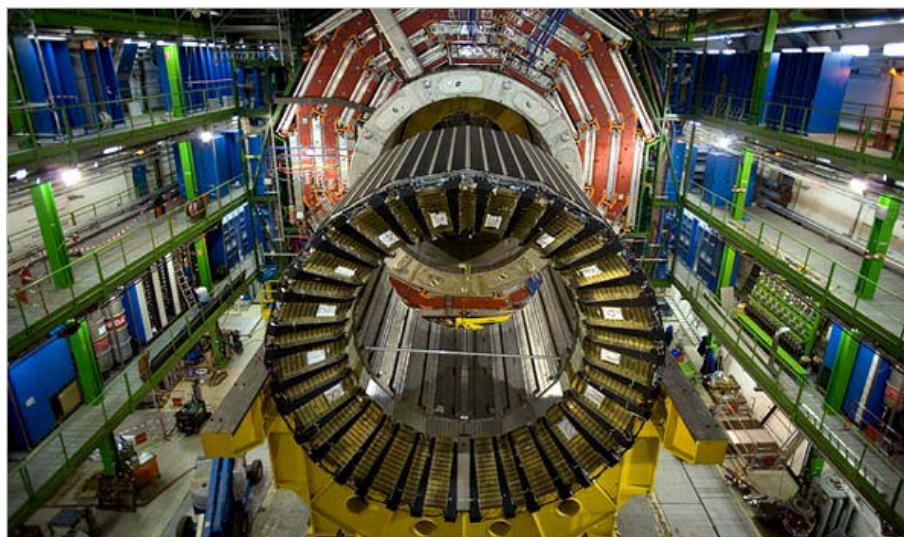


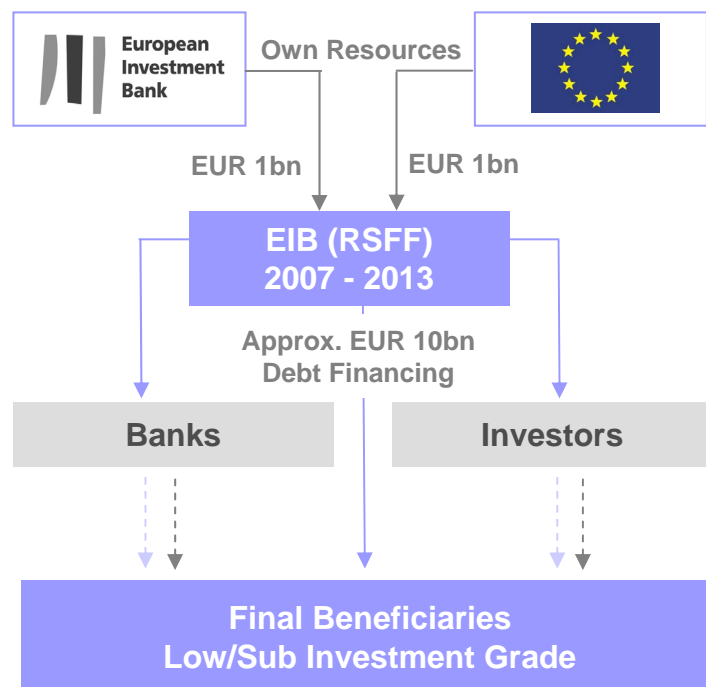
Role of Research Infrastructures for a Competitive Knowledge Economy



Heinz Olbers
European Investment Bank

Risk Sharing Finance Facility

A new Source of Risk Capital

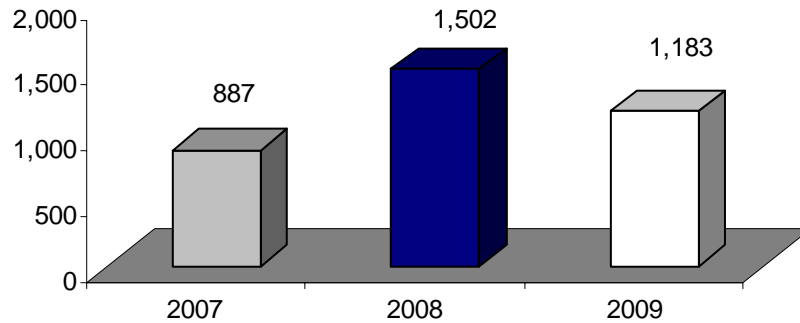


- EIB RSFF funds complement other sources of debt capital available for low/sub investment grade RDI intensive corporates
- EIB RSFF funds are highly attractive for potential beneficiaries because of:
 1. Highly attractive terms & conditions (AAA rating and non-for-profit pricing)
 2. Long maturities of up to 10 years or more
 3. Direct EIB participation of up to EUR 200m 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

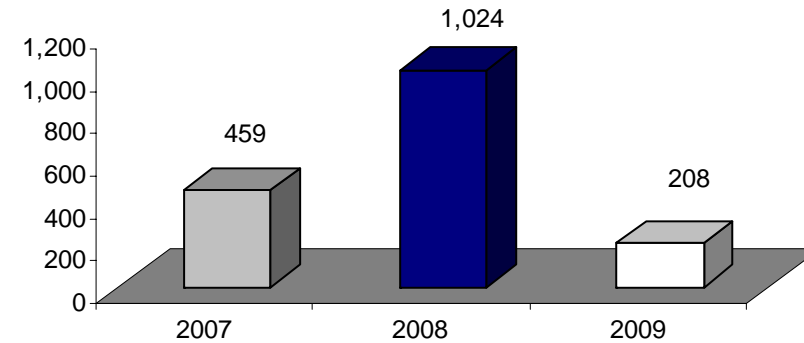
RSFF Update - RSFF Signatures to date



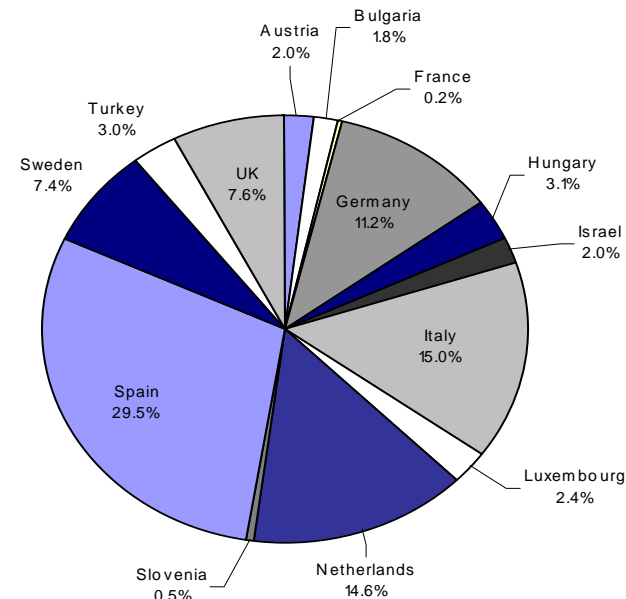
RSFF APPROVALS (2007 - 06/2009)



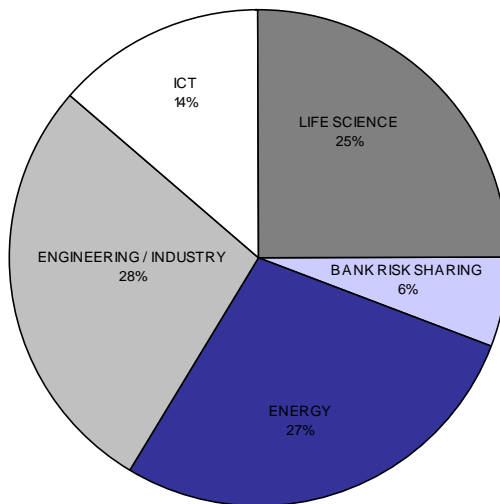
RSFF SIGNATURES (2007 - 06/2009)



Signed RSFF Projects by Country



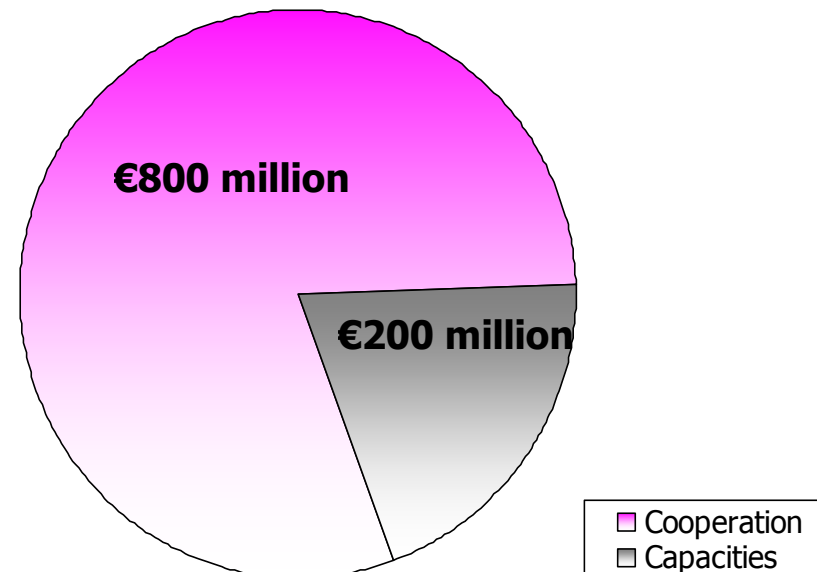
Signed RSFF Projects by Sector



- Total RSFF signatures amount to EUR 1.688 m. Approvals reach EUR 3.572 m in June.
- Main sectors financed so far: renewable energy technologies, engineering industry and life science.

RSFF Legal Basis

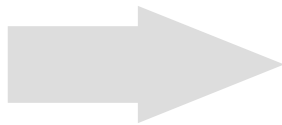
- The Co-Operation Agreement has been designed in compliance with the content of:
 - EC FP7 Decision;
 - EC FP7 Specific Programmes « Cooperation » and « Capacities »;
 - EC FP7 Rules for participation;
 - Relevant Work Programmes.



RSFF implementation strategy

Beneficiaries of RSFF financing

- Research Institutes
- Research Infrastructure promoters
- Universities
- Special Purpose / Project Companies / PPPs
- Mid-Caps and large Corporates (typically unrated / sub investment grade / turnaround situations)
- SMEs



Any size and ownership

EUR 200m of FP7 budgetary and EUR 200m EIB capital committed under RSFF for Research Infrastructures which should lever up to EUR 2 billion

Objectives



- Objective of the RSFF

“an (EIB) instrument aimed at fostering investment for Europe in research, technological development and demonstration, as well as innovation, in particular in the private sector”

- Objective of the EC financial contribution

“pursuant to the FP7, the EC, in addition to providing direct financial support to participants in RTD Projects, has resolved to **improve their access to debt finance** through the RSFF. In accordance with the FP7 Rules, the EC financial contribution will allow for a larger volume of EIB lending and guarantees for a certain level of risk, and the financing of riskier European RTD Projects than would be possible without such Community support”

RSFF Implementation Strategy



Strategy Focus: Research Infrastructures (RI)

1

RDI related Sector Dimension

- EUR 14bn of priority RI investments endorsed by EU-27 in ESFRI Roadmap; EUR 200m of FP7 budgetary and € 200m EIB capital committed under RSFF for the financing of Research Infrastructure which should lever up to € 2 billion investment

2

Rationale for EIB Focus

- Strong EIB Track Record
 - EIB has supported emblematic projects such as CERN, FEL, LHC, IMEC; many universities and several Science and Technology Parks across Europe
- Large RSFF potential
 - High relevance for European competitiveness, innovation and Technology Transfer
 - Significant financing requirements, large individual operations
 - Financial sector reluctant of share political and budgetary risks intrinsic to projects
 - Universities increasingly need to borrow in own name and as part of SPV/PPPs

3

Sector specific implementation strategy

- EIB working in close cooperation with ESFRI and EIROForum
- New financial products notably **ERCF-ESFRI Risk Capital Facility** to finance under RSFF delays/shortfalls in country commitments for budgetary funding.

Product development under RSFF

R&D and Research Infrastructure Consortia (contd.)

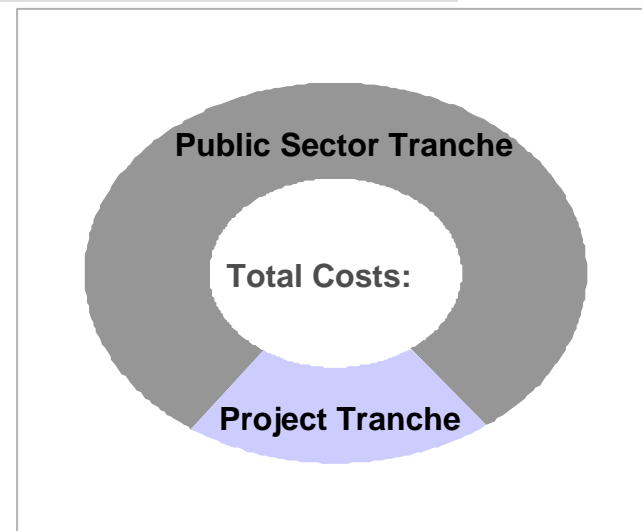


Public Sector Tranche:
Facility to finance peak & bridge financing requirements faced by committed partner countries

- The repayment of the public sector tranche is made through budgetary commitments of partner countries over the long term (5-30 yrs)
- **Key Advantages:**
 1. Meet peak & bridge financing requirements;
 2. Provide contingency cover for cost overruns;
 3. Can finance eligible operating costs & associated infrastructure

ERCF... The ESFRI RSFF Capital Facility

Project Specific Tranche:
Finance individual projects including associated facilities where there are time or other gaps in
i) Member State commitments and
ii) Cost & Time overruns.
Project Finance repayment based on revenue potential of project and limited recourse to committed partner countries.
Repayment structure decided on case by case in line with RSFF Credit Criteria



Key Challenges in Financing Research Infrastructure

- **Capital and Operating Costs / Fit-for purpose**
- **Project redefinition, cost escalation and cost controls**
- **Operating budget**
- **Timing and sufficiency of Public sector budget commitments**
- **GAPs in “Full Cost” financing strategy at outset, thereby causing delays to implementation as well as cost increases and uncertainty**

EIB Integrated Approach Under ERCF



Integrated financing approach capable of meeting the financing needs of :

- the Public Sector by providing project and/or participants with bridging finance from standard EIB resources to meet “peak financing” requirements. Repayment of loan finance that would be in line with availability of budgetary resources over life of long Term loan – up to 30 years / economic life of R.I.
- “GAP financing” by providing additional finance from EIB’s RSFF / ERCF resources to meet project financing needs where
 - obligations of capital repayment would first fall on project revenues and/or additional capital contributions. Without sufficient revenues and/or additional capital contributions project participants would be responsible for repayment over long term
 - interest would be capitalised and repaid solely from proceeds of
 - i) revenues earned by project and/or
 - ii) future capital commitments from non-committed shareholders.and shortfall/risk of loss would be borne by ERCF

Conditions for ERCF Financing

- Policy coherency of RI Project EU Policy objectives
- Research Infrastructure should be supported by Host Country, Commission and ESFRI
- ERCF finance would facilitate implementation and/or acceleration
- High economic and financial value added of ERCF financing
- EIB own resources financing of up to 50% of total project cost of which ERCF up to 20% of total project cost
- Credit quality of ERCF shall be in accordance with RSFF credit requirements
- ERCF “Gap financing” to be available for disbursement only after conventional sources of finance have been drawn down and subject to appropriate project performance

Projects

Alphasat

Project description:

The project concerns the satellite Alphasat, which is a joint undertaking of Inmarsat and ESA. The satellite is based on the Alphabus platform - a new European platform for next generation, high power communication satellites.

Background:

The AlphaSat (also known as Large Platform) Mission is the first flight (proto-flight) of a new European multipurpose platform (also known as AlphaBus) to accommodate large telecommunications payloads, initially with power requirements of 12 to 18kW, but with growth potential to 25kW. The political interest in the large-platform programme is to ensure that European Industry is competitive in the world market for large telecommunications satellites. Large satellites are expected to account for up to 30% of the geostationary-satellite market in 2010. The primary objective of ESA under the Alphasat Programme is to facilitate an early first flight, and in-orbit validation of the Alphabus platform, currently under development within the industry.

Project cost: EUR 597 m

Status: Board approval scheduled for July 2009.



Projects

Sincrotrone Trieste



Project description:

Upgrade of the ongoing Free Electron Laser development at the large electron-accelerating synchrotron Facility at Trieste, Italy. The upgrade will allow for an important extension of the research capacities at the Facility.

Background:

The project covers additional investments for the second phase of the FERMI@Elettra Free Electron Laser project, FEL-2, to enhance its resolution to bandwidths down to 1 nm. The shorter wavelengths than initially planned under FEL-2, close to 1 nm (soft X-rays) instead of 10 nm, will facilitate molecular research on carbon- and oxygen- atomic level, study living tissues, and study the transition of, or magnetism in materials.

EIB has already financed the first part of the project with a loan of EUR 60m (2004).

Location: Basovizza, on the outskirts of Trieste (Italy).

Project cost: EUR 40 m

Status: EIB Board presentation scheduled for 3Q of 2009



Projects

European Southern Observatory – E-ELT



Project description:

Construction and operation of a European Extremely Large Telescope (E-ELT) for optical astronomy. The project qualifies under the updated 2008 ESFRI Roadmap as a high priority project.

Background:

The project concerns the design, development and construction of an [Extremely large optical/infrared Telescope \(ELT\)](#). The ELT will be able to provide first ever images of earth-like planets around other stars and look at distant objects created at the birth of our universe.

Location: several possible sites in Argentina, Chile, Morocco, or Spain (La Palma).

Project cost: EUR 800m

Status: Board presentation scheduled for 3Q of 2009



Projects

ESS, MYRRHA, FAIR



ESS



Status: Intensive contacts with each of the site contenders (Hungary, Spain, Sweden); Choice of site has been made recently.

MYRRHA



Status: EIB is in contacts with the promoter SCK-CEN; Interest from promoter for financing under ERCF.

FAIR

Status: Ongoing contacts with the Promoter.

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