

EFSI Operation Scoreboard¹

PROJECT PRESENTATION	
<u>Project name</u>	ARVEDI RDI & ADVANCED MANUFACTURING TECHNOLOGY
<u>Promoter and financial intermediary</u>	FINARVEDI SPA
<u>Country of implementation</u>	Italy
<u>Summary project description</u>	<p>Arvedi operates in the steel industry's complex and competitive environment characterised by high capital intensity, constant technological change, volatile raw material (e.g. steel scrap and pig iron) prices, exposure to cyclical end-industries and fierce global competition. In addition, the European steel manufacturers are under considerable pressure to reduce the environmental and carbon footprint of their manufacturing processes and products. This is in many cases enabled by innovation and/or the deployment of advanced manufacturing technology (AMT) or through the implementation of circular economy solutions and models.</p> <p>The promoter is the only European company to manufacture flat steel products, in a significant quantity, based to a large extent on scrap recycling employing the electric arc furnace production route and this in combination with highly efficient and competitive rolling techniques. In fact, the promoter developed in the past endless strip rolling techniques which enable highly energy efficient and competitive hot rolling of very thin coils. This steel manufacturing route, as well as the increase of the usage of scrap in steel manufacturing are identified among others by the International Energy Agency as a key sustainable technology for the steel industry.</p> <p>Overall, Arvedi produces carbon steel coils with by far the lowest carbon footprint in Europe.</p> <p>Arvedi's strategy is focused on and specialises in among others: (i) the manufacturing of thin and ultra thin carbon steel coils including their further processing and in (ii) manufacturing of carbon steel coils using primarily scrap as raw material for high quality steel grades.</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5.5 (protection of commercial interests) and 5.6 (protection of the Bank's internal decision-making process), have been replaced by the symbol [...].

In this context, the project is strategically justified as it will support Arvedi's efforts to further decrease its environmental footprint through investments in RDI activities, in circular economy measures and photovoltaic electricity generation and to further exploit its expertise in rolling of thin and ultra-thin steel coils by investing in new AMT downstream processing lines specifically designed for this type of products.

The project has four different components namely, the promoter's RDI activities, the deployment of AMT equipment and machinery, circular economy measures and photovoltaic renewable energy generation. More in detail:

- The promoter's RDI activities which will focus on (i) the development of improved scrap treatment and processing that will enable an increased usage of scrap and (ii) on the efficiency of its manufacturing processes. Ultimately, this will increase the circularity and reduce the environmental footprint of its products.
- The deployment of AMT equipment and machinery: the new AMT lines are specifically designed for thin and ultra-thin coils. This will lead to a slight manufacturing capacity increase in these downstream processing steps but those are marginal if compared to EU demand of the respective products. This investment will enable Arvedi to further increase the share of high value added products in its product portfolio.
- Investment in an in-house scrap treatment and preparation facility with the goal to increase the purity of the scrap before entering the steel manufacturing process. Such an increase in scrap purity will enable a further increase of scrap usage in its raw material mix and enable partial inhouse scrap treatment.
- The promoter's investment in PV electricity generation primarily dedicated for in house selfconsumption will help the promoter to achieve its ambitious climate goals.

PROJECT PILLAR ASSESSMENT

Pillar 1

Contribution to EU policy	Significant
Cross-cutting objectives	
Climate Action	37.00%
EFSI	
Contribution to EFSI	100.00%
EFSI: Research, development and innovation	76.00%
Projects that are in line with Horizon 2020	16.00%
Other research, development and innovation	60.00%
EFSI: Development of the energy sector in accordance with the Energy Union priorities	3.00%
Expansion of the use or supply of renewable energy	3.00%
EFSI: Environment and resource efficiency	21.00%
Other environment and resource efficiency	21.00%

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		Significant
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

In line with the EFSI objective of supporting research, development and innovation (RDI), in particular projects that are in line with resource efficiency objective, the operation will support development of leading edge technologies and solutions in the steel manufacturing sector. The project will enable the borrower to retain its leading knowledge and long-term competitiveness in the sector and thereby contribute to Europe's RDI, competitiveness and economic growth helping maintain highly skilled staff engaged in RDI activities in Europe. In addition, the support of the Borrowers investment in installing renewable energy sources will result in 37% of the Project contributing to the EIB Climate Action objective.

The financing of this project addresses market failures by supporting innovation through the deployment of advanced manufacturing technology, which generates significant positive knowledge and technology spill over, through the creation of innovative processes, products and through skills development and upgrading. In addition, the investment in circular economy measures as well as the installation of the photovoltaic plants for in-house electrical power generation will reduce consumption of primary raw materials, increase the recuperation of valuable raw materials and reduce both direct and indirect greenhouse gas emissions. Finally, the financing of this project addresses the failure of the financial markets to support investments in innovation in the capital-intensive steel industry, which manifests itself as higher cost of financing.

The operation is expected to fall under the EIB Special Activities category. This is in particular due to the relatively long tenor of the financing provided, the unsecured structure of the loan, the RDI intensive nature of the operation as well as the volatile and competitive nature of the markets in which the borrower operates. 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 envisaged financing is expected to provide comfort and a positive signalling effect to the market on the soundness of the company's strategy. This will enable the borrower to attract additional long-term financing from private investors and other banking lenders in the current financial context, characterised by major uncertainties caused by the COVID-19 outbreak.

Set of indicators related to the macroeconomic environment

Italy - Economic environment

Economic Performance

	IT 2018	EU 2018	US 2018	IT 2001-2007
GDP per capita (EUR, PPS)	29,550.74	30,935.11	43,569.11	31,924.98
GDP growth (%)	0.86	1.97	2.86	1.17
Potential GDP growth (%)	0.46	1.60	2.24	1.05
Output gap (% of potential GDP)	-0.12	0.62	0.74	1.55
Unemployment Rate (%)	10.40	6.60	3.90	7.64
Unemployment Rate (%) - Y/Y change (% points)	-0.50	-0.60	-0.20	-0.43
Bank-interest rates to non-financial corporations (%)	1.05	1.26	--	3.81
Bank-interest rates to non-financial corporations (%) - Y/Y change (% points)	-0.09	-0.06	--	0.02
Investment rate (GFCF as % of GDP) - Total	17.97	20.54	20.84	21.07
Investment rate (GFCF as % of GDP) - Public	2.11	2.86	3.31	2.88
Investment rate (GFCF as % of GDP) - Private	15.86	17.68	17.53	18.19

General Sector Indicators

	2014	2015	2016	2017	EU (latest available)
Value added in Manufacture of basic metals (% of total VA)	0.53	0.52	0.56	--	0.58
Employment in Manufacture of basic metals (% of total employment)	0.54	0.53	0.52	--	0.45

Research, development and innovation

	2014	2015	2016	2017	EU (latest available)
Gross domestic expenditure on R&D (GERD) (% of GDP)	1.34	1.34	1.37	1.35	2.06
Gross domestic expenditure on R&D (GERD) distance to EU 2020 target (% of GDP)	0.19	0.19	0.16	0.18	0.94
Research and development expenditure - Government (% of GDP)	0.18	0.18	0.17	0.17	0.23
Research and development expenditure - Higher education (% of GDP)	0.36	0.34	0.33	0.33	0.45
Research and development expenditure - Business (% of GDP)	0.76	0.78	0.83	0.83	1.36
Research and development expenditure - Private non-profit sector (% of GDP)	0.04	0.04	0.03	0.02	0.02
Eco-innovation index (EU =100)	100.00	104.00	110.00	113.00	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	01.01.2020
End of works	31.12.2023
Project investment cost [MEUR]	202.80 MEUR
EIB/EFSI eligible investment mobilised [MEUR]	202.80 MEUR
External EFSI multiplier	1.84
External EIB (non-EFSI) multiplier	
Amount of private financing [MEUR]	52.70 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]	
Climate Action indicator	3.00% Mitigation - Renewable Energy (transversal) / 13.00% Mitigation - RDI (transversal) / 21.00% Mitigation - Other (transversal)
Employment during construction - temporary jobs [person years]	509 person years
Employment during operation - new permanent jobs [FTE]	124 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.