

EFSI Operation Scoreboard¹

PROJECT PRESENTATION	
<u>Project name</u>	MARCEGAGLIA INNOVATION AND ENERGY EFFICIENCY
<u>Promoter and financial intermediary</u>	MARCEGAGLIA STEEL SPA
<u>Country of implementation</u>	Italy
<u>Summary project description</u>	<p>The steel industry is characterised by fierce global competition that requires a high level of production efficiency and a continuous search for products with greater value added and high technological content, and with a strong quality component in service and in logistics. The digital revolution is strongly affecting the sector and is transforming the way of producing and of relating to the whole value chain (suppliers, customers). In this context, the project is strategically justified because it supports Marcegaglia in its effort to improve cost efficiency, increase long-term production sustainability and enhance the optimal use of data (via Advanced Manufacturing Technology (AMT)/Industry 4.0 and digitalisation solutions).</p> <p>The project has two different components. The first component consists of the implementation of multiple AMT and digitalisation measures. The second component encompasses energy generation and energy efficiency measures.</p>

¹ This Scoreboard of indicators reflects the information presented to the EFSI Investment Committee (IC) for its decision on the use of the EU guarantee for this operation. Therefore, the document does not take into account possible developments that could have occurred after this decision.

Parts of this document that fall under the exceptions for disclosure defined by the EIB Group Transparency Policy, notably under articles 5.5 (protection of commercial interests) and 5.6 (protection of the Bank's internal decision-making process), have been replaced by the symbol [...].

PROJECT PILLAR ASSESSMENT

Pillar 1

Contribution to EU policy	Significant
Cross-cutting objectives	
Climate Action	44.00%
EFSI	
Contribution to EFSI	100.00%
EFSI: Research, development and innovation	56.00%
Other research, development and innovation	56.00%
EFSI: Development of the energy sector in accordance with the Energy Union priorities	44.00%
Expansion of the use or supply of renewable energy	4.00%
Energy efficiency and energy savings (with a focus on reducing demand through demand side management and the refurbishment of buildings)	40.00%

Pillar 2

Quality and soundness of the project	Good
1. Growth	[...]
2. Promoter capabilities	[...]
3. Sustainability	[...]
4. Employment	[...]

This pillar evaluates the quality and soundness of the operation. This pillar is composed of up to four indicators, as relevant, among which:

- (i) "Growth" i.e. for example and where relevant the economic rate of return ('ERR'), which considers the project's socioeconomic costs and benefits, including its spillover effects;
- (ii) "Promoter capabilities" i.e. the capacity of the promoter/intermediary to implement the project and create the expected impact at the [final] beneficiary level;
- (iii) "Sustainability" i.e. environmental and social sustainability²;
- (iv) "Employment" i.e. the project's direct employment effect;
- (v) "Increasing access to finance and improving financing conditions including for final beneficiaries".

² For additional information on the EIB's assessment of the project's environmental and social aspects, please refer to the project's Environmental and Social Data Sheet (ESDS) published on the EIB website.

Pillar 3

EIB Technical and financial contribution to the project	Moderate
1. Financial contribution	[...]
2. Financial facilitation	[...]
3. Advice	[...]

This pillar measures the EIB's particular contribution to the project and its financing scheme in the form of financial and non-financial benefits which go beyond what commercial players would normally be able to offer. This dimension of value added is assessed through up to three indicators:

(i) "Financial Contribution" i.e. improving the counterpart's funding terms compared to market sources of finance (interest rate reduction and/or longer lending tenor);

(ii) "Financial Facilitation" i.e. helping to attract private financiers (for example through positive signaling effects), promoting synergies in co-financing with other public sources of funds including National Promotional Banks or EU financial instruments;

(iii) "Technical Contribution and Advice" i.e. providing advice with a view to optimizing the financing package (financial structuring), or technical advisory services in the form of expert input / knowledge transfer - provided in-house by the EIB or in the form of assignments to external consultants - to facilitate the preparation or implementation of a project.

Pillar 4 - Complementary indicators

Additionality

The operation will address the EFSI objective of supporting research, development and innovation (RDI). The operation will in particular support the promoter's implementation of multiple AMT and digitalisation measures. The operation will also target the EFSI objective of development of the energy sector in accordance with the Energy Union priorities, specifically energy efficiency and energy savings as well as renewable energy production. The investment will allow the promoter to implement two combined heat and power (CHP) plants as well as photovoltaic plants for in-house electrical power and heat generation. All electrical and thermal power will be auto consumed. This will increase energy efficiency of the promoter's activities and reduce its green house gas emissions. Moreover, the investment will contribute towards the company's self-sufficiency in covering its demand for electricity and heat. The operation will significantly contribute to the Climate Action objectives of the EIB.

The financing of this project addresses market failures by supporting RDI activities (through investments in advanced manufacturing technology) as well as digitalization measures, which generate significant positive knowledge and technology spillover, through the creation of innovative processes, products and through skills development and upgrading. The financing of this project will also address the failure in financial markets for RDI and energy efficiency in the capital intensive steel industry, arising from the combination of limited access to long term financing and higher cost of financing. The EFSI support will help the promoter to face a sub-optimal investment situation which is due in particular because of the cyclical nature of the industry.

The operation is expected to fall under the EIB Special Activity category, in particular because of the tenor, the unsecured structure of the loan and the challenging characteristics of the steel industry. The EIB would not be able to provide such type of financing support during the period in which the EU guarantee can be used, or not to the same extent, without EFSI.

The EIB financing under EFSI shall provide comfort and a positive signalling effect to the market on the soundness of the borrower's strategy, and a catalytic effect strengthening commercial lenders' confidence in the borrower's capacity to pursue its strategic objective and investment plan.

This will be the first operation with the promoter for the EIB.

Set of indicators related to the macroeconomic environment

Italy - Economic environment

Economic Performance

	IT 2017	EU 2017	US 2017	IT 2001-2007
GDP per capita (EUR, PPS)	28,813.75	29,996.06	43,470.37	31,529.58
GDP growth (%)	1.57	2.43	2.21	1.16
Potential GDP growth (%)	0.25	1.56	2.02	1.04
Output gap (% of potential GDP)	-0.97	0.08	0.03	1.54
Unemployment Rate (%)	10.90	7.30	4.10	7.62
Unemployment Rate (%) - Y/Y change (% points)	-0.79	-0.89	-0.60	-0.44
Bank-interest rates to non-financial corporations (%)	1.14	1.33	2.37	3.81
Bank-interest rates to non-financial corporations (%) - Y/Y change (% points)	0.04	-0.04	0.39	0.02
Investment rate (GFCF as % of GDP) - Total	17.61	20.16	20.45	21.06
Investment rate (GFCF as % of GDP) - Public	1.95	2.73	3.30	2.87
Investment rate (GFCF as % of GDP) - Private	15.65	17.42	17.15	18.18

Energy

	2013	2014	2015	2016	EU (latest available)
Energy consumption from renewables (%)	16.69	17.10	17.50	--	16.69
Energy consumption from renewables - distance to EU 2020 target (%)	0.30	-0.10	-0.50	--	3.30
Energy dependence (%)	76.79	75.90	--	--	53.50
Primary energy consumption (consumption in 2005 =100)	84.40	79.29	82.40	--	89.29
Energy intensity of the Economy (kg of oil equivalent per 1 000 EUR)	116.84	--	--	--	141.68
Primary energy consumption (Million Tonnes of Oil Equivalent)	153.19	143.80	149.59	--	1,529.59
Primary energy consumption (Million Tonnes of Oil Equivalent) - distance to EU 2020 target	-4.80	-14.19	-8.40	--	46.59

General Sector Indicators

	2013	2014	2015	2016	EU (latest available)
Value added in Manufacture of basic metals (% of total VA)	--	--	--	--	0.60
Employment in Manufacture of basic metals (% of total employment)	--	--	--	--	0.50

Research, development and innovation

	2013	2014	2015	2016	EU (latest available)
Gross domestic expenditure on R&D (GERD) (% of GDP)	1.31	1.38	1.33	--	2.03
Gross domestic expenditure on R&D (GERD) distance to EU 2020 target (% of GDP)	0.22	0.15	0.20	--	0.97
Research and development expenditure - Government (% of GDP)	0.18	0.18	0.18	--	0.24

Research and development expenditure - Higher education (% of GDP)	0.37	0.39	0.38	--	0.47
Research and development expenditure - Business (% of GDP)	0.72	0.76	0.74	--	1.30
Research and development expenditure - Private non-profit sector (% of GDP)	0.04	0.04	0.04	--	0.02
Eco-innovation index (EU =100)	95.00	99.00	106.00	--	100.00

- Country average for "GDP per capita (EUR, PPS)" is calculated in real terms

- EU value for "Bank-interest rates to non-financial cooperations" corresponds to Euro Area average; Country average is the simple average between 2003 and 2007

- The EU value is displayed as the value in the year that corresponds to the latest value of the indicator in a particular country

Other indicators³

Key project characteristics	Expected value at PCR
Start of works	01.01.2019
End of works	31.12.2021
Project investment cost [MEUR]	241.60 MEUR
EIB/EFSI eligible investment mobilised [MEUR]	241.60 MEUR
External EFSI multiplier	2.42
External EIB (non-EFSI) multiplier	
Amount of private financing [MEUR]	141.60 MEUR
Quick start (% of expenditure during 2015-2018) [%]	
Co-financing with national promotional banks [MEUR]	0.00 MEUR
Co-financing with structural funds (ESIF) [MEUR]	0.00 MEUR
Co-financing with other EU instruments (i.e. Horizon 2020, Connecting Europe Facility, etc) [MEUR]	
Energy efficiencies realised [MWh/a]	181,653.00 MWh/a
Climate Action indicator	4.00% Mitigation - Renewable Energy (transversal) / 40.00% Mitigation - Energy Efficiency (transversal)
Employment during construction - temporary jobs [person years]	477 person years
Employment during operation - new permanent jobs [FTE]	0 FTE

³ For additional information on the EIB's assessment of the project's environmental and social aspects, please refer to the project's Environmental and Social Data Sheet (ESDS) published on the EIB website. The abbreviation PCR stands for Project Completion Report. If applicable, a difference between the amount of Project investment costs and EIB/EFSI eligible investment mobilized might derive from the fluctuation of the underlying exchange rate.