EIB Group's role and financial product offer for the financing of Research, Development and Innovation

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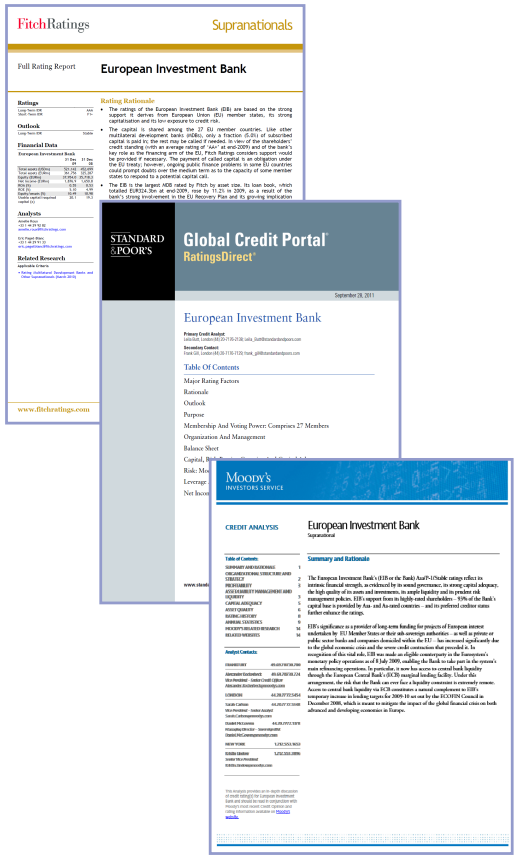
European Investment Bank

European Investment Bank - Profile

The European Investment Bank is the European Union's long-term financing institution. The Bank acts as an autonomous body set up to finance capital investments furthering European integration by promoting EU policies.

- EIB was created by the Treaty of Rome in 1958. Shareholders are the 27 EU Member States.
- EIB's mandate is to assist with the integration, balanced development and economic and social cohesion of the European Union
- EIB is the largest Multilateral Development Bank in terms of assets (€420bn in 2010)
- EIB is the largest supranational borrower on the capital markets (EUR 67bn in 2010)
- EIB has the highest credit rating by S&P, Moody's and Fitch (Oct. 2011)
- Loan book: 62% Infrastructure (EUR 224bn), 25% Loans to banks (EUR 92bn), 8% Industry (EUR 30bn), 4% Services (€15bn)



Criteria for project support

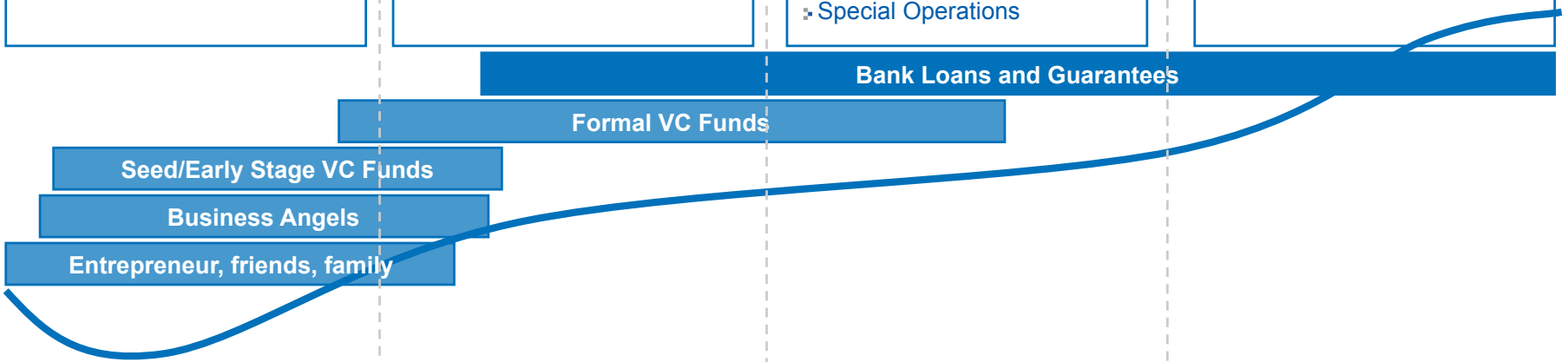
Projects financed by the Bank must be:

- comply with at least one of its policy objectives (SMEs, Knowledge Economy, Energy, Environment, TENs, cohesion/convergence)
- economically justified
- technically viable
- financially self-supporting and
- environmentally sound
- apply appropriate **procurement procedures**

  (International Competitive Bidding when appropriate)

EIB Group's Product Offer

Risk Capital	CIP Resources (SME)	RSFF (SME / MidCap)	Investment Loans
▸ Facility: High Growth Innovative SME Scheme (GIF), Ecotech	▸ Competitivness and Innovation Program (CIP) Guarantee schemes	▸ RSFF, RSI (RSFF for SMEs; new product in development)	▸ Investment Loans
▸ Purpose: IP financing, technology transfer, seed financing, investment readiness	▸ Growth financing for SMEs	▸ Innovation financing	▸ RDI financing
▸ Target Group: VC Funds, Business Angels	▸ Formal VC Funds, CLOs	▸ SMEs/MidCaps, Banks, PE Investors (sub-investment grade)	▸ MidCaps/Large Corporates/ Public Sector Entities (investment grade)
▸ EIF Product: Fund-of-Funds	▸ SME guarantees (loans, microcredit, equity/ mezzanine, securitisation)	▸ Loans (incl. Mezzanine), Funded Risk Sharing Facilities with Banks	▸ Guarantees
		▸ Special Operations	▸ Special Operations



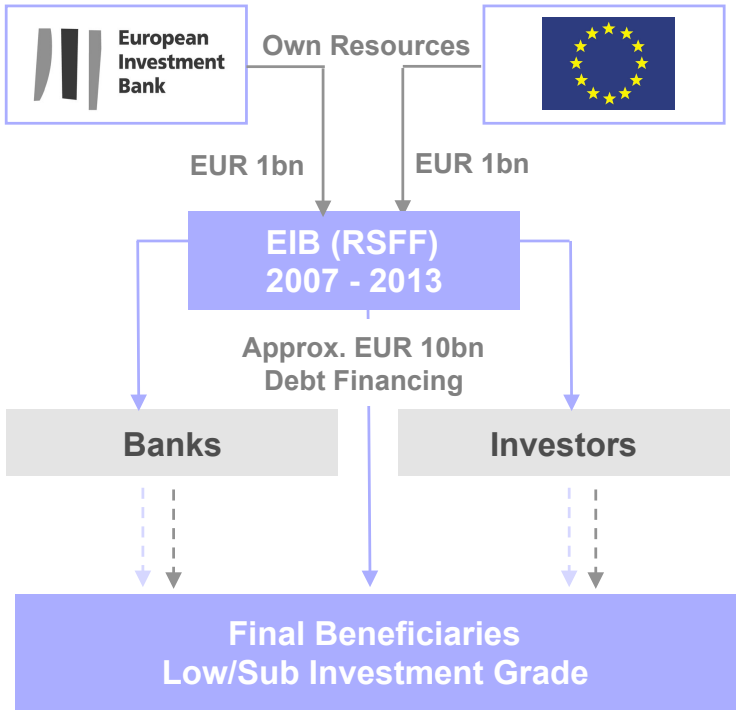
EIF — **EIB**

Seed / Start-Up Phase	Emerging Growth Phase	Development Phase	Later Stage Counterparts

EIB products

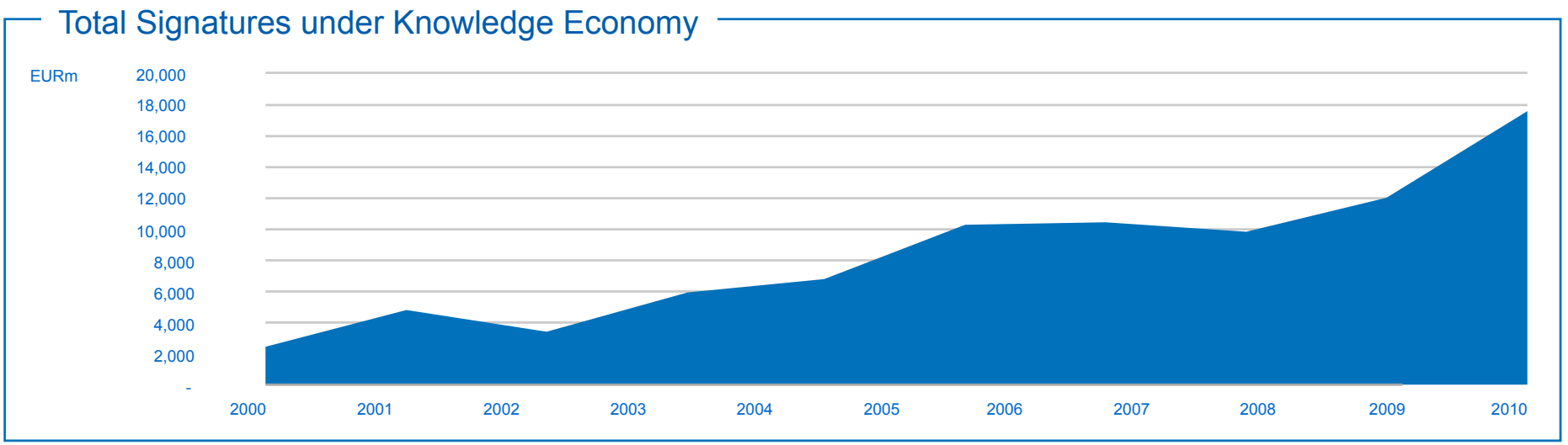
- **Medium- and long term loans**
- **Direct loans** of **EUR 25-200m;** larger amounts are possible
- **Intermediated loans**: For smaller projects, indirect lending through credit lines to local financial intermediaries (sub-loans of between EUR 0.1 and EUR 12.5m)
- **Equity** in very specific cases, normally not for RDI financing
- **Readiness of cooperation with other financial institutions** as financial intermediaries as guarantors, as partner in project identification and as financial arrangers
- **Advisory services** and **joint instruments**

RSFF - A new Source of Risk Capital for RDI financing



- EIB RSFF funds complement other sources of debt capital available for low/sub investment grade RDI intensive corporates
- EIB RSFF funds are highly attractive for potential beneficiaries because of:
  1. Highly attractive terms & conditions (AAA rating and non-for-profit pricing)
  2. Long maturities of up to 10 years or more
  3. Direct EIB participation of up to EUR 300m per transaction (depending on rating)
  4. Strong technology/industry expertise
  5. EIB does not sell assets on the secondary market (buy and hold strategy)
  6. No cross selling (just long-term lender)
  7. Signalling Effect: EIB as a quality stamp
  8. Debt and Mezzanine Debt Product

EIB – Policy Objective: Knowledge Economy

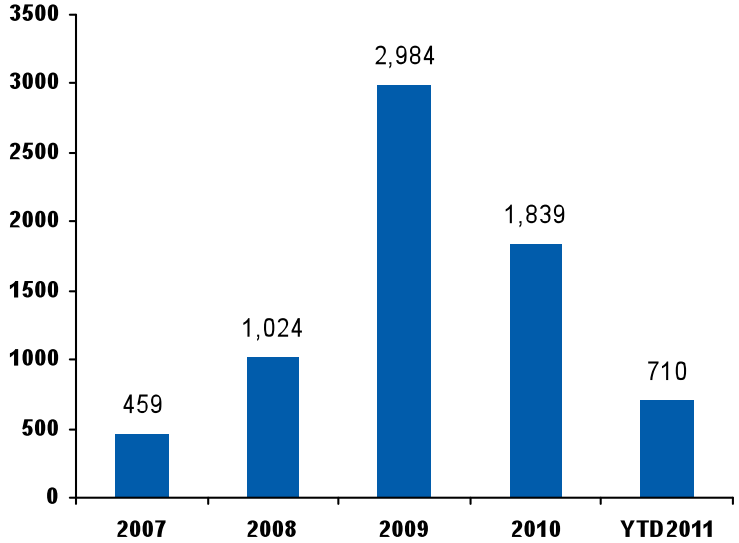


Operations supporting European RDI activities for the period 2000-2011 (to date):

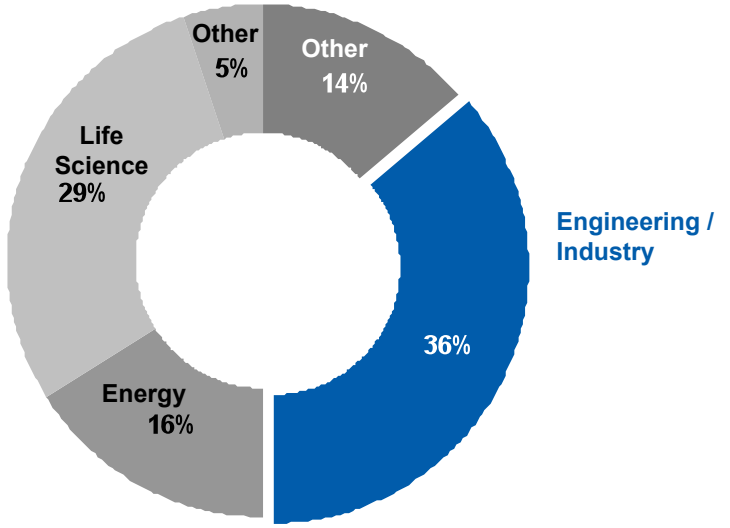
- The EIB extended financing to about 634 individual RDI projects
- Approvals and signatures amounted to EUR 119bn and 107bn, respectively
- Transaction sizes have ranged from EUR 8m to EUR 600m
- Approximately 50% of the transactions were pure private sector investments

RSFF – Performance 2007 - 2011

Annual Signature Volume in TEUR



Portfolio Breakdown (12/2010) – EUR 6.3bn



- Total RSFF signatures amounted to EUR 7.2bn by November 2011. EUR 3bn alone were signed in the “crisis” year 2009, showing EIB’s long-term orientation.
- Key client sectors are engineering/industry (36%), followed by life sciences/special chemicals (29%), energy (16%) and ICT (14%).

Financing Models and Concepts

European Investment Bank

Corporates

EIB is financing directly up to 50% of the eligible project costs but on the balance sheet of the promoter, i.e. the ability/ capacity of the company as a whole to service its debt is the main driving factor in the process along with the proposed structure of the facility.

EIB also finances corporates indirectly, usually via third-party financing institutions (non-RSFF).

Project Finance

The project is structured as a ring-fenced operation with limited or no recourse to the promoters. The quality of the assets and their ability to generate cash are vital for such type of operations.

PF operations could be full-risk (RSFF), or guaranteed (banks, corporates, governments), secured, PPPs…

Public Sector

Project may be supported indirectly via EIB facilities extended to member states and local governments

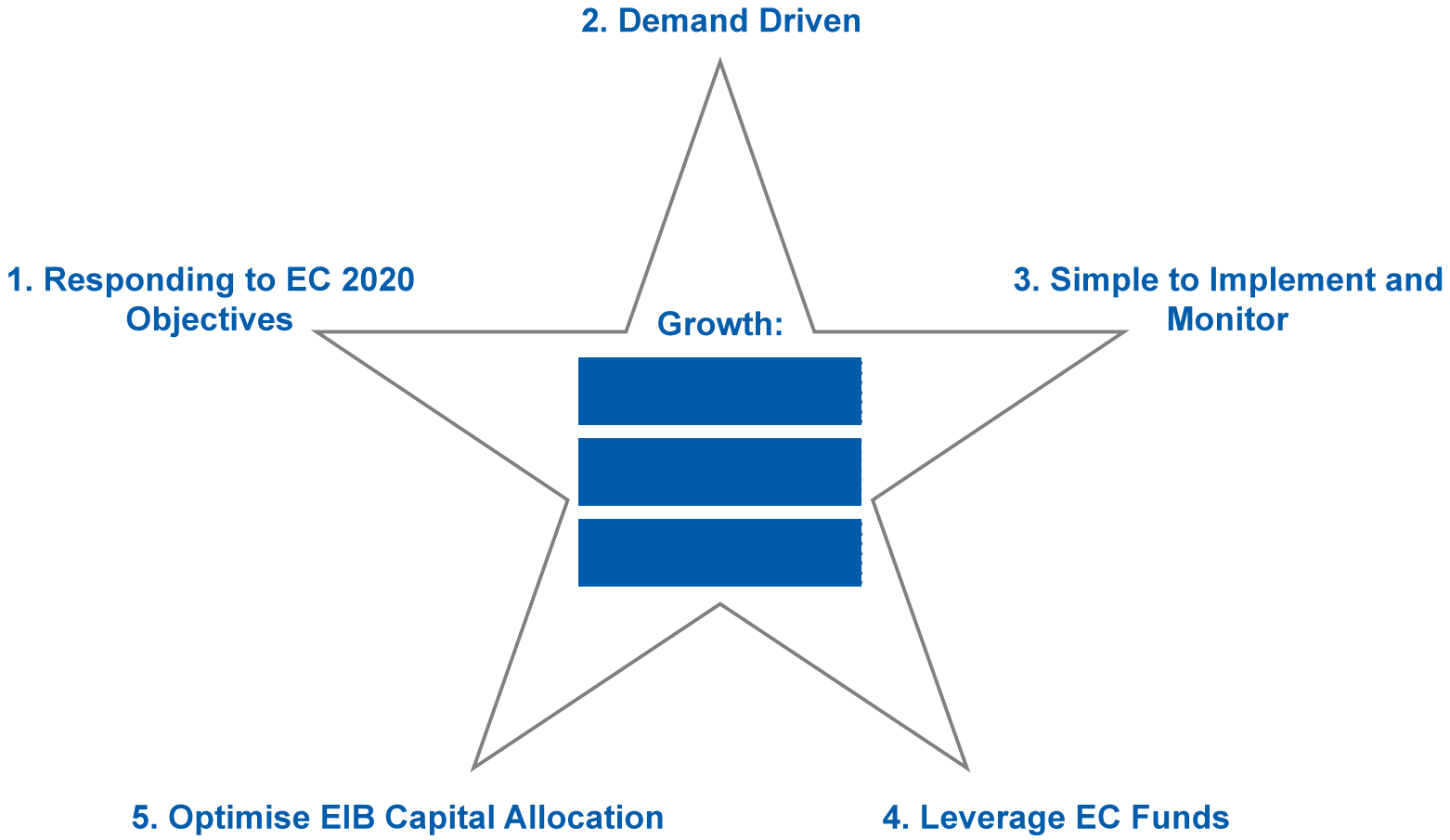
Other

Infrastructure funds

Advisory services

Other initiatives

New Financial Instruments 2014-2020



European Investment Fund

5 December 2011
Innovation Convention - Brussels

RSFF for SMEs (RSI)

This presentation was prepared by EIF. The information included in this presentation is based on figures available at the time.
Any estimates and projections contained herein involve significant elements of subjective judgment and analysis, which may or may not be correct.

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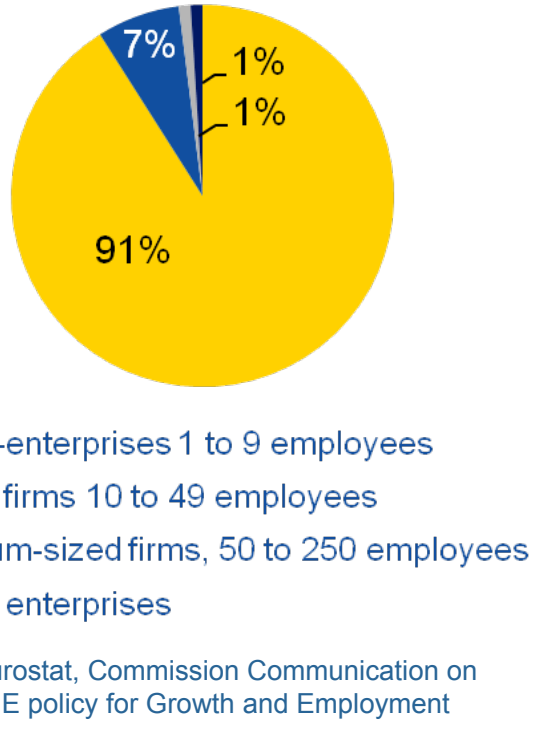
The Challenge: Financing Innovation amongst SMEs in Europe

- SMEs account for a large proportion of **Europe's economic activity**
- **Micro-businesses dominate** employment in countries such as Italy (48%) and Greece (57%)
- Successive EU summits put issues of **growth, employment, innovation and competitiveness** high on agenda
- **Support to SMEs**: one of the top six EIB Group priorities
- **EIF** is the **SME risk financing** arm of the EIB Group



Source: Eurostat, Commission Communication on Modern SME policy for Growth and Employment

Importance of SMEs as the Foundation Stone for Tomorrow's Prosperity

EUROPEAN INVESTMENT FUND

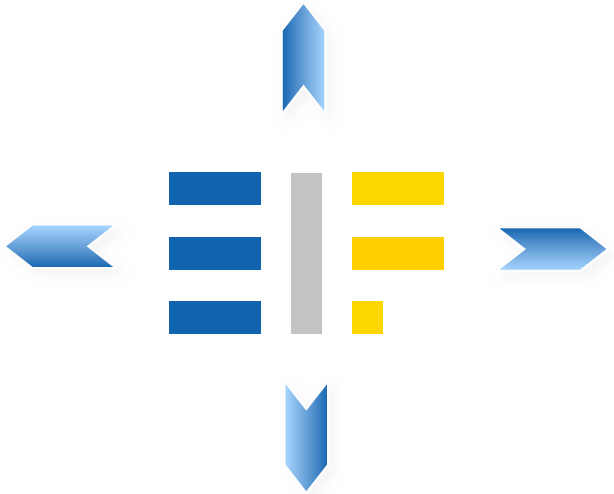
EIF at a Glance

EU specialised institution for SMEs, risk financing

Venture Capital and Mezzanine (fund of funds)

Structuring and Guaranteeing portfolios of SME and microfinance loans/ leases

Geographic Focus / Intermediaries
EU 27, EFTA,
Candidate Countries
Distributing through
Banks
and Funds



Authorised Capital
€ 3bn
EIB: 62%
EU: 30%
Fin. institutions: 8%

AAA rated

Staffing, Culture and Values

Leading-edge modern institution

Adapting to changing market conditions

Attracting talented staff

High standards of compliance and integrity

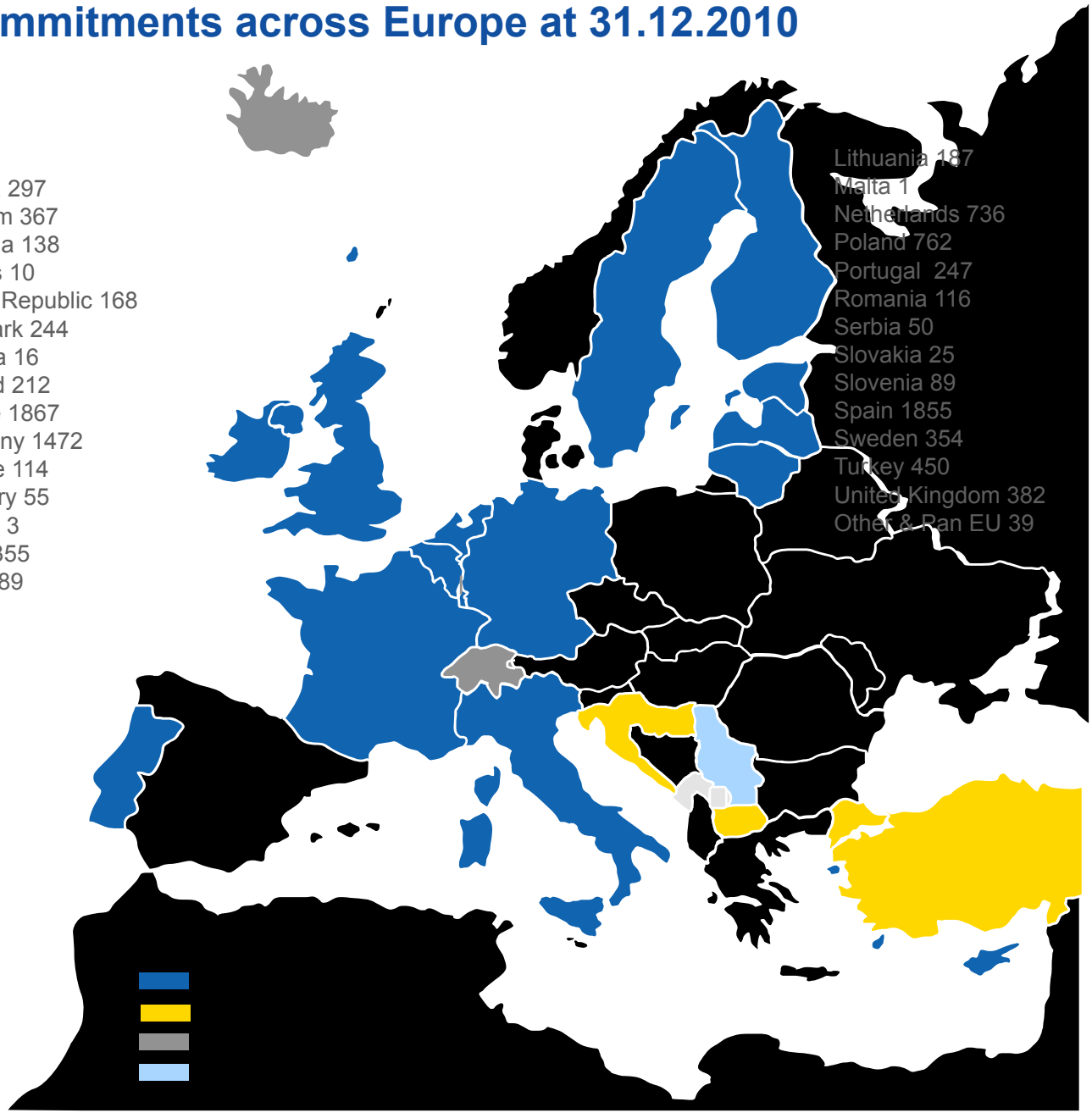
Objective of Meeting EU Policy Goals

EUROPEAN INVESTMENT FUND

€ 14.7bn in Outstanding Guarantee Commitments across Europe at 31.12.2010

EUR m

Austria 297
Belgium 367
Bulgaria 138
Cyprus 10
Czech Republic 168
Denmark 244
Estonia 16
Finland 212
France 1867
Germany 1472
Greece 114
Hungary 55
Ireland 3
Italy 4355
Latvia 89
Lithuania 187
Malta 1
Netherlands 736
Poland 762
Portugal 247
Romania 116
Serbia 50
Slovakia 25
Slovenia 89
Spain 1855
Sweden 354
Turkey 450
United Kingdom 382
Other & Ran EU 39



Europe's leading developer of risk financing for entrepreneurship and innovation

EUROPEAN INVESTMENT FUND

Risk Sharing Instrument for Innovative and Research oriented SMEs and small Mid-Caps (RSI) - Background

- 2007-2013: European Commission + EIB joint instrument to address lack of debt financing for risky Research Development and Innovation projects
- Combines funding and risk-taking, typically for larger projects, mostly by midcaps and large corporates:
  - Minimum project size signed: EUR 8 million
  - Very few beneficiaries with less than 500 employees
  - Need for a dedicated instrument towards SMEs and small Mid-Caps
- 2011: creation of a new window dedicated to SMEs and small mid-caps (RSI):
  - Guarantee product within the existing RSFF mandate
  - Jointly developed by EC (DG Research and Innovation), EIB and EIF

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RSI Objectives

- Incentivise financial intermediaries to provide better access to finance to innovative and research oriented SMEs and small Mid-Caps
  - RSI is a guarantee provided by EIF to financial intermediaries extending loans to innovative and research oriented SMEs and small Mid-Caps
  - Financial intermediaries may also benefit from EIB funding
  - RSI is built so that financial intermediaries can improve loan/lease terms
- Pilot project to be deployed over 2012-2015:
  - EC budget EUR 120 m
- High leverage:
  - EIF guarantees in excess of EUR 500 million
  - Loan volume in excess of EUR 1 billion

This presentation contains indicative description of a transaction structure, which is non-exhaustive. This document does not constitute a binding commitment - either implicit or explicit – on the part of EIF or EIB. Any finance commitment can only be made after governance approval, conclusion of legal due diligence and finalisation of the required legal documentation.

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Who can be guaranteed?

- SMEs (EC definition) and Small Mid-caps (< 500 employees)
- Established and operating in EU27 and FP7 associated countries (Norway, Turkey…)
- Innovative companies:
  - invest in producing or developing innovative products, processes and/or services and where there is a risk of technological or industrial failure; or
  - "innovative" SMEs/Small Mid-caps, i.e. satisfying at least one of a list of pre-defined criteria; e.g.:
    - Highlights RDI expenses in latest financials; Has been awarded grants, loans from innovation support schemes (e.g. FP7) or innovation prize; Has registered patent; Is located in a science-, technology and/or innovation park; etc.
  - "fast growing RDI enterprises", measured by employment or by turnover: annual increase > 20%

EUROPEAN INVESTMENT FUND

Key Guarantee Terms

- Purpose of financing:
  - investment in tangible and intangible assets, and/or
  - working capital
- Guarantee Rate: 50%
- Loan amount: minimum EUR 25,000; maximum EUR 7.5 million
- Loan maturity: minimum 2 years, maximum 7 years
- Fixed repayment schedule (no revolving loan)
- Currency: EUR and local currency
- Guarantee Fee:
  - 0.25% p.a. for SMEs (EC definition) with loan/lease amount equal or less than EUR 3 million
  - 1% p.a. otherwise (small mid-caps and loan/lease amount > EUR 3m)
  - Financial benefit of the guarantee to Final Beneficiaries (in terms of reduced interest rate)

EUROPEAN INVESTMENT FUND

Next steps - Timeframe

- Signature: 05 December 2011 (RSI as part of RSFF amendment)
- Next steps – early 2012:
  - Publication of an open call for banks to apply
  - Selection of banks in charge of deploying RSI
  - Signature of EIF guarantee agreements with banks
- EIF guarantee agreements to be signed until 31 December 2013
- Loans/leases to be granted to SMEs and small Mid-Caps
  - Each bank will make such loans/lease available for 2 years from signature date of the EIF guarantee agreement
  - Overall loans/leases shall be granted from 2012 to 2015

- If successful, RSI to be renewed / increased for 2014-2020 !!

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