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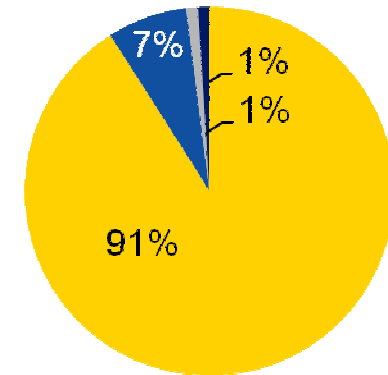
**European Investment
Fund**

BILAT-USA Symposium on Transatlantic EU-U.S. Cooperation on Innovation and Technology Transfer

This presentation was prepared by EIF. The information included in this presentation is based on figures available for March 2011. Any estimates and projections contained herein involve significant elements of subjective judgment and analysis, which may or may not be correct.

The Challenge: Financing Innovation amongst SMEs in Europe

- SMEs account for a large proportion of **Europe's economic activity**
- **Micro-businesses dominate** employment in countries such as Italy (48%) and Greece (57%)
- Successive EU summits put issues of **growth, employment, innovation and competitiveness** high on agenda
- **Support to SMEs**: one of the top six EIB Group priorities
- **EIF** is the **SME risk financing** arm of the EIB Group



- Micro-enterprises 1 to 9 employees
- Small firms 10 to 49 employees
- Medium-sized firms, 50 to 250 employees
- Large enterprises

Source: Eurostat, Commission Communication on Modern SME policy for Growth and Employment

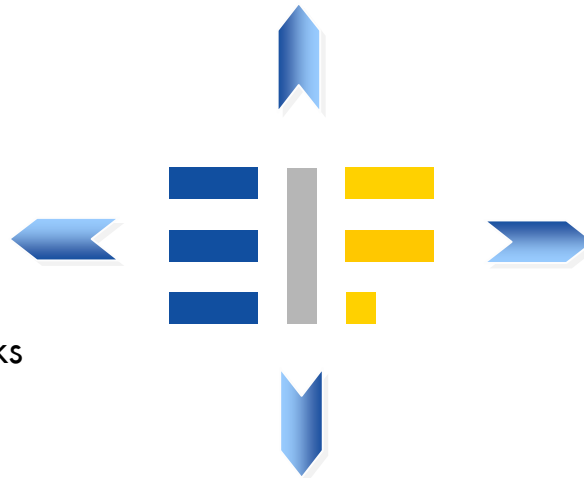
**Importance of SMEs as the Foundation Stone
for Tomorrow's Prosperity**

EIF at a Glance

EU specialised institution for SMEs, risk financing
Venture Capital and Mezzanine (fund of funds)
Structuring and Guaranteeing portfolios of SME and microfinance loans/leases

Geographic Focus / Intermediaries

EU 27, EFTA,
Candidate Countries
Distributing through Banks
and Funds



Authorised Capital € 3bn

EIB: 61.2%
EU: 30 %
Fin. institutions: 8.8 %

AAA rated

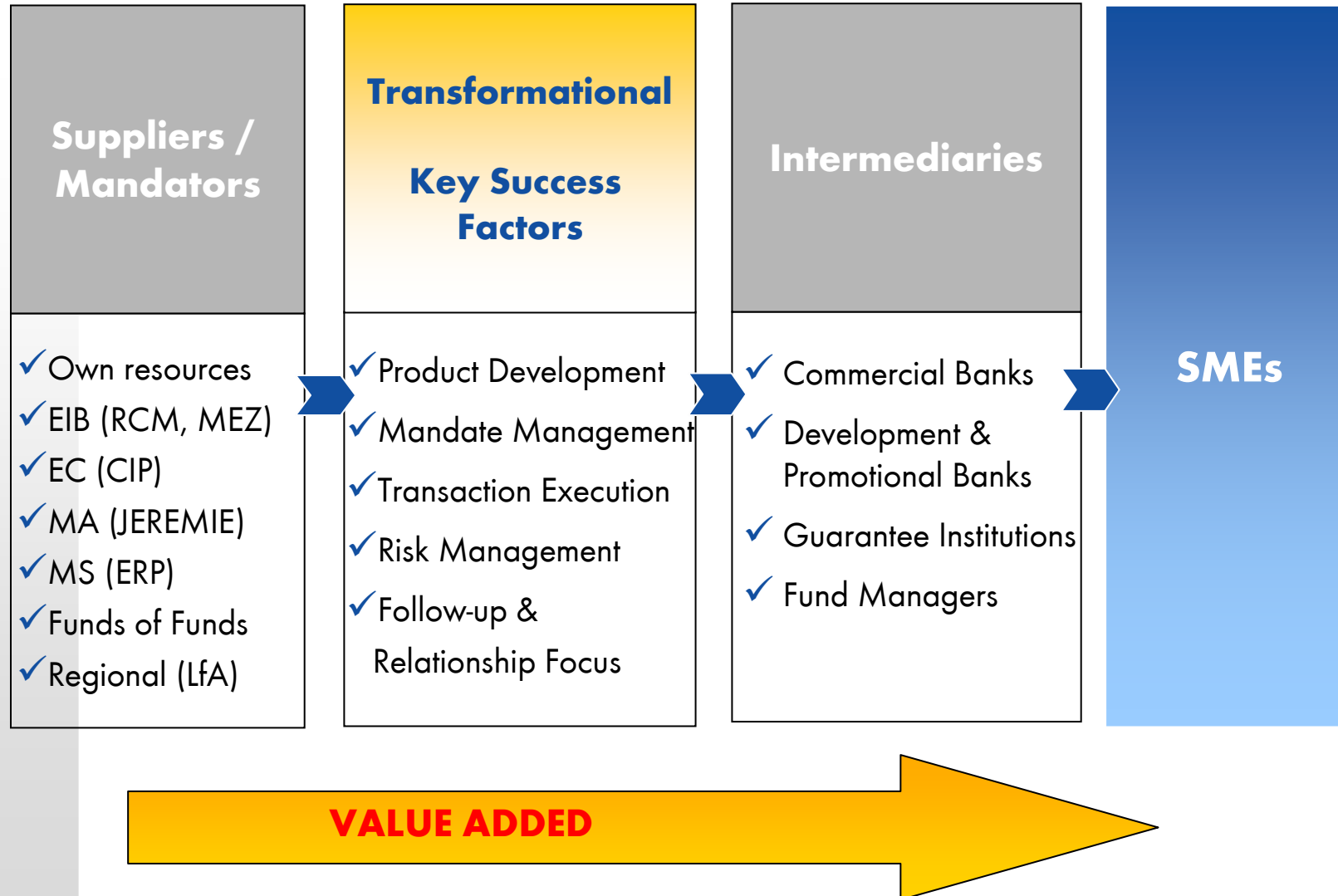
Staffing, Culture and Values

Leading-edge modern institution
 Adapting to changing market conditions
 Attracting talented staff
 High standards of compliance and integrity

**Dual Objective of Meeting EU Policy Goals & Generating a
Satisfactory Return on Equity**

Operating Model of EIF

Transformational Role of EIF



Europe 2020: A European Strategy for smart, sustainable and inclusive growth

- The 2020 Strategy emphasises SMART, GREEN, INCLUSIVE Growth, with Flagship initiatives “Innovation Union”, “Digital Agenda for Europe”, “Resource efficient Europe”
- Between 3 – 5% of EU Budget may be allocated to financial engineering
- Innovation Framework Programme will replace CIP
- DG RI (Research Innovation) will take over political responsibility
- Emphasis on VC Seed, TT, IP (European Council 4 Feb)

EIF activities with focus on Technology

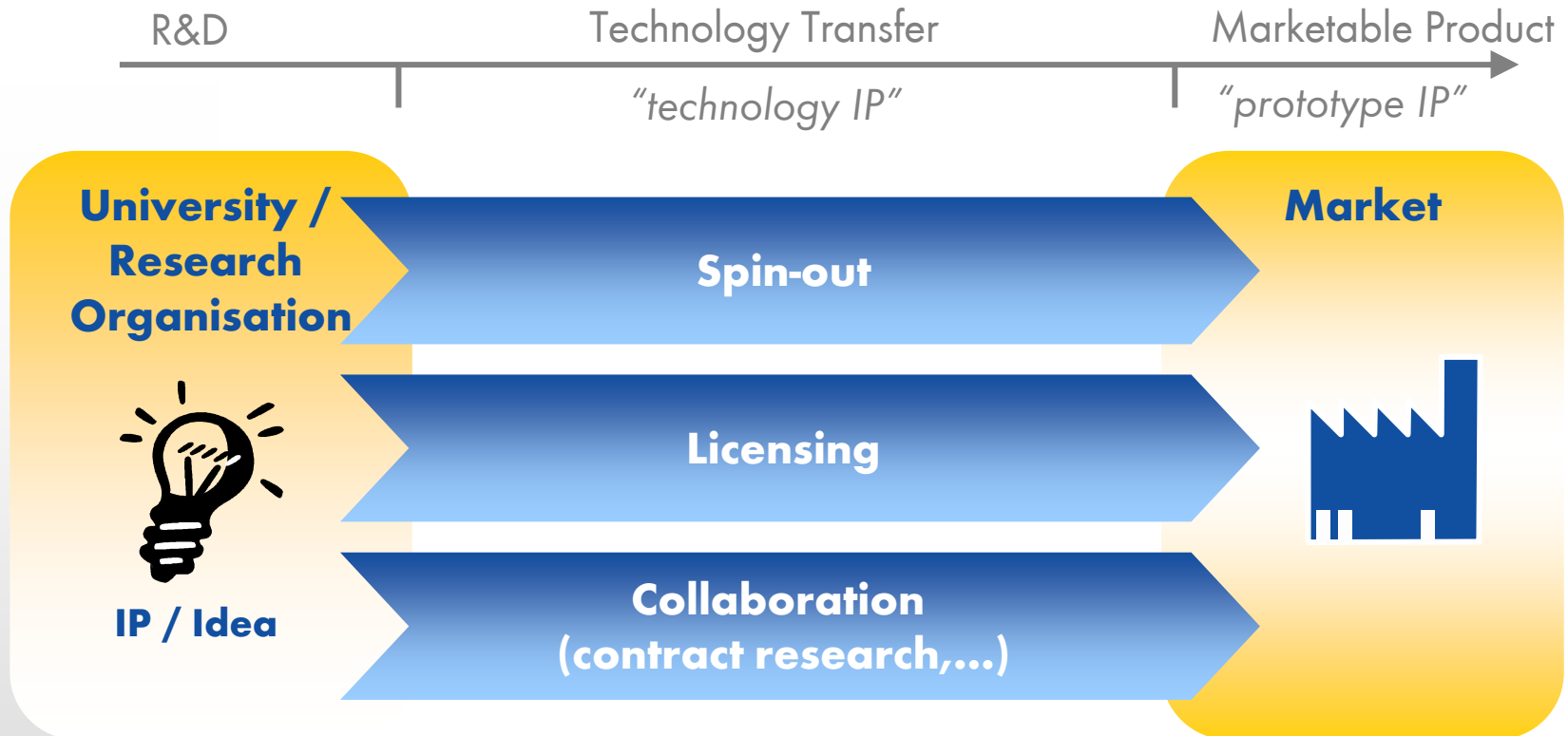
1. Current Products
 - Technology Transfer
 - Venture Capital

2. Products under Development
 - Technology Transfer Development Strategies
 - IP Funds and Market places
 - Technology specific Fund of Funds with Corporates
 - Business Angel Co-Investment Funds

3. Open Innovation Europe / Trans - Atlantic Cooperation Opportunities

1. Current Products

Technology Transfer – converting Research into Products for the Market



- TT often involves a formal transfer of rights to use and commercialise
- Returns on TT are primarily in the form of licensing royalties

1. Current products

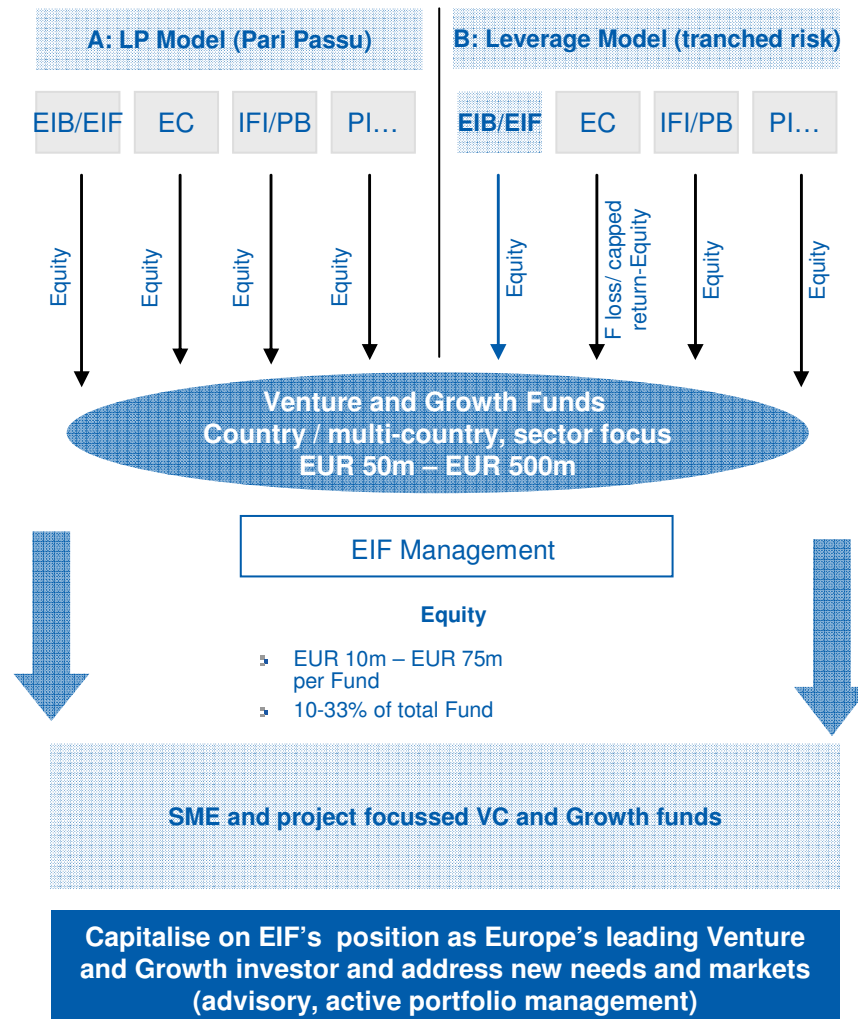
EIF's Tech Transfer Improves the Commercialisation of Research

- Since 2005, EIF has been able to invest resources to understand Tech Transfer, to create awareness and to develop new TT initiatives with leading research universities
- Focus is on research organisations which are leaders in their respective fields and act in an entrepreneurial environment
- Several transactions already, in which EIF has had a key role
 - Chalmers Innovation (SME financing)
 - Leuven CD3 (Licensing)
 - UMIP Premier fund with Manchester University
 - IP venture fund UK (Financing SMEs from a broad UK network)
 - Karolinska Development Co-Investment Fund (with focus on Drug Development)
 - Imprimatur Seed and VC Fund (under JEREMIE)
 - Strata/Mes Co-Investment Fund (under JEREMIE)

Provider of Innovative Solutions to VC Constraints

1. Current Products

Venture Capital: Investments through EC support



■ Traditional fund of funds model for EIF

- High impact product at the core of EU2020 problematic
- DOUBLE leverage effect (1. SME/project level and 2. fund level) on EC budgetary input
- High catalytic effect as this would certainly attract other public and private sector long-term lenders

2. Products under development

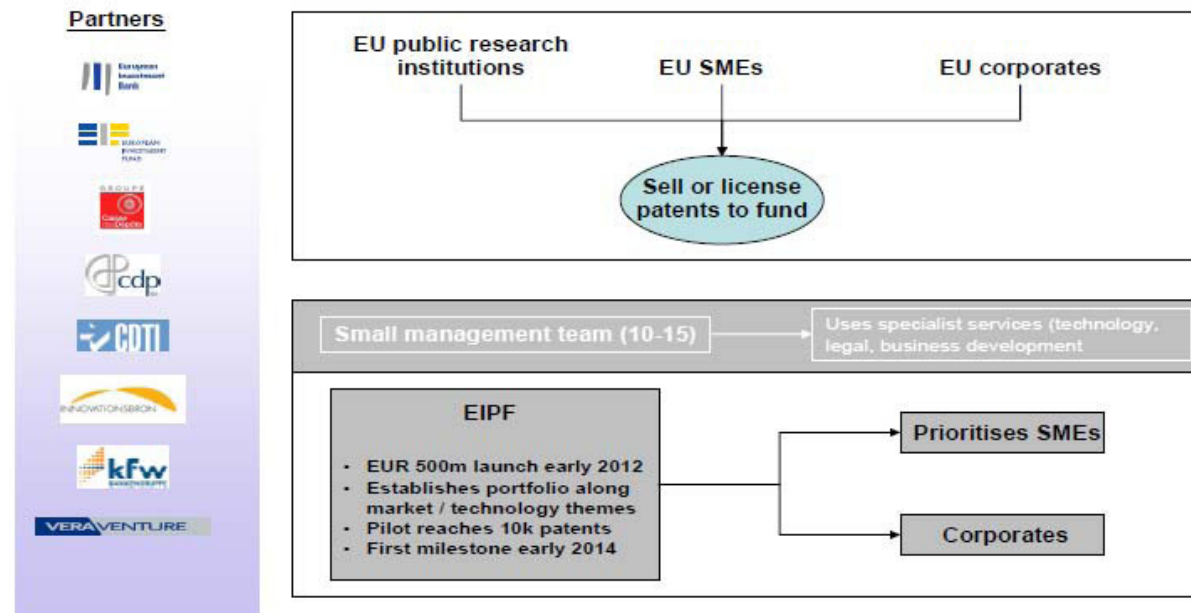
TT development strategies

- The TT sector is underdeveloped in the EU and missing relevant experienced people, adequate financing and structures
- Under its development remit, EIF also focuses on setting up operations which aim at establishing sustainable TT functions within universities. Such products are designed according to the mandator's requirements, the benefits of which are:
 - Establishment of a professional commercialisation environment bringing together academic innovators and necessary structures to execute TT successfully
 - Motivation of young technology-oriented entrepreneurs with the support of experienced sector specialists
 - Improvement of quality and capabilities of TT offices and develop them into professional organisations
 - Help in establishing a commercial early stage environment with sustainable return perspectives for investors

2. Products under development IP Funds and Market places

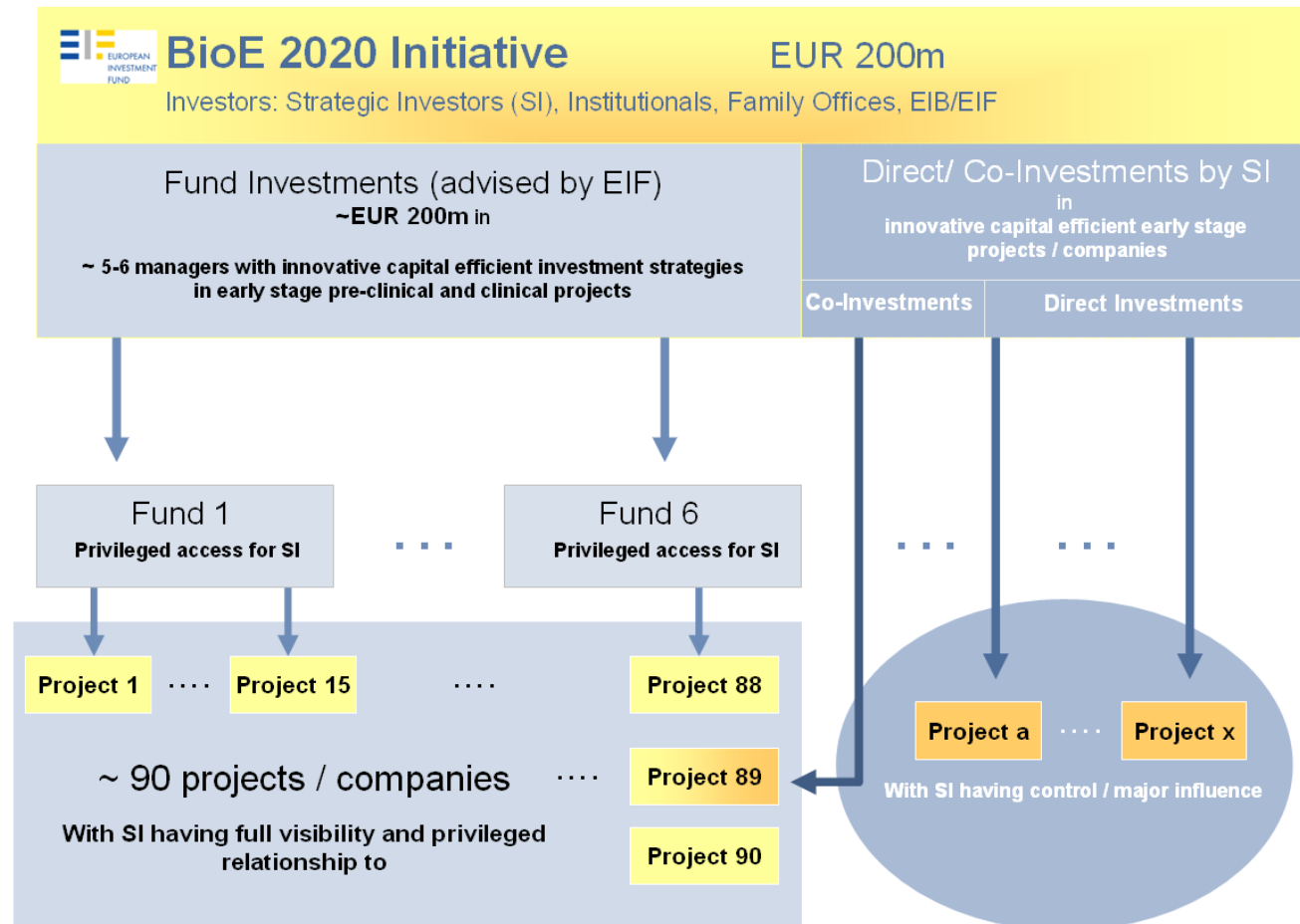
- EIF is currently increasing its activities in the area of IP finance, aimed at monetising IP assets
- EIF plays a central role in, and acts as secretary to the Transfer Strategic Partnership

European IP Fund (EIPF)

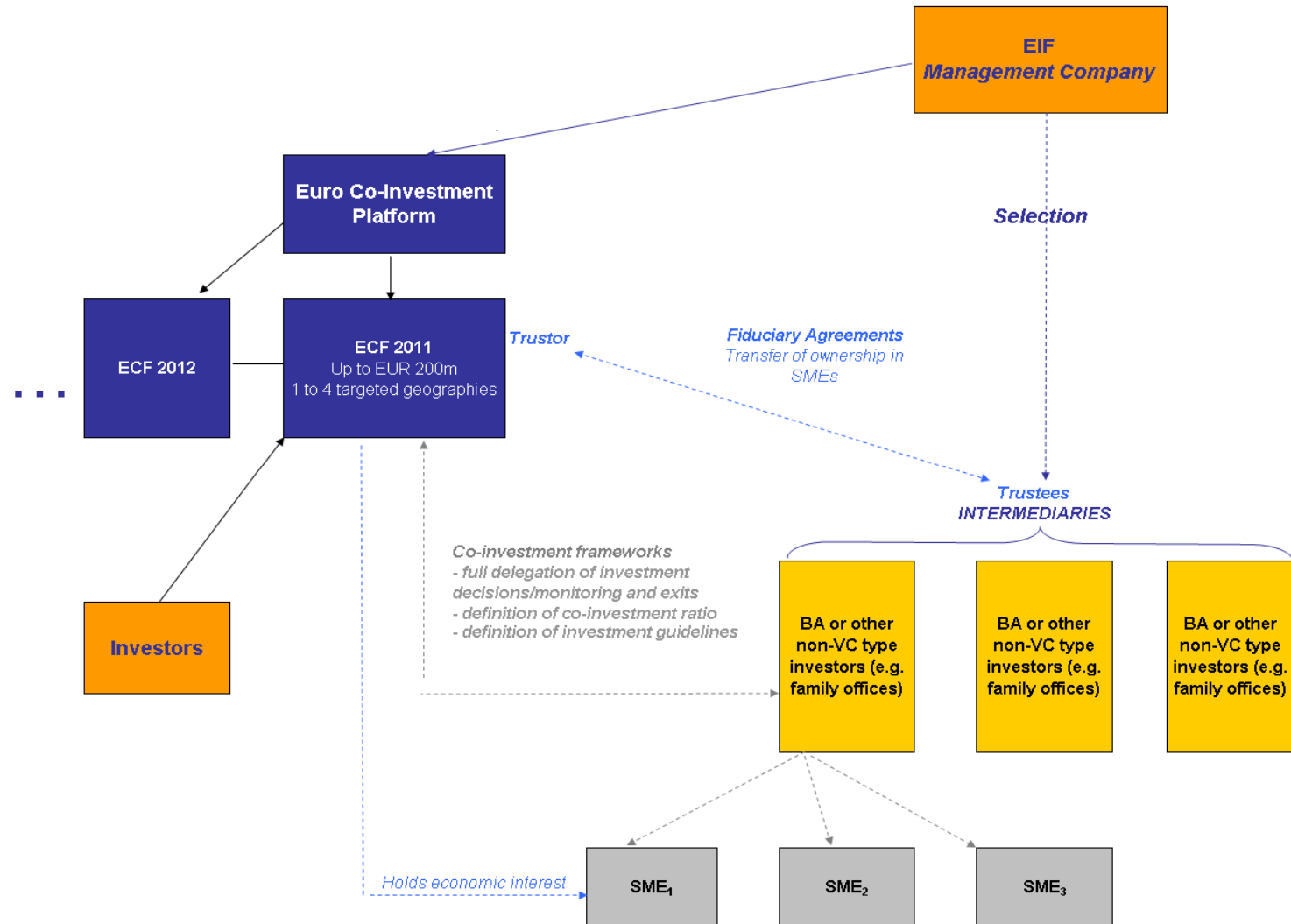


2. Products under development

Technology specific Fund of Funds with Corporates



2. Products under development Business Angel Co-Investment Funds



3. Open Innovation Environment in Europe

- Europe is in the process of aligning all the building blocs necessary for an optimal open innovation environment
 - Leading universities with established Tech Transfer offices
 - Important Laboratories & Research Institutes
 - Continuous originator of premium Intellectual Property
 - Large corporate R&D centres across multiple countries employing several thousands of engineers
 - Established Open Innovation Centres (Nokia, Philips, Procter & Gamble, BAE Systems)
 - Sector focused technology clusters in various geographies
 - Established Venture Capital Community
 - Strong Entrepreneurship / Start-up spirit
 - Strong political support of Open Innovation from Member States, Regions and European Institutions (EIB, EIF, European Commission)

3. Role of EIF in the Open Innovation Ecosystem

- EIF has a deliberate strategy to support Open Innovation.

Concrete measures include:

- **Investing resources** to understand Tech Transfer, to create awareness and to develop new TT initiatives with leading research institutions and universities
- **Focusing on research organizations** which are leaders in their respective fields and act in an entrepreneurial environment
- **Backing specific and technology focused VC teams** and assisting them in setting up collaborations with Strategic Investor
- **Partnerships with corporates** through new sector specific Fund of Funds initiatives (BioE 2020, ICT 2020) and as such **facilitating innovation sourcing** processes in Europe for global corporations

3. Trans - Atlantic Cooperation Opportunities

- The following cooperation opportunities are to be explored in the frame of the Open Innovation initiatives:
 - Collaboration opportunities between US and EU in the “Innovation Union” context
 - Strengthen links between VC Communities in US and Europe and leverage existing intermediaries for Trans-Atlantic cooperation
 - Establish European and US Innovation Sourcing Platform for corporates
 - Establish a Trans-Atlantic approach to research development and commercialisation of products in specific sectors
 - Facilitate work between EU Start-ups and US corporates and vice versa
 - Strengthen ties between universities in EU and US and their respective Tech Transfer offices

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