

FIR Capital Partners

Adding Value

Marcus Regueira, Senior Partner

Babson-MIF Seminar, November 21st, 2003

FIR Capital: about us...

- Founded 1999, Brazil
- US\$48 million under management
- 20 Portfolio Companies in 3 Brazilian cities
- 2 Exits (1999 and 2002)
- 24 Associates – Senior Associates include native speakers of Portuguese, Japanese, English, Italian, Spanish and German
- Senior Associates hold advanced degrees (PhD, JD, LLM & MBA) from Carnegie Mellon, INSEAD, Northwestern, Stanford, UCLA, Wharton, and from top Brazilian schools
- 14 pro-active Private Investors, successfull entrepreneurs themselves
- Our DNA and upbringing for M&A and Entrepreneurial Partnerships
- **Guilherme Emrich & Marcus Regueira, Senior Partners**

Entrepreneurial Capital

FIR Capital – Senior Partners

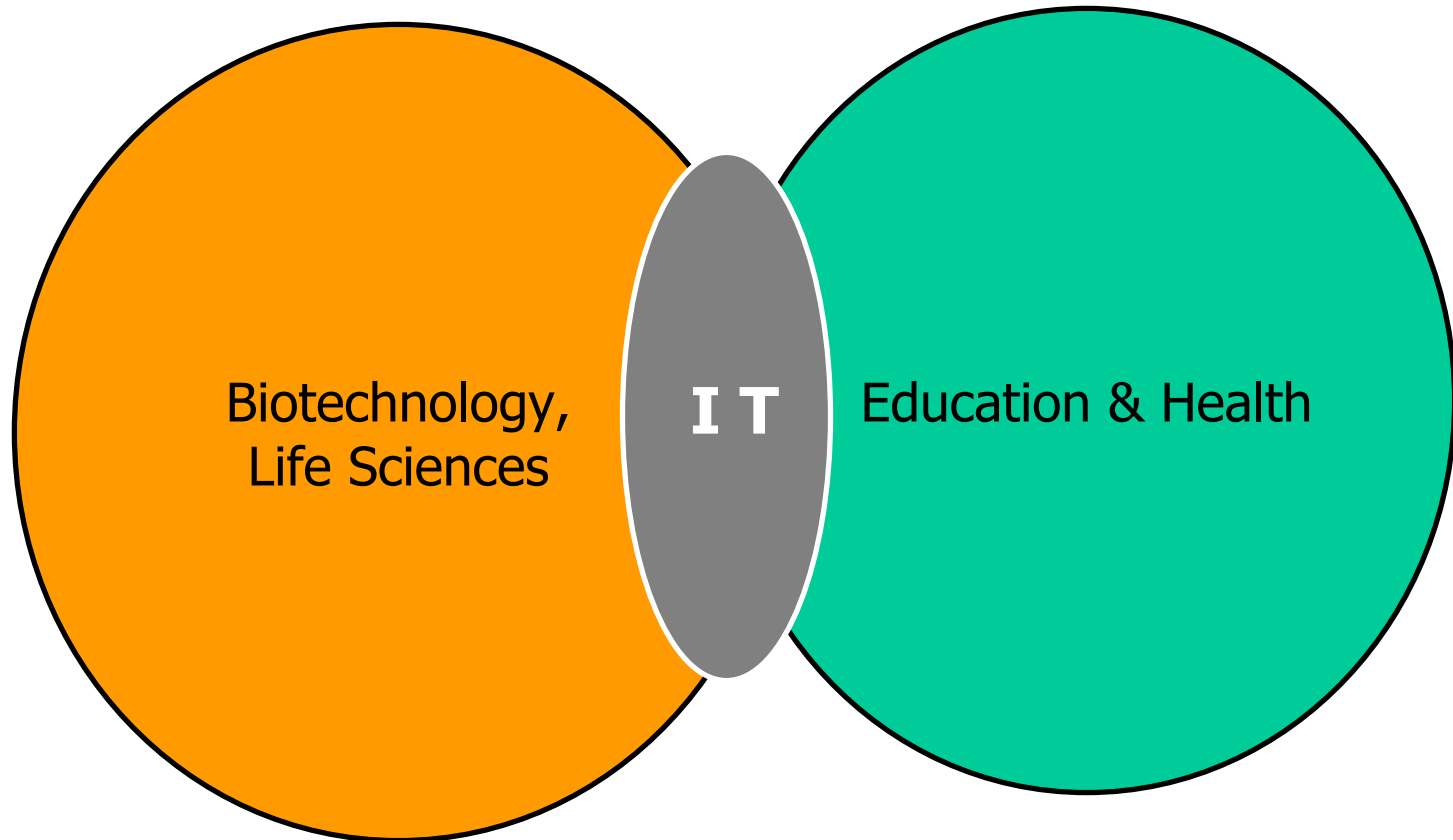
Marcus Regueira - Marcus has over 20 years of international capital market's experience. After earning his MBA from the Wharton Graduate School of Business, Marcus served as an officer of Unibanco, one of the largest commercial banks in Brazil. At Unibanco, Marcus was responsible for the largest project finance portfolio in Latin America. Later, Marcus moved to New York where he served as a Director and Vice President of the investment banking, underwriting and capital markets groups of Bank of America and First Chicago. During the Brazilian external debt moratorium, Marcus was a member of the negotiating committee. Over the course of his career, Marcus was the lead manager on over \$1 billion in syndicated transactions, and represented various multinational and Brazilian corporations in both buy and sell-side M&A transactions, and technology joint-ventures in Brazil. Marcus is the Investment Director at FIR Capital and serves on the board of a number of portfolio companies.

Guilherme Emrich - Prior to forming FIR Capital, Guilherme was the Chairman of Biobras S.A.. Under Guilherme's leadership, Biobras grew from a start-up to become the world's 4th largest insulin producer. During the decade prior to its sale to Novo Nordisk in 2001, Biobras was one of the top performing stocks on the Sao Paulo Stock Exchange's BOVESPA, having returned 4,444% to its shareholders. Guilherme also played an important role in the formation of the Biominas Foundation, a thriving biotechnology cluster that is the largest in Latin America and one of the largest in the world, comparable to North Carolina's Triangle Research Park. Guilherme has served on the National Council of Science and Technology (nominated by the President of Brazil), has been Chairman of the Board of the International Chamber of Commerce of Brazil, is currently a member of the board of Dom Cabral Foundation, and of INSEAD, and serves as the Honorary Consul of the Republic of Russia in Belo Horizonte.

FUNDOTEC :

- US\$10 million Brazilian Venture Capital Fund
- Investors = 50% MIF, 50% private + SEBRAE
- 10-year fund, w/ 4-year investment period, as of July '00
- Average US\$1 million per investment
- Seed and early stage
- Regulatory environment: Brazilian CVM-209
- 3% Management Fee + 20% Carry above Hurdle

FUNDOTEC focus :



Status of the Brazilian Market : United States (1950's) vs Brasil (2003)

- Scarcity of Entrepreneurial Capital
 - The “*AD-Venture Capital*” Image
 - The Competition from High Interest Rates
 - Need x Vocation = Entrepreneur ⁽ⁿ⁾
 - Generally Weak Business Plans
 - Difficulty to Promote Knowledge Exchange
- Overly regulated Environment
- Government as Anchor = as Investor and as Customer

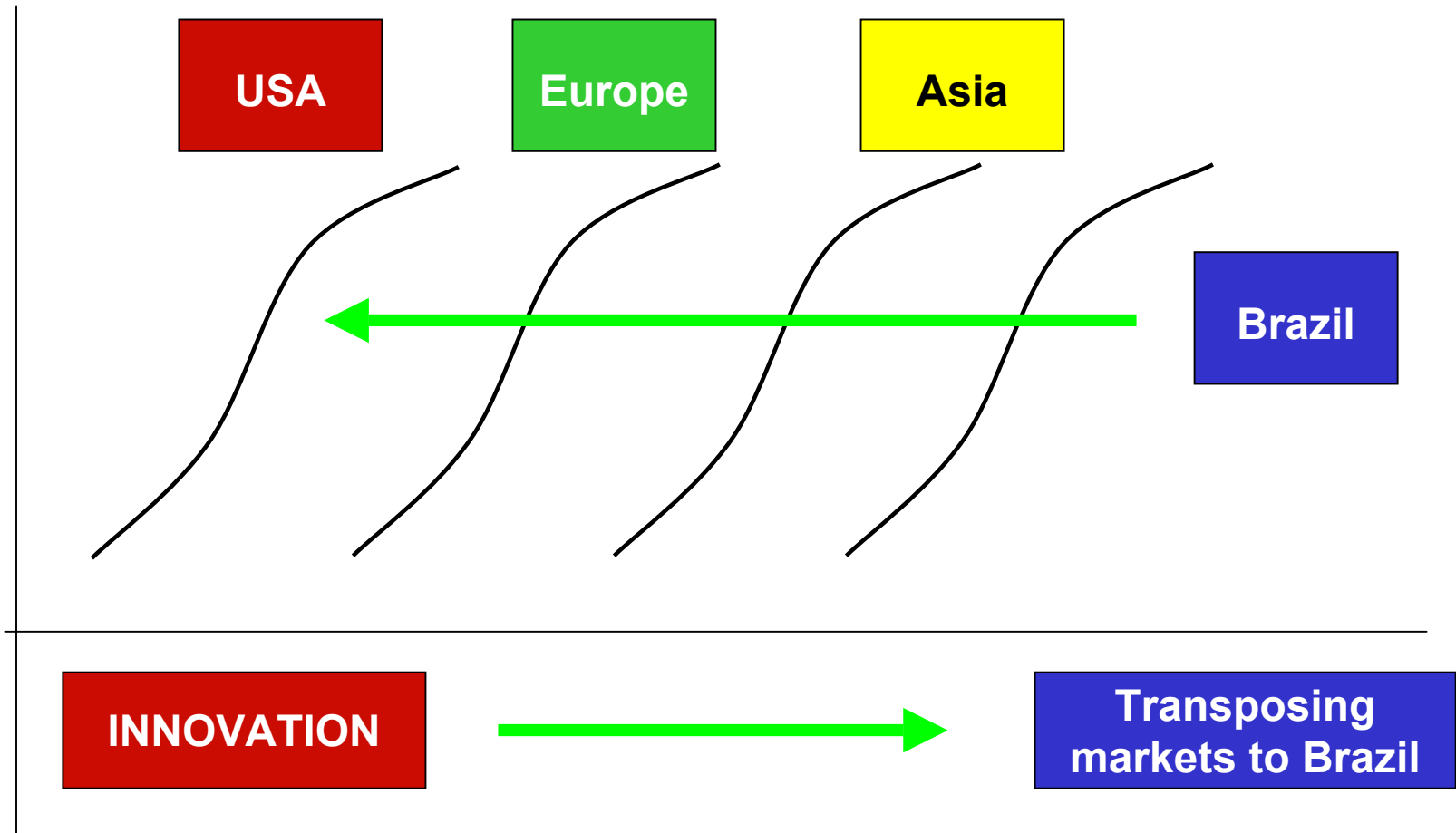
The Good, the Bad and the Ugly...

More about the Good :

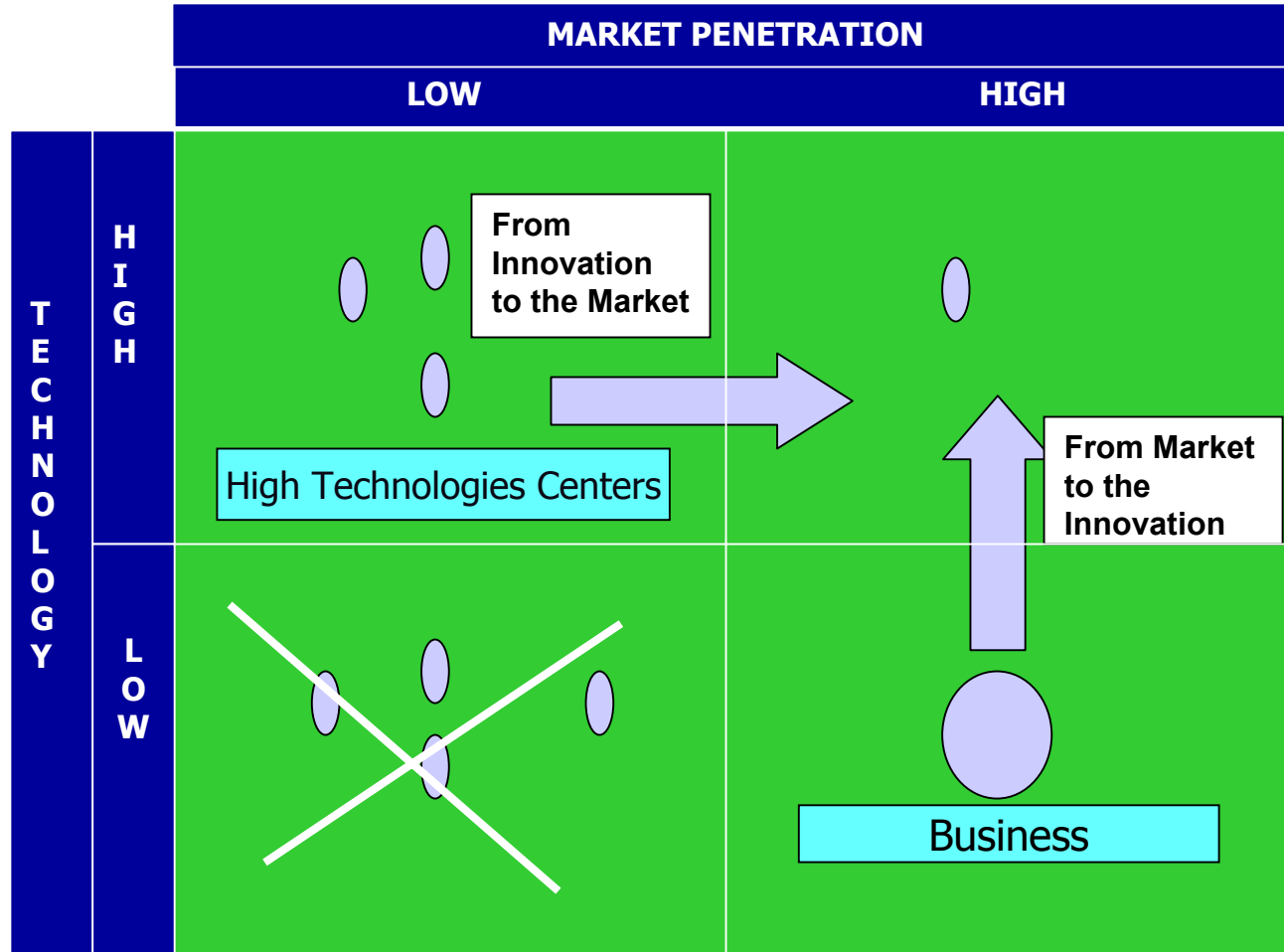
- The Brazilian Capitalistic Tools
- Brazilian Currency REAL, stable since 1994
- Inflation Contained, Economy signaling Sustained Growth
- Technology & Human Capital, Inexpensive & World Class
- Sizeable Market and Technology Driven
- Some Remarkable Opportunities for Investors

and Our Portfolio has already garnered interesting results

How Have We Benefited? by taking advantage of the Technology Hiatus:



Incremental Technology x Breaking Paradigms



Ranking Exit Options in Brazil :

- Strategic Buyers (e.g., our Exits)
- Co-Investor
- Larger Investment Fund
- Consolidation Plays
- IPO Brazil
- IPO off-shore (e.g., Israeli Model)
- Founders

Our Model :

8 C's

Character

Commitment 100%

Competencies

Customers

Consonance / Dissonance

Complement ('Conosco')

Consolidation

Co-investor

***Business Model (re)Built
Beforehand, and Jointly***

Where we have invested :

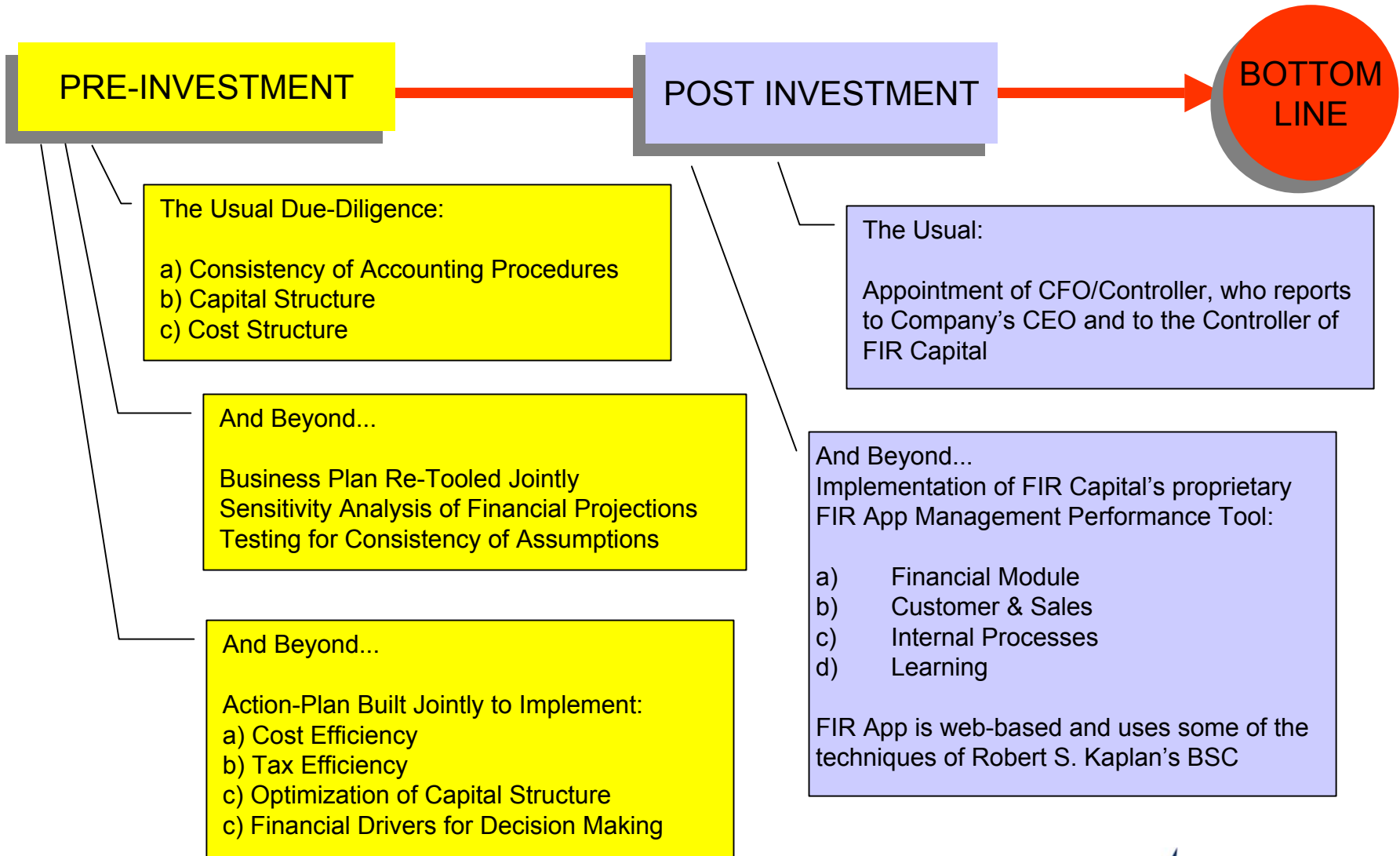
Nth Power Entrepreneurs from

- Start-ups from Excellence Centers
- Technology-based Emerging Companies
- “*Spin offs*” out of mature Institutions

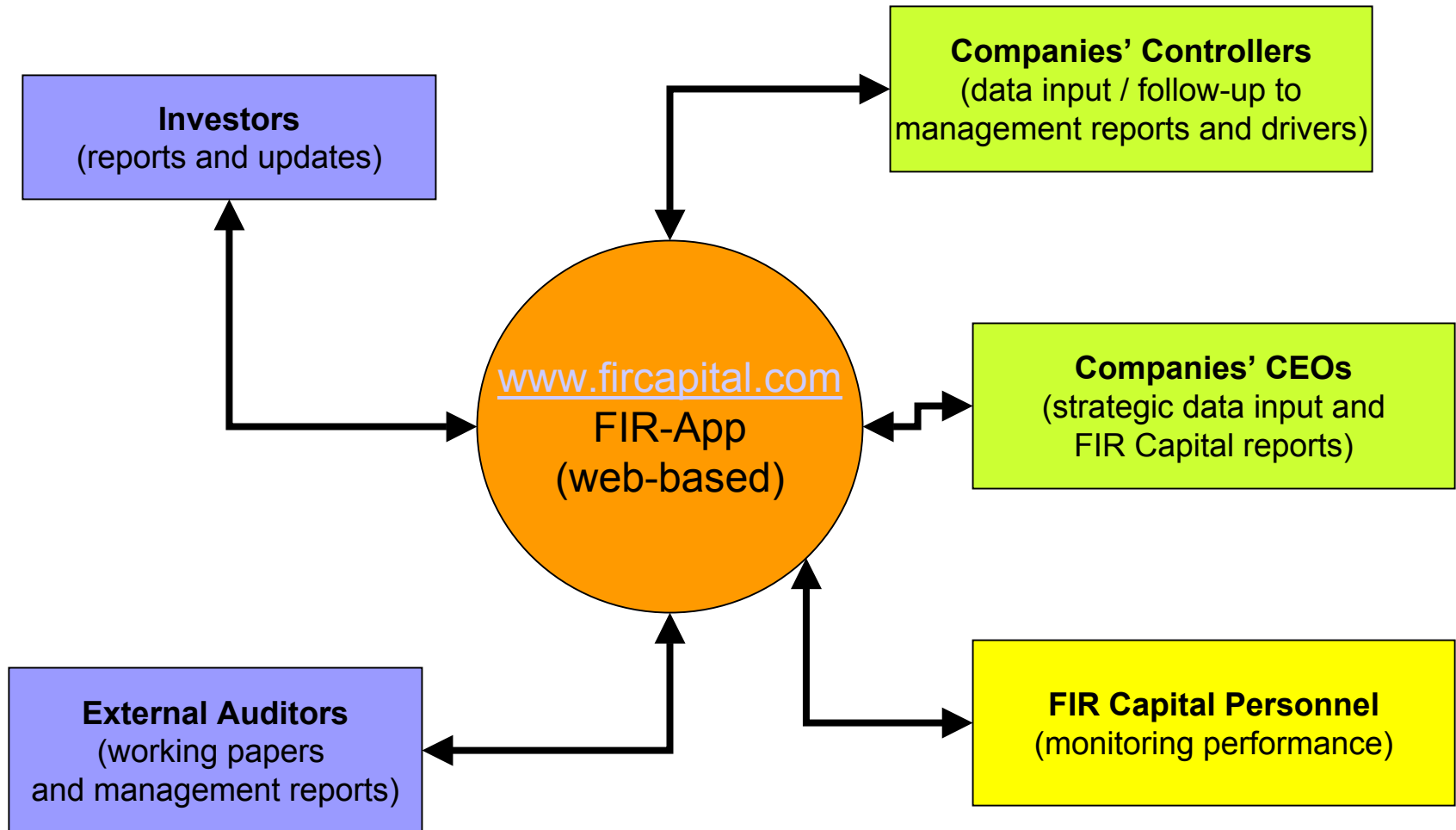
**in Niches inside Wide Markets,
with Cost/Benefit Exacting Technology
and, only where we have Expertise!**

***Hands-on Management,
Cashflow & Market Share!***

FOCUS ON THE BOTTOM LINE :



Controller's Corner :



AREAS OF GREATEST IMPACT :

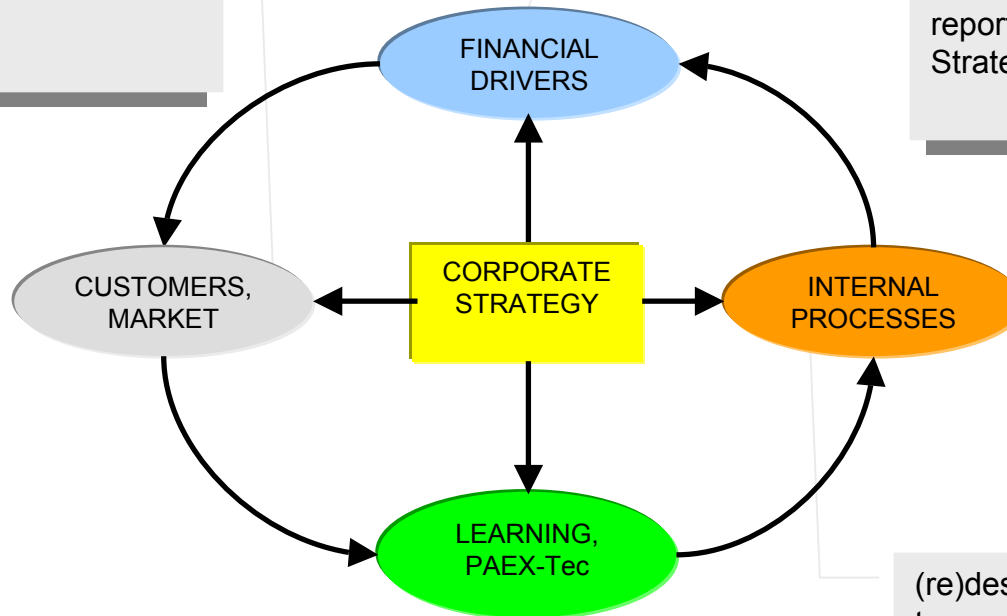
(re)design of the product strategy based on market needs

(re)define market driven processes for the R&D

improve financial data for decision making.

implement cost-efficient structure

reports to support Corporate Strategy



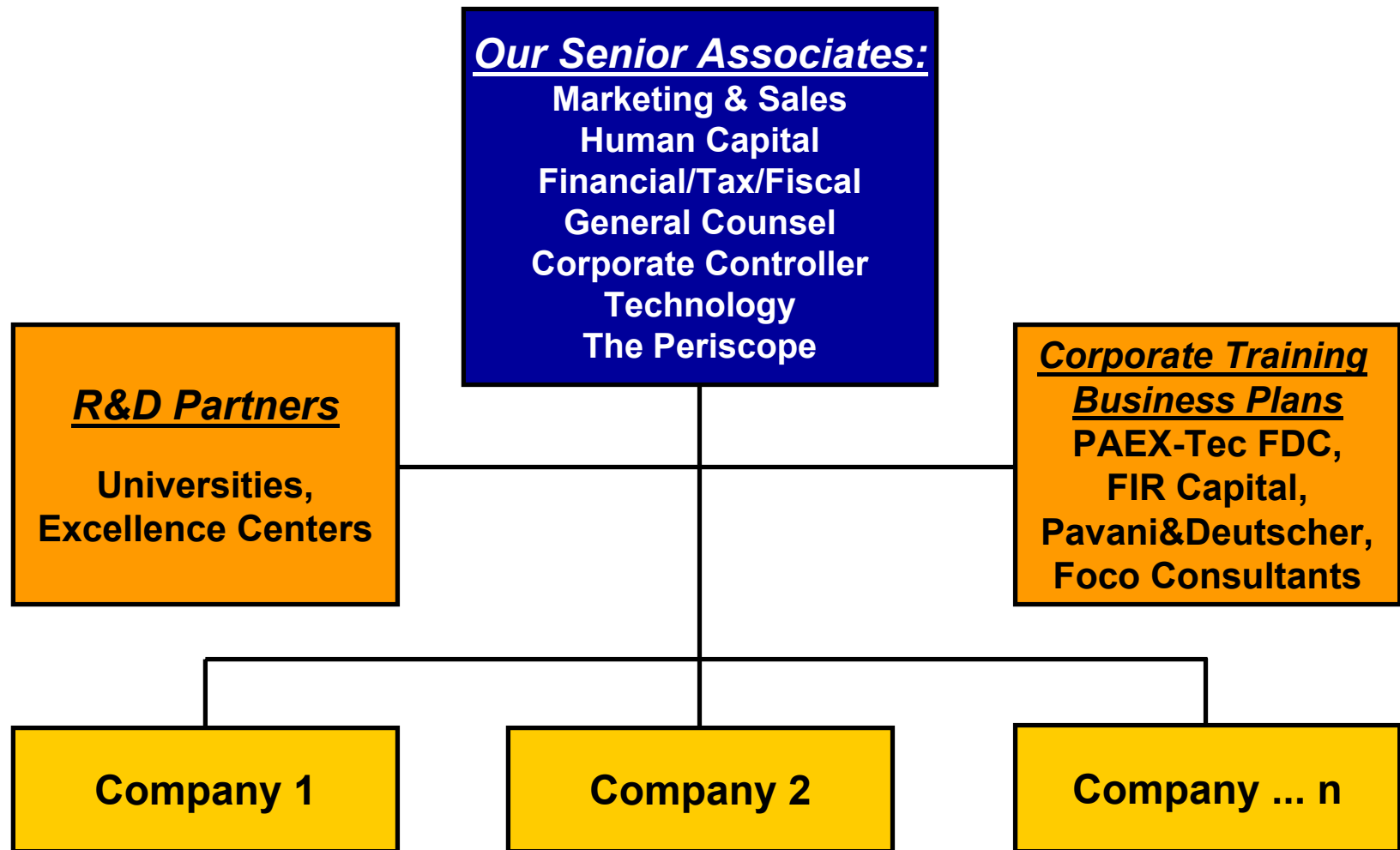
Enable Entrepreneurs for Results Oriented Management w/ focus on the market and on innovation

Enlist Human Capital in the support of the Company's strategy, and to improve Internal Processes

(re)design processes to maximize efficiency of the chain

integrate processes via FIR-App and ERP implementation.

Our Model = we Tailor our Involvement, for each of our Distinct Companies, and size it for Different Stages...



Marketing & Sales :

- Coaching by FIR Capital on Value Proposition, Marketing, the Sales Process and Sales Channels
- Opening Doors for Major Ticket Sales
- Co-Negotiating the Companies' Strategic Alliances side by side with the Entrepreneur
- Companies' Independent Sales Teams Share Field Offices and some Overhead Expenses
- Companies Share Advertising & Corporate Communication Firms

Human Capital :

- Strategic Hiring
- Management Training (e.g., PAEX-Tec)
- Competency Exchange among Companies
- Sharing costs of Compensation Plans among Companies
- Sharing Corporate Governance and Ethics
- Social Balance Sheet = The Double Bottom Line

Financial, Tax, Fiscal and General Counsel :

- Shared Expertise
 - from the FIR Capital team, and
 - Independent Firms

- Formal Matrix Reporting to FIR Capital and to the Company's CEO

Technology Management :

- Pushing Market-Driven R&D
- Leveraging Synergies within Portfolio
- Technological Forethought
- Patents
- Processes (including CMM et al)
- Regulatory Affairs

The Periscope, 24x7 scanning for :

- Co-Investors
- Strategic Partners
- Competition, itself, and as Potential Partnership
- Consolidation Plays
- Market Trends, in Brazil and Abroad
- Exit Strategies
 - *The Importance of Building Brazilian Market Share*
 - *Execution = Identify, Contact, Negotiate*
 - *Keep the Entrepreneur Focused on the Business*

Wednesdays @ FIR Capital :

- **Prospect Investments**
- **FIR Capital Investors**
- **Prospect Co-Investors**
- **Portfolio Entrepreneurs**
- **Portfolio Strategic Partners**
- **Competitors / Consolidation**
- **Experts (IT, biotech, etc.)**
- **Portfolio Controllers**

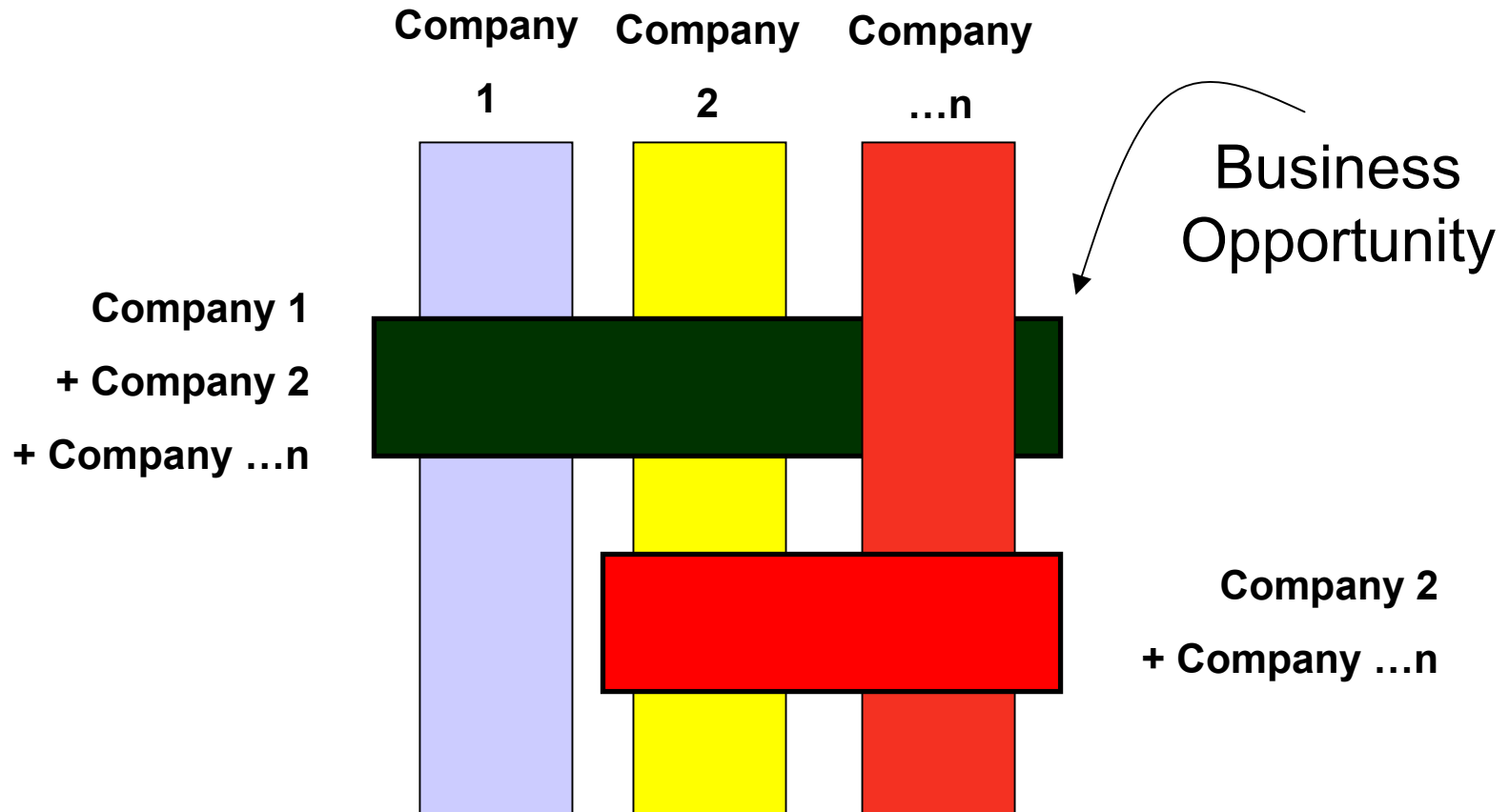
***All Day,
The Whole Team,
around a
Formal Agenda
about key
Portfolio Interests***

How to Get the Most Bang for the Buck?

- We Leverage Synergic Products, Services, Technologies, Markets
among Portfolio Companies, and
between Portfolio and Third-party Companies.
- We have a Formal Program (PAEX-Tec) w/ FDC to promote
the Exchange of Competencies and Knowledge-Assets.

Arm's Length, Preserving each Company's Independence

Self-sufficient Partners Creating Leverage :



***Visit us at
www.fircapital.com***

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