Supporting Innovation in Croatia

Zagreb, 11 June 2015
Welcome addresses:

**Martina Jus**  
Member of the Managing Board,  
Croatian Bank for Reconstruction and Development (HBOR)

**Dario Scannapieco**  
Vice-President,  
European Investment Bank (EIB)
Investment Crisis

GDP Growth and Investments in Europe
(2007 = 100)

Investment Trends 2007 – 2013 (%)

Source: Eurostat
Decrease in the EU Potential

Average Productivity Growth

- EU*
- Japan
- US

2000-2007
2008-2012

* EU-OECD Country only
Source: Eurostat
Overview of the EIB Group financing options

Marguerite Pennisi
Senior Loan Officer,
Adriatic Sea Department, EIB
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>
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<th>ADVISING</th>
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<tbody>
<tr>
<td>Loans</td>
<td>Combining EIB finance with EU budget</td>
<td>Prepare &amp; implement projects (JASPERS)</td>
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<td>But also:</td>
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<td>Guarantees and Risk Sharing</td>
<td>Higher risk projects for innovation (RSFF / InnovFin)</td>
<td>Support for public / private partnerships (EPEC)</td>
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<td>Equity participation</td>
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<td>InnovFin Advisory</td>
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Attracting FUNDING for long-term growth
EIB Group Products for SMEs and Midcaps

- **Micro enterprises**: indirect
- **SMEs**: indirect
- **Midcaps**: indirect/direct

**EIB Intermediated Loans**

- **EIF Guarantees and Securitisation**
- **EIF RCR Mezzanine for Growth**
- **EIF Venture and Growth Capital Funds, Tech Transfer, Business Angels**

**Senior Loans / Guarantees**

- Hybrid / Mezzanine
- Equity

**EIB Products**

**EIF Products**
EIB lending to Croatia (EUR m)

EUR 4.2 bn in lending during 2001-2014
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 ...”

Resources and Mandators
- European Investment Bank
- EIF own resources
- European Commission
- Member States/regions
- Managing Authorities
- Corporates/private
- Public institutions
- Other third parties

Intermediaries and counterparts
- Fund Managers
- Commercial Banks
- Development & Promotional Banks
- Guarantee Institutions
- Leasing Companies
- Corporates
- Business Angels
- Microfinance Institutions

micro-enterprises, SMEs and small mid-caps
Helping Businesses at every Stage of their Development

SME Development Stages

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

HIGHER RISK LOWER RISK

Business Angels, Technology Transfer

Microcredit

VC Seed & Early Stage

Social Impact Funds

Portfolio Guarantees & Credit Enhancement

Formal VC Funds & Mezzanine Funds

Public Stock Markets
New EU Programmes helping Businesses at every Stage

Guarantees & Debt Programmes

Equity Programmes

**Guarantees & Debt Programmes**

- InnovFin SME Guarantee
- COSME Loan Guarantee Facility
- Cultural and Creative Sector Guarantee Facility*

**Equity Programmes**

- COSME Equity Facility for Growth
- InnovFin SME Venture Capital*
- InnovFin Tech Transfer*
- InnovFin SME Initiative*

**Public Stocks**

- EIB InnovFin products**
- COSME Equity Facility for Growth

**Not yet signed**

**InnovFin MidCap Guarantee**

**InnovFin MidCap Growth Finance**

**InnovFin Large Projects**

*Higher Risk*

- ERASMUS+ Student loans

*Lower Risk*

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

**InnovFin MidCap Guarantee**

**InnovFin MidCap Growth Finance**

**InnovFin Large Projects**

15
EIF’s Exposure in Croatia

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

- First EIF operation in Croatia: 2005
- 6 financial partners and guarantee providers

Guarantees & Microfinance transactions in Croatia
Objectives and Opportunities of the InnovFin Programme

Patrick McCutcheon
Senior Policy Officer, DG Research & Innovation, European Commission

Stefano Bragoli
Structured Finance Manager, EIF

Marc D’hooge
InnovFin Programme Manager, EIB

Christine Garburg
Senior Advisor, 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**

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<tr>
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<th>EUR bn</th>
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<tr>
<td>RSFF</td>
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<td>InnovFin</td>
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**Loans and guarantees**

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InnovFin Product Overview

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

- **Midcaps**
  - **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 and Private Sector Promoters
  - Financial Advisory

**direct products**  **indirect products**
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**InnovFin**
EU Finance for Innovators
InnovFin SME Guarantee

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

- **Tangible & Intangible Assets**
- **Working Capital**
- **Business Transfers**

- 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

- **Guarantee Fee:**
  - SME: 0.50% p.a.
  - Small Mid-Cap: 0.80% p.a.

- 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.
Transfer of Benefit (indicative example)

Without InnovFin
Financing at 4%

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

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%

Reduction of Cost of Risk with InnovFin:

Cost of the guarantee: 0.5% (or 0.8% for small midcap)
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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

- **EVS Broadcast**
  - EUR 12m
  - Term loan
  - 2013

- **Marposs**
  - EUR 25m
  - Term loan
  - 2013

- **Rovio**
  - EUR 25m
  - Term loan
  - 2014

- **Manz**
  - EUR 20m
  - Term loan
  - 2014

- **Pharmathen**
  - EUR 25m
  - Term loan
  - 2014

- **Welltec**
  - EUR 25m
  - Term loan
  - 2014

- **Pramac**
  - EUR 8m
  - Term loan
  - 2014

- **Maier**
  - EUR 7.5m
  - Term loan
  - 2014

- **eNet**
  - EUR 12m
  - Term loan
  - 2014

- **Novabase**
  - EUR 14m
  - Term loan
  - 2014

- **Marangoni**
  - EUR 10m
  - Term loan
  - 2014

- **SAES group**
  - EUR 10m
  - Term loan
  - 2015
Mid-Cap Product Advantages

- No crowding out. Complementary finance to house banks
- EIB signaling effect to attract other banks & investors (quality stamp)
- Long-term lending at attractive terms (no subsidised)
- Growth finance without dilution of shareholders
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**direct products**  **indirect products**
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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InnovFin Advisory

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

Enable maximum access to finance for innovative projects

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
InnovFin
Advisory
Visit www.eib.org/innovfin
Objectives and Opportunities of the InnovFin Programme

Question and Answer Session