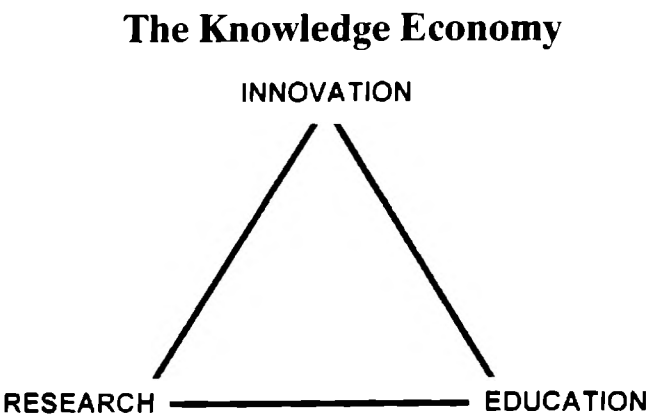


EIB financing of the Knowledge Economy, RDI, Technology and Industry

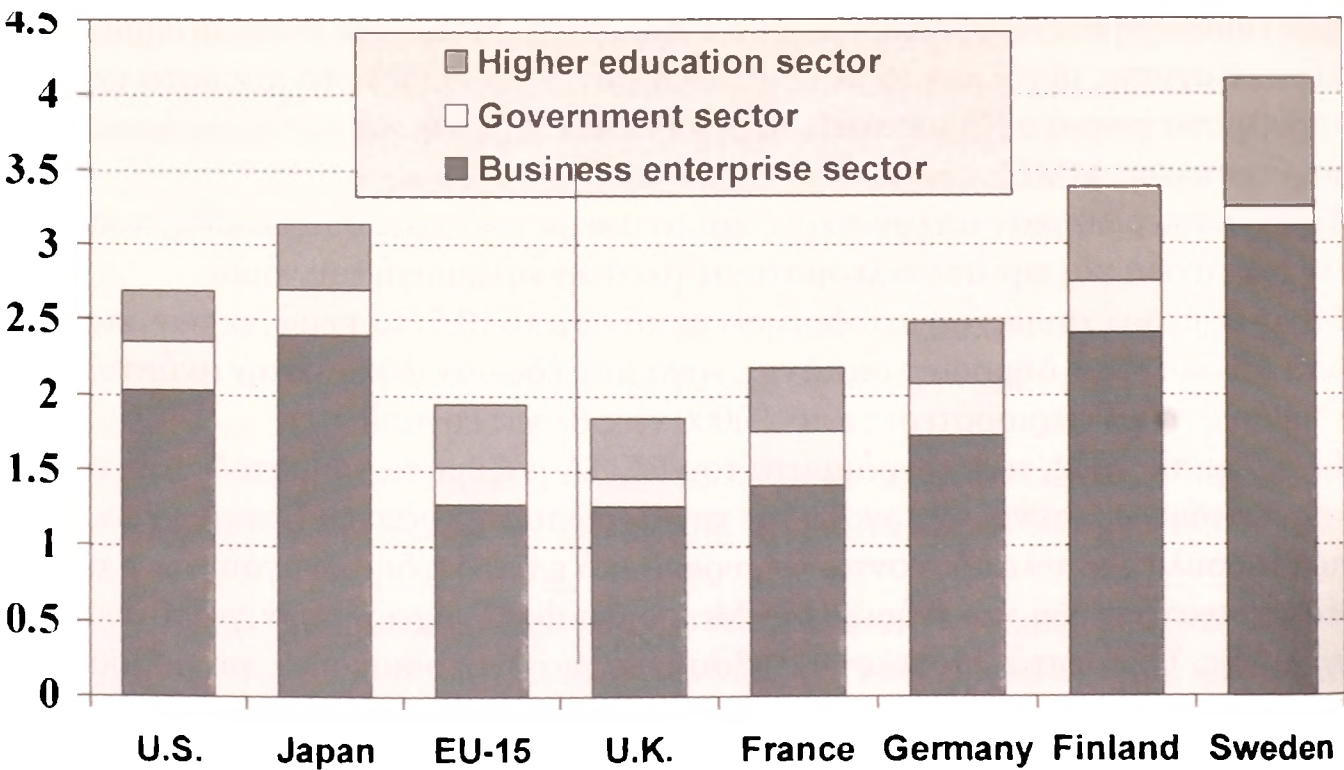
By Mr. **T. C. BARRETT**
Director, EIB



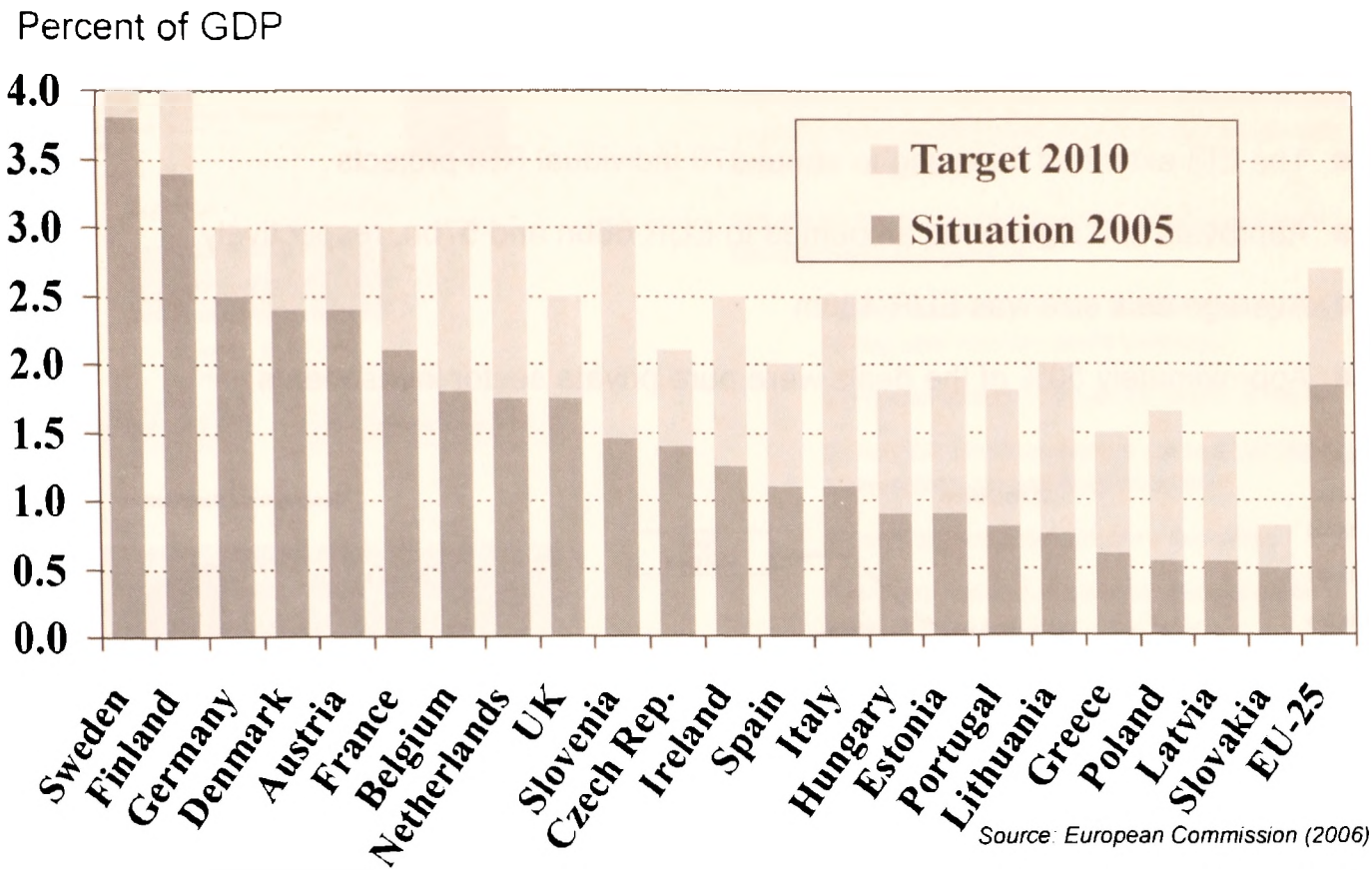
- Encompasses all stages from knowledge creation to its application in new products, processes and services
- Three broad areas of EIB activity : education, R&D, innovation
- Aims at promoting excellence, driving the knowledge frontier, accelerate the “catch-up” process

EU behind US and Japan in Private Sector R and D

Research and development as a share of GDP, 2000-2004 (%)



Lisbon Agenda Status



Lisbon Agenda
Plan for Action

Encourage private-sector to do more...

Main Obstacles to Innovation

Excessive Risk

Lack of
Financial Resources

Lack of qualified
Human Resources

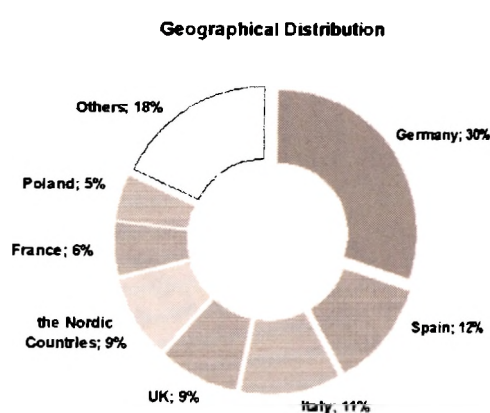
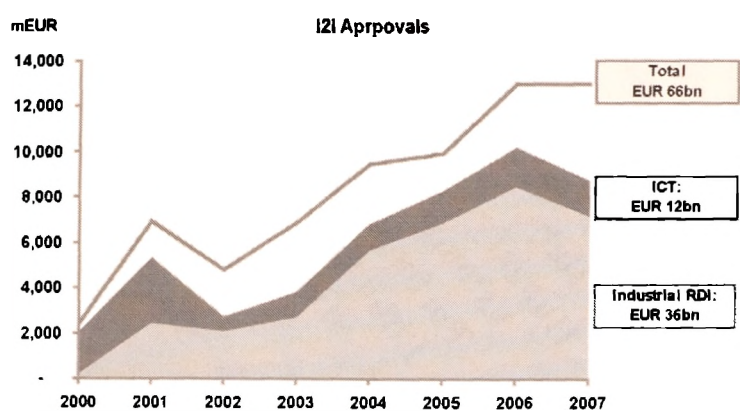


Remove one obstacle to R&D by facilitating access
to debt financing.

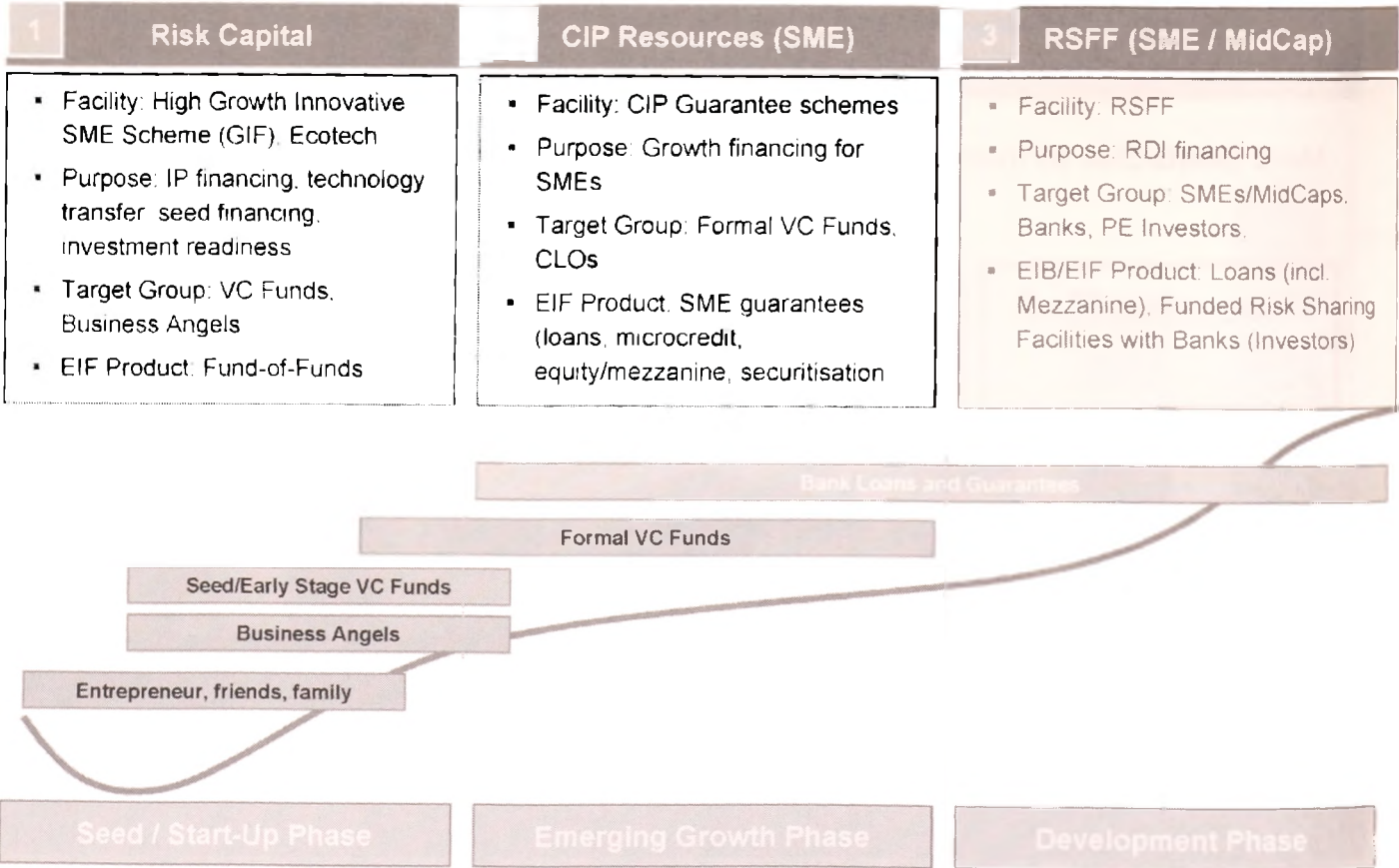
European Investment Bank
Innovation 2010 Initiative (i2i) - Track Record

Up to FYE 2007:

- The EIB extended financing to about 370 individual RDI projects
- Approvals and signatures amounted to EUR 66bn and 57bn, respectively
- Average deal size was EUR 180m
- Approximately 50% of the deals were pure private sector investments

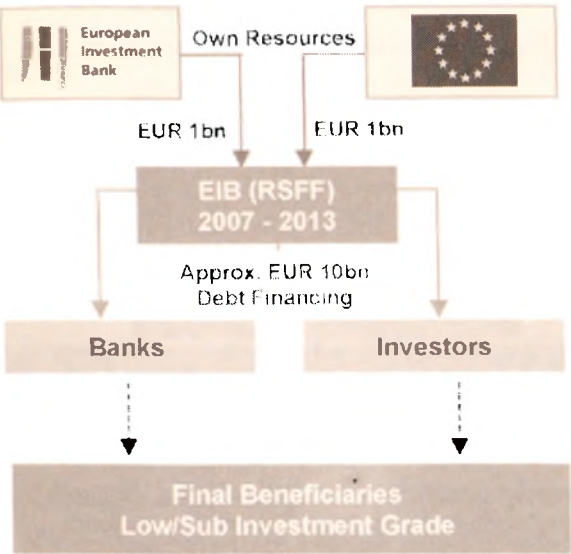


The Risk Sharing Finance Facility
EIB and EIF



EUR 10 billion Risk Sharing Finance Facility (RSFF)

A new source of Risk Capital



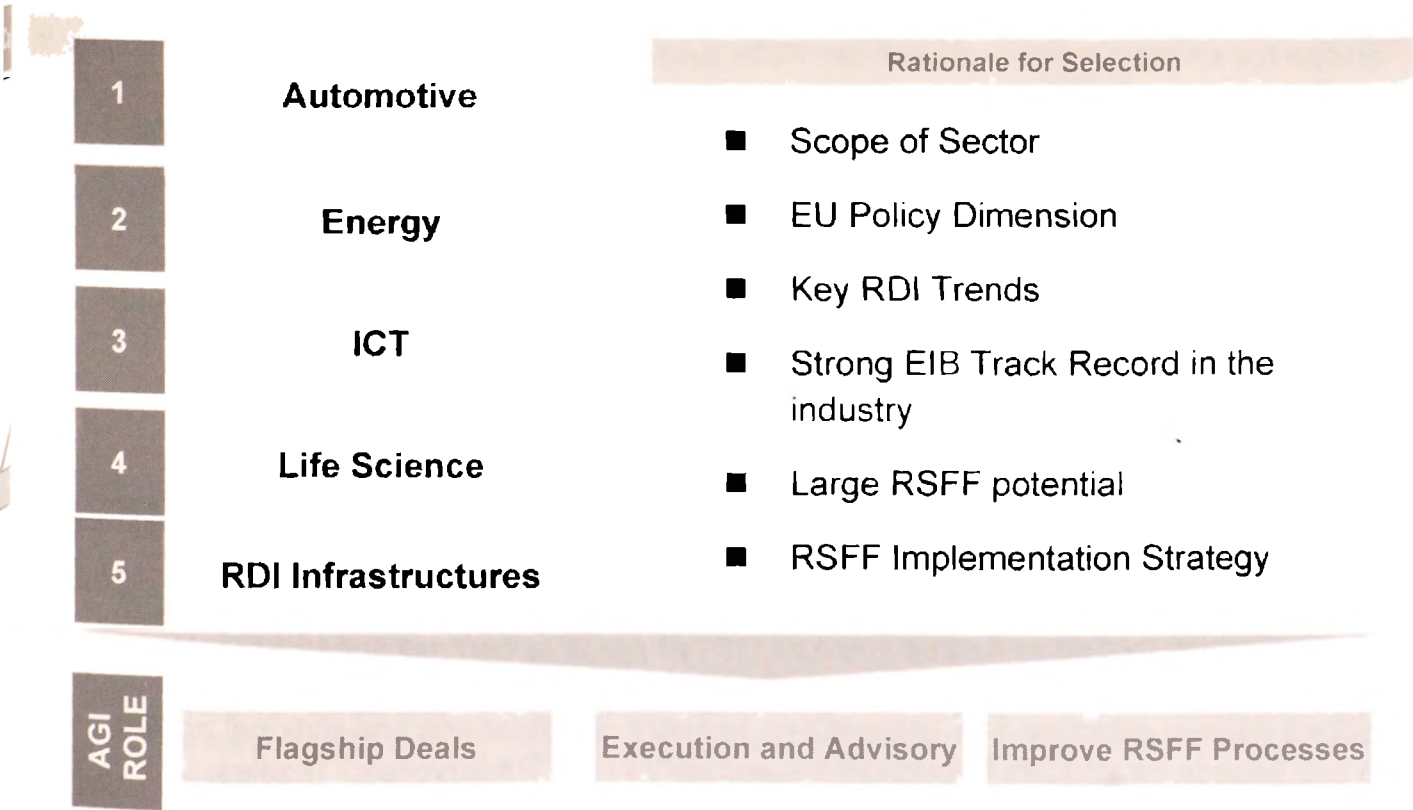
EIB RSFF funds complement other sources of debt capital available for low/sub investment grade RDI intensive corporates

EIB RSFF funds are highly attractive for potential beneficiaries because of:

- Highly attractive terms & conditions (AAA rating and non-for-profit pricing)
- Long maturities of up to 10 years or more
- Direct EIB participation of up to EUR 200m per transaction (depending on rating)
- Strong technology/industry expertise
- EIB does not sell assets on the secondary market (buy and hold strategy)
- No cross selling (just long-term lender)
- Signalling Effect: EIB as a quality stamp
- Debt and Mezzanine Debt Product

RSFF Sector Implementation Strategy

Industry Selection and AGI Role



RSFF Update

RSFF Product Portfolio

Risk Sharing with Banks

- **Targeted beneficiaries:** SMEs & MidCaps (low/sub-investment grade)
- **Product Ideas:** Risk Sharing Global Loan, Interest Contingent Supplier Facility, Co-financing
- **EIB value added:** Banks: risk sharing, capital relief, new customers/cross selling, Beneficiaries: risk sharing, higher debt capacity, lower financing cost

Risk Sharing with Universities

- **Targeted beneficiaries:** Universities
- **Product Idea:** Royalty fund for scientific research projects
- **EIB value added:** Facilitate financing for universities utilize royalty streams of research results (e.g. patents, lower financing cost)

Action for Growth Instruments (SFF/RSFF) NEW PRODUCT DEVELOPMENTS

- **Targeted beneficiaries:** Mid-sized and large corporations (low/sub-investment grade).
- **Product Ideas:** Structured individual corporate loans for R&D projects (senior/junior debt, mezzanine, subordination public corporate debt)
- **EIB value added:** Lower Financing Cost, increase of debt capacity (in case of subordination), project risk sharing
- **Targeted beneficiaries:** EUREKA (Joint Ventures), Joint Technology Initiatives, Technology Platforms ...
- **Product Ideas:** SPV based structures for individual R&D consortia
- **EIB value added:** Provide structuring know-how (Project Financing) and facilitate private sector funding

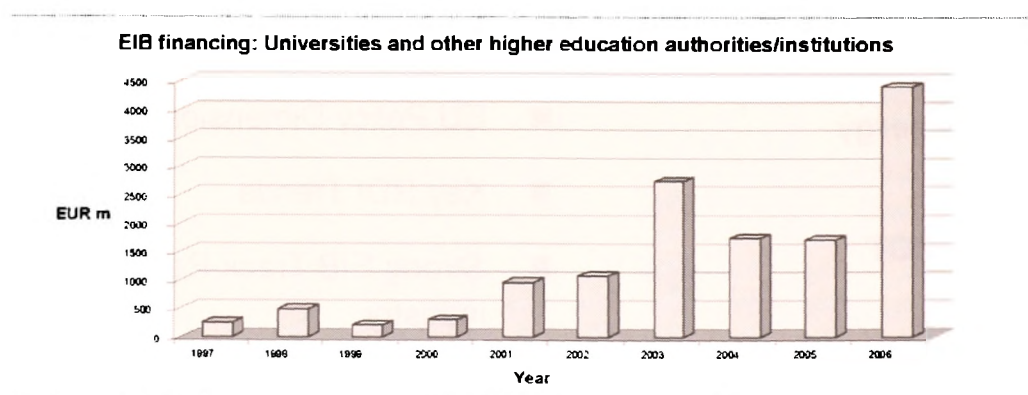
Corporate/Project Finance

Financing R&D Consortia

EIB financing potential under RSFF

Risk Sharing with Universities on Industry RDI and Industry Clusters

- **Scope for collaboration with EIF on TTAs and Clusters**



- Direct and indirect lending to universities (Charitable Foundations and other public sector entities; banks).
- Clear potential for EIB to finance industry RDI where IP is commissioned from Universities.
- Strong interest expressed by Universities, Industry, Associations and national bodies in EIB finance for clusters through PPPs and SPVs (e.g. Photovoltaic; Textiles; and Steel).
- Need for EIB/EIF structuring and advisory inputs

EIB Financing for R and D Research Infrastructure Consortia

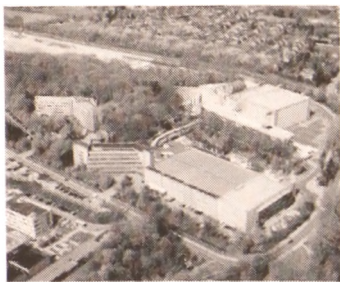
Large Hadron Collider
CERN, Geneva



Free Electron Laser
Trieste



Nano-technology R&D centre of IMEC
Leuven



Laboratory infrastructure of EMBL
Heidelberg



RSFF Implementation Strategy Achievements in 2008

Awareness Raising



20 RSFF related
finance work-shops
and conferences
across Europe

Awareness Raising



Launch of RSFF
brochures, Flyers,
Presentations and
Internet Site

www.eib.org/rsff

Awareness Raising



Built up new
networks with
MidCap finance
advisory houses and
equity investors to
support higher risk
transactions.

Product Development



Implemented the first
Risk Sharing
Framework Facility
with KfW IPEX as a
“flagship” transaction
to support SMEs and
MidCaps.

Product Development



Structured first
commercial co-
financings for highly
innovative promoters
with financial
investors in Bulgaria
and Luxembourg.

Product Development



Structured first
technology
portfolio financing
with mezzanine
debt multi-country
life science R&D
projects.

- The conditions established to roll-out RSFF on a wider scale.
- Future transactions will be a mix of individual large and mid-sized financings and risk-sharing arrangements (e.g. with KfW IPEX) to support small RDI intensive promoters.

Sector Strategy



External automotive sector study to identify financing needs and suitable RSFF product developments

RSFF Implementation Strategy Outlook 2009

Awareness Raising	Product Development	Transactions
<ul style="list-style-type: none">▪ Continue to conduct RSFF related workshops and conference across Europe.▪ Expand existing network with potential RSFF co-financing partners.▪ Liaise with EC to support JTIs and Research Infrastructures with a designated RSFF window.	<ul style="list-style-type: none">▪ Provide tailor-made solutions for industry needs (e.g. European Clean Transport Facility).▪ Develop RSFF financing models for European Research Infrastructures (ERI).▪ Continue development of mezzanine financing.	<ul style="list-style-type: none">▪ Conclude new RSFF transactions in line with the existing business plan and the industry needs.▪ Increase focus on MidCap companies and risk sharing facilities for intermediaries to support SMEs.

- In 2009, EIB will continue to implement RSFF as one of the key overall objectives in the EIB strategy.
- The trend of (i) increasing credit spreads and (ii) declining commercial banks pricing are expected to remain a challenge for EIB as well as RSFF promoters in 2009.
- Continued increase in country and sector diversification