Supporting Innovation in Turkey

Istanbul, 16 April 2015
Welcome addresses:

Cansen Basaran Symes
President, Turkish Industry and Business Association (TÜSİAD)

Pim van Ballekom
Vice-President, European Investment Bank (EIB)
Overview of the EIB Group financing options

Flavia Palanza
Director of Central and South Eastern Europe Department, EIB

Marjut Santoni
Deputy Chief Executive, European Investment Fund (EIF)
The EIB Group

provides finance and expertise for sound and sustainable investment projects

specialist provider of risk finance to benefit innovative SMEs
Priorities

20.6bn EUR
STRATEGIC INFRASTRUCTURE

25.5bn EUR
SMALLER ENTERPRISES

19.1bn EUR
CLIMATE ACTION

14.7bn EUR
INNOVATION AND SKILLS
A Strong Response to the Crisis
Our Products

*We help catalyse investment*

<table>
<thead>
<tr>
<th>LENDING</th>
<th>BLENDING</th>
<th>ADVISING</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans</td>
<td>Combining EIB finance with EU budget</td>
<td>Prepare &amp; implement projects (JASPERS)</td>
</tr>
<tr>
<td>But also:</td>
<td>Higher risk projects for innovation (RSFF / InnovFin)</td>
<td>Support for public / private partnerships (EPEC)</td>
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<tr>
<td>Guarantees and Risk Sharing</td>
<td></td>
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<tr>
<td>Equity participation</td>
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Attracting FUNDING for long-term growth
EIB Group Products for SMEs and Midcaps

Micro enterprises | SMEs | Midcaps
---|---|---
indirect | indirect | indirect/direct

**EIB Intermediated Loans**
- EIB Mid-cap Initiative loans & guarantees, InnovFin
- InnovFin Mid-cap
- EIF RCR Mezzanine for Growth
- EIF Venture and Growth Capital Funds, Tech Transfer, Business Angels

**EIF Guarantees and Securitisation**
- EIF Microfinance

**EIF Products**
- EIF Products
EIB Lending in and outside the EU over 2014

Turkey ranks no.1 among EIB recipient countries outside the EU

Turkey
EUR 2.1bn
EIB lending to Turkey (EUR m)

# EIB-Financed Private Sector Projects in Turkey (RDI)

<table>
<thead>
<tr>
<th>Project</th>
<th>Loan amount</th>
<th>Short description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turk Telekom R&amp;D</td>
<td>EUR 70 m</td>
<td>Supporting R&amp;D activities in the field of fixed line, mobile and internet based services</td>
</tr>
<tr>
<td>Vestel Elektronik RDI</td>
<td>EUR 45 m</td>
<td>R&amp;D activities in consumer electronics and Information and Communications Technology (ICT)</td>
</tr>
<tr>
<td>TOFAS RDI</td>
<td>EUR 55 m</td>
<td>Supporting R&amp;D activities in the field of manufacturing of motor vehicles. First EIB transaction in Turkey supported by InnovFin</td>
</tr>
</tbody>
</table>
What is the EIF?

"We provide risk financing to stimulate entrepreneurship and innovation in Europe."

Making finance more accessible and helping SMEs to innovate and grow.

Offering a large array of targeted products to support SMES ranging from venture capital to guarantees and microfinance to SMEs.

Working with financial intermediaries across the EU-28 EFTA countries, candidate & potential candidate countries.

Supporting the market in a countercyclical way.
EIF’s Counterparts

“We work with a wide range of counterparts to support SMEs.”
Helping Businesses at every Stage of their Development

SME Development Stages

- PRE-SEED PHASE
- SEED PHASE
- START-UP PHASE
- EMERGING GROWTH
- DEVELOPMENT

Risk Levels:

- HIGHER RISK
- LOWER RISK

Investment Funds:

- Public Stock Markets
- Portfolio Guarantees & Credit Enhancement
- Formal VC Funds & Mezzanine Funds
- Social Impact Funds
- VC Seed & Early Stage
- Microcredit
- Business Angels, Technology Transfer

- Business Angels, Technology Transfer
New EU Programmes helping Businesses at every Stage

**Guarantees & Debt Programmes**
- InnovFin SME Guarantee
- COSME Loan Guarantee Facility
- Cultural and Creative Sector Guarantee Facility*
- InnovFin SME Venture Capital*
- InnovFin Tech Transfer*
- ERASMUS+ Student loans

**Equity Programmes**
- COSME Equity Facility for Growth
- SME Initiative*
- InnovFin SME Venture Capital*
- InnovFin Tech Transfer*
- EaSI* (Employment & Social Innovation)

**Public Stocks**
- EIB InnovFin products**

**SME Development Stages**
- PRE-SEED PHASE
- SEED PHASE
- START-UP PHASE
- EMERGING GROWTH
- DEVELOPMENT

**Higher Risk**

**Lower Risk**

*Not yet signed
**InnovFin MidCap Guarantee
InnovFin MidCap Growth Finance
InnovFin Large Projects
EIF’s Exposure in Turkey

"Notable success stories exist both in Equity and Guarantees and we are open and ready for more to come…"

- First EIF operation in Turkey: 2004
- 13 private equity/VC funds supported which have invested in Turkish SMEs
- 10 financial partners and guarantee providers

Some guarantees transactions and equity/VC funds in Turkey
Objectives and Opportunities of the InnovFin Programme

**Steve Rogers**  
Deputy Head of Unit, DG Research & Innovation, EC

**Marc D’hooge**  
InnovFin Programme Manager, EIB

**Paul Samsonoff**  
Structured Finance Manager, EIF

**Shiva Dustdar**  
Head of Innovation Finance Advisory, EIB
InnovFin: A Quantum Leap

InnovFin builds on the success of RSFF but will be much larger and broader.

EU and EIB Group Contributions

Loans and guarantees

- RSFF
  - Guarantees: 1.40
  - Loans (EUR bn): 11.30

- InnovFin
  - Guarantees: 5.50
  - Loans (EUR bn): 18.50
InnovFin Product Overview

- **SMEs**
  - InnovFin SME Guarantee
  - InnovFin SME Venture Capital
  - SMEs and small Mid-Caps < 500 Employees
  - Intermediated SME/Mid-Cap Financing

- **Mid-Caps**
  - InnovFin MidCap Guarantee
  - InnovFin MidCap Growth Finance
  - Mid-Caps < 3,000 Employees
  - Intermediated and/or direct Corporate lending

- **Large Caps**
  - InnovFin Large Projects
  - Large Caps Typically > 3,000 Employees
  - Direct Corporate Lending

- **Advisory**
  - InnovFin Advisory
  - Public & Private sector promoters
  - Financial Advisory

- Direct products
- Indirect products
InnovFin Product Overview

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This guarantee instrument covers the risk related to losses of a portfolio.

- **Up to 50% loss coverage (Principal + Interest 90D)**
- **Full Delegation to Financial Intermediaries**
- **Automatic Coverage/Inclusion**
- **Attractive Guarantee Terms**
- **Favourable Capital Treatment**
- **Guarantee and Counter-Guarantee**
What Transactions can be supported?

Purpose of Financing: Loans, Credit Lines, Leases and Bonds

- **Loan amount**: min **EUR 25k** – max **EUR 7.5m** (only Senior Debt)
- **Loan maturity**: min **1 year** – max **10 years**
- **Currency**: **EUR and local currency**
- **Max Portfolio**: EUR 400m per intermediary – EUR 1bn per intermediary group
Key Guarantee Terms

- Financial Intermediaries are required to transfer the Financial Benefit to SMEs & Small Mid-caps
- Financial Intermediaries are selected on a “first come, first processed” basis

**Guarantee Fee:**
- SME: 0.50% p.a.
- Small Mid-Cap: 0.80% p.a.
Transfer of Benefit (indicative example)

Indicative pricing model components

Without InnovFin
Financing at 4%

- Cost of Risk: 1.5%
- Margin: 1.5%
- Fixed Costs: 0.5%
- Funding Costs: 0.5%

50% of financing

With InnovFin
Financing at 3.5%

- Cost of Risk: 1.5%
- Margin: 1.5%
- Fixed Costs: 0.5%
- Funding Costs: 0.5%

50% of financing

Total = 4%

Total = 3%

Reduction of Cost of Risk with InnovFin: 0.5% (or 0.8% for small midcap)

Cost of the guarantee:
0.5%
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**Direct products**

**Indirect products**
Two Products for Innovative Mid-Caps

1. **Indirect Financing** (Risk Sharing) for Senior Loans: **Mid-Cap Guarantee**

   - **European Investment Bank**
   - 50% Guarantee EUR 25m
   - **Financial Intermediary**
   - New Loans
   - **Innovative Mid-Caps**
   - 3,000 Employees

2. **Direct Growth Financing** (Mezzanine): **Mid-Cap Growth Finance**

   - **European Investment Bank**
   - Growth Finance / Mezzanine EUR 25m
   - **Innovative Mid-Caps**
   - 3,000 Employees
How does the MidCap Guarantee work?

- 50% loss coverage for new mid-cap loans of up to EUR 50m not covered under InnovFin SME Guarantee
- Can be complemented with EIB funding (global loan)
- Pari-passu sharing of risk and pricing
- Full delegation to financial intermediaries
- Favourable capital treatment, English law
How does MidCap Growth Finance work?

- Direct long term debt and mezzanine finance: EUR 7.5m – EUR 25m
- Loans can be structured as economic equity (silent participation)
- For innovative Mid-Caps and SMEs (eligible counterparty concept)
- EIB can finance up to 50% of all investments over 3 years
- Streamlined EIB approval process & English law
## MidCap Growth Finance Transactions since Launch

<table>
<thead>
<tr>
<th>Company</th>
<th>Amount</th>
<th>Term Loan Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>EVS Broadcast</td>
<td>EUR 12m</td>
<td>2013</td>
</tr>
<tr>
<td>Marposs</td>
<td>EUR 25m</td>
<td>2013</td>
</tr>
<tr>
<td>Rovio</td>
<td>EUR 25m</td>
<td>2014</td>
</tr>
<tr>
<td>Manz</td>
<td>EUR 20m</td>
<td>2014</td>
</tr>
<tr>
<td>Pharmathen</td>
<td>EUR 25m</td>
<td>2014</td>
</tr>
<tr>
<td>Welltec</td>
<td>EUR 25m</td>
<td>2014</td>
</tr>
<tr>
<td>Pramac</td>
<td>EUR 8m</td>
<td>2014</td>
</tr>
<tr>
<td>Maier</td>
<td>EUR 7.5m</td>
<td>2014</td>
</tr>
<tr>
<td>eNet</td>
<td>EUR 12m</td>
<td>2014</td>
</tr>
<tr>
<td>Novabase</td>
<td>EUR 14m</td>
<td>2014</td>
</tr>
<tr>
<td>Marangoni</td>
<td>EUR 10m</td>
<td>2014</td>
</tr>
<tr>
<td>Italian company</td>
<td>Amount undisclosed</td>
<td>Term loan</td>
</tr>
<tr>
<td></td>
<td></td>
<td>April 2015</td>
</tr>
</tbody>
</table>
## Mid-Cap Product Advantages

<table>
<thead>
<tr>
<th>Advantage</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>No crowding out. Complementary finance to house banks</td>
<td></td>
</tr>
<tr>
<td>EIB signaling effect to attract other banks &amp; investors (quality stamp)</td>
<td></td>
</tr>
<tr>
<td>Long-term lending at attractive terms (no subsidised)</td>
<td></td>
</tr>
<tr>
<td>Growth finance without dilution of shareholders</td>
<td></td>
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</table>
# InnovFin Product Overview

<table>
<thead>
<tr>
<th></th>
<th>SMEs</th>
<th>Mid-Caps</th>
<th>Large Caps</th>
<th>Advisory</th>
</tr>
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<tr>
<td><strong>InnovFin</strong></td>
<td><strong>SME Guarantee</strong></td>
<td><strong>InnovFin</strong> MidCap Guarantee</td>
<td><strong>InnovFin</strong> Large Projects</td>
<td><strong>InnovFin</strong> Advisory</td>
</tr>
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<td><strong>InnovFin</strong> MidCap Growth Finance</td>
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<td>SMEs and small Mid-Caps &lt; 500 Employees</td>
<td>Mid-Caps &lt; 3,000 Employees</td>
<td>Large Caps Typically &gt; 3,000 Employees</td>
<td>Public &amp; Private sector promoters</td>
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<td>Intermediated SME/Mid-Cap Financing</td>
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- **SMEs**: SME Guarantee, SME Venture Capital
- **Mid-Caps**: MidCap Guarantee, MidCap Growth Finance
- **Large Caps**: Large Projects, Direct Corporate Lending
- **Advisory**: Advisory, Public & Private sector promoters, Financial Advisory
How does InnovFin Large Projects work?

- Senior debt (pari-passu with other senior lenders)
- Eligible project required. EIB can only finance 50% of R&D and innovation investments
- Comprehensive due diligence including project due diligence
- EIB standard documentation under English or Luxembourgish law
Large Projects Advantages

- Long term loans at attractive terms (pari-passu)
- Signaling effect and quality stamp (technical expertise)
- Co-financing with house-banks preferred
- No cross selling & hold to maturity strategy
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Innovation Finance Advisory - What do we do?

**Project Advisory**

- Improve bankability/investment readiness
- Enable earlier/faster access to finance

- Hydrogen Mobility Germany
- Myrrha
- European Lead Factory (ELF)
- European Spallation Source (ESS)
- Global TB Vaccine Partnership
- Light Project Advisory (LPA) pipeline

**Horizontal Activity**

- Improve framework conditions for financing
- Develop “business case” for new financing mechanisms in RDI sectors

- Infectious Diseases Financing Facility (IDFF)
- Circular Economy (CE)
- Key Enabling Technologies (KETs)
- Bio-Economy
- Strategic Energy Technology Plan (SET Plan)
- Financing options for Pan-European RI
- Web tool to guide innovative companies

Enable maximum access to finance for innovative projects
Visit www.eib.org/innovfin