Supporting Innovation in Ireland

Dublin, 23rd October 2015
Overview of the EIB Group financing options

Anita Fürstenberg-Lucius
Director,
Western Europe Department, EIB
The EIB Group provides finance and expertise for sound and sustainable investment projects that promote EU policy objectives.

EIB Group financing 2014

EIB 77bn

EIF 3.3bn

80.3bn

specialist provider of risk finance to benefit innovative SMEs
## EIB at a Glance

We are the world’s **largest** International Financial Institution

<table>
<thead>
<tr>
<th>1958</th>
<th>Shareholders</th>
<th>Source of funds</th>
<th>AAA-rated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Established to support long-term investments primarily in the European Union. We have over <strong>50 years’ experience</strong> in financing sustainable projects.</td>
<td>Owned by the <strong>28 Member States</strong> of the European Union.</td>
<td>We raise long-term funds on the international <strong>capital markets</strong> and as a non-profit organisation we pass <strong>favourable borrowing conditions</strong> to our clients.</td>
<td>We’re triple-A rated by all major rating agencies and have a <strong>sizeable callable capital of €221bn.</strong></td>
</tr>
</tbody>
</table>
Locations

Our Luxembourg Headquarters are home to some 2,400 staff

Specialists
Among our staff we have bankers, engineers, sector economists, socio-environmental experts and lawyers.

Local offices
We have over 30 representative offices worldwide.
EIB’s Activities

We support around **440 projects** each year in over **160 countries**

<table>
<thead>
<tr>
<th><strong>Lending</strong></th>
<th><strong>Blending</strong></th>
<th><strong>Advising</strong></th>
<th><strong>Counter-cyclical role</strong></th>
</tr>
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<tbody>
<tr>
<td>Vast majority of our financing is done through <strong>loans</strong> but we also offer guarantees, quasi-equity type instruments, etc.</td>
<td><strong>We blend EU with EIB funds to enhance our risk-taking capacity.</strong></td>
<td>Lack of finance is only one barrier to access to finance. We can advise on <strong>administrative and project management matters</strong> to help <strong>catalyse</strong> investments.</td>
<td>Addressing market needs by acting as a <strong>countercyclical investor</strong> in challenging economic times.</td>
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</table>

90% of the lending is carried out within the EU.
EIB Lending Breakdown in 2014

€80.3bn of EIB Group financing was channelled into these key areas:

- **20.6bn** for strategic infrastructure
- **25.5bn** for smaller enterprises
- **14.7bn** for innovation and skills
- **19.1bn** for climate action
What is the EIF?

“\[\text{We provide risk financing to stimulate entrepreneurship and innovation in Europe}\]"

**OBJECTIVE?**
To support **smart, sustainable** and **inclusive** growth for the benefit of European SMEs.

**HOW?**
By offering a wide range of **targeted products to support SMEs and midcaps**, ranging from venture capital to guarantees and microfinance.

**WHERE?**
Working with financial intermediaries across the **EU-28 and EFTA countries, candidate and potential candidate countries.**
EIF in a nutshell

“We are a value-driven institution with over 300 staff, committed to EU policy objectives and financial sustainability”

<table>
<thead>
<tr>
<th>Shareholders</th>
<th>Strong capital base</th>
<th>AAA-rated</th>
<th>Over 20 years</th>
</tr>
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<tr>
<td>61.4% European Investment Bank (EIB), 26.5% European Commission (EC), 12.1% by 28 public &amp; private financial institutions (FIs)</td>
<td>of EUR 4.5bn</td>
<td>by the three major rating agencies</td>
<td>of market expertise; current volume of operations: 155 p.a. (in 2014)</td>
</tr>
</tbody>
</table>
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
Types of EIB financing

- Direct Loans
  - Borrower
  - (PPP) Project finance with direct project risk
- Intermediated Loans
  - Banks
  - Other financial instruments (in partnership with EC)
- Equity through Funds

Equity through Funds

Borrower

(PPP) Project finance with direct project risk

Other financial instruments (in partnership with EC)
Activities in Ireland in 2014

EIB lent EUR 932m, increase of 37 % from 2013
EIB exposure at year end: EUR 3.9 bn
EIF’s Exposure in Ireland

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

- First EIF operation in Ireland: **1996**
- 4 financial partners and guarantee providers
- 12 supported Private Equity funds investing in Irish SMEs

**Guarantees, Equity & Microfinance transactions in Ireland**

EIF exposure in Ireland (In EURm)

- **Guarantees**
  - Catalysed amount: 75
  - Signed amount: 155
- **Equity**
  - Catalysed amount: 214
- **Microfinance**
  - Catalysed amount: 9
Investment Plan for Europe: context

The Investment Plan for Europe consists of three strands:

1. **Improved investment environment**: regulatory and structural reforms at EU and national levels for predictability, removing obstacles, aiming at a friendlier investment environment

2. **Making finance reach the real economy**: stepped-up technical assistance / advisory by establishing European Investment Advisory Hub (EIAH) in EIB and by EC facilitating a project directory

3. **Mobilising finance for investment**: The EFSI, via EIB, to better address the current shortage of (higher) risk-financing in EU

Aim: to mobilise at least €315 billion in investment across the EU
European Fund for Strategic Investments (EFSI)

EU Guarantee EUR 16bn

EIB EUR 5bn

EFSI - European Fund for Strategic Investments EUR 21 bn

Infrastructure and Innovation Window EUR 16bn Deployed by EIB Financing: approx EUR 49bn Final investments EUR 240bn

EIB Group leverage

Catalytic effect

Blended multiplier effect of x15

SME Window EUR 5bn Deployed by EIF Financing: approx EUR 12bn Final investments EUR 75bn
EFSI eligible counterparts

- Corporates of all sizes
- Utilities
- Public sector entities
- SMEs (<250 employees) or MidCaps (<3,000 employees)
- National Promotional Banks (NPBs) or commercial banks for intermediation
- Dedicated investment platforms possible
EFSI eligible operations

Wide eligibility criteria - operations consistent with Union policies that support any of the following general objectives:

- Commercially sound
- Economically and technically viable
- Added value (additionality)
- Investments boosting employment and growth
- Bank intermediation is possible
- Pricing commensurate with the risk – no subsidy element

- Typically higher risk profile than normal EIB’s normal operations
- Risk-absorbing products to foster the implementation of additional projects and to support the development of SMEs and MidCaps
Objectives and Opportunities of the InnovFin Programme

Julia Taddei
Seconded National Expert, DG Research & Innovation, European Commission

Paul Samsonoff
Structured Finance Manager, EIF

Marc D’hooge
InnovFin Programme Manager, EIB

Shiva Dustdar
Head of the 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**

<table>
<thead>
<tr>
<th></th>
<th>EUR bn</th>
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<tbody>
<tr>
<td>RSFF</td>
<td>1.20</td>
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<tr>
<td>InnovFin</td>
<td>3.00</td>
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**Loans and guarantees**

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<th>EUR bn</th>
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<tr>
<td>RSFF</td>
<td>1.40</td>
</tr>
<tr>
<td>InnovFin</td>
<td>5.50</td>
</tr>
<tr>
<td>Guarantees</td>
<td>11.30</td>
</tr>
<tr>
<td>Loans (EUR bn)</td>
<td>18.50</td>
</tr>
</tbody>
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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
- Direct Corporate Lending

Large Caps Typically > 3,000 Employees

**Thematic Finance**
- InnovFin Energy Demo Projects
- InnovFin Infectious Diseases

SPV, Mid-Caps and Large Caps
- Project Finance and/or Direct Corporate Lending

**Advisory**
- InnovFin Advisory

Public and Private Sector Promoters
- Financial Advisory

**direct products**

**indirect products**
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<th>Midcaps</th>
<th>Large Caps</th>
<th>Thematic Finance</th>
<th>Advisory</th>
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<td><strong>InnovFin Large Projects</strong></td>
<td><strong>InnovFin Advisory</strong></td>
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<td><strong>SMEs Venture Capital</strong></td>
<td><strong>InnovFin MidCap Growth Finance</strong></td>
<td><strong>InnovFin Infectious Diseases</strong></td>
<td><strong>InnovFin Energy Demo Projects</strong></td>
<td><strong>Public and Private Sector Promoters</strong></td>
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<tr>
<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>SPV, Mid-Caps and Large Caps</td>
<td>Financial Advisory</td>
</tr>
<tr>
<td>Intermediated SME/Mid-Cap Financing</td>
<td>Intermediated and/or direct Corporate lending</td>
<td>Direct Corporate Lending</td>
<td>Project Finance and/or Direct Corporate Lending</td>
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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
Margin
Fixed Costs
Funding Costs

With InnovFin
Financing at 3.5%

Total = 4%
Reduction of Cost of Risk with InnovFin
0.5%

Total = 3%

Cost of the guarantee: 0.5% (or 0.8% for small midcap)
InnovFin SME Venture Capital - Key Features

- VC and BA funds focusing on early stage companies
- Focus on Horizon 2020 objectives (e.g. ICT, life sciences, clean energy, technology)
- Companies in pre-seed, seed, start up phases
- Pari-passu, at least 30% investment from private investors
- Open Call for Expression of Interest until 30/09/2020
- Investment size up to EUR 30m up to 50% of total commitments (catalytic)
InnovFin Product Overview

- **SMEs**
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  - 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

- **Thematic Finance**
  - **InnovFin Energy Demo Projects**
  - **InnovFin Infectious Diseases**
  - SPV, Mid-Caps and Large Caps
  - Project Finance and/or Direct Corporate Lending

- **Advisory**
  - **InnovFin Advisory**
  - Public and Private Sector Promoters
  - Financial Advisory
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
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
<table>
<thead>
<tr>
<th>Company</th>
<th>Amount</th>
<th>Term Loan</th>
</tr>
</thead>
<tbody>
<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>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>SAES Getter</td>
<td>EUR 10m</td>
<td>2015</td>
</tr>
<tr>
<td>Innocoll</td>
<td>EUR 25m</td>
<td>2015</td>
</tr>
<tr>
<td>Planon</td>
<td>EUR 12m</td>
<td>2015</td>
</tr>
<tr>
<td>Kiosked</td>
<td>EUR 15m</td>
<td>2015</td>
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</tbody>
</table>
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
InnovFin Product Overview

**SMEs**
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SMEs and small Mid-Caps < 500 Employees

Intermediated SME/Mid-Cap Financing

**Midcaps**
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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

**Thematic Finance**
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SPV, Mid-Caps and Large Caps

Project Finance and/or Direct Corporate Lending

**Advisory**
- InnovFin Advisory

Public and Private Sector Promoters

Financial Advisory

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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 finances up to 50% of R&D and innovation investments
- Comprehensive due diligence including project due diligence (technical, financial, economic)
- EIB standard documentation

Direct Lending
EUR 25m - EUR 300m

Large Projects
EUR 50m – EUR 600m
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
InnovFin Product Overview

SMEs
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Midcaps
- Mid-Caps < 3,000 Employees
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Large Caps
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Advisory
- Public and Private Sector Promoters
- Financial Advisory
- InnovaFin Advisory
Which projects can be supported?

- Pre-commercial stage; technology needs to be scalable
- Loan: EUR 7.5m – EUR 75m; EUR and local currency; maturity of max 15 years; EIB finances up to 50% of project costs.
- Comprehensive due diligence including project due diligence (technical, financial, economic)
- EIB standard documentation
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- **Advisory**
  - Advisory
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Which projects can be supported?

- Projects which have passed pre-clinical stage and for which clinical validation is needed for further development
- Loan: EUR 7.5m – EUR 75m; EUR and local currency; Loan maturity of max 7 years; EIB finances up to 50% of project costs.
- Broad range of products from standard debt instruments (i.e. senior, subordinated, and mezzanine) to risk sharing instruments (RSL) with forgiveness options
- Comprehensive due diligence including project due diligence (technical, financial, economic)
- EIB standard documentation
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**Direct products**
- Intermediated and/or direct Corporate lending

**Indirect products**
- Direct Corporate Lending
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**
- Enable maximum access to finance for innovative projects

- 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
Visit www.eib.org/innovfin