

European Investment Fund  
Annual General Meeting 2008

Activity Report  
by the Chairman of the Board of Directors,  
Mr Philippe Maystadt

Ladies and Gentlemen,

It is my pleasure, once again, to thank you for joining us at EIF's Annual General Meeting and to welcome you to the elegant setting of the Stanhope Hotel here in Brussels.

As you know, since our last AGM, two new financial institutions have joined the Fund's shareholding and I would like to extend a warm welcome to the first-time representatives from Raiffeisen International Bank-Holding AG, Austria, and Nordrhein-Westfalen Bank, Germany.

I would like to open proceedings with:

- an overview of EIF's activities last year;
- a brief look at EIF's future activities; and
- a reminder of the Fund's main financial results.

#### 1a. General overview

2007 was a year in which the European Investment Fund changed gear in two areas which are key to the Fund's core business: JEREMIE (Joint European Resources for Micro to Medium Enterprises) and CIP, the EU's Competitiveness and Innovation Framework Programme. As both programmes became operational, so EIF's scope for improving SMEs' access to finance increased.

The year also saw EIF develop its role in structuring funds-of-funds, as witnessed by the establishment of, and EIF's financial commitment to, the Portuguese and Turkish vehicles, PVCi and iVCi.

As a result of the unanimous vote at last year's AGM, EIF's capital increase was successfully completed in 2007, thus increasing the Fund's authorised capital from EUR 2bn to EUR 3bn through the issue of 1,000 new shares. To date, the Fund's subscribed capital has increased to EUR 2.77bn, pending the additional uptake of shares by the Commission in 2008, 2009 and 2010.

Also in institutional terms, the Fund was happy to see its triple-A rating reconfirmed once again by all three rating agencies.

## 1b. Operations in 2007

**Total venture and guarantee commitments** amounted to EUR 1.9bn in 2007, bringing the total outstanding to some EUR 16bn at year end.

In terms of **venture capital** operations, agreements were signed for EUR 521m in 33 funds. This brought total equity investments outstanding to nearly EUR 4.4bn (of which EUR 423m on own resources) across 273 funds by year end. Disbursement levels have progressed steadily in recent years, while overall reflows from dividends and capital repayments have generally improved substantially.

New **guarantee** volumes reached some EUR 1.4bn. The vast majority of operations were for credit enhancement (own risk) activities, indeed they reached record levels, whereas operations under mandate awaited the completion of preparations for implementing the CIP. This brought the total guarantee portfolio close to EUR 11.6bn at year end.

## 2. Going forward

### 2.1 Core activity

EIF can be considered to have three core activities: venture capital, securitisation and JEREMIE.

**Venture** activity is expected to remain relatively stable over the coming years, maintaining a balance between policy and financial return goals through a combination of early-stage, high-tech funds balanced with lower mid-market sector investments.

Now CIP has become operational, **guarantee** activities will become more balanced again and will increase their geographic reach, promising new business opportunities and new products, particularly in the fields of microfinance and SME loan securitisation.

Whilst EIF's **JEREMIE** team continued to carry out 'gap analyses' in 2007 as part of the evaluation phase, the programme also evolved into its implementation phase, as witnessed by the signature of two Holding Fund Agreements, with the governments of Greece (2007) and Romania (early 2008). There are also a number of other agreements at an advanced stage of discussion and considerable resources, from EIF and the Commission, are being dedicated to this important initiative.

## **2.2 EIF management**

As you know, following the retirement of Francis Carpenter, whom we thank for his contribution to the Fund's development, Mr. Richard PELLY and Mr. Jean-Marie MAGNETTE were nominated as Chief Executive and Deputy Chief Executive respectively. I am convinced that this change in governance and the complementarity offered by both Richard and Jean-Marie's rich professional experience will be beneficial in all aspects of EIF's business.

## **3. Financials**

### **3.1 Annual Report and accounts**

As you will have seen, the Annual Report and the accounts, which are presented for your approval today, show for 2007 a net profit of EUR 50.4m and a return on equity of 6.15%.

### **3.2 Appropriation policy**

In line with the appropriation policy in place since 2005, the Board of Directors proposes to maintain the allocation to the statutory reserve at 40% of net income.

As before, 40% of net income will be returned to shareholders in the form of dividend payments, while the remaining 20% will be allocated to retained earnings.

As validated at last year's AGM, dividends attached to the new shares issued as part of EIF's capital increase have been calculated pro-rata temporis from the date of payment.

A dividend payment of EUR 8 679 per "old" share is thus proposed and a payment of EUR 3 639 per "new" share resulting from the capital increase. This gives a total of almost EUR 20.2m in dividend payments.

#### 4. Conclusion

To conclude, EIF has again succeeded in fulfilling its financial and policy objectives and I would like to thank EIF's management and staff for their focus and commitment towards meeting the Fund's goals.

Thank you for your attention.