

The image shows a modern building with a light-colored, textured facade. On the upper left corner of the building, the 'KFW DEG' logo is displayed in blue. The building has a series of windows on the right side, and the sky is clear and blue.

KFW DEG

»»» DEG: More than finance For entrepreneurial success and development

Project financing Asia, Europe, Latin America, Africa
Oktober 2018

KFW DEG

»»» Agenda

1. KfW Group and DEG
2. More than Finance
3. DEG: Figures, Data, Facts
4. Overview Portfolio and New Business Project Financing
5. Contact Details

»»» KfW Group and DEG

An overview

>>> DEG at a glance

For entrepreneurial success and development

For 55 years, we've been a reliable partner to private enterprises operating in developing and emerging-market countries. We provide our customers with tailored solutions, including long-term financing, promotional programmes and individual advice.

People, companies and countries benefit from DEG's work. We ensure our customers can maximise opportunities, open up new markets and compete successfully. In doing so, they create qualified jobs and income and contribute to economic growth and local added value. Entrepreneurial initiative is thus a key driver of development.

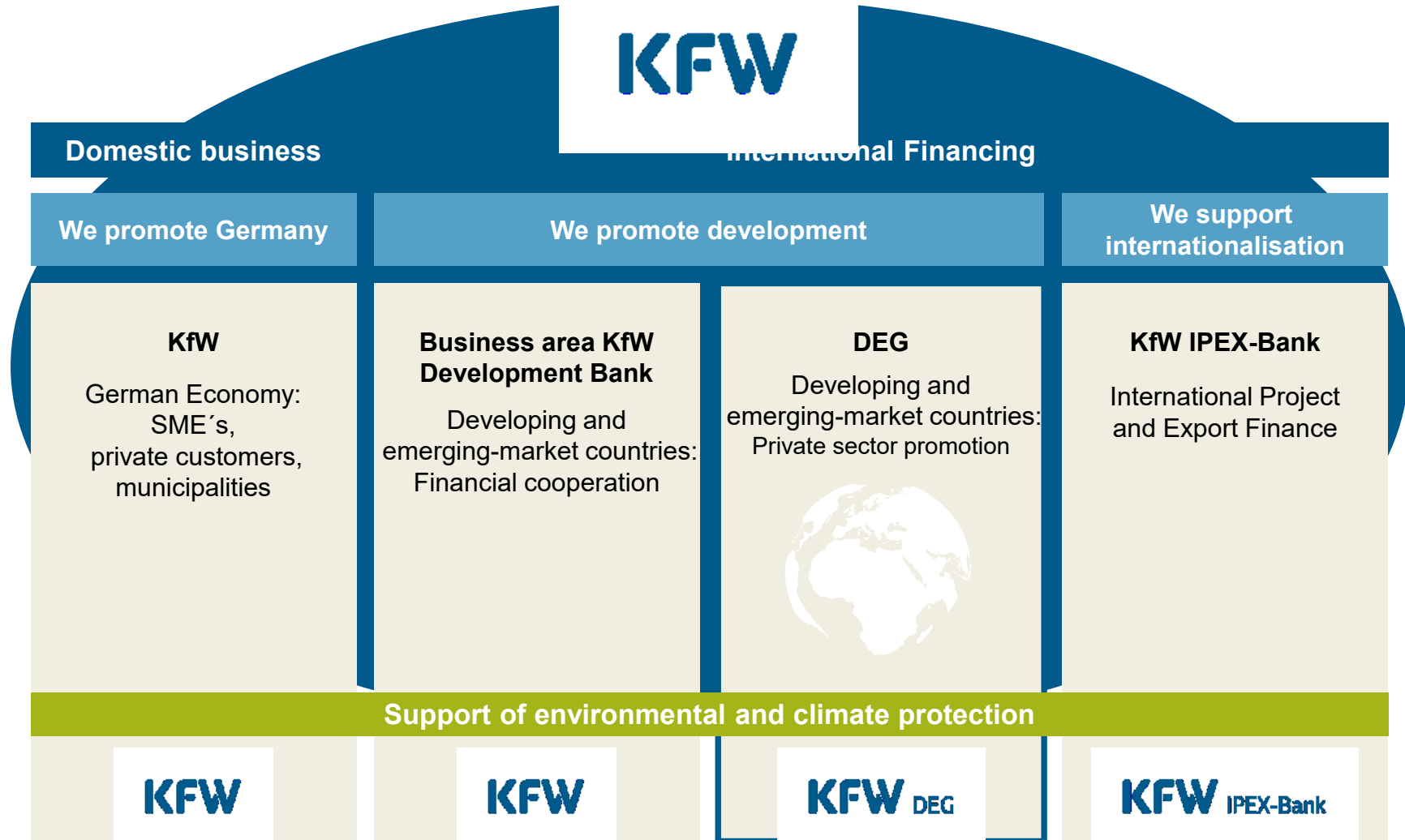
Founded	1962
Employees	570
Headquarter	Cologne
Shareholder	KfW, Frankfurt
New business	EUR 1.6 billion
Portfolio	EUR 8.3 billion
Equity	EUR 2.5 billion
Balance sheet total 2016	EUR 5.3 billion

Photo: DEG/Andreas Huppertz



>>> KfW group at a glance

DEG, a subsidiary of KfW



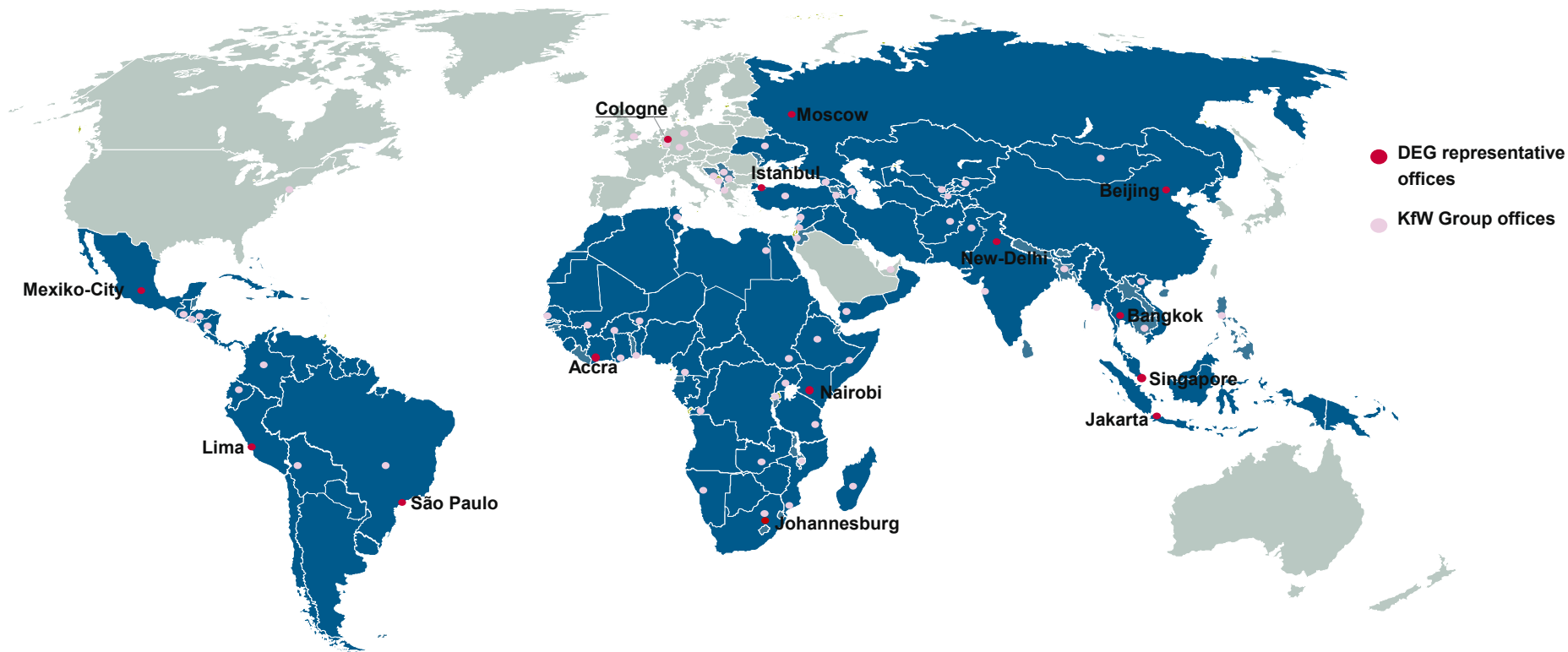
- Promotional bank of the Federal Republic of Germany
- Established in 1948 as Kreditanstalt für Wiederaufbau
- Shareholders: 80% Federal Republic, 20% federal states
- Headquarters: Frankfurt am Main
Branches: Berlin, Bonn and Cologne
- Balance sheet total 2017: EUR 472.3 billion
- Financing volume 2017: EUR 76.5 billion
- Best long-term rating: Aaa/AAA/AAA



Photo: KfW-Bildarchiv/Thorsten Futh

>>> Worldwide presence of KfW Group and DEG

Approx. 80 offices and representations with regional experience and networks



- Contacts in **key regions and main foreign markets**
- Close cooperation and physical proximity for **optimal advisory and support**
- **Exchange of knowledge and experience** beyond country borders – for your benefit

»»» DEG: More than finance

Tailor-made solutions for our customers

»»» Our solutions

Tailored financing and advice for ...

Project finance

- We develop financing solutions for infrastructure projects that are viable for the long term and can be flexibly structured
- We arrange large volumes and involve additional investors
- Project developers benefit from in-depth advisory services based on our extensive sector and industry know-how
- We have an extensive network in emerging and developing countries

Corporates

- Customers are offered appropriate long-term financing
- We provide individual advice in order to shape investments and businesses more professionally, efficiently and sustainably
- With our promotional programmes we co-finance feasibility studies, pilot projects and various Business Support Services

Funds

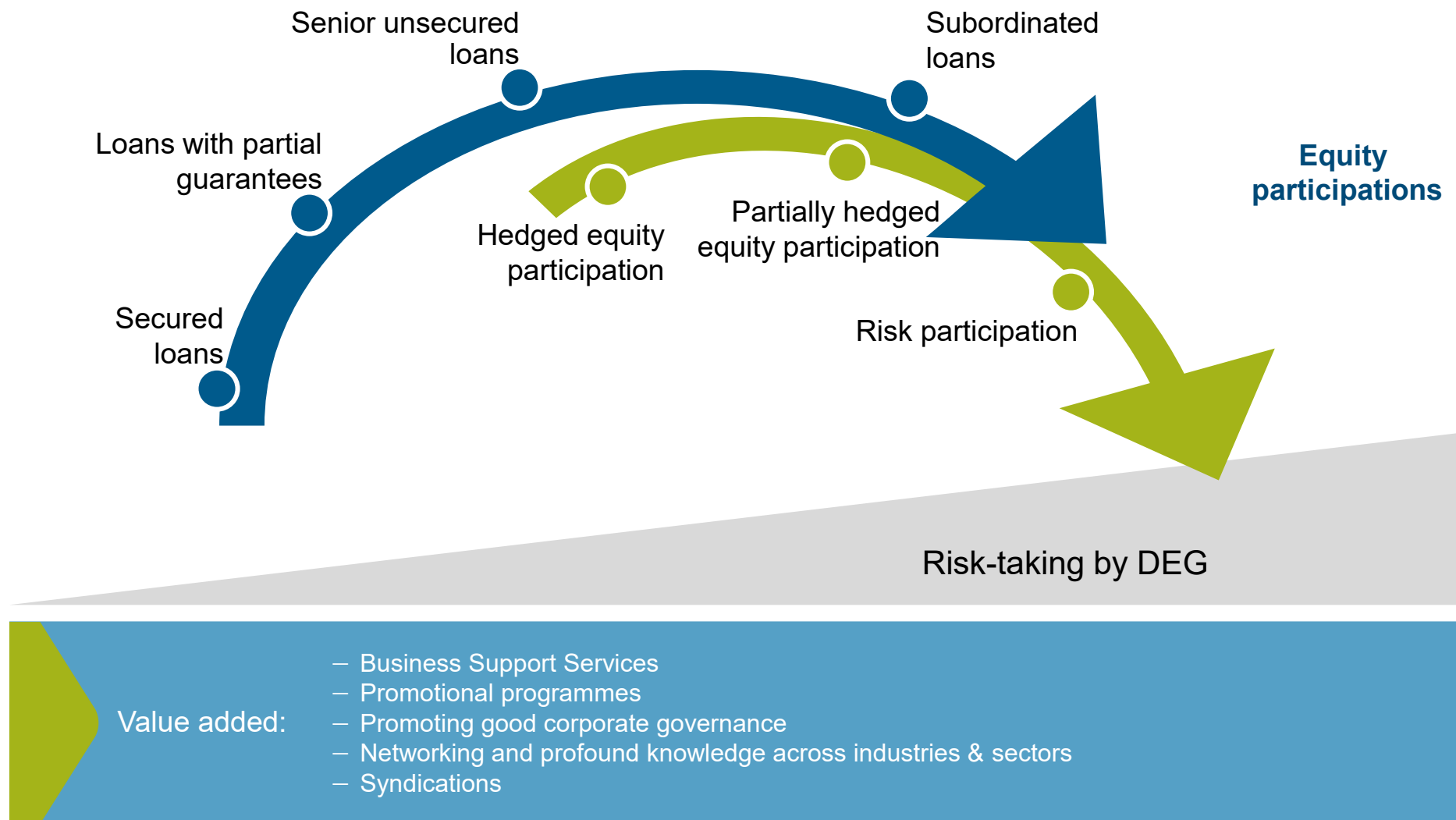
- As an anchor investor we are there right from the start, strengthen the capital base and mobilise further investors
- We are an experienced and well networked partner
- We provide advice based on our funds, structuring expertise, our comprehensive country and regional know-how
- We provide long-term support even during challenging phases

Financial institutions

- Banks receive financing as needed
- We have in-depth knowledge on the financial sector
- Banks benefit from our advisory programme on sustainable ways of expanding their SME business
- By means of our Business Support Services we provide assistance with risk or liquidity management, or with implementation of environmental and social management

>>> DEG solutions

For investments in emerging and developing countries



>>> DEG Business Support Services

For your specific needs

Bankability

- Organizational **analysis** and **recommendations**
- Selective **support of business plan** development/feasibility **studies**
- Improvement of financial **transparency**, e.g. in case of complex intercompany relations

Risk mitigation

- Implementation of **ESMS**, selective **E&S advisory**, development of **CSR** programs, stakeholder engagement programmes, mediation, etc.
- Design & implementation of **MIS/ERP** (e.g. SAP/Oracle)
- Specific **risk advisory services** e.g. FX risk, security risk

Performance

- Resource and energy **efficiency checks**, **supply chain** optimization, introduction of **management systems** (e.g. ISO 9001)
- Development of **HR programme** (recruiting, training, incentive schemes)
- **Product & market development** support

>>> Responsible and generating development impact

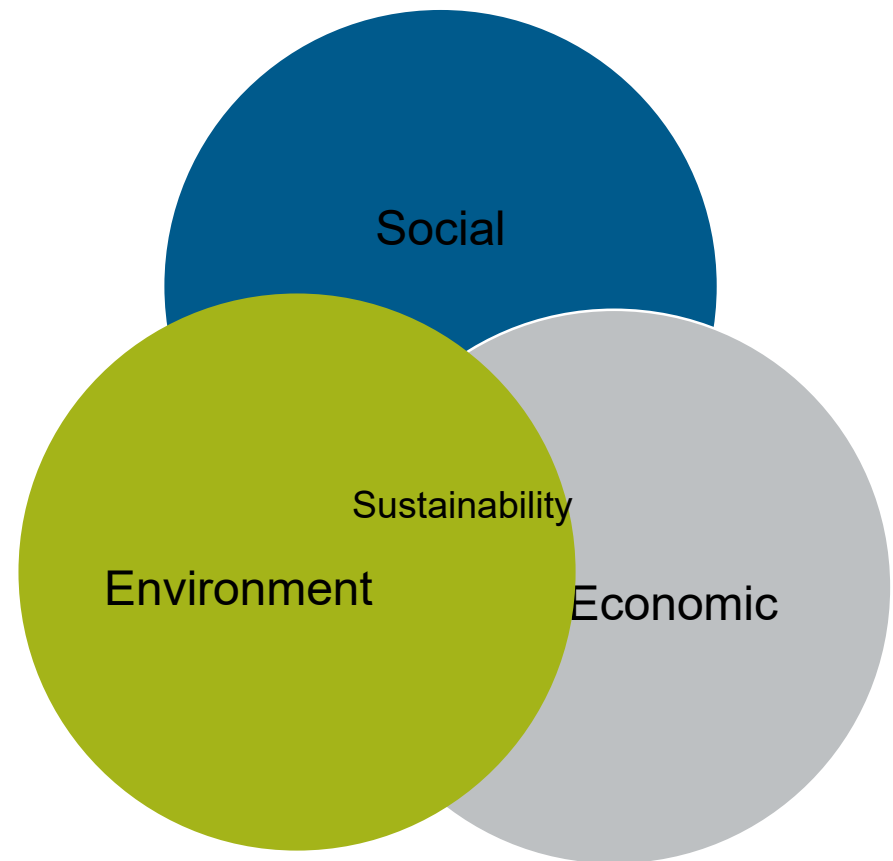
Environmental, social, governance (ESG)

How we work

DEG actively focuses on creating prospects on the ground and facilitating sustainable development. A key dimension here is ensuring decent working conditions and protecting natural resources. This includes advocating international environmental, social and corporate governance standards. We perform environmental and social appraisals with the utmost care, and closely monitor the implementation of contractually agreed action plans by the companies.

Our benchmarks are

- IFC Performance Standards
- UN Principles for Responsible Investments
- World Bank Group's "Environmental, Health and Safety Guidelines"
- Conventions of International Labour Organization (ILO)
- Human Rights Declaration initiated by the Business & Human Rights Resource Centre

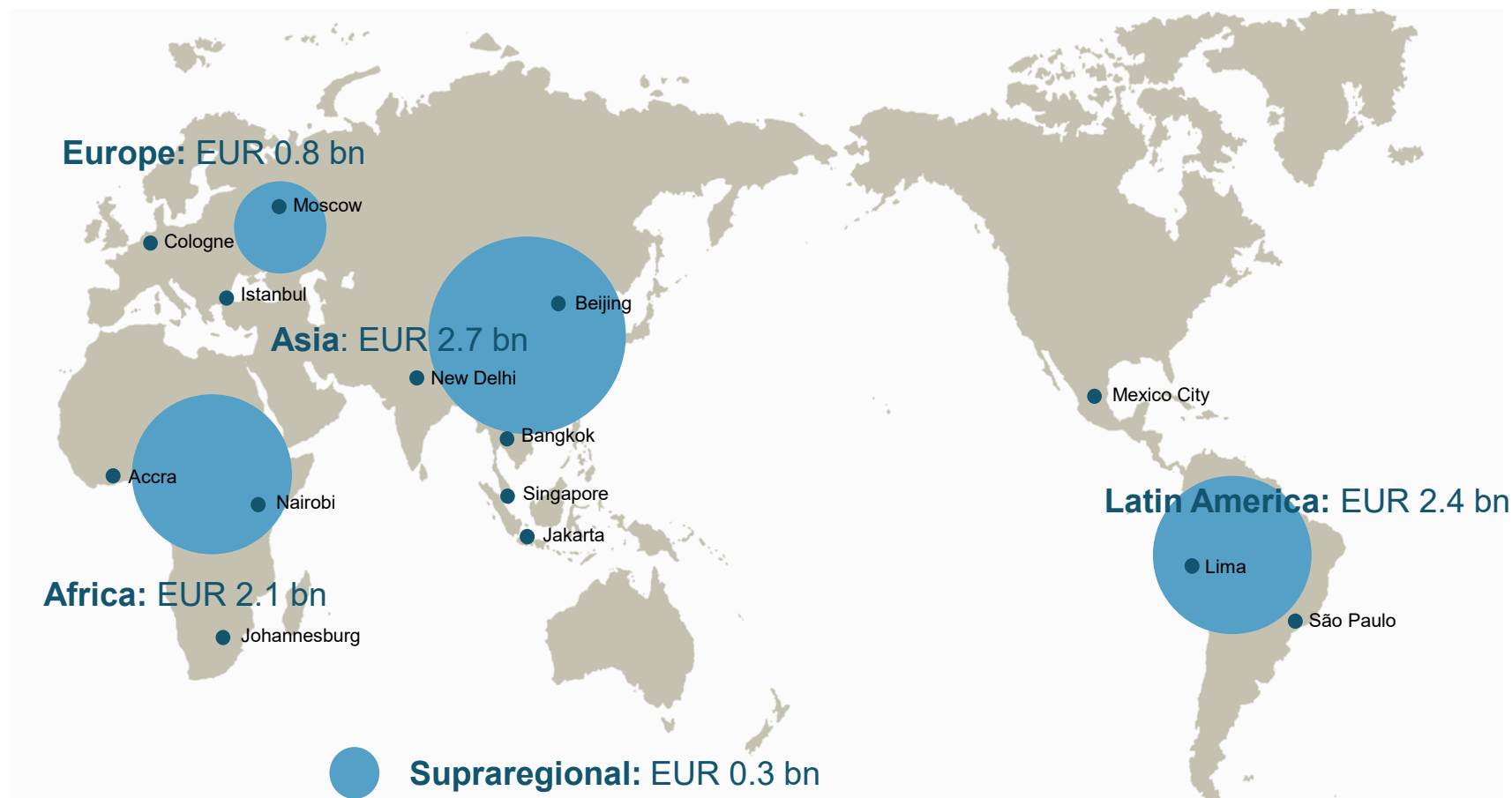


»»» DEG

Figures, data, facts

>>> DEG portfolio

14 locations. EUR 8.3 bn invested worldwide.



>>> New commitments 2017 by customer cluster

Corporates

EUR 276 m (17%)



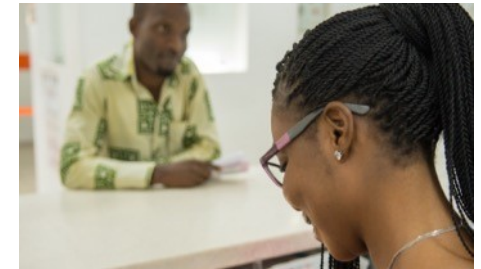
Funds

EUR 349 m (23%)



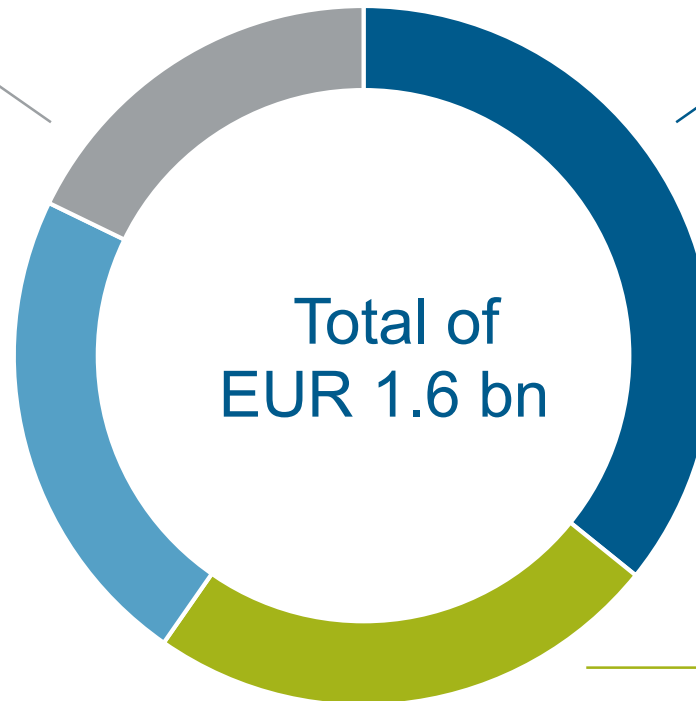
Financial institutions

EUR 555 m (36%)



Project finance

EUR 370 m (24%)

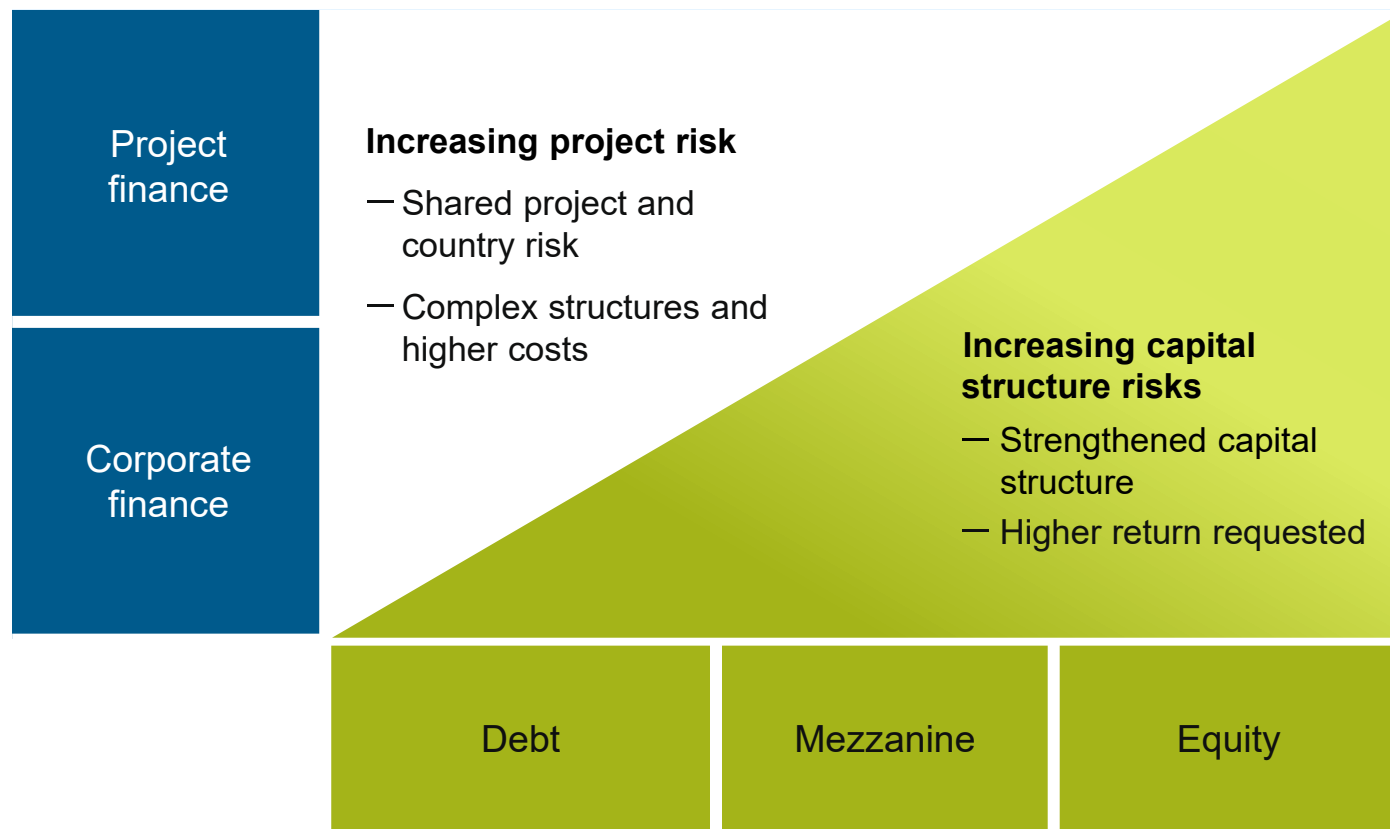


Project financing

New business and portfolio

>>> Custom-made financing solutions

We can do anything as long as it is long-term



Fundamental requirements

- Profitability of the planned investment and creditworthiness of the sponsor
- Financing needs to fit the investment character
- Financing has to meet the sponsor's business strategy and its abilities

Project financing solutions

General project criteria

Long-term loan

- Usually USD 15-30m (up to USD 100 m and more can be mobilized from other financiers on best effort basis)
- USD, EUR, local currencies
- Usually 4-15 years, depending on cash-flow and project/country risk
- Fixed or variable, market-oriented depending on tenor, project & country risk
- Security in project assets; completion guarantees in green-field projects

Equity capital

- Usually between EUR 10 – 25 m
- Minority stakes; participation no to exceed 30% of share capital; in certain cases, voting rights and seat on board of directors
- Flexible structures (sub. loans; convertible loans, preferred shares etc.)
- IRR on market standards depending on project and country risk

Mezzanine finance

- Usually between EUR 10 – 25 m (or USD)
- Equity mezzanine: significant equity kickers (e.g. conversion rights, warrants, other performance-linked returns etc.)
- Debt mezzanine: i.e. long tenor, no-, partial-, subordinated collateral, subordinated debt service, partially performance linked returns
- IRR on market standards depending on project and country risk

Project financing

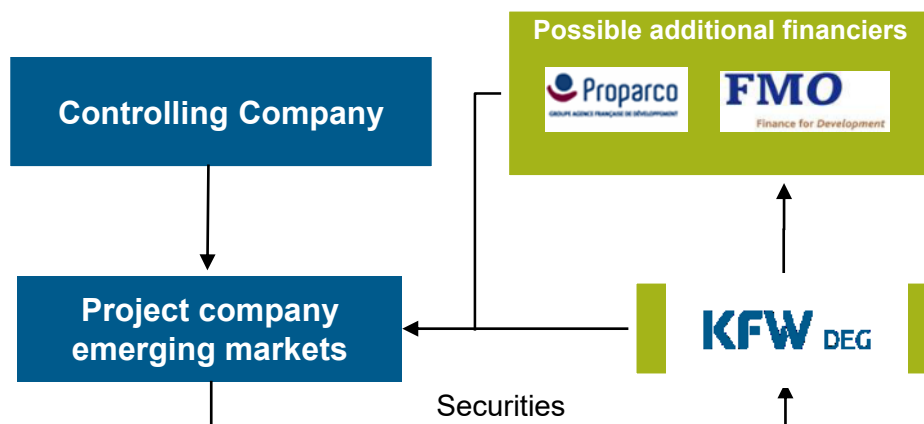
Stand-alone financing for independent foreign subsidiary/ project company

Characteristics

- Overall investment min. EUR 45m
- Usually USD 15-50m (up to USD 100-150m can be mobilized from other financiers on best effort basis)
- Usually 4-15 years, depending on cash-flow
- Fixed or variable USD, EUR or partially local currencies, market-oriented depending on tenor, project & country risk
- Typically 20-40% equity provided by the company – depending on FIT, PPA or Spot market conditions.

Advantages

- Custom-made financing solution
- Long-term financing / matching maturities
- Sponsors liability ends with technical/financial completion
- Charge on local assets
- In most cases withholding tax-exempt



What should be considered

- Independence / individual credit-worthiness / ring-fencing
- Further lender needed for risk-sharing
- More time-consuming and intensive due diligence

Equity participation

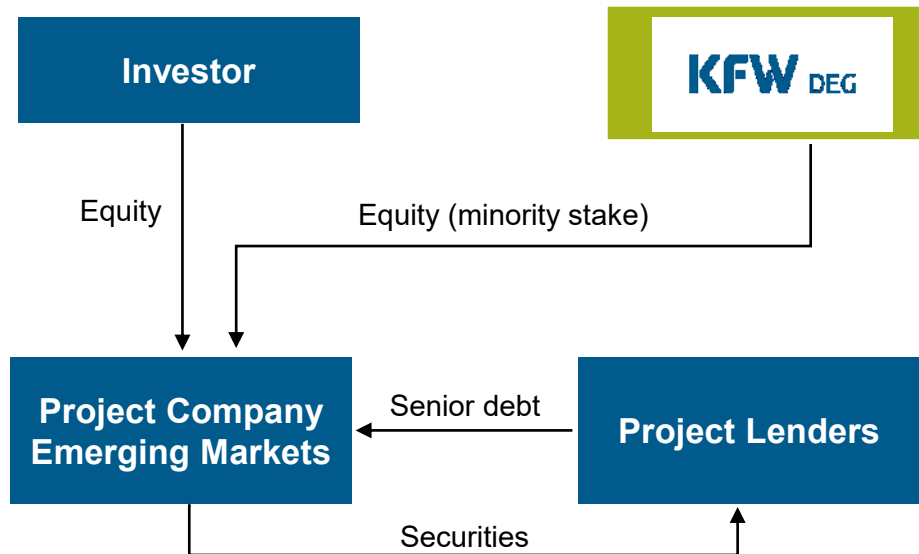
DEG as single-project shareholder with profit and loss participation

Characteristics

- Risk taking by DEG limited to its equity contribution (typically no provision of (completion) guarantees)
- Exit route needed after 4-10 years: Sale of minority stake (ideally together with Sponsor)
- DEG fully participating in profits, losses and exit proceeds

Advantages

- Strengthening of local capital structure
- German state as indirect shareholder
- DEG profile increasing visibility/credibility (“branding”)
- DEG voting rights limited to minority protection (“silent and friendly investor”) but guidance on best-practice environmental, social and corporate governance standards



What should be considered

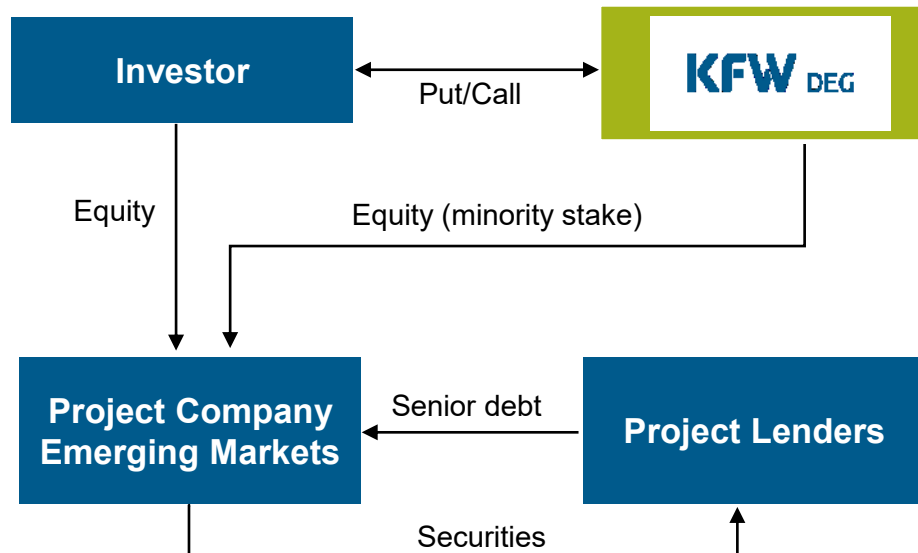
- Alignment of interest with sponsor
- DEG only acting as (temporary) financial investor
- Realistic exit route needed

>>> Hedged equity participation

Formally equity, structurally debt

Characteristics

- DEG participates in the project company
- Based on corporate risk of investor
- Contractually agreed exit via put/call options
- Final defined maturity
- Guaranteed/fixed return (similar to unsecured loan)



Advantages

- Strengthening of local capital structure
- German state as (indirect) shareholder
- Possibly avoidance of consolidation requirements or compliance with max. allowed foreign shareholding caps
- Disciplining of JV-partners
- DEG voting rights limited to minority protection

What should be considered

- More time-consuming than corporate financing
- Potential conflicts with other borrowings of investor
- Risk taking by investor can be differentiated between economic and political risks

>>> Mezzanine - (partially) substituting equity

Subordinated Debt (Loan Mezzanine)

Characteristics

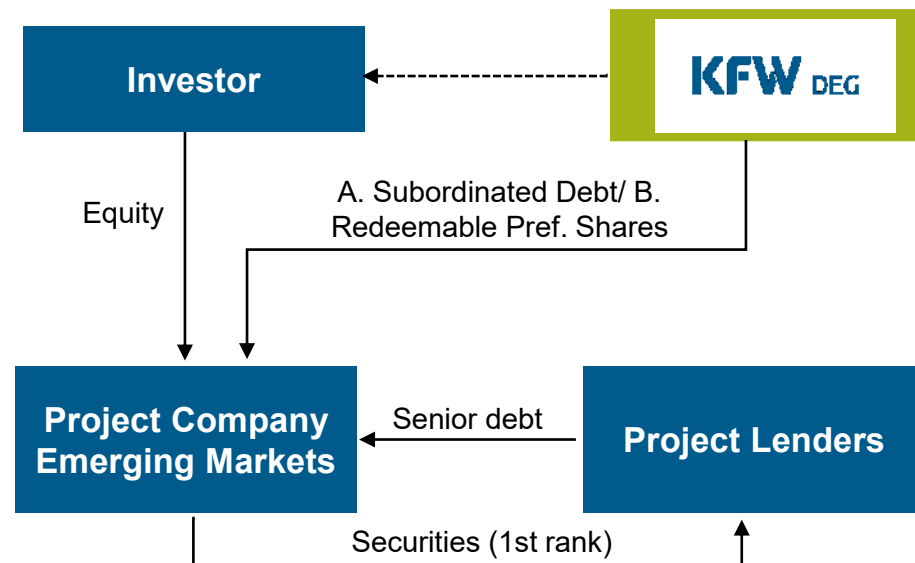
- Guaranteed return/interest including subordination premium
- Flexible repayments possible (e.g. cash sweep); self-liquidating structure
- Can be provided on:
 - Project level: 2nd ranked security; debt service subordinated to Senior Project Debt (e.g. complying with min. Senior-DSCR);
 - Investor level (Holding): structurally subordinated; repayment through dividends (Mezzanine ranked prior to dividend payments to sponsors)

What should be considered

- Potential conflicts with senior debt (acceptance as quasi-equity, level of subordination to be negotiated)
- Balanced level between investor equity/senior debt and DEG mezzanine

Advantages

- Leverage of equity return for investor also for (local) minority investors (no/limited sharing of upside potential)
- Loans: No share dilution; in most cases loan interest withholding tax-exempted



>>> Criteria for DEG project financing

Energy projects

Financing

- Equity ratio of at least 25 %, depending on cash-flow and generation technology
- Adequate cash-flow oriented structure (i.e. debt service coverage, current ratio, flexible repayment structures)
- Minimum environmental social standards required:
 - In compliance with local, EU and World Bank requirements
 - In compliance with international standards of the International Labour Organisation and the UN

Construction

- Preferred: EPC contract on turn-key basis with completion and performance guarantees
- Adequate arrangements to cover cost overruns, project delays, unexpected events

Operation

- Long term O&M contract with experienced operator
- Modern equipment and operating system, proven technology

Sales

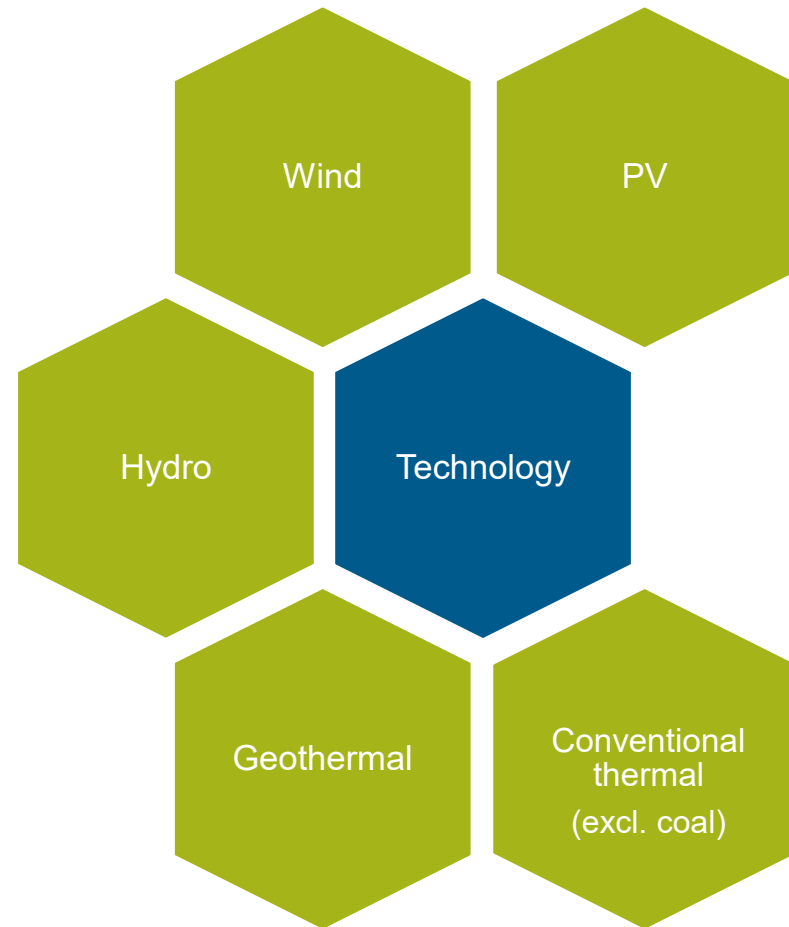
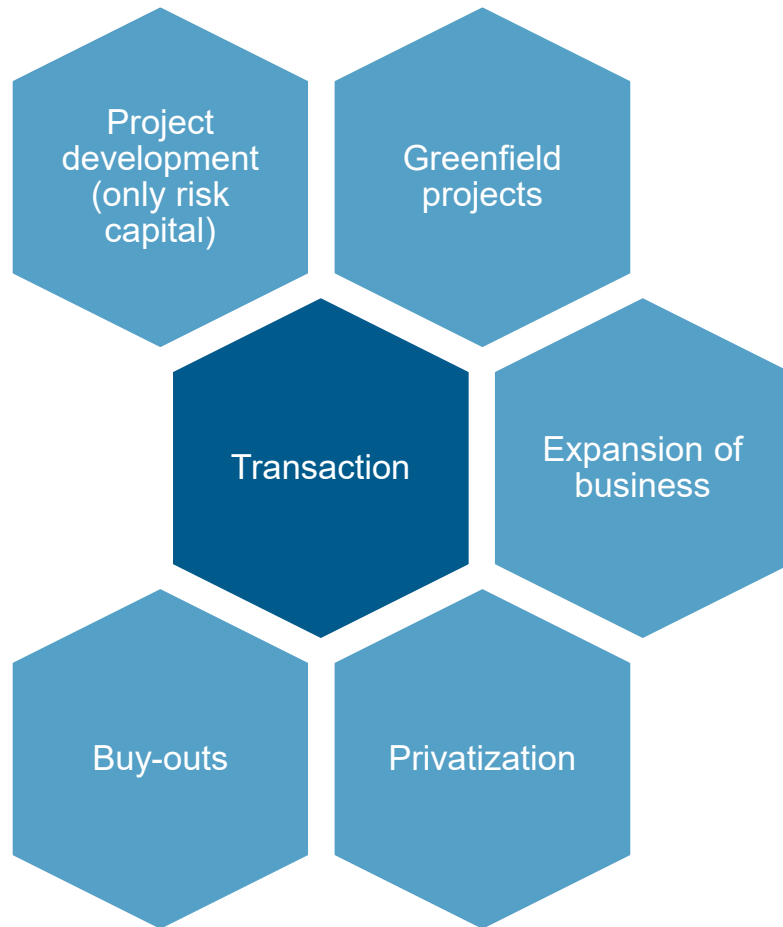
- Long-term PPA with adequate cover of currency, fuel and O&M risk
- Creditworthiness of off-taker
- Merchant power plants in liberalized, good-performing power markets

Supply Source

- Preferred use of renewable energy sources or other locally available energy sources
- Long-term Fuel Supply Agreement for gas and oil

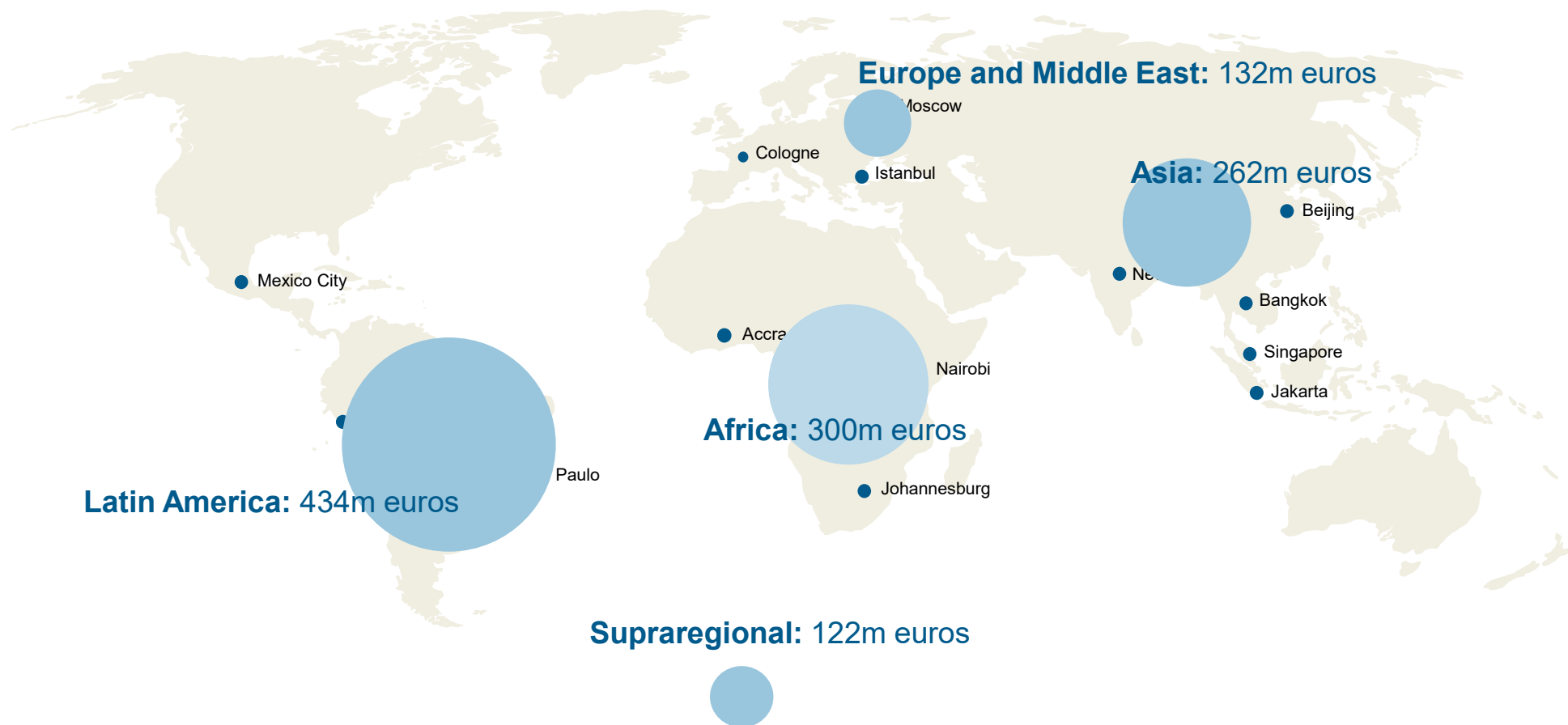
>>> Transaction types and targeted generation technologies

Example: Energy



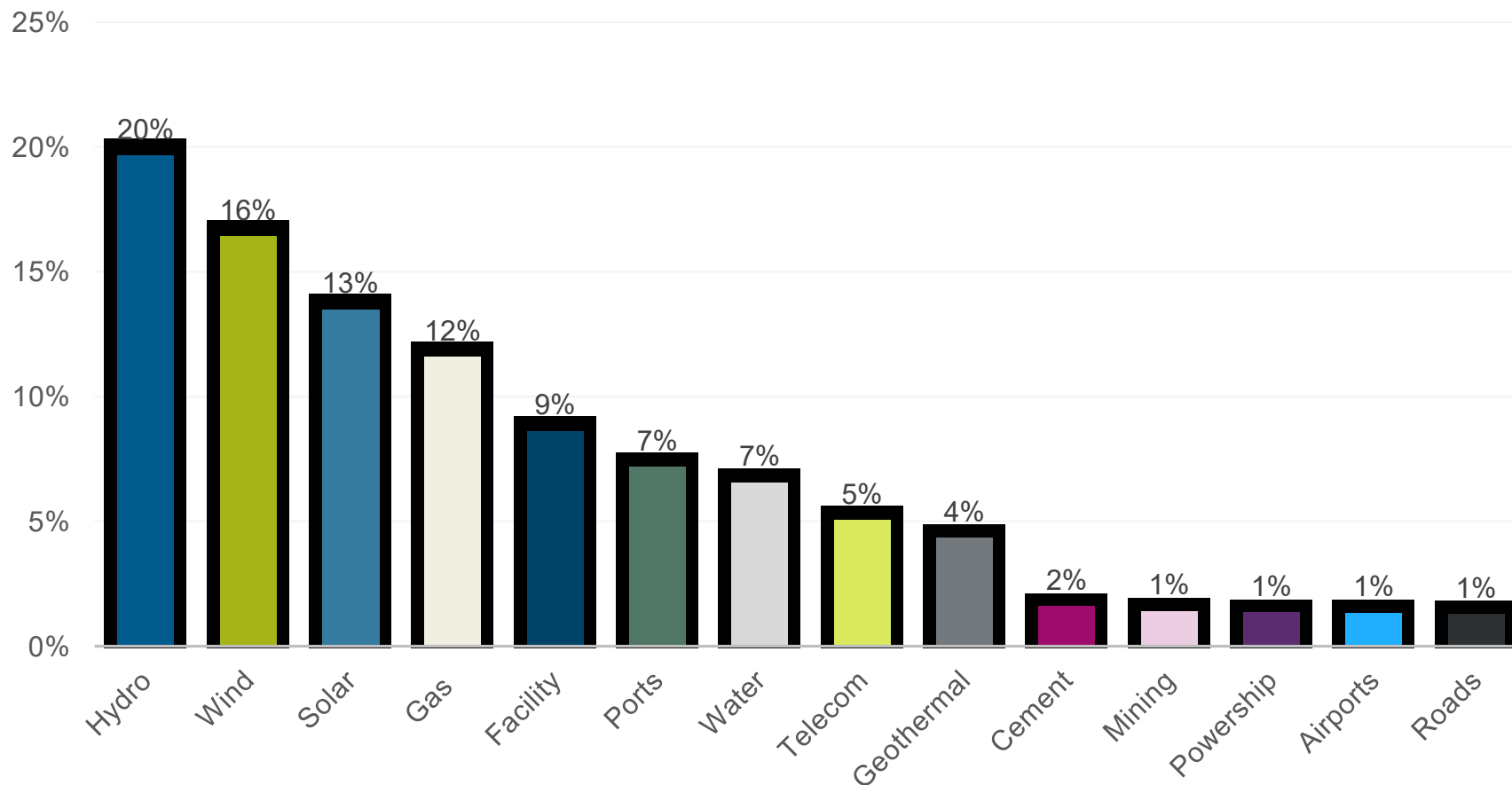
>>> DEG project financing portfolio 2017 by region

EUR 1.25 bn invested worldwide



>>> DEG project financing portfolio 2017 by sector

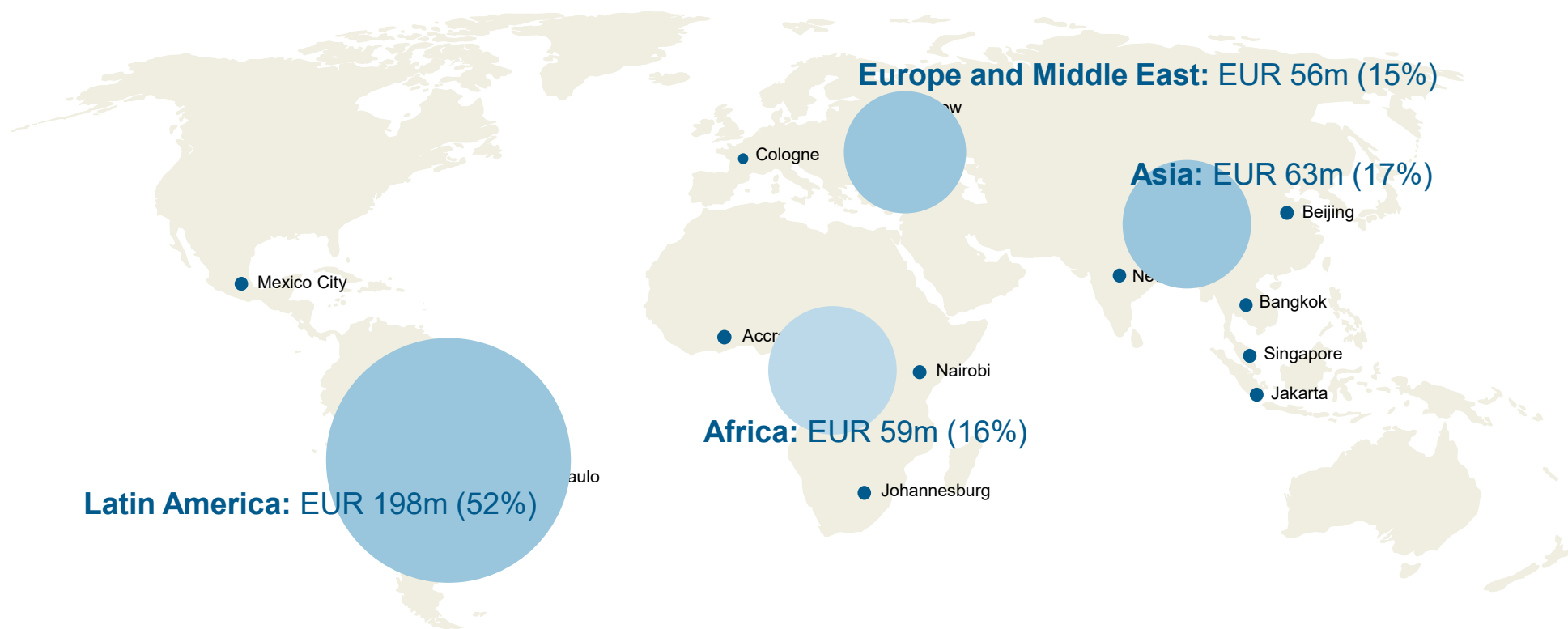
Total of EUR 1.25 bn* - strong focus on Hydro, Solar and Wind



*17% of overall DEG Portfolio (65% loan, 35% equity)

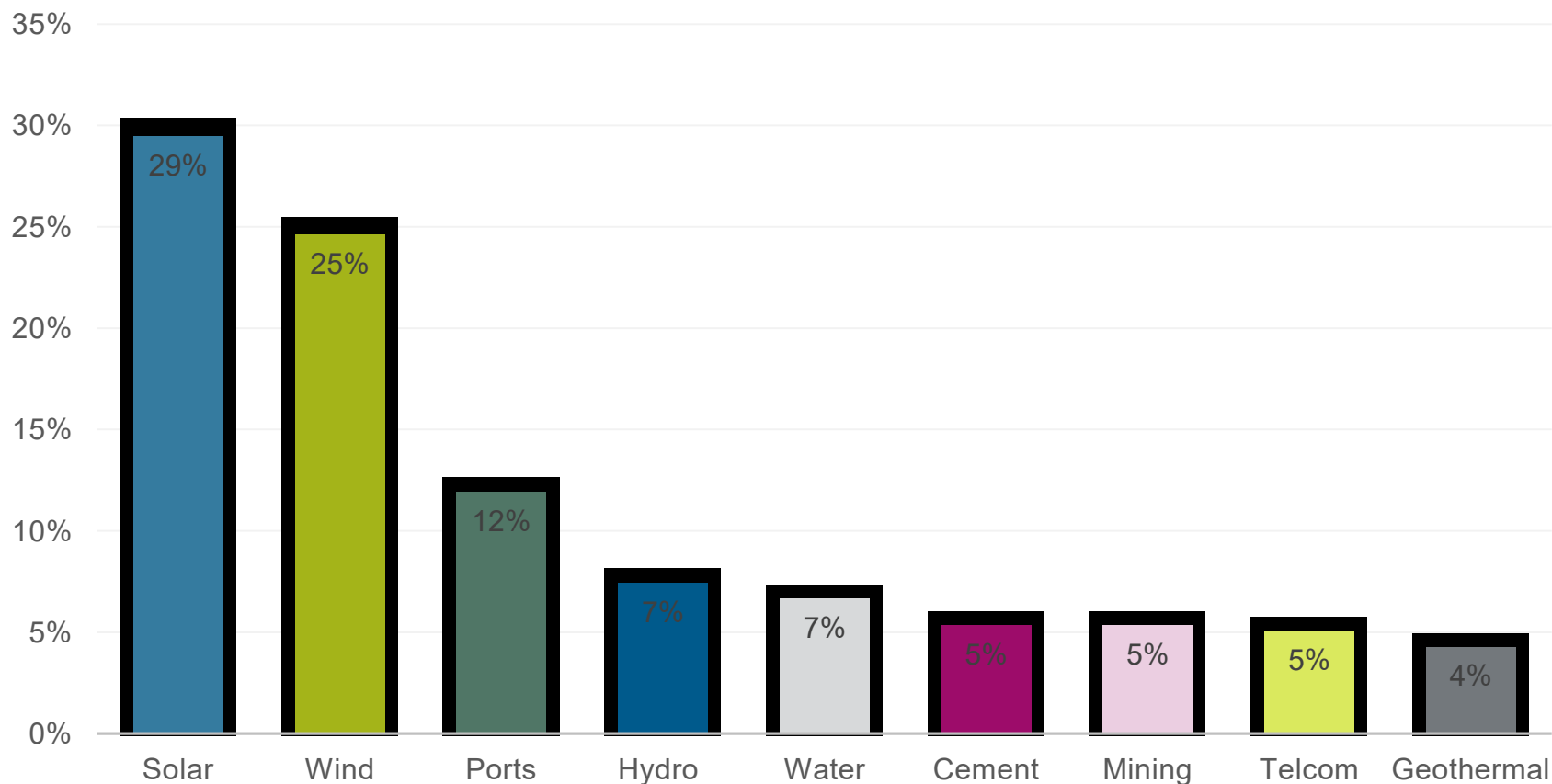
>>> New commitments project financing 2017 by region

Total commitment: EUR 376 millions



>>> New commitments project financing 2017 by sector

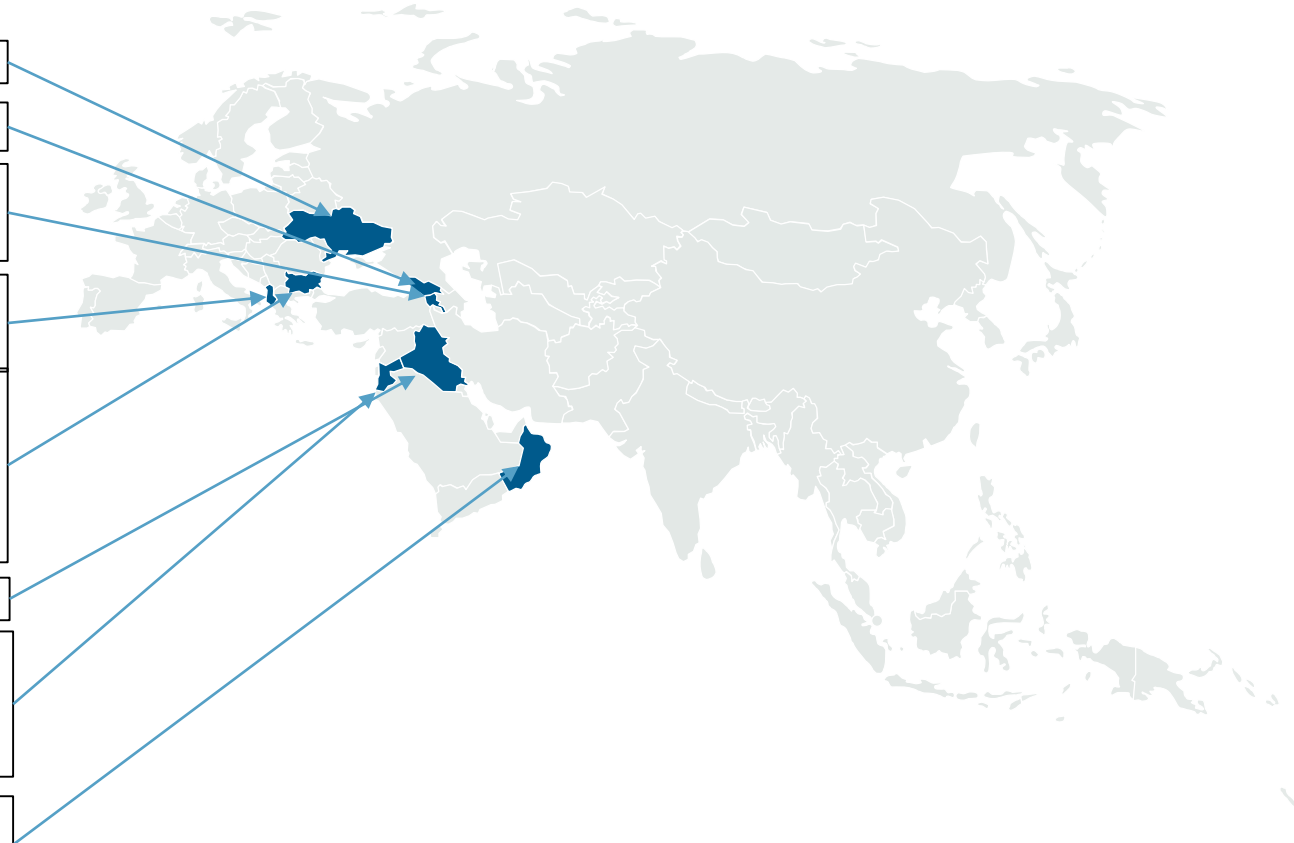
Total of EUR 376m - strong focus on Solar and Wind



>>> Portfolio project financing – Europe & Middle East

Portfolio volume 2017: EUR 132 millions, 16 transactions

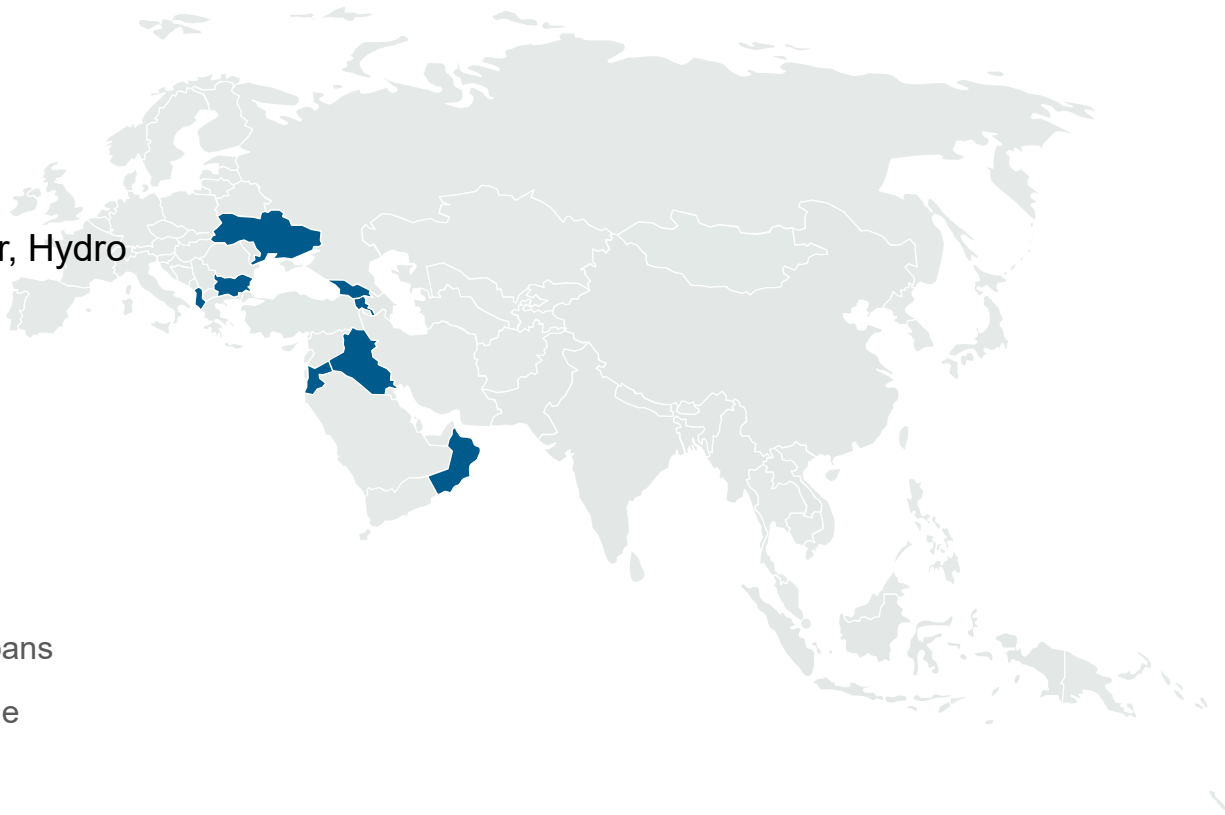
Ukraine: HPC – PORT
Georgia: GWP – WATER
Armenia: VOROTAN – POWER GENERATION ZIA – AIRPORT
Albania: TIA – AIRPORT TIA A - AIRPORT
Bulgaria: KRUPEN A – WIND KRUPEN B - WIND KRUPEN C - WIND KRUPEN D – WIND
Iraq: ATHEER – TELECOM
Jordan: BAYNOUNA – SOLAR GWRE – POWER GENERATION RISHA – SOLAR
Oman: BAUEROM A – WATER BAUEROM - WATER



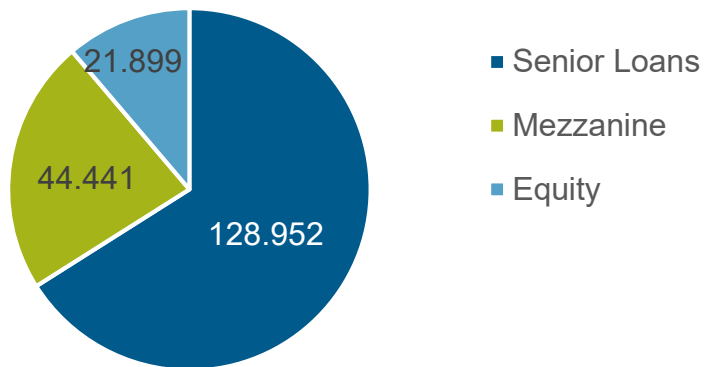
>>> Portfolio project financing – Europe and Central Asia

Portfolio volume June 2018: EUR 195 millions

- Investment countries: 9
- Companies: 14
- The top countries: Jordan (EUR 45m), Iraq (EUR 43m), Armenia (EUR 35m)
- The top sectors: Telecommunication, Solar, Hydro



Europe & Central Asia Project Finance Exposure*



*as at 30.06.2018 (in 1.000 EUR)

>>> Portfolio companies at the end of 2017

Projects in Asia and Europe

GWP

Georgia

- Water
- EUR 25 million

KRUPEN A

Bulgaria

- Wind
- EUR 4.8 million

VOROTAN

Armenia

- Hydro
- EUR 20.8 million

ZIA

Armenia

- Airports
- EUR 15.2 million

HPC

Ukraine

- Ports
- EUR 2.2 million

TIA

Albania

- Airports
- EUR 3.6 million

BAYNOUNA

Jordan

- Solar
- EUR 16.7 million

GWRE

Jordan

- Wind
- EUR 12 million

RISHA

Jordan

- Solar
- EUR 13.6 million

»»» Contact details

>>> Your contact

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