

DEG Horizons

Our business is developing.



INDIA

is both a booming and developing country. In 2007, economic growth is expected to reach more than 8 per cent. Many companies are gradually discovering the location and its advantages.

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EDITORIAL

The recently published IPCC Report "Climate Change 2007" includes forecasts and the question as to how the consumption of resources and CO₂ emissions can be effectively reduced. These issues are the topical theme in current discussions on climate change. There are various approaches and examples for saving resources and what role renewable energies could play here. Today, private businesses also contribute significantly to research and development projects on climate change.

This edition of *DEG-Horizons* reports on successful private economy investments in infrastructure and other sectors, for instance in India or Latin America, which also have a significant impact on the development of the investment country.

All issues of *DEG-Horizons* are available in the Internet: www.deginvest.de

The editorial team
wishes you pleasant reading

IN BRIEF

There is a continuous dynamism in global economic conditions: growth in global GDP is predicted to reach 4.7 per cent in 2007. These are also good times for development financing: in 2006, DEG's new commitments amounted to **EUR 930 million** – by far the highest level of **new business** so far. DEG's portfolio increased by 11 per cent to more than **EUR 3 billion**. In 2007, similar increases might be achieved, provided there are no major crises, said Dr Winfried Polte, DEG's management chairman, at the annual press conference in Cologne, Germany.

Infrastructure is crucial to boost development. In 2006 alone, DEG provided EUR 190 million for investments to substantially enhance energy supplies, telecommunication and transport in partner countries. Both the economy and population profit from this. In 2007, DEG also will focus on investments in renewable energy and climate protection projects.

Climate protection is an important element of DEG's commitment to infrastructure projects: in the financial year 2006, DEG's new commitments totalled EUR 54 million in this sector.



FOCUS

INDIA: MORE THAN BUSINESS POTENTIAL.



India's need for foreign investments: EUR 150 billion.

DEG has been operating in India for more than 20 years. It is working with German, Indian and international companies, financing and advising their investment projects.

India has many faces: one-third of the population still lives on less than one dollar per day and has no access to clean drinking water and no connection to the electricity and road network. More than a quarter of the Indian population is illiterate. The annual GDP per capita amounts to USD 700 compared to USD 30,000 in Europe. India, however, has the second largest economic growth rate in Asia and is considered as a new and important global player. Various sectors such as the automobile, IT, biotechnology, pharmaceutical and engineering industries are developing dynamically. The subcontinent is becoming one of the most important production locations and sales markets. In addition to a young population in the billion range and many well-trained and motivated specialists, India's outstanding features are its democratic structures, an efficient bank system and a jurisdiction modelled on the European system. English as the common business language facilitates market access for foreign businesses in particular.

When measured against India's size, the total level of investment, amounting to EUR 4 billion, is low. However, the need for foreign investments is considerable: India's finance ministers stated a figure of EUR 150 billion at the World Economic Forum meeting. In particular the transportation infrastructure and power supply systems call for investments, as they are considered as central obstacles to investment besides bureaucracy and over-regulation.

The Indian government, international and local investors have established the Infrastructure Development Finance Company Ltd. (IDFC) in order to

develop the market for private infrastructure financing. IDFC finances energy, road construction and telecommunications projects. It mobilises capital in the form of private equity funds, operates as a syndicator and offers advice to government authorities and private businesses. As one of the first foreign financiers, DEG has recently provided a long-term loan to IDFC totalling USD 75 million. The KfW contributed USD 50 million to this. The money is supposed to support further growth of IDFC.

German companies – usually focusing on Eastern Europe or China – are also beginning to take a close look at India. Germany is one of the five most important investment partners and trade relationships have intensified considerably since 2003. To date there are already more than 1,500 German enterprises with Indian subsidiaries or with a participation in Indian companies. DEG has provided a long-term loan to a German consortium – a manufacturer of high-quality sewing needles for industrial purposes – for investment in an Indian subsidiary. This will be used for the expansion of the existing production plant and the construction of a new plant at a second location in India.

Investors can profit from DEG's long-standing experience and its good network in India, where it has been operating for over 20 years. Since 2000, DEG has its own representative office in New Delhi. DEG's current India portfolio totals about EUR 300 million in more than 30 companies.

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FINANCING

EQUITY CAPITAL FOR PRODUCTION OF ELECTRICITY PYLONS IN LATIN AMERICA.

Efficient high-capacity power supply systems are a crucial prerequisite for substantial economic development. In many Latin American countries there is still a lack of reliable electricity supplies. At the beginning of 2007, DEG – in cooperation with other investors – purchased the Latin American "Power Line Components" division from the ABB Group: two production plants for electricity pylons, one in Monterrey, Mexico, and one in Belo Horizonte, Brazil. DEG's partners are ACON Investments and the Dutch FMO. Together they have provided equity financing totalling about USD 20 million. DEG contributed over USD 5 million. The investors will play an active part in the management of the company operating under the name of "SAE Towers". DEG and FMO share one of seven seats on the board.

SAE Towers supply pylons to the entire American market. The production plant in Belo Horizonte is the largest and most state-of-the-art plant of its kind in Latin America. The pylons are important components in the development of transmission networks which will increase transmission reliability. In addition to government earnings, generated by corporate taxes, foreign exchange proceeds provided by exports have an important impact on development processes. In addition, 500 jobs will be safeguarded and another 200 created in the future. DEG will provide advice to the company with respect to environmental and social issues as well as corporate governance.

PARTNERS AND PROJECTS

EDUCATION FINANCING FOR SOUTH AFRICA.

South Africa has experienced a process of considerable transformation and development since the end of apartheid in 1994. However, the effects of the historic imbalance of different population groups are still noticeable today. Enormous income disparities, an HIV quota of 21.3 per cent and an illiteracy rate of 29 per cent among adults are further challenges for the country. There are also considerable differences with respect to both education and access to education for white, coloured and black South Africans.

DEG has recently provided a second loan to the South African Edu Loan Ltd. amounting to 45 million rand (about EUR 6 million) to support an innovative model offering many people the opportunity to finance education and training. Edu Loan offers loans for training and further education

measures particularly for people from disadvantaged population groups with low incomes. DEG had already provided initial financing in local currency to a value of EUR 14 million in 2001.

Promoting education in this way is an important contribution to the further development of the country, especially since half of South Africans have no access to financial services. The borrowers mainly belong to the black population. Repayments are made by the so-called "Payroll-Based Deduction System", where repayments are deducted directly from the borrower's earnings. Edu Loan cooperates with more than 30 educational institutions and universities in South Africa. Since 1996, about 400,000 people have profited from education loans to pay for their training and further education measures.



DEG is also committed to education through the PPP programme: in cooperation with C.I.D.A. it has developed IT training for business economics students in South Africa. C.I.D.A. is a private university in Johannesburg, South Africa, enabling poor South Africans to study. Fees are particularly low due to sponsors supporting the university. Every year, 90 students are trained in SAP, Oracle and Unix. DEG has participated in the costs for the PPP project and has offered T-Systems advice for the implementation.



According to the latest Unicef annual report there are 15 million AIDS orphans worldwide. In 2010, 20 million children will be affected. Infection growth rates in some countries in Africa, Asia and Eastern Europe have increased dramatically. Some 25 million HIV infected persons live in sub-Saharan Africa.

NEWS

PPP FUNDS FOR COMPANY HIV/AIDS PROGRAMMES.

HIV/AIDS is a global disease. Up to 30 per cent of the populations in some developing countries are affected by HIV/AIDS. The pandemic has become a serious obstacle to development. Companies operating in developing countries can successfully provide support in the battle against the disease: in-house programmes can help to promote HIV/AIDS education for employees and their families and may keep the effects of the immunodeficiency at bay. Such measures contribute to an increase of productivity and profitability.

In 2007, special funds amounting to EUR 2.5 million are provided by the Federal Ministry for Economic Cooperation and Development (BMZ) for financing PPP programs established by private and public partners and aimed at the battle against HIV/AIDS. DEG and GTZ (Deutsche Gesellschaft für Technische Zusammenarbeit) have been assigned with the implementation. Companies may address DEG directly and present their ideas and projects.

Your contact: ppp@deginvest.de

EVENT NOTE.

The foreign trade group of Commerzbank München and DEG invite you to an information meeting, followed by a reception:

Please make an advance reservation.

Your contact:

Ralf Granzer (ralf.granzer@commerzbank.com) and Renate Katenkamp (kat@deginvest.de)

Topic: "DEG's financial services for project financing in developing and emerging markets".

Date: Wednesday, 9 May 2007, 3 p.m.

Location: Commerzbank, Leopoldstraße 230, 80807 München, Germany, Saal Rotunde, first floor.

DEG

- DEG has been financing and structuring the investments of private companies in developing and emerging market countries for more than 40 years.
- DEG invests in profitable projects that contribute to sustainable development in all sectors of the economy, from agribusiness to infrastructure and from manufacturing to services. We also focus on the development of the financial sector in order to facilitate reliable access to capital locally.
- So far, we have worked together with more than 1,300 companies. By providing EUR 7.7 billion of finance, we have contributed to a total investment of EUR 50 billion.
- Our aim is to establish and expand private enterprise structures in developing and transition countries, and thus create the basis for sustainable economic growth and a lasting improvement in the living conditions of the local population.

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