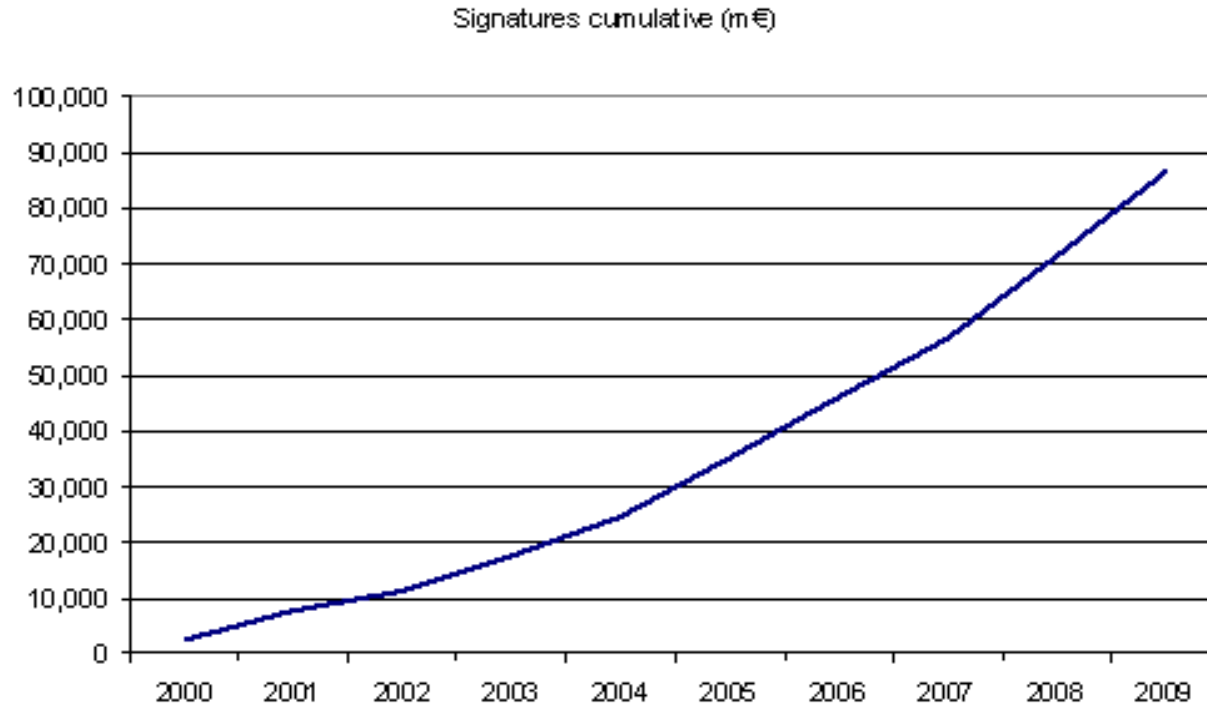


The innovation in the EU policy and EU programmes

**2 June 2010
8, Avenue des Arts
1210 Bruxelles**

EIB and knowledge economy

- RDI : Lisbon driver in 2000
- 2009: more lending EUR 18.2bn from EUR 12.5bn in 2008
- Project finance
- Risk Sharing Finance Facility
- Key sectors life sciences, energy and ICT
- Also Equity, Venture Capital, Tech transfer

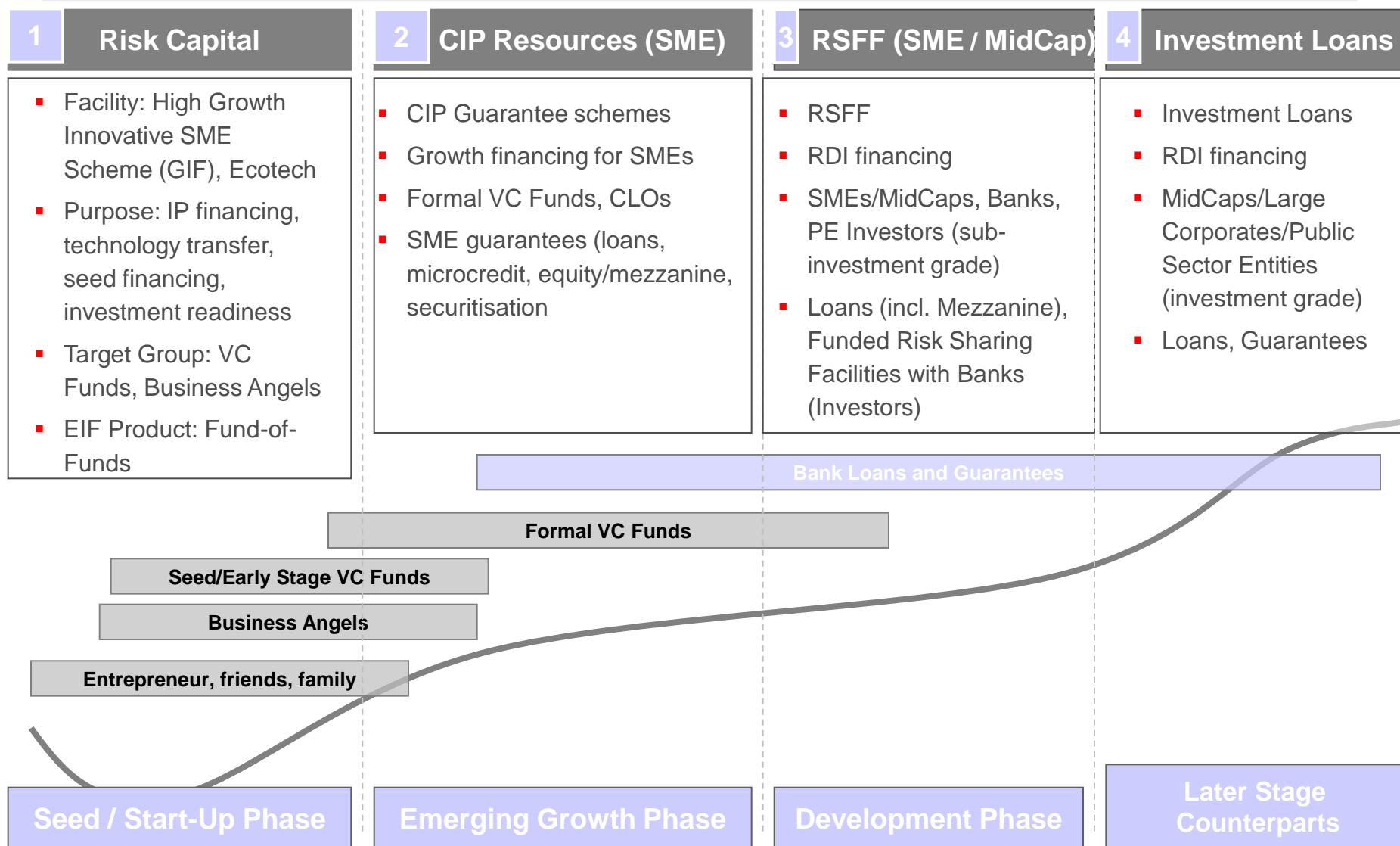


- In 2000 EIB pledged to make loans worth €50bn for the “Knowledge Economy” target by 2010. The €50bn barrier was already surpassed in 2007.

Cooperation with universities

- Bricks and Mortar (infra, research labs, equipment)
- But also intangibles (e-learning, staff)
- Partnership for Student loans
- Tech transfer
- EIB University Action Programme

EIB Group products



Risk Sharing Finance Facility (RSFF)

Summary Review and Status of Implementation

Risk Sharing Finance Facility – Key Bullet Points

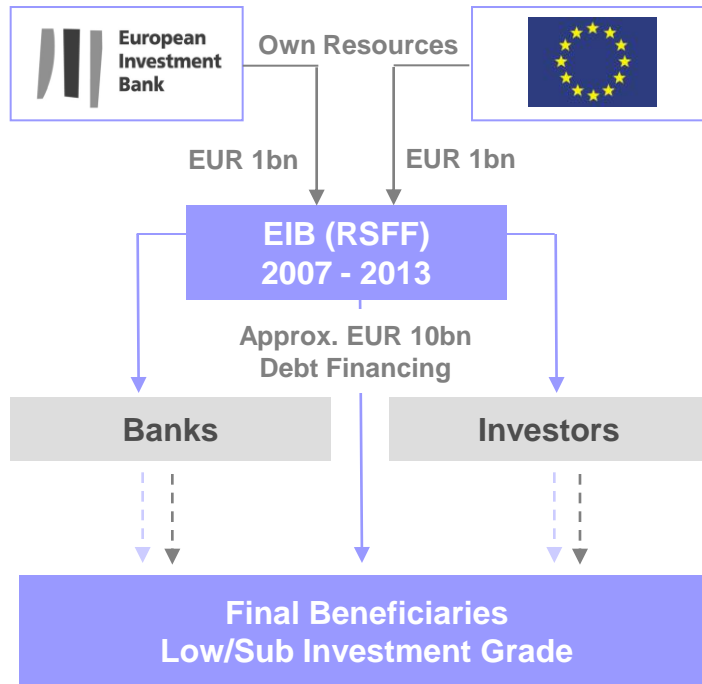
- EIB has prioritised investment in research, development and innovation (RDI) as it is one of the key factors necessary to improve competitiveness and ensure long-term economic growth and employment in Europe.
- Investment in RDI is a key EU priority under the Lisbon Strategy, as Europe has set the medium-term goal of becoming the most competitive and dynamic knowledge-based economy in the world.
- RSFF, the Risk Sharing Finance Facility, **is a EUR 10bn EIB loan facility** to finance high-risk investments in Research, Development and Innovation (RDI). **RSFF provides substantial additional risk sharing finance** to complement more conventional sources of finance such as grants, equity and loans.
- RSFF is being implemented in joint cooperation between the European Commission and the EIB which have provided EUR 1bn capital each to cover the risks borne by the EIB when financing RDI projects under RSFF for the period 2007-2013. This capital of EUR 2 billion is intended to provide for the risks involved.
- RSFF has shown excellent results to date and by the end of 2009, 2.5 years since RSFF was launched, loans worth more than EUR 6bn (60% of the total RSFF facility) have been approved and loans of ca. EUR 4bn (40% of total) will have been signed by end 2009.

Risk Sharing Finance Facility – Key Bullet Points

- RSFF operations have already been approved in 21 countries and it is planned to extend financing for RDI projects to all EU Member States and Associated Countries in the next 2 years.
- The main sectors covered so far are Life Sciences (23%), Engineering (40%) and Renewable Energies (18%), but include also Research Infrastructures (Alphasat) and SMEs which are financed through both the Bank's financial intermediaries and through innovative financing instruments from both EIB and EIF.
- The significant advantage of RSFF is that it provides a wide range of risk sharing debt financing resources on EIB terms, ranging from senior and sub-ordinated loans to structured finance like Payment-in-Kind (PIK) loans; it also provides risk-sharing facilities to commercial banks, particularly for SMEs.
- The implementation of RSFF is ahead of schedule proving the high market demand for this type of risk sharing debt financing, as well as confirming that this joint financing instrument from the European Commission and EIB which blends the financial resources and expertise of EIB with the budgetary resources of the Commission is particularly effective in accelerating investment in RDI throughout the entire EU.
- The Commission has advanced about EUR 420m, almost half of its capital contribution, to date; this amount has already been fully utilised. The demand for RSFF is expected to continue at high levels.

Risk Sharing Finance Facility

A new Source of Risk Capital



- EIB RSFF funds complement other sources of debt capital available for low/sub investment grade RDI intensive corporates
- EIB RSFF funds are highly attractive for potential beneficiaries because of:
 1. Highly attractive terms & conditions (AAA rating and non-for-profit pricing)
 2. Long maturities of up to 10 years or more
 3. Direct EIB participation of up to EUR 300m per transaction (depending on rating)
 4. Strong technology/industry expertise
 5. EIB does not sell assets on the secondary market (buy and hold strategy)
 6. No cross selling (just long-term lender)
 7. Signalling Effect: EIB as a quality stamp
 8. Debt and Mezzanine Debt Product

Risk Sharing Finance Facility

Eligibility categories

Fundamental research

Definition stage / feasibility studies

Industrial research

Pre-competitive development activity

Pilot and demonstration projects

Innovation

- Geographic Scope: EU 27 and Associated countries (Iceland, Liechtenstein, Norway, Switzerland, Israel, Turkey, Croatia, FYROM, Serbia, Albania and Montenegro)

EIB financing solutions under RSFF

Key counterpart groups

I. Corporate / Project Finance

- **Targeted beneficiaries:** Mid-sized and large corporations (low/sub-investment grade),
- **Product Ideas:** RSFF loans and guarantees (Structured individual corporate loans - senior/junior debt, mezzanine),
- **EIB value added:** Lower Financing Cost, increase of debt capacity (in case of subordination), project risk sharing.

II. Risk Sharing with Universities

Targeted beneficiaries: Universities, research institutes, science parks,
Product Idea: RSFF loans and guarantees; Royalty fund,
EIB value added: Increased access to financing for universities; facilitates partnerships and PPPs; monetize royalty streams of research results (e.g. patents).

NEW PRODUCT DEVELOPMENTS

Targeted beneficiaries: Joint Technology Initiatives (JTIs), European Technology Platforms (ETPs), Multi country Research Infrastructures (ESFRI),
Product Ideas: PPPs, SPVs and RSFF/ERCF loans and guarantees for R&D programmes,
EIB value added: facilitate both public and private sector financing of Research Infrastructure through conventional as well as structured finance.

Targeted beneficiaries: SMEs & Mid Caps (low / sub-investment grade),
Product Ideas: RSFF loans and guarantees, Risk Sharing Global Authorisations,
EIB value added: Beneficiaries: risk sharing, higher debt capacity, lower financing cost; Banks: risk sharing, capital relief, customers cross selling.

III. R&D and Infrastructure Consortia

IV. Risk Sharing with Banks

Risk Sharing Finance Facility

Risk categories

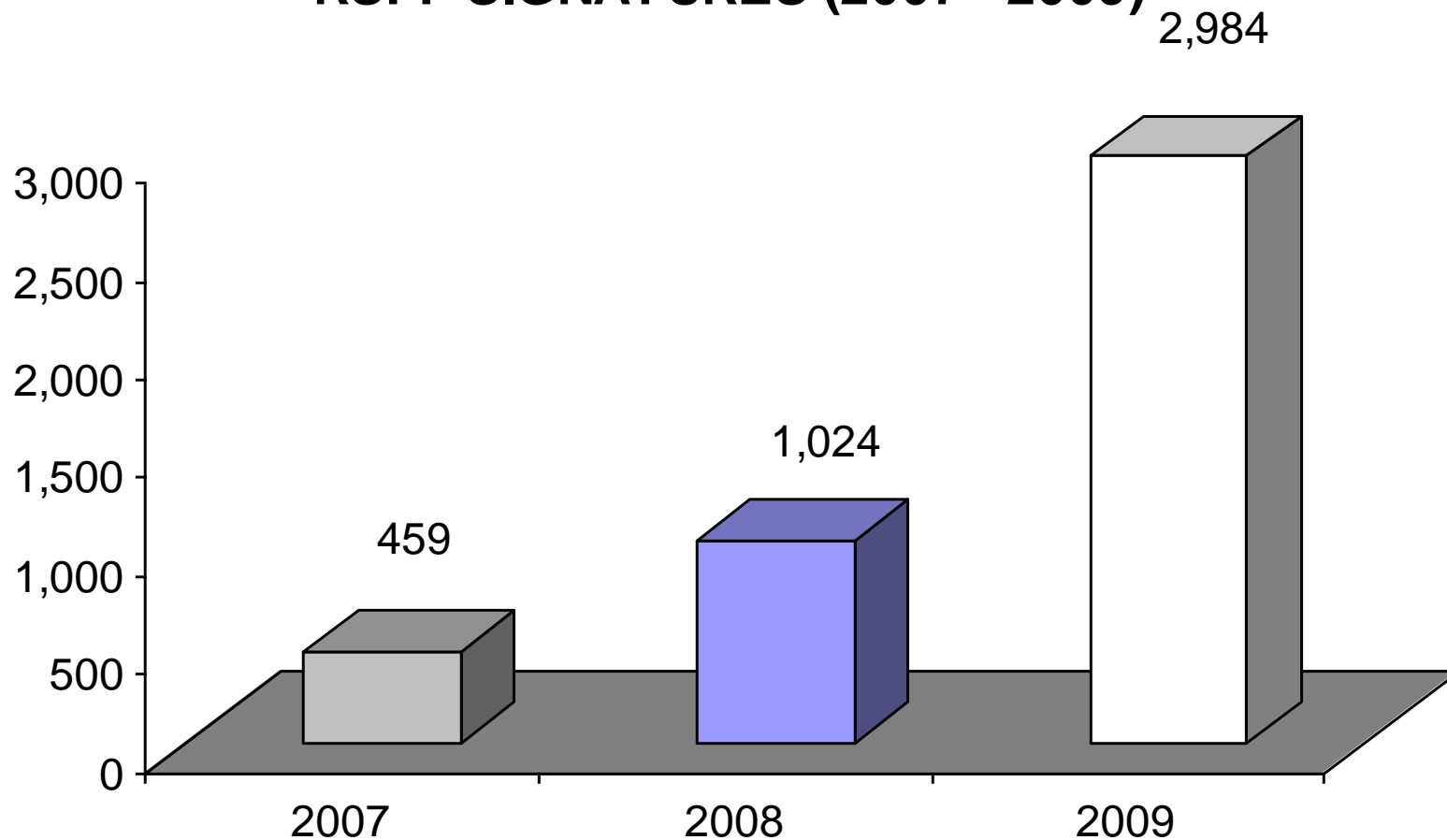
Moody's	S&P and Fitch
...	...
A1	A+
A2	A
A3	A-
Baa1	BBB+
Baa2	BBB
Baa3	BBB-
Ba1	BB+
Ba2	BB
Ba3	BB-
B1	B+
B2	B
B3	B-

- RSFF is a debt based instrument not a grant
- Financing does not involve a subsidy element
- The facility does not concern risk capital such as venture capital



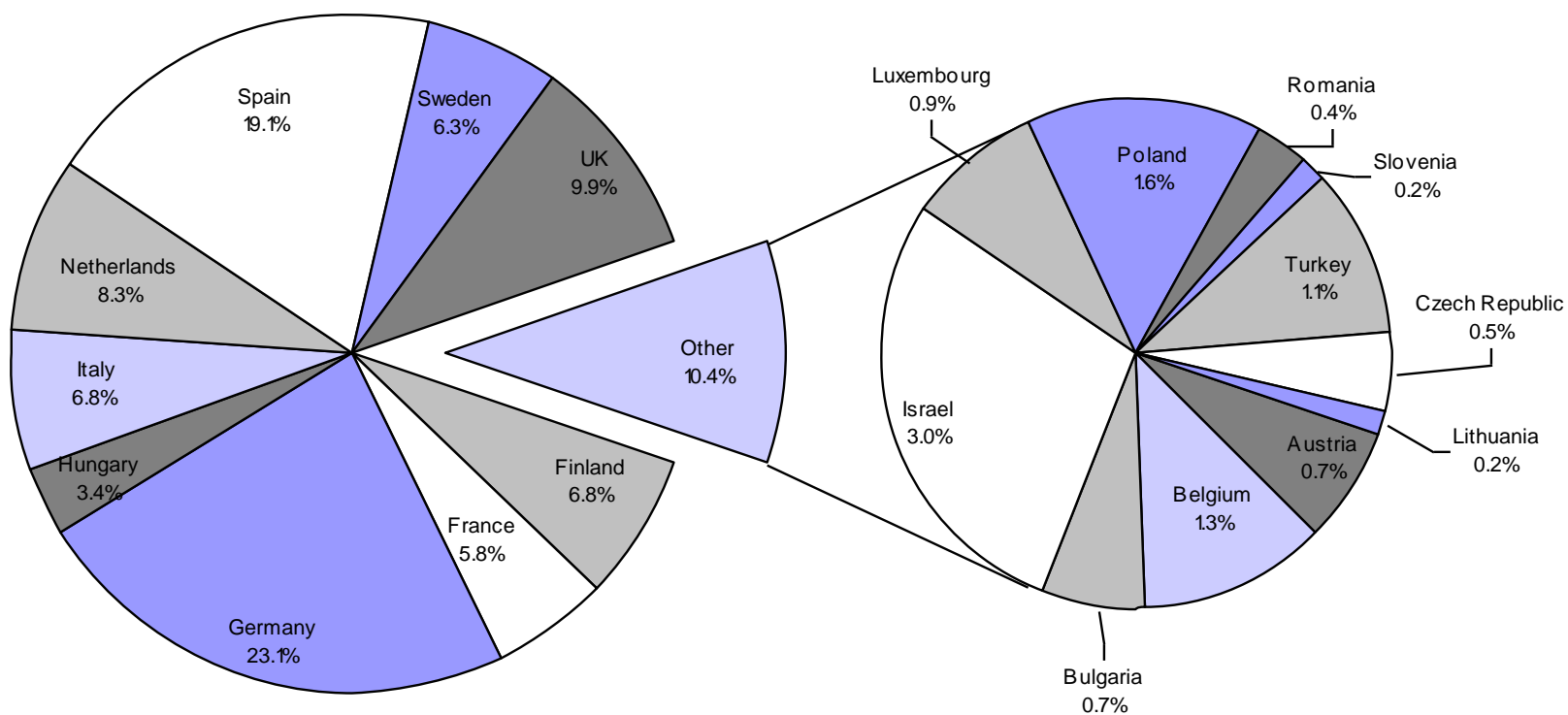
- RSFF concerns companies or projects mature enough to demonstrate capacity to repay debt on the basis of a credible business plan.
- An external rating is not required.

RSFF SIGNATURES (2007 - 2009)



Total RSFF Signatures reached EUR 4.5bn by end 2009.

RSFF Signatures (2007 - 2009)



RSFF Signatures (by Sector)



Tech Transfer (1)

"Innovation Union" to improve framework conditions and access to finance for research and innovation so as to ensure that innovative ideas can be turned into products and services that create growth and jobs."

Technology Transfer (TT) can be broadly defined as “the process of converting scientific findings from research organisations into useful products by the commercial sector through mainly three main different channels:

- the creation of new companies (spin-outs)
- licensing collaboration between universities, research organisations and industry notably via research/consulting contracts

Tech Transfer (2)

History of EIF Technology Transfer investments

- Scale-up of activities since TTA study (2005)
- No dedicated mandate, did investments so far with own resources, CIP & RCM
- 7 operations in total (4 new pure TT operations and 3 legacy investments)

Characteristics of Tech Transfer operations <illustrated in following slides>

1. Take different shapes
2. Long lead times and low transformation ratio
3. Scale is key
4. Fundraising is hard

TT today is not a well defined activity, with a number of **key questions** remaining:

- No fixed model
- No dedicated mandate
- Research commercialisation through licensing not well covered

EIF Tech Transfer transactions

Chalmers Innovation

- SEK 170 m
- Signed July 2008
- Investing in start-up companies originating from Chalmers University and incubated by the Chalmers Innovation incubator in Gothenburg

Karolinska Development

- EUR 26.7 m
- Signed Nov 2009
- Co-investment fund, investing alongside Karolinska Development in life science spin-outs throughout Scandinavia

UMIP Premier Fund

- GBP 32m fund
- Signed April 2008
- Fund, managed by MTI, invests in university spin-outs originating from the University of Manchester

Imprimatur (JEREMIE: development objective) - ongoing transaction -

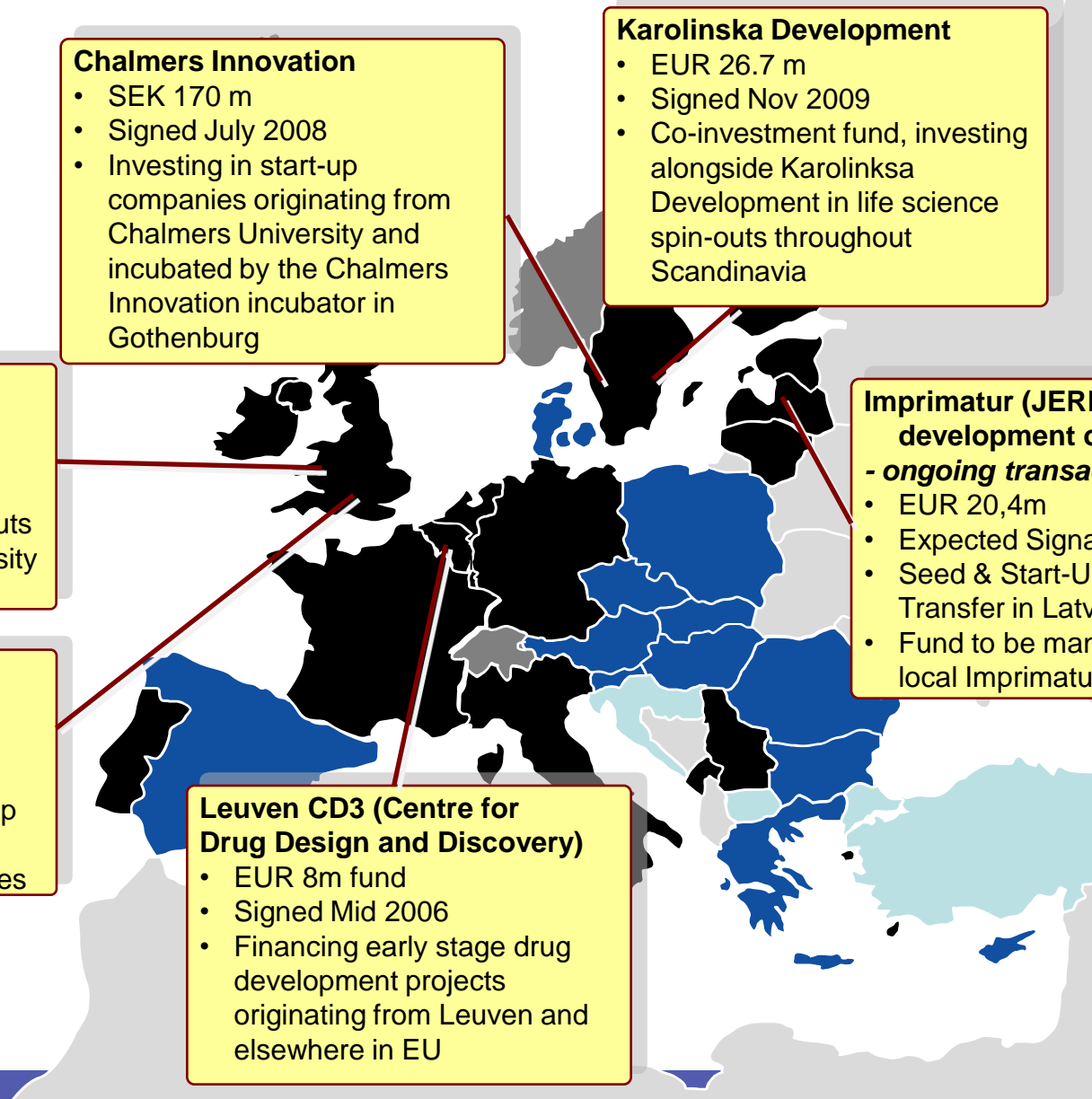
- EUR 20,4m
- Expected Signature 2010
- Seed & Start-Ups / Tech Transfer in Latvia
- Fund to be managed by the local Imprimatur team in Riga

IP venture fund UK

- GBP 31m fund
- Signed September 2006
- Fund invests 25% of all financing rounds of IP group spinouts, originating from more than 10 UK universities

Leuven CD3 (Centre for Drug Design and Discovery)

- EUR 8m fund
- Signed Mid 2006
- Financing early stage drug development projects originating from Leuven and elsewhere in EU



Tech transfer: lessons learnt

- This is not Venture Capital
- Spin-outs are not the entire story -- the importance of licensing
- IP management required to achieve optimal allocation across IP lifecycle
- Long-term partnerships with research centres: build trust, no individual entry valuations, ex ante agreements, no dilution -- Privileged access to deal flow and “Bears’ hug”
- Increasing interest from private co-investors
- Business development and lead-time
- Longer time-horizon
- Clear funding gap

EU 2020 Strategy

3 Growth Priorities

Smart

Economy based on knowledge and innovation

Sustainable

Resource efficiency, green and competitive economy

Inclusive

Social and economic cohesion

7 Flagships

- Innovation Union
- “Youth on the move”
- Digital Agenda
- “Resource efficient Europe” (-30% emissions)
- “An industrial policy”
- New skills and jobs
- European Platform against poverty

EIB Group 2020 strategy
(sectors / products)
EIB 2020 Task force
Outcome mid-2010

Leveraging finance in support of EU strategy within EIB Group
and with Member States