

Financing

for private projects
in emerging markets



FINNFUND

Experienced partner

in developing countries and Russia

Finnfund is a Finnish development finance company that provides long-term investment loans and risk capital for private projects in developing countries and Russia. We support profitable projects in challenging markets where commercial financing is hard to obtain.



Projects with links to Finland

Finnfund invests mainly with Finnish companies and their partners such as long-term customers, suppliers, subcontractors and companies that license technology. We typically focus on projects involving advanced but commercially proven technology that gives our clients a competitive edge while contributing to economic and social development in target countries.

Most of our investments are in manufacturing, but we also invest in other sectors such as telecommunications, forestry, renewable energy and health services.

Our financing is not tied to Finnish exports but the project should involve a Finnish interest. In selected cases we co-invest with other development finance institutions in projects that do not directly involve Finnish business but that generate significant environmental or social benefits.

We are particularly keen to pursue co-investment opportunities in countries that are Finland's development cooperation partners (Mozambique, Tanzania, Ethiopia, Zambia, Kenya, Nicaragua, Vietnam, Nepal, Egypt, Namibia and Peru).



Market terms and minority stake

Our financing is on market terms. In addition to long-term investment loans, we can make equity investments and provide customers with subordinated loans or other mezzanine financing.

Regardless of the form of finance, we always participate as a financial investor with a minority stake. We expect also the sponsor to provide a considerable share of the total financing. Prior to committing funding we carry out detailed due diligence on the proposed project as well as on its sponsors and financiers. The basis of our appraisal is the business plan and/or feasibility study provided by the project sponsor.

Finnpartnership business partnership programme

Finnfund is responsible for the management of a business partnership programme, Finnpartnership, on behalf of the Ministry for Foreign Affairs of Finland. Finnpartnership provides advisory services and financial support for Finnish companies' projects in developing countries.

The Matchmaking services provide assistance for companies in developing countries looking for Finnish business partners in order to enhance commercial cooperation between Finland and developing countries. More information at www.finnpartnership.fi.

Solid experience of developing markets

Finnfund's customers have access to our extensive contacts with other financial institutions and our experience in setting up subsidiaries and joint ventures in developing countries. Because Finnfund is state-owned, our participation may facilitate interaction with local authorities.

We operate not only in developing countries but also in Russia. In recent years, a large proportion of our finance has been for projects in India, China and Russia.



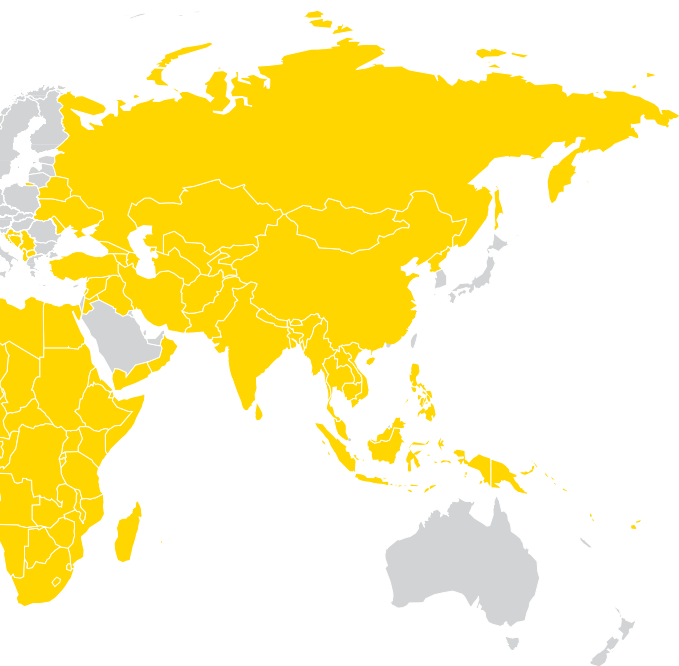
Financial instruments

The financial instruments that we offer are equity investments, investment loans, mezzanine financing and combinations of these.

There is no standard application for Finnfund financing. We encourage prospective clients to contact us early, preferably prior to developing complete project plans.

Equity financing

Finnfund can make equity investments as minority shareholder. Its equity participation is determined case by case, but is generally no more than 30 percent of the capital of the company being financed. Exit terms are negotiated prior to committing funds.



• Finnfund's operational area



➤ **Investment loans**

Finnfund grants medium to long-term investment loans for the establishment or expansion of activities. Our share can cover about one-third of the project's total financing requirement.

The interest rate on investment loans depends on the project and the country risk, as well as on loan collateral, the length of any grace period and the repayment period. Maturities and grace periods are tailored to suit the project.

Loan currency is usually dollar or euro. In many countries, interest paid to Finnfund is exempt from withholding tax which is a noticeable benefit to our client.



Mezzanine financing

Depending on the capital needs of the project, Finnfund can arrange financing with mezzanine instruments. These include unsecured subordinated loans, preferred shares and convertible bonds.

Guarantees

In exceptional cases Finnfund can grant guarantees, for example to facilitate clients' access to financing in local currency.

Co-financing

If financing demands are substantial, we can co-finance projects with other financiers such as members of the European Development Finance Institutions (EDFI), IFC, EBRD, EIB and other regional development and commercial banks.



FINNFUND

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