European Investment Fund
Annual General Meeting 2010

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

Ladies and Gentlemen,

It is my pleasure to welcome you to this year's Annual General Meeting of the European Investment Fund. Thank you for joining us.

As usual, I would like to open proceedings with:

- an overview of EIF's activities in 2009;
- a brief look at EIF's future activities; and
- a reminder of the Fund's main financial results.

1. Activities in 2009

1.1 General overview

Last year was a particularly challenging period for EIF. As the financial crisis continued to have a negative impact on European SMEs' access to finance, there was a great need for EIF to maintain a strong presence, as well as a flexible and proactive approach to market demands.

This is the first year that EIF has made a net loss but I am sure you will agree that, throughout the year, EIF's Board of Directors and shareholders have been well briefed on the forecasting of provisions, thanks to the Fund's effective monitoring and control processes. As a risk-taking institution, it is to be expected that provisions will arise given the depth of this crisis.

As far as new initiatives are concerned, in the last year, EIF has developed its focus on microfinance, as illustrated by the proposal which you are being asked to approve today. 2009 also saw the EUR 1bn mezzanine facility, mandated by the European Investment Bank, being well received by the market with several signatures following soon after its launch one year ago.

It was also with great satisfaction that the Fund saw its triple-A rating reconfirmed once again by all three rating agencies.

1.2 Operations

Total new venture capital and guarantee commitments amounted to over EUR 3bn in 2009.

In terms of equity transactions, agreements were signed for EUR 733m in 37 funds. This was a near record volume and almost twice that of the previous year, demonstrating EIF's commitment to the market throughout the crisis. By year end, total net equity commitments amounted to EUR 4.1bn (of which EUR 341m under own resources) in over 300 funds.

Unsurprisingly, overall reflows from profits and capital repayments remained low, but this trend started to reverse towards the end of last year and there are positive signs that this activity will exceed expectations for the current year.

New **guarantee** volumes reached some EUR 2.3bn[1]. All but one of the 22 operations signed were under the European Commission's Competitiveness and Innovation Framework Programme, indicating the continued success of this mandate. The one other signature represents the first transaction under the JEREMIE programme.

Market conditions prevented EIF from signing any credit enhancement or securitisation transactions in 2009. But EIF has, of course, continued to closely follow developments and is currently assessing a number of transactions, being poised to respond when the environment improves.

The Fund's net guarantee portfolio reached EUR 13.6bn at year end (of which EUR 2.9bn is own risk).

EIF also pursued its active implementation of JEREMIE. In 2009, three new agreements were signed, with Bulgaria, Cyprus and the Italian region of Sicily. As a result, total Holding Funds under the ten management agreements signed since its launch exceeded EUR 1bn.

2. Going forward

EIF's role is obviously one of helping to facilitate the economic recovery in Europe, taking full advantage of its position to maximise the impact which can be brought through its range of instruments.

As concerns EIF's **equity** activities, a large-scale recovery of the fundraising environment is not expected over the short term. It is likely that EIF will continue to take large stakes in promising funds in order to play not only a financial role but also a valuable catalytic one, encouraging co-investment and helping teams reach critical mass.

In terms of **guarantee** activity, EIF is pursuing a strongly proactive approach to extending the CIP transactions into all of the eligible countries. For credit enhancement transactions, on the other hand, there is more cautious optimism and EIF is expecting a moderate recovery of the market in the second half of the year. We also anticipate mobilisation of over twenty guarantee and funding transactions under JEREMIE.

[1] Total amount signed under CIP: EUR 2.2bn; maximum liability: EUR 116m.

3. Financials

3.1 Annual Report and accounts

EIF generated an operating profit of EUR 58.1m, in line with the COP, and kept its costs below plan. However, as you know, the Fund closed the year with a net loss of EUR 7.4m. This was largely the result of provisions on guarantees due to downgrades in the EIF portfolio, without any guarantee calls actually paid in 2009.

3.2 Appropriation policy

Since 2005, net income has been distributed in the proportion of 40% to the statutory reserve, 40% distributed to shareholders by means of dividends, and 20% to retained earnings.

However, in view of the net loss last year, it is proposed that there is no dividend payment for 2009 and, as a result, the total net loss will be allocated to retained earnings.

4. Conclusion

To conclude, during ongoing adverse market conditions, EIF's counter-cyclical role has seen the Fund provide both financial support and a strong institutional presence, which sends a positive message to the markets. EIF's goal of supporting EU Policy Objectives is demonstrated by its firm commitment to supporting European SMEs, entrepreneurship and innovation.

Finally, 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 shall now pass the floor to Mr. Heinz Zourek, representing the European Commission.