Supporting Innovation in Spain

Bilbao, 6 November 2015
Welcome address:

Iñigo Urkullu Renteria
Lehendakari,
Basque Government
Overview of the EIB Group and RDI financing options

Birthe Bruhn-Léon
Director for Lending in Iberia, European Investment Bank
EIB at a Glance

We are the world’s largest International Financial Institution

1958
Established to support long-term investments primarily in the European Union. We have over 50 years’ experience in financing sustainable projects.

Shareholders
Owned by the 28 Member States of the European Union.

Source of funds
We raise long-term funds on the international capital markets and as a non-profit organisation we pass favourable borrowing conditions to our clients.

AAA-rated
We’re triple-A rated by all major rating agencies and have a sizeable callable capital of €221bn.
## EIB’s Activities

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

<table>
<thead>
<tr>
<th>Lending</th>
<th>Blending</th>
<th>Advising</th>
<th>Counter-cyclical role</th>
</tr>
</thead>
<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</strong> and <strong>project management matters</strong> to help <strong>catalyse</strong> investments.</td>
<td><strong>Addressing market needs by acting as a countercyclical investor in challenging economic times.</strong></td>
</tr>
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</table>

**90%** of the lending is carried out within the EU.
EIF’s Activities

“ 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
The EIB Group in Figures

provides finance and expertise for sound and sustainable investment projects that promote EU policy objectives

EIB Group financing 2014

EIB 77bn  
EIF 3.3bn

specialist provider of risk finance to benefit innovative SMEs

InnovFin  
EU Finance for Innovators
EIB Group Lending

EUR 80.3bn invested in 2014 in the following policy areas:

- **20.6bn** for strategic infrastructure
- **25.5bn** for smaller enterprises
- **14.7bn** for innovation and skills
- **19.1bn** for climate action
Types of EIB Financing

- **Direct Loans**
  - Project / Structured finance with direct project risk
- **Intermediated Loans**
  - Financial instruments including in partnership with EC
  - Equity through Funds

Banks

Borrower
Types of EIF Financing

Guarantees & Debt Programmes

Equity Programmes

Public Stocks

EIB InnovFin products**

COSME Equity Facility for Growth

InnovFin SME Guarantee

SME Initiative

COSME Loan Guarantee Facility

Cultural and Creative Sector Guarantee Facility*

InnovFin SME Venture Capital

InnovFin Tech Transfer*

EaSI* (Employment & Social Innovation)

ERASMUS+ Student loans

PRE-SEED PHASE

SEED PHASE

START-UP PHASE

EMERGING GROWTH

DEVELOPMENT

* Not yet signed
** InnovFin MidCap Guarantee
InnovFin MidCap Growth Finance
InnovFin Large Projects

SME Development Stages

HIGHER RISK

LOWER RISK
2014 EIB Financing in Spain

EIB lent EUR 11.9bn, generating EUR 71.2bn of investments

Direct lending by sector in Spain in 2014 (in EUR m) as % of direct loans
- Education, health (11%)
- Energy (14%)
- Industry, service, agriculture (16%)
- Transport, telecommunications (47%)
- Water, sewerage, solid waste, urban development (12%)

Direct loans 34%
Intermediated loans for small and medium-scale projects 66%
2014 EIF Exposure in Spain

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

- First EIF operation in Spain: 1997
- 20 financial partners and guarantee providers
- 41 supported Private Equity funds investing in Spanish SMEs

EIF exposure in Spain in 2014 (in EURm)

Guarantees, Equity & Microfinance transactions in Spain
InnovFin: EU Finance for Innovators

- New generation of financial instruments and advisory services launched by the EIB Group to help innovative firms access finance in the framework of Horizon 2020
- EIB focus: loans and guarantees (loans between EUR 7.5m-300m) and advisory
- EIF focus: portfolio guarantees for SMEs (loans between EUR 25k-7.5m) and equity
- Loan maturities: up to 10 years (also longer in specific cases)
- Ranking: senior, subordinated, mezzanine
- Interest: floating, fixed, or convertible
- Competitive pricing and expert review of RDI investments
EIB Support for RDI in Spain

EIB lent EUR 2.4bn between 2007 and 2015

EIB InnovFin Lending by Sector (in EUR m and %)

- AUTOMOTIVE (3%)
- ENERGY (58%)
- ENGINEERING / INDUSTRY (27%)
- FOOD & BEVERAGE (1%)
- MANUFACTURING (3%)
- TRANSPORT (5%)
- LIFE SCIENCE / HEALTH (4%)
### Recent InnovFin Operations in Spain

<table>
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<tr>
<th>Company</th>
<th>Project Details</th>
<th>Amount</th>
<th>Date</th>
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<tr>
<td><em>Acciona</em></td>
<td>RDI in water treatment, RE and infrastructure.</td>
<td>EUR 120m</td>
<td>02-2014</td>
</tr>
<tr>
<td><em>CIE Automotive</em></td>
<td>RDI linked to a broad range of metal and plastic forming technologies.</td>
<td>EUR 51.3m</td>
<td>06-2014</td>
</tr>
<tr>
<td><em>Grupo Siro</em></td>
<td>RDI and energy efficiency investment programs, advanced manufacturing.</td>
<td>EUR 20m</td>
<td>07-2014</td>
</tr>
<tr>
<td><em>ITP</em></td>
<td>RDI for the technology development of large aero-engine components.</td>
<td>EUR 119m</td>
<td>09-2014</td>
</tr>
<tr>
<td><em>MAIER</em></td>
<td>RDI in vehicles’ fuel efficiency and affordable higher quality products.</td>
<td>EUR 7.5m</td>
<td>12-2014</td>
</tr>
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<td><em>Ferrer</em></td>
<td>Research in infectious diseases, oncology, diagnostics and Development in cardiovascular, respiratory.</td>
<td>EUR 50m</td>
<td>05-2015</td>
</tr>
<tr>
<td><em>Abengoa</em></td>
<td>RDI in areas of biotechnology, chemical process development, water treatment, renewable energy.</td>
<td>EUR 75m</td>
<td>07-2015</td>
</tr>
<tr>
<td><em>Ingeteam</em></td>
<td>RDI in renewable energy, smart grids, energy efficiency and traction converters.</td>
<td>EUR 55m</td>
<td>11-2015</td>
</tr>
<tr>
<td><em>Danobatgroup</em></td>
<td>RDI on grinding, turning and machines for composites.</td>
<td>EUR 10m</td>
<td>11-2015</td>
</tr>
<tr>
<td><em>Bankinter</em></td>
<td>Portfolio guarantee for innovative SMEs.</td>
<td>EUR 100m</td>
<td>11-2015</td>
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Investment Plan for Europe: Further options for RDI and other types of financing

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

Ignacio Puente González
Policy Officer, DG Research & Innovation, European Commission

Diego Lucero
Structured Finance Manager, EIF

Marc D’hooge
InnovFin Programme Manager, EIB

Piermario Di Pietro
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**

<table>
<thead>
<tr>
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<th>Innovfin</th>
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<td>Loans</td>
<td>1.20</td>
<td>3.00</td>
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<td>Guarantees</td>
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**Loans and guarantees**

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<tr>
<td>Loans</td>
<td>1.40</td>
<td>18.50</td>
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<tr>
<td>Guarantees</td>
<td>11.30</td>
<td>5.50</td>
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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

**Thematic Finance**
- **InnovFin Energy Demo Projects**
  - SPV, Mid-Caps and Large Caps
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**Advisory**
- **InnovFin Advisory**
  - Public and Private Sector Promoters
  - Financial Advisory

**direct products**
**indirect products**
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*direct products*  *indirect products*
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 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

- 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)

Without InnovFin
Financing at 4%

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

50% of financing

**Total = 4%**

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 = 3%**

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

Cost of the guarantee: 0.5% (or 0.8% for small midcap)
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**Direct products**
- SMEs and small Mid-Caps < 500 Employees
- Intermediated SME/Mid-Cap Financing

**Indirect products**
- Mid-Caps < 3,000 Employees
- Intermediated and/or direct Corporate lending
- Large Caps Direct Corporate Lending
- Project Finance and/or Direct Corporate Lending
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
Sample of Transactions

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

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

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

- **Welltec**
  - EUR 25m
  - 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 Getter**
  - EUR 10m
  - Term loan 2014

- **Innocoll**
  - EUR 25m
  - Term loan 2015

- **Planon**
  - EUR 12m
  - Term loan 2015

- **Kiosked**
  - EUR 15m
  - 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 finances up to 50% of R&D and innovation investments
- Comprehensive due diligence including project due diligence (technical, financial, economic)
- EIB standard documentation
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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**direct products**  **indirect products**
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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**direct products**

**indirect products**
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; 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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**indirect products**
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
InnovFin Case Studies:

Eduardo Giménez
Corporate Marketing Director, Ingeteam

Iñigo Ucin Azkue
CEO, Danobat Group

Jacobo Díaz Garcia
Director of Products and Innovation, Bankinter

José Ramón Bazo
Director General, Nextel
InnovFin Case Studies

Question and answer session
Prospects for R&I Investments in Spain

Roberto Sánchez Sánchez,
Head of Cabinet,
General Secretary of Science, Technology and Innovation
Concluding remarks

Román Escolano
Vice-President,
European Investment Bank