

The Prya Foundation

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10 November 2005

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**European
Investment
Fund**

Presentation outline

- EIF overview and policy focus
- Activities and resources
- Venture capital performance
- Portfolio guarantee: microfinance
- Future developments



EIF at a glance

ADVANCING INNOVATION AND SME FINANCE ADVANCING INNOVATION AND SME FINANCE ADVANCING INNOVATION AND SME FINANCE

Created in 1994
Part of EIB Group



Subscribed capital: EUR 2 billion
Paid in: EUR 400 million
Own funds: EUR 600 million

Article 2: «**pursuit of Community objectives**» such as growth, employment, knowledge-based economy, innovation, regional development, Lisbon

Article 24: «generate an appropriate **return on its resources**»



Shareholders (i)

Tripartite shareholding: European Investment Bank: 61.9%
European Union represented by the European Commission: 30%
A range of European banks and financial institutions: 8.1%

		% of shareholding
Austria	Bank Austria Creditanstalt AG	0.15
	Erste Bank Der Oesterreichischen Sparkassen AG	0.15
	Raiffeisen Zentralbank Oesterreich AG	0.15
Bulgaria	Encouragement Bank AD	0.15
Denmark	Vækstfonden	0.15
Finland	Finnvera plc	0.30
France	Caisse des Dépôts et Consignations (CDC)	0.75
	Dexia Credit Local	0.50
Germany	Kreditanstalt für Wiederaufbau	2.25
	Landeskreditbank Baden-Württemberg – Förderbank	0.25
	Lfa Förderbank Bayern	0.25



Shareholders (ii)

% of shareholding

Hungary	Hungarian Development Bank Ltd.	0.25
Italy	Dexia Crediop SPA	0.50
	Sanpaolo Imi Private Equity SPA	0.50
	Banca Intesa SPA	0.25
Luxembourg	Banque et Caisse d'Épargne de l'État	0.15
	BGL Investment Partners SA	0.15
Malta	Bank of Valletta plc	0.25
Netherlands	NIB Capital Bank NV	0.15
Portugal	Banco BPI SA	0.30
Spain	Instituto de Crédito Oficial (ICO)	0.25
Sweden	Stiftelsen Industrifonden	0.15
United Kingdom	Barclays Bank plc	0.15



Key characteristics

ADVANCING INNOVATION AND SME FINANCE ADVANCING INNOVATION AND SME FINANCE ADVANCING INNOVATION AND SME FINANCE

- Multilateral Development Bank (MDB) status
- AAA/Aaa/AAA ratings (S&P/Moody's/Fitch)
- Basel II 0% risk weighting
- EU specialised vehicle for venture capital and guarantees
 - One of Europe's largest fund of funds
 - Europe's key provider of SME guarantees



EIF institutional drivers

- The **Lisbon Process** (March 2000): transform the EU into « the most competitive and dynamic knowledge-based economy in the world ».
- The **Barcelona EU Summit** (March 2002): increase overall spending on R&D on innovation in Europe .. with the aim of approaching 3% of GDP by 2010 ».
- The **Luxembourg EU Summit** (March 2005): European Council urged EIF « to diversify its activities, in particular towards the financing of innovative SMEs through individual-investor (business-angel) and technology-transfer networks ».



Policy focus

According to its Statutes, EIF implements EU objectives including:

SME finance for:

- Innovation
- Research and development
- Entrepreneurship
- Growth
- Job creation

...as well as ensuring an appropriate return on its own resources



EIF resources



EUR 600m

Being increased ↓



EUR 4 000m

Evergreen ↓



European Community

EUR 450m

Being increased ↓



ERP+ others...

EUR 250m – EUR 1bn

Being increased ↓

To be committed in venture capital funds and financial institutions in the EU and Candidate Countries



Overview of EIF products

Venture capital: equity investments in venture capital funds and business incubators that support SMEs, particularly those that are early stage and technology-oriented.

SME guarantees: guarantees to financial institutions that cover credits to SMEs.

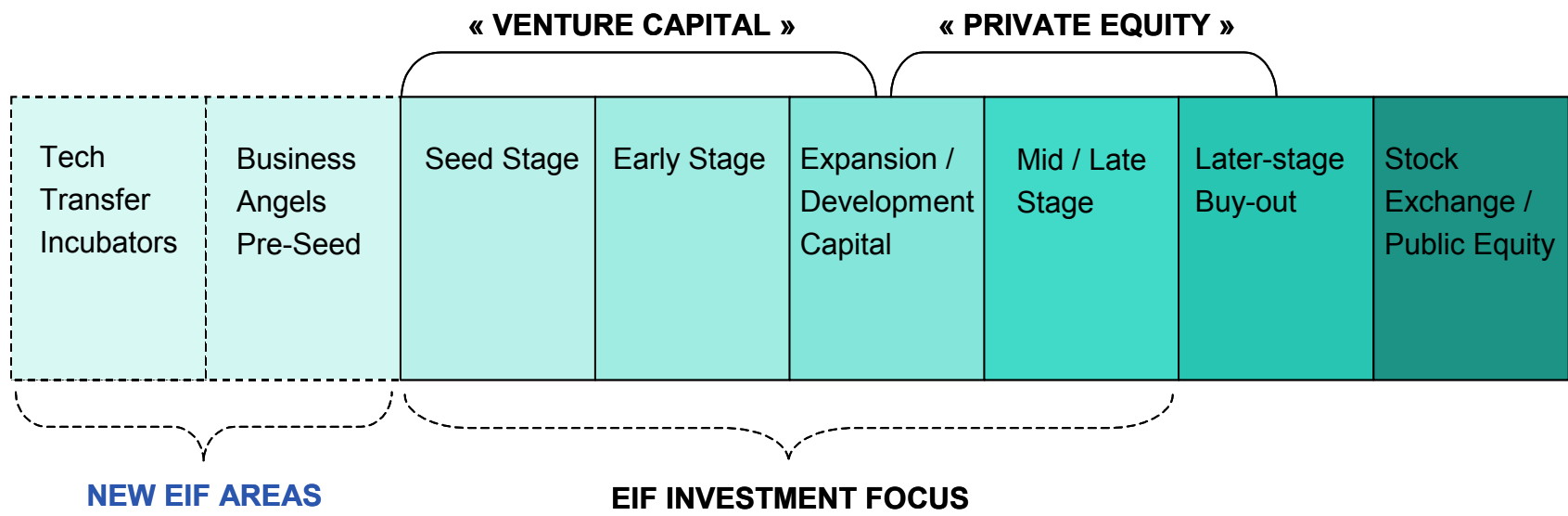
Microfinance: guarantees and securitisation.

Technical assistance: fee-paying activity providing the Fund's expertise to regional, national or international organisations in the fields of VC, portfolio guarantees and, more generally, innovative financial engineering.



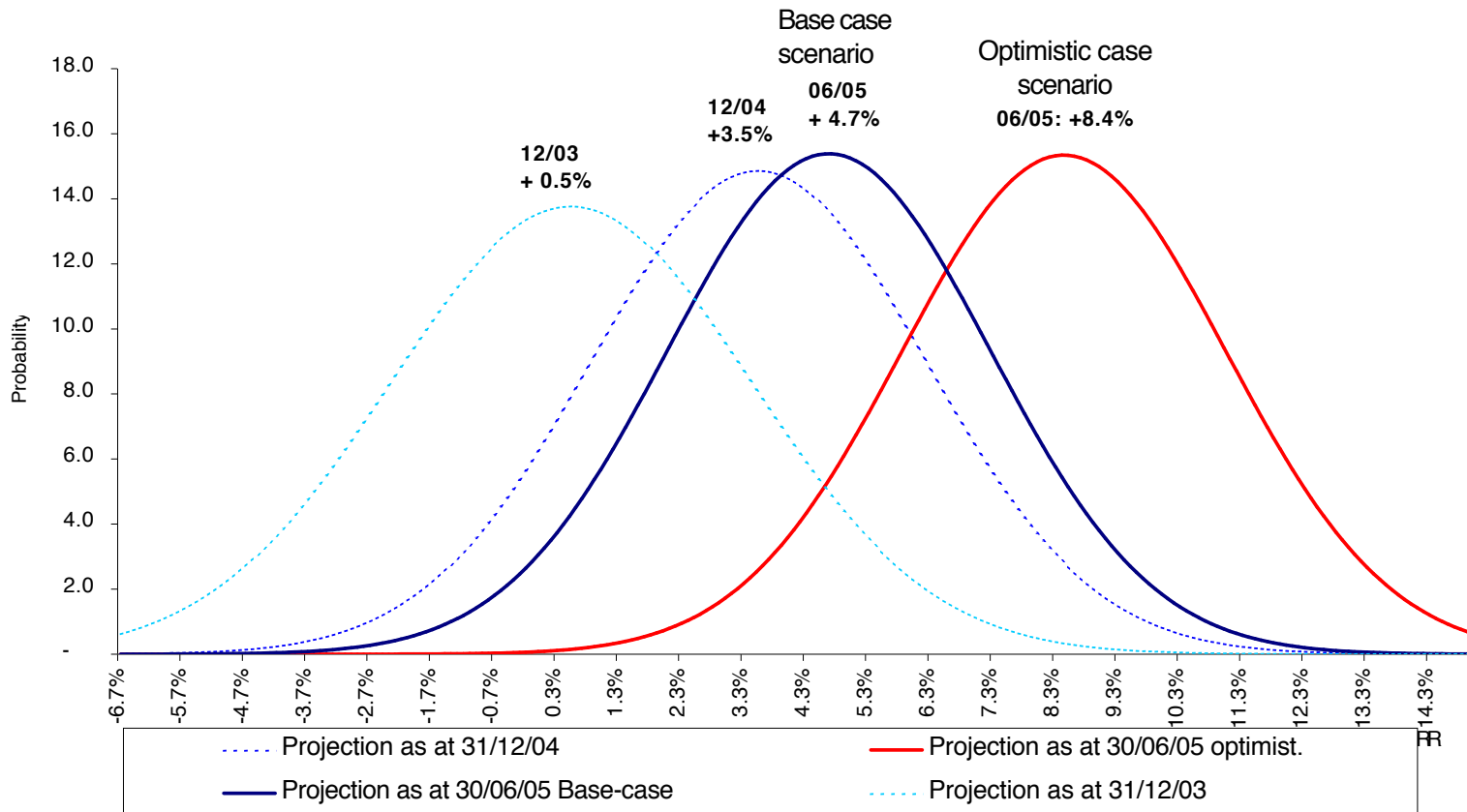
EIF investment focus

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Venture capital

EIF own resources: expected final pooled IRR distribution



Effect of rebalancing showing positive effects in performance



Portfolio guarantees: microfinance

- **Guarantees provided for almost EUR 200m at 31/10/05 to:**
 1. The Prince's Trust (GB)
 2. First Step Ltd (IE)
 3. Fonds de Participation (BE)
 4. Instituto de Crédito Oficial (ES)
 5. Kreditanstalt für Wiederaufbau (DE)
 6. Association pour le Droit à l'Initiative Economique (FR)

- **Securitisation of a portfolio of microcredit loans for a total of EUR 32.8m.**
 - Credit providers in Albania, Bulgaria, Macedonia, Montenegro, Romania, Russia and Serbia.
 - EIF guarantee for almost EUR 25m principal.
 - The first such operation in Europe (completion in 11/2005).



Future developments

ADVANCING INNOVATION AND SME FINANCE ADVANCING INNOVATION AND SME FINANCE ADVANCING INNOVATION AND SME FINANCE

- CIP: Competitiveness and Innovation Programme
- TTA: Technology Transfer Accelerator project
- JEREMIE:
Joint European Resources for Micro to Medium Enterprises
- Other expected mandates

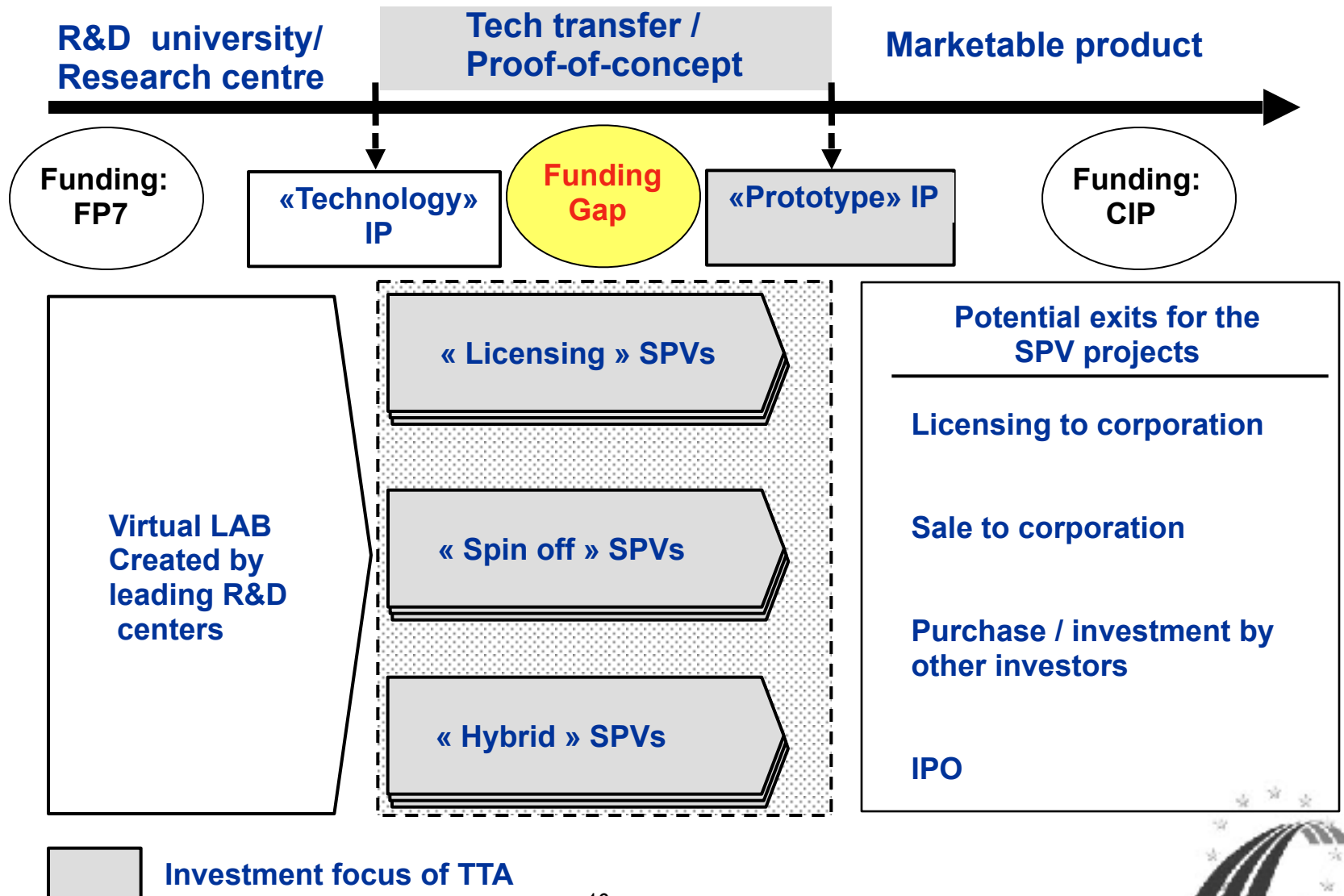


CIP: Competitiveness & Innovation Programme

- Commission proposal adopted on 6 April 2005 (EUR 1bn)
- Co-decision procedure (Council + European Parliament)
- MAP successor programme for the period 2007–2013
- Objectives:
 - Generate economic growth and create more jobs in SMEs
 - Boost productivity, competitiveness and innovation capacity of SMEs
 - Support SMEs developing or using environmental technologies



Technology Transfer: the focus of funding



Why Tech Transfer? The size of the problem...

<u>US</u>		<u>EUROPE</u>	
University	Revenues (EUR m)	University	Revenues (EUR m)
Columbia University	115.4	Pasteur	32.6
University of California	65.3	Edinburgh University	4.5
Stanford University	50.0	Utrecht*	4.0
University of New York	49.9	Cambridge	3.1
Sloan Kettering Institute for Cancer Research	43.3	INRIA*	3.0
University of Rochester	33.5	VIB*	2.7
City of Hope National MIT	31.4 30.2	LMU Munich	0.2
University of Wisconsin- Madison	25.6		

In the EU, structures perform well but are not market driven

* Includes other forms of revenues

Source: European Innovation Scoreboard, BCG Cluster Report 2001, EIF analysis and interviews



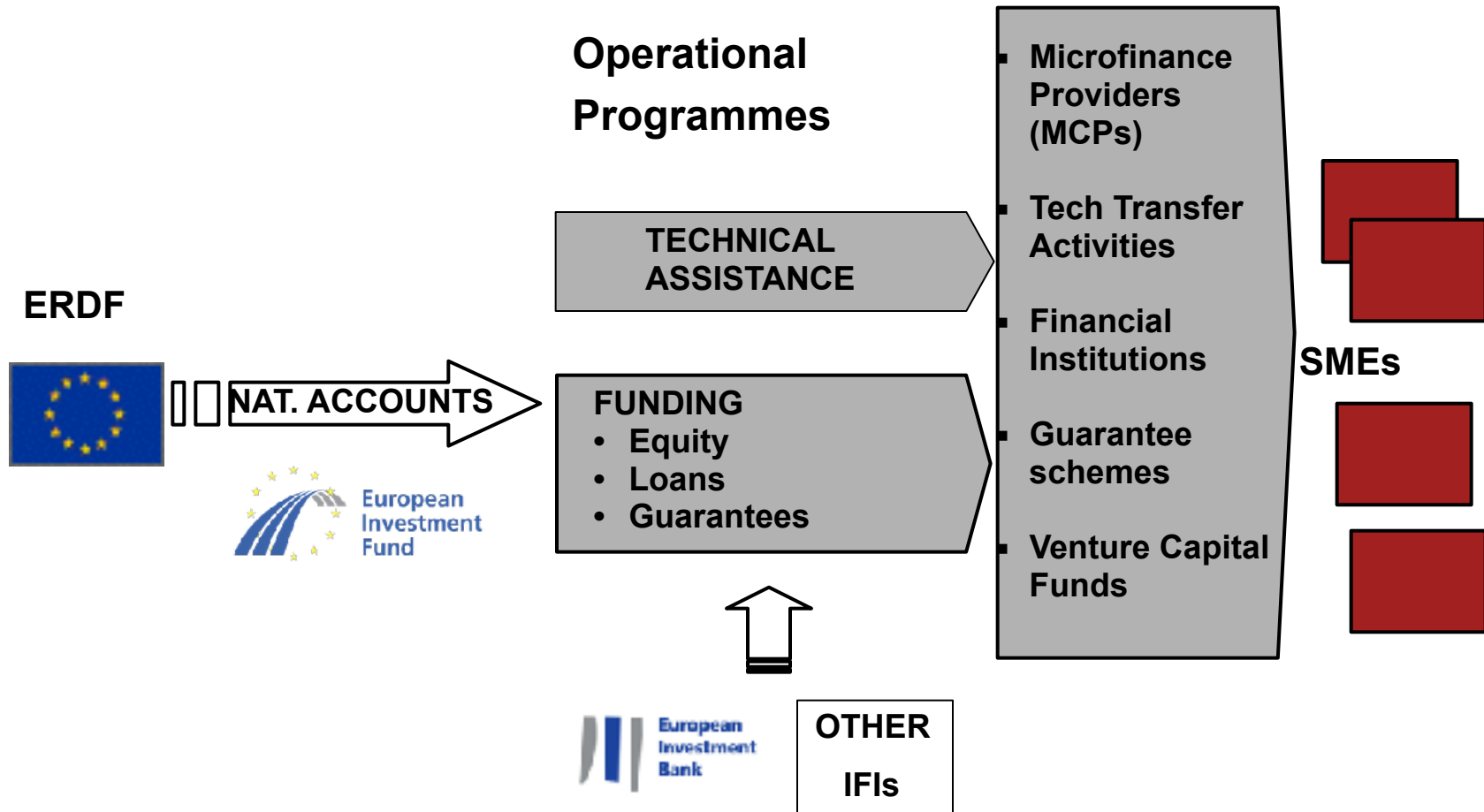
JEREMIE: a new major EU SME initiative

- Joint process between DG REGIO and the EIB group, for **improved access to finance by SMEs and micro-enterprises: JEREMIE** (Joint European REsources for Micro to medium Enterprises) unveiled at the 11 October 2005 Ministerial Seminar
- EIF will manage - channel the European Regional Development Funding (ERDF) to SMEs and micro-enterprises through financial intermediaries in "objective regions" in the form of **equity, venture capital, guarantees and technical assistance (2007-2013)**
- **EIB and other IFIs** will be associated through the provision of loans allowing the JEREMIE platform to provide the full range of financial support to SMEs and micro-enterprises: **leverage**
- Preparation to start in **2006**



JEREMIE: a possible model?

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Other expected mandates

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- Expected third party mandates from public and private sources:
 - EUR 200m for technology and generalist funds:
close end 2005 / early 2006
 - Up to EUR 300-500m fund-of-funds targeting as investors mid-size insurance companies in a Joint Venture:
close early 2006
- Other VC mandate under discussion for 2006...

