

Prague, 30 November 2009  
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Financial Instruments provided by the European Investment Fund (EIF)

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EUROPEAN INVESTMENT FUND

## 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 arm** of the EIB Group

Firm Size	Percentage
Micro-enterprises (1 to 9 employees)	91%
Small firms (10 to 49 employees)	7%
Medium-sized firms (50 to 250 employees)	1%
Large enterprises	1%

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

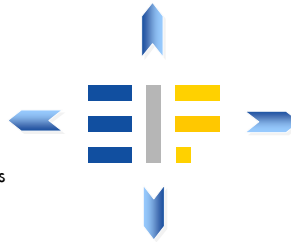
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Importance of SMEs as the Foundation Stone for Tomorrow's Prosperity

## 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: 61%  
 EU: 29 %  
 Fin. institutions: 9 %  
 To be issued: 1%  
**AAA rated**

**Staffing, Culture and Values**  
 Leading-edge modern institution  
 Adapting to changing market conditions  
 Attracting talented staff  
 High standards of compliance and integrity

**Dual Objective of Meeting EU Policy Goals & Generating a Satisfactory Return on Equity**

## EIF's Shareholders\*



- EIB: Main Shareholder **(61%)**
  - European Investment Bank's shareholders: 27 EU Member States
  - Subscribed capital: **€164.8bn**
  - Total lending : **€ 291bn**
  - 2008 new Commitments **€ 48bn**

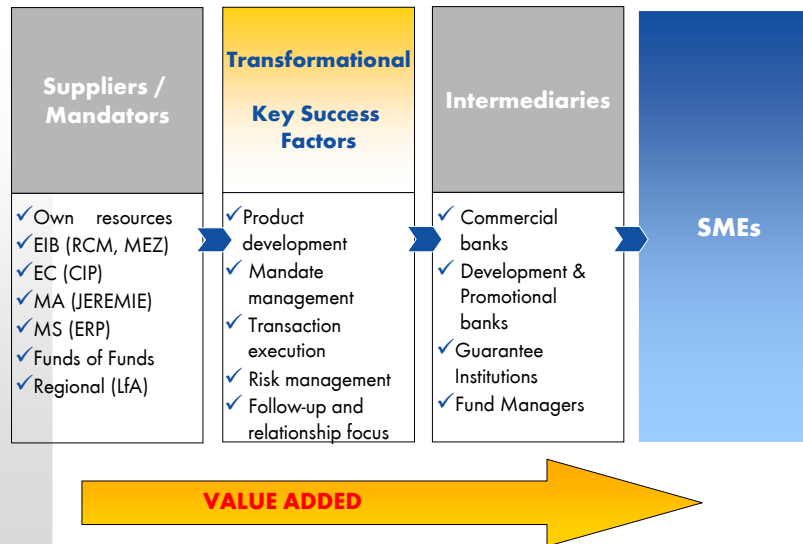


- European Community represented by the European Commission **(29%)**

- 30 public and private financial institutions from 17 countries **(9%)**



## Operating Model of EIF Transformational Role of EIF



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## Capacity - VC/Mezzanine Under EIF Management at 30/06/2009

€m	30/06/2009 (outstanding)	Next 4 Years (new commitments)
<b>EU</b>		
Leveraged Portfolio	2 400	2 400
Net Commitment	400	400
<b>EIB/EIF VC&amp; Mezzanine</b>		
Leveraged Portfolio	20 700	9 000
Net Commitment	3 100	1 800
<b>JEREMIE</b>		
Leveraged Portfolio	N/A	1 500
Net Commitment	N/A	300
<b>TOTAL Portfolio of Funds</b>	<b>23 100</b>	<b>12 900</b>
<b>Net Commitment</b>	<b>3 500</b>	<b>2 500</b>

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\* Does not include fund of funds and ERP initiatives

## Capacity - Guarantees/Microfinance

Under EIF Management at 30/06/2009

€m	30/06/2009 (outstanding)	Next 4 Years (new commitments)
<b>EU</b>		
Leveraged Portfolio	9 300	7 300
Budgetary Resources	550	450
<b>EIF Own Resources</b>		
Estimated Leveraged Portfolio	23 800	10 500
EIF Exposure	3 400	1 500
<b>JEREMIE</b>		
Leveraged Portfolio	N/A	4 200
Budgetary Resources	N/A	700
<b>TOT Leveraged Portfolio</b>	<b>33 100</b>	<b>22 000</b>
<b>Budgetary Resources/Exposure</b>	<b>3 950</b>	<b>2 650</b>

## Positioning and Vision for EIF

- EIF is EIB Group's specialist provider of Integrated Finance to SMEs across the EU, EFTA and Accession Countries delivering a full spectrum of financing solutions for selected intermediaries aimed at the pursuit of Community Objectives
- EIF will earn an acceptable return [5-7% ROE] for its shareholders through a combination of a balanced pricing policy, which reflects the risk taken, and the adherence to policy objectives of the various mandates
- Finance capacity will be obtained from EIF own capital, and Mandates from the EIB, the European Commission and Member State Managing Authorities (MA). The maintenance of the AAA rating remains of critical importance
- Delivery will be achieved through a growing range of Intermediary Institutions committed to the finance of SMEs
- EIF intends to be a modern, leading edge institution able to respond rapidly to evolving market conditions, attracting and developing talented staff and maintaining the highest standard of compliance and integrity

**Challenge:**  
Leverage Unique Positioning of EIF in the Market Place  
Articulate Ambitious Vision for EIF



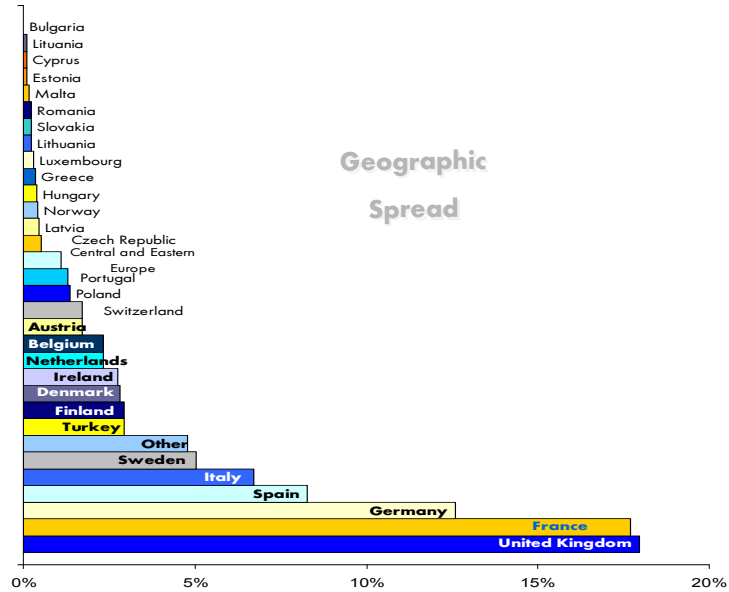
## Venture and Growth Overview

- Core activity in venture with commitment to growth and lower mid-market.
- Focus on cutting-edge technology in Venture portfolio (55% in ICT and Life Sciences)
- First mover in Europe's emerging markets and new market segments (cleantech)

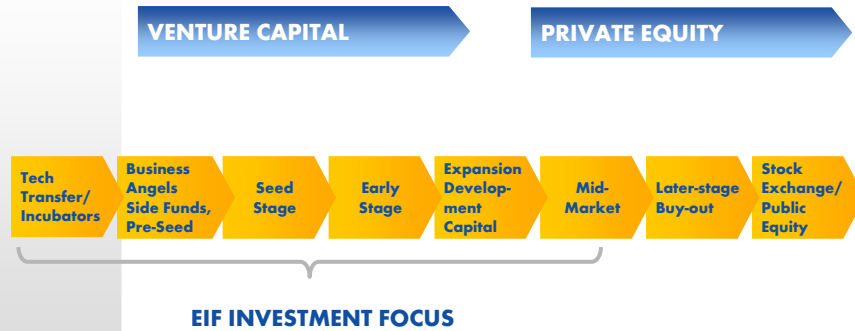
Key Investor in Major Markets  
 Increased Finance to Support less Developed Markets

## Venture and Growth Overview

### Geographic Spread



## The PE/VC Market Covered by EIF



## Primary Fund-of-Funds Investor

- As Primary FoFs investor
  - Biggest Fund-of-Funds investing in European Venture Capital
  - Repeat cornerstone investor in top quartile teams in Europe
  - Catalytic role through recognised thoroughness of its due diligence process
  - Backing first time funds managed by tomorrow's top quartile teams



Long-term Relationship with best GPs in Europe



Copyright ERP

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## ERP-EIF Fund-of-Funds: a Novel Approach to Financing Innovation

- Start: 01.01.2004
- Co-investment 50/50: EIF/ERP (administered by Ministry BMWi)
  - Life: 15 years
  - Investment period: 5 + 1 years
  - Size: € 500m
- 15 funds signed with a total volume of € 2.1bn
  - ICT/Media: Wellington III ICT, Wellington IV ICT, Creathor I, Neuhaus III, Acton Heureka KG
  - Life Sciences: TVM VI LS, NGN I, Wellington LS, SHS III, BiomedInvest II, Life Sciences Partners IV
  - Generalist: BayTech II, Atlas VII, Earlybird IV
  - Cleantech: WHEB Ventures III
- ERP-EIF facility signed € 400m in these funds
- On average 20% of fund size
- Over € 1.6bn of private resources mobilised

High Impact in German Market  
ERP II Fund under Negotiation

## Dahlia: Pan-European Fund-of-Funds

- Joint initiative between EIF and Natixis Private Equity (NPE)
- EIF pari passu equity co-investment of € 75m;  
Natixis equity investment of € 75m;  
€ 150m debt underwritten and guaranteed by Natixis;  
€ 193m committed so far (€ 46m for EIF)
- Total fund size: € 300m
- Pan-European, generalist focus
- Paris-based
- Potential for synergies in linking up with a top-tier PE player

Public Private Partnership for Progress

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## NEOTEC: Spanish Technology Fund-of-Funds

- Final closing June 2006 at € 183m (EIF sponsor with € 50m)
- Spanish tech fund (TMT, ICT, clean-tech, bio-tech and LS)
- EIF managed; Madrid-based
- Deal flow to major tech and research centres in Spain
- Shared services centre in Luxembourg for risk management, IT (proprietary Fund-of-Funds system) and legal support
- Major Spanish blue chips involved



## NEOTEC: Spanish Technology Fund-of-Funds

- Primary investments:
  - € 70m already signed in five funds
  - € 31m approved to be signed in two funds
- Co-investments:
  - Five co-investment agreements signed: € 35m committed
  - Four direct investments in SMEs materialized

## Istanbul Venture Capital Initiative

### ■ Fund size € 150m PE/VC FoF with Co-Investment Vehicle

#### ■ Sponsors

- € 50m EIF
- € 40m TTGV (Technology Foundation of Turkey)
- € 50m KOSGEB (SME Association of Turkey)
- € 10m TKB (Development Bank of Turkey)

- Generalist VC investment vehicle for institutional investors
- Significant new source of finance for Turkish companies

### ■ Objectives

- To achieve a strong IRR for investors
- To facilitate access of Turkish investors into VC funds

## Portuguese Venture Capital Initiative

### ■ Sponsors

- EIF 15%
- Portuguese Public Sector 25%
- Banks & Corporate 60%

### ■ Focus

- Portuguese PE/VC funds investing in Portugal, International established PE/VC funds with a strong Portuguese angle and European successful PE/VC funds (through EIF's deal flow).
- Start-up, development, expansion capital and buyouts up to mid sized companies. In Generalists funds, ICT, Life Sciences, Healthcare, Environmental & Energy Technology

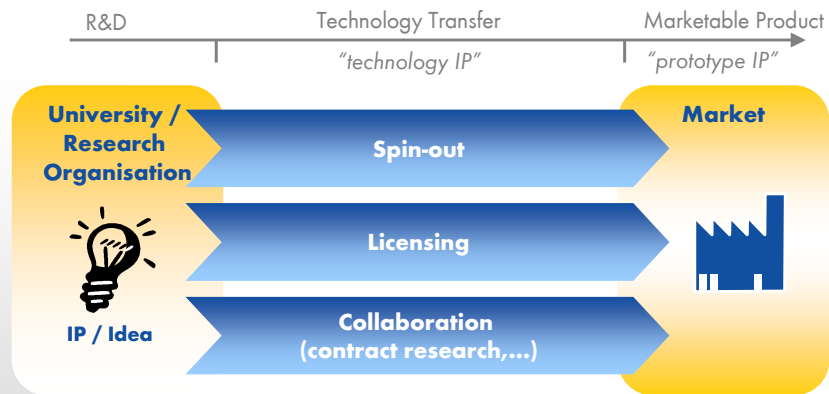
### ■ Objectives

- To achieve a strong IRR for investors
- To facilitate access of Portuguese investors into VC funds

### ■ Status

Fund size € 111m – 1 deal in due diligence and 2 further deals in the pipeline

## Technology Transfer - Converting Research into Products for the Market



## EIF's Tech Transfer Improves the Commercialisation of Research

- Since 2005, EIF has been able to invest resources to understand Tech Transfer, to create awareness and to develop new TT initiatives with leading research universities
- Focus is on research organisations which are leaders in their respective fields and act in an entrepreneurial environment
- Accelerated process through framework agreements (covering issues such as company valuations, shareholder structure,...)
- Several transactions already, in which EIF has had a key role
  - Chalmers Innovation
  - Leuven CD3
  - Louvain Vives
  - UMIP Premier fund with Manchester University
  - IP venture fund UK

Provider of Innovative Solutions to VC Constraints

## Competitiveness & Innovation Framework Programme (CIP)

- Purpose
  - Encourage the competitiveness of European enterprises
  - Support innovation and entrepreneurship activities
  - Provide better access to finance
  - Promote the increased use of renewable energies and energy efficiency
- The European Commission has mandated the management of the CIP financial instruments to EIF
- CIP budget - total envelope for VC : € 550m to be invested over a period 2007-2013

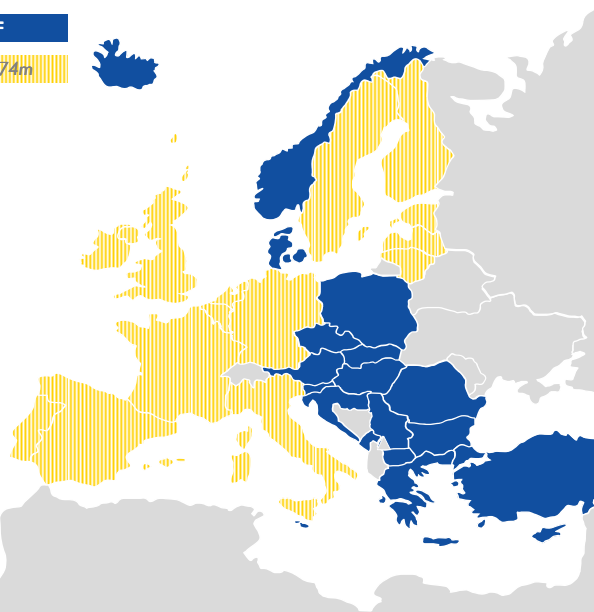


## Competitiveness & Innovation Framework Programme (CIP) GIF Investments

### COUNTRIES COVERED BY CIP GIF

16 DEALS SIGNED to date for over € 174m

Inventre Fund Ky (ex Holtron)  
 Dritte SHS Technologie GmbH & Co. KG  
 Pinova Fund I  
 Fountain Healthcare Partners Fund I  
 Albuquerque FCR  
 Chalmers Innovation Fund  
 Pentech Fund II  
 UMIP-MTI TTA Fund  
 360 Capital One  
 Baltcap Private Equity Fund  
 Capricorn Cleantech Fund  
 Serena Capital  
 WHEB Ventures Private Equity Fund II  
 Bullnet Capital II  
 Cape Regione Siciliana  
 Demeter II



## Mezzanine Facility for Growth

### EUR 1bn EIB fund-of-funds mandate (2009-2012) to promote hybrid debt/equity finance to European SMEs

- Strengthen growth prospects of established companies with a temporary financial shortfall
- Support changes in ownership, transmission, succession and spin-offs of companies with long term growth prospects

EIF already has experience of investing in mezzanine funds through investments in Nordic technology mezzanine funds

Since April 2009, six potential investments in specialised funds approved confirming real market need.

Commitments to new funds delayed in the current climate by the scarcity of investors ready to make allocation to the asset class

At least 2x aggregate EIF commitments will be mobilised in support of SME

## € 12.5bn in Outstanding Commitments across Europe at 30.06.09



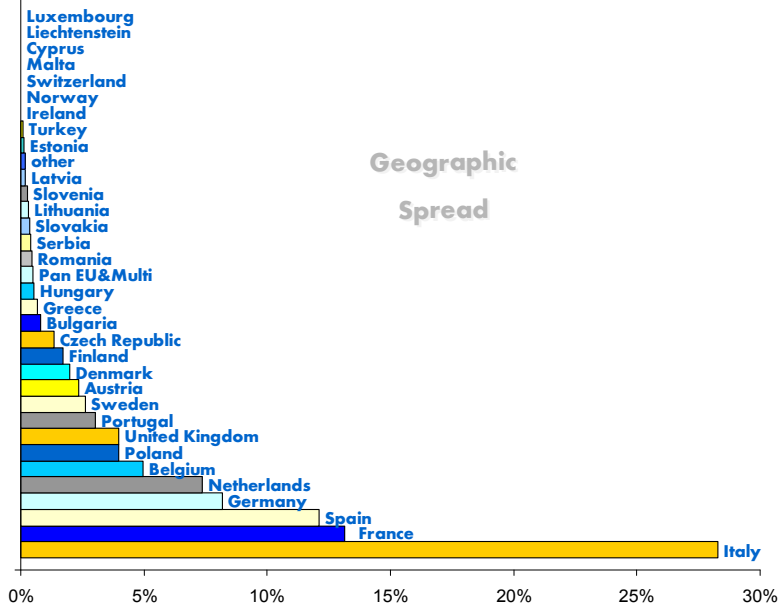
Guarantees and Securitisation

## Guarantees and Securitisation Overview

- Preference for granular portfolio of SME risk
- Stable portfolio quality in the investment grade area (weighted average rating of Baa 1)
- Track record in backing new types of SME financing (venture debt,...)

Important role in SME Guarantees and as Micro-finance Guarantor

## Guarantees and Securitisation Overview Own Risk & Trust



## SME Securitisation Today

- European SME securitization market has dropped since 2007 with reduced investor demand and changing role for EIF as guarantor
- Re-start depends on investors demand and development of new markets

### Latest Trends

- Partnerships with arrangers for “club” deals
- Securitisation in New Member States and South Eastern Europe
- SME covered bonds
- Use of third party mandates to leverage on EIF own resources (CIP, JEREMIE, etc.)
- Risk partnership cooperation with EIB

EIF expects to play a key role in rebuilding the market

## CIP SME Guarantee Facility

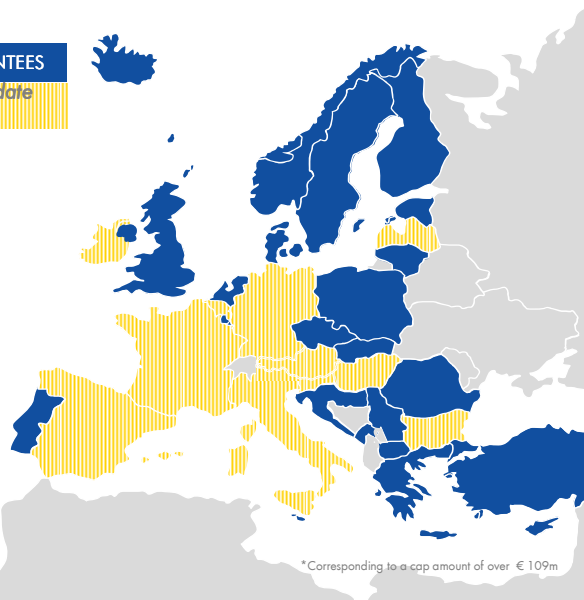
- CIP budget total envelope for Guarantees € 550m covering 2007-2013
- Implementation via guarantee schemes, banks and leasing companies
  - Committed to SME financing
  - Able to comply with the requirements under the Facility, especially enhanced access to finance
- Selection of intermediaries with wide geographical cover in each country so that as many SMEs as possible have access
- Minimum selection criteria (volumes, geographical reach, etc.)
- 4 business lines
  - Loan Guarantees
  - Micro-Credit Guarantees
  - Equity Guarantees
  - Securitisation

## Competitiveness & Innovation Framework Programme (CIP) SME Guarantees

### COUNTRIES COVERED BY CIP GUARANTEES

AGREEMENTS SIGNED TO DATE  
for over € 2.1bn \*

CERSA  
Fdp  
KfW  
Siagi  
Slovene Enterprise Fund  
SOCAMA  
UniCredit Bank Hungary  
ADIE  
Microbank La Caixa  
Bulgarian Development Bank  
Raiffeisenbank Bulgaria  
Alleanza di Garanzia  
Federfidi Lombarda  
Austria Wirtschaftsservice  
First Step Microfinance  
Hipoteku Banka



## Microfinance

- Guarantee operations are designed to encourage micro-lending by banks /institutions in the EU.
- Guarantees issued in the framework of two EU programs MAP (2001-2006) and CIP (2007-2013)
  - France (Adie), Germany (KfW), Spain (Microbank/La Caixa), Belgium (Fdp), Ireland (First Step Microfinance)... Guarantee rate of 75%
  - As of end 2008, some 38,599 SMEs had benefited from over 41,459 loans.
- EIF also participated in two securitisation transactions (own resources) in Eastern Europe (ProCredit Bulgaria and Opportunity Eastern Europe) committing a total amount of € 90m (as of 31/12/2008).

## JASMINE - Joint Action to Support Microfinance Institutions (MFIs) in Europe

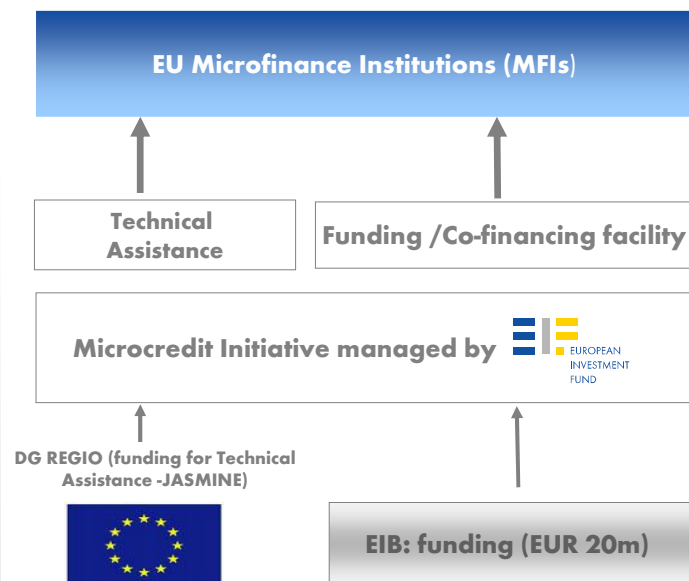
### Partners

- EIB : Funding € 20m
- European Commission : Technical Assistance (€ 4-6m)
- European Parliament : Funding € 4m
- EIF : Management
- Support of EUROFI and the European Microfinance Network

### Key Objectives

- Enhance commercial banks' funding of European MFIs through co-financing.
- Invest in European Micro Finance Vehicles /Institutions to help microcredit providers meeting increasing demand.

## How JASMINE Works



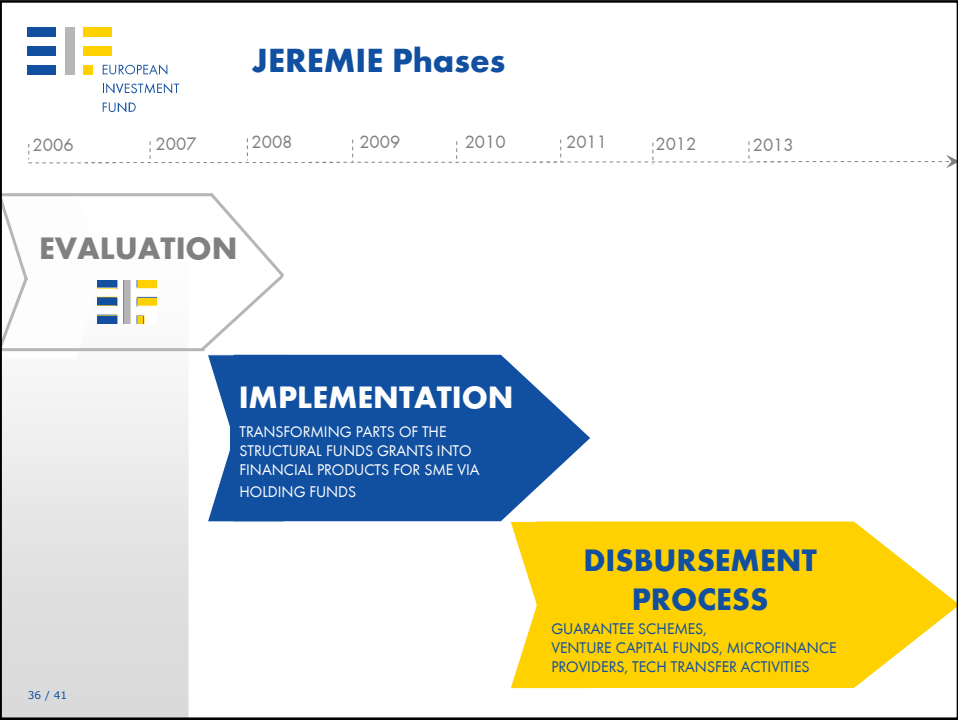
## JEREMIE: Increasing the Deployment of Self-Sustaining Financial Instruments for SMEs

### The Joint European Resources for Micro to Medium Enterprises

- Joint initiative of the EU (DG Regio & EIB Group) launched in October 2005
- **Joint** also because it potentially combines resources from the EU, National Public Authorities, EIF, EIB and/or other financial institutions
- Participation in JEREMIE **optional** for each country - Holding Fund Management or Technical Assistance
- Uses European Regional Development Funds for enhancing SME access to finance in New Member States and in Regional Development areas through sustainable and "revolving" financial instruments
- Creates leverage
- Encourages move away from grant dependency

## Key Structural Benefit: Funds Allocated Upfront to Fund Holder and Managed at Local Level





**JEREMIE Products**

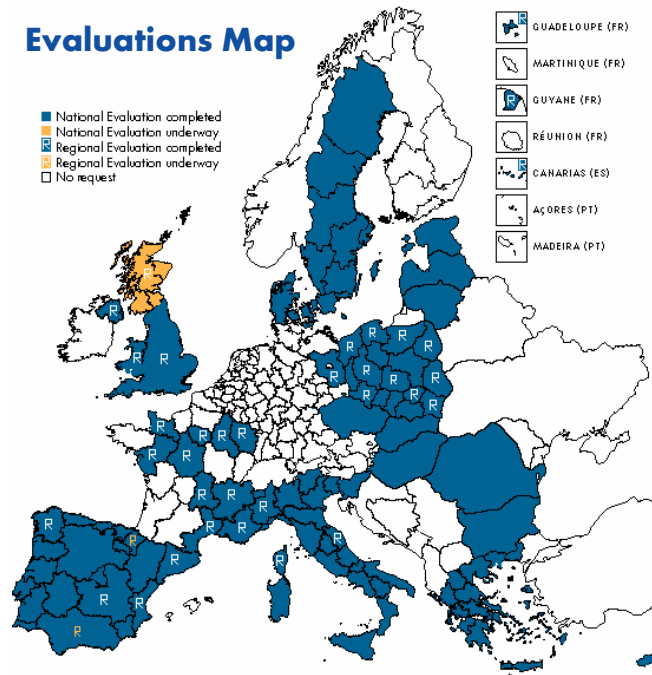
EUROPEAN INVESTMENT FUND

	Start-up	Early stage	Expansion
<b>Equity</b>	Venture Capital		
<b>Debt</b>	Micro Finance/ Funded Risk-Sharing products		
	Guarantee/Refinancing Operations		
<b>Quasi-equity</b>	Participating Loans	Mezzanine Funds	
<b>Other instruments</b>	Technology Transfer Funding		

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## Evaluations Map

- National Evaluation completed
- National Evaluation underway
- Regional Evaluation completed
- Regional Evaluation underway
- No request



-  GUADELOUPE (FR)
-  MARTINIQUE (FR)
-  GUYANE (FR)
-  RÉUNION (FR)
-  CANARIAS (ES)
-  AÇORES (PT)
-  MADEIRA (PT)

## JEREMIE STATUS Quo

### JEREMIE Achievements:

Country	Date	Amount in EUR m
<b>Greece</b>	June 2007	100
<b>Romania</b>	February 2008	100
<b>Latvia</b>	July 2008	91.5
<b>Lithuania</b>	October 2008	up to 290*
<b>Languedoc-Roussillon (F)</b>	October 2008	30
<b>Campania (I)</b>	December 2008	90
<b>Slovakia**</b>	December 2008	100
<b>Cyprus</b>	April 2009	20
<b>Bulgaria</b>	May 2009	200
<b>TOTAL</b>		<b>1021.5</b>

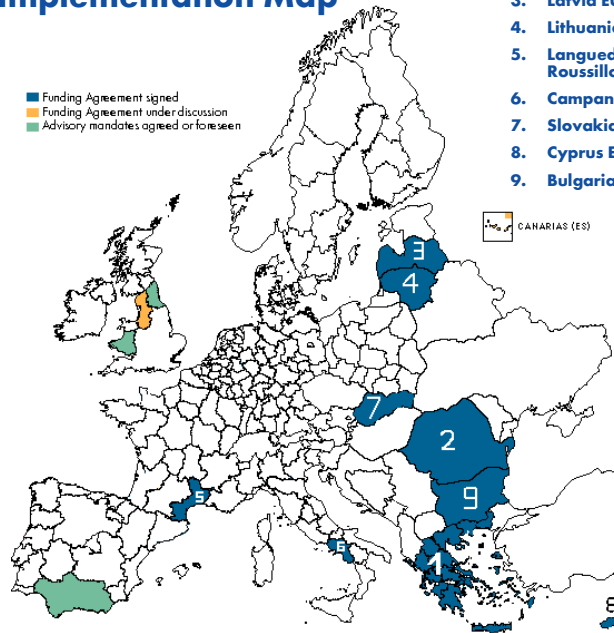
\* Amendment letter signed in March 2009; \*\* Framework Agreement signed

### Other JEREMIE linked activities under development:

- EIB leverage finance for HFs (e.g. Finance Wales)
- EIB treasury management (deposits/managed funds)
- Advisory services

## Implementation Map

- Funding Agreement signed
- Funding Agreement under discussion
- Advisory mandates agreed or foreseen



1. Greece EUR 100m
2. Romania EUR 100m
3. Latvia EUR 91.5m
4. Lithuania EUR 290m
5. Languedoc Roussillon EUR 30m
6. Campania EUR 90m
7. Slovakia EUR 100m
8. Cyprus EUR 20m
9. Bulgaria EUR 200m

 CANARIAS (ES)

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