans

Mezzanine finance

Guarantees

- **Solutions suited to individual project and risks**
- **Terms suited to the individual project**
- **Market-oriented conditions**

Financial instruments.

Long-term loans



- Amount: Own account: up to 35 mm USD; higher amounts through club deals and arrangements
- Currency: USD or EUR, various local currencies
- Term: generally 4 -10 years, much longer tenors possible
- Period of grace: Cash flow oriented, up to 3 years
- Interest rate: Fixed or variable, market-oriented, according to project and country risk
- Collateral security: mortgages, pledges etc (project-specific arrangements)

Equity: Features of a participation



- up to USD 25 million
- Not to exceed 30% of share capital
- Shareholder/minority rights, in some cases Board representation
- DEG has a long-term perspective
- exit strategies to be defined: trade sale, IPO, put option, tag along

Financing criteria



- Qualified management
- Credit standing
- Proven track record
- Corporate Governance
- Environmental and social standards
- Developmental effects
- Sound business plan
- Investment plan
- Market analysis
- Due-diligence study
- Expected return
- Sufficient equity contribution

Financing – example

Hidro Xacbal S.A.



- **The Company.** Project company for the development and operation of a 94 MW run-of-river hydro electrical power plant in Guatemala.
- **The challenge.** Hydro power potential in Guatemala is largely untapped due to delicate environmental and social challenges. This required major investments in fixed assets and a longer debt maturity profile.
- **The solution.**
 - DEG provided a long-term financing of USD 30 mln as part of a USD 171 mln senior debt financing along with other DFIs and regional banks.
 - 16 year tenor and 12 year repayment profile modeled according to cash flows of the project.



Technical Assistance complements financing



- Training and qualification measures
- Social and environmental measures
- Business consulting

Technical Assistance: example: industrial waste disposal



Situation:

- Textile mill (DEG client) seeks appropriate disposal of industrial waste
- Public Services Company in charge disposes of the waste in a very inappropriate manner.



Technical Assistance for Public Services Company by an expert

- Recommendations for immediate improvements of existing waste dump.
- Evaluation of different technologies and operational models for a new landfill.
- Development of a Public-Private financing scheme for investment into a new landfill and its sustainable operation.

TA cost: DEG: 75%, textile mill 25%

DEG - Why to cooperate?



- **We understand your business.** DEG disposes of experienced staff with specialized industry know-how (manufacturing industries/services, financial institutions, agribusiness and infrastructure).
- **We know the region.** DEG has over 40 years of experience in Latin America. We have done business successfully - also under volatile and adverse conditions.
- **We can structure a financing that suit yours needs,** from simple long-term loans to pure equity and complex financial packages. We can team up with commercial banks and DFI's. Our financings are long-term, cash flow oriented and tailored according to your needs.
- **We are relationship oriented.** The nature of DEG's business is long-term. We consider ourselves as your financing partner for growth in the long run. In difficult situations we look for solutions together with our customers.

Selected Central American deals




2008



Hidro Xacbal S.A.
 (Guatemala)
 Senior Loan
 USD 25 million


2008





Eco-Agroforestal S.A.
 (Central America)
 Coffee
 Senior Loan
 USD 6 million


2008



Ferretería EPA S.A..
 (Costa Rica)
 Home Depot
 Senior Loan
 USD 5 million


2008





Papelera Internacional S.A.
 (Guatemala)
 Tissue Paper
 Senior Loan
 USD 10 million


2008



Digicel Honduras S.A.
 (Honduras)
 Telecommunication
 Senior Loan
 USD 20 million


2007



Nicaragua Sugar Estates Ltd. S.A.
 (Nicaragua)
 Senior Loan
 USD 17.5 million


2007



¡Su Distribuidora Amiga!
OCAL S.A.
 (Nicaragua)
 Warehouse
 Senior Loan
 USD 6 million


2006



Caracol Knits S.A.
 (Honduras)
 Textile Industry
 Senior Loan
 USD 4 million

Selected Central American deals



DEG
KFW BANKENGRUPPE 2006



Palmares del Castillo S.A.
(Nicaragua)
Palm Oil
Senior Loan
USD 7 million

DEG
KFW BANKENGRUPPE 2006



Rizek Cacao
(Dominican Republic)
Coffee
Senior Loan
USD 3 million

DEG
KFW BANKENGRUPPE 2005

Frutales del San Juan, S. A.

Frutales de San Juan S.A.
(Nicaragua)
Orange Plantation
Senior Loan
USD 5 million

DEG
KFW BANKENGRUPPE 2004



Energía Renovable S.A.
(Honduras)
Power Generation
Senior Loan
USD 15 million

DEG
KFW BANKENGRUPPE



Caucedo
(Dominican Republic)
Port
Senior Loan
USD 15 million

DEG
KFW BANKENGRUPPE 2008



Banca Promérica .
(Costa Rica)
Senior Loan
USD 10 million

DEG
KFW BANKENGRUPPE 2008



Banca Promérica
(Costa Rica)
Tier II Facility
USD 5 million

DEG
KFW BANKENGRUPPE 2008



La Hipotecaria SA.
(Panama)
Mortgage Finance
Senior Loan
USD 15 million

Selected Central American deals




DEG 2008
 KFW BANKENGRUPPE



Banco Improsa S.A.
 (Costa Rica)
 Senior
 Tier II Loan
 USD 10 million


DEG 2007
 KFW BANKENGRUPPE



Banco Improsa S.A.
 (Costa Rica)
 Senior Loan
 USD 10 million


DEG 2008
 KFW BANKENGRUPPE



**Banco Financiera
 Comercial Hondureña**
 (Honduras)
 Senior Loan
 USD 20 million


DEG 2007
 KFW BANKENGRUPPE



**Banco Financiera
 Comercial Hondureña**
 (Honduras)
 Equity Investment
 USD 15 million


DEG 2007
 KFW BANKENGRUPPE



**Banco de Desarrollo
 Rural S.A.**
 (Guatemala)
 Subordinated Loan
 USD 20 million


DEG 2007
 KFW BANKENGRUPPE



CrediQ S.A. de C.V.
 (El Salvador)
 Vehicle Financing
 Senior Loan
 USD 15 million


DEG 2007
 KFW BANKENGRUPPE



**Banco de America
 Central, S.A.**
 (Nicaragua)
 Senior Loan
 USD 15 million