

European Investment Fund
Annual General Meeting 2009

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 new EIB East Building, which is now home to both EIF and EIB.

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

The first year in office for the Chief Executive, Richard Pelly, and the Deputy Chief Executive, Jean-Marie Magnette, has undoubtedly been more challenging than they could have expected, with the current financial crisis. They were however able to quickly take the necessary steps to control and limit the potential impacts of the crisis and maximise the Fund's effectiveness in these difficult economic times. The Corporate Operating Plan reflects the desire to give EIF the means to broadly support the market through an expected increase in the volume of activities for all the different business lines and to expand and develop a range of products which can respond to the growing needs of European SMEs.

The increase in volume will be made possible, in part, by the JEREMIE initiative which has now become an operational reality and entered its implementation phase. Ongoing cooperation between EIF, the Commission, EIB and Member States is geared towards a common objective of enhancing SME access to finance through JEREMIE financial engineered instruments.

EIF has also expanded its offering towards the full spectrum of the SME market by launching two new instruments to meet changing demands and to fill market gaps. A EUR 1bn mezzanine finance facility, mandated by EIB and which was finalised in April 2009, aims at filling a SME financing gap by providing hybrid debt/equity products. The JASMINE initiative (Joint Action to Support Micro-finance Institutions in Europe) will channel some EUR 50m of financing support to micro-finance institutions.

As a response to the increased risk factors stemming from the crisis, EIF has reinforced and intensified its control and monitoring activities and has put in place measures to permanently manage its risks.

The Fund also saw its triple-A rating reconfirmed once again by all three rating agencies.

1b. Operations in 2008

Total new venture and guarantee commitments amounted to EUR 2.5bn in 2008.

In terms of **venture capital** operations, agreements were signed for EUR 409m in 32 funds. This brought total net equity commitments to EUR 3.5bn (of which EUR 317m in own resources) across 299 funds by year end. Disbursement levels remained in line with those of recent years, while overall reflows from profits and capital repayments, not surprisingly, decreased from the previous year as a result of the difficult market conditions.

New **guarantee** volumes reached some EUR 2.1bn. The majority of operations were from mandate activity which was a result of the first full year of implementation of CIP and underlines the great success which this Commission initiative has encountered in the market. Total guarantee exposure reached EUR 12.3bn at year end (of which EUR 3.8bn own risk).

2. Going forward

As previously mentioned, EIF's COP contains ambitious goals for 2009 activity and achieving these forecasts in the current economic environment, with the withdrawal of many private investors, will be a real challenge for the Fund.

EIF will seek to emphasize its role as a catalyst in the **equity** market in order to attract the co-investment necessary to meet target fund sizes in this difficult fundraising environment. Investment activity is expected to surpass the levels of the past year, due to the mezzanine mandate.

The Fund's **guarantee** activity should also exceed last year's levels. This activity will benefit from the strong interest in CIP, which now has an expanded geographic reach and is expected to make up the majority of guarantee transactions this year. While interest in own risk credit enhancement activity remains strong, market conditions have made it increasingly difficult to successfully close these transactions.

3. Financials

3.1 Annual Report and accounts

Despite market conditions, EIF was able to achieve reasonable returns albeit below the target range. As you will have seen, the Annual Report and the accounts, which are presented for your approval today, show a net profit of EUR 35.1m for 2008 corresponding to a return on equity of 3.6%.

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.

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 4 986 per "old" share and a payment of EUR 2 451 per "new" share resulting from the capital increase is thus proposed. This gives a total of almost EUR 14.1m in dividend payments.

4. Conclusion

To conclude, I would like to recognise that EIF has largely succeeded in meeting its financial and policy objectives during these difficult economic times 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.

I would now like to pass the floor to Mr. Heinz Zourek, representing the European Commission.