



EUROPEAN INVESTMENT BANK

European Fund for Strategic Investments

**RATIONALES FOR THE DECISIONS TAKEN BY
THE EFSI INVESTMENT COMMITTEE IN 2018-2019**

**For projects, previously subject to a confidentiality agreement,
As of 17 May 2019**

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This document should be read in conjunction with the document: "*DECISIONS TAKEN BY THE EFSI INVESTMENT COMMITTEE IN 2018-2019 - for projects previously subject to a confidentiality agreement, as of 17 May 2019*"

In accordance with article 7.12 of Regulation (EU) 2017/2396, the rationales for the decisions taken by the Investment Committee to approve the use of the EU guarantee for EIB operations are made publicly available, in general after the subsequent Investment Committee meeting, except for projects subject to a confidentiality agreement between the EIB and the promoters. The publication shall not contain commercially sensitive information.

In line with article 30 of the EFSI Agreement and the Transparency Policy of the Bank, the rationales of the Investment Committee for decisions approving the use of the EU guarantee in 2018-2019, which have not yet been disclosed as of 17 May 2019, are published below. This is after the projects have been signed or if these projects are not subject to a confidentiality agreement between the EIB and the promoters anymore.

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Alongside previously disclosed rationales of Investment Committee decisions in 2018-2019, the rationales of the Investment Committee to approve the availability of the EU guarantee for the following EIB operations, which were previously subject to a confidentiality agreement between the EIB and the promoters, are as follow:

July 2018

PCC ROKITA CHEMICAL UPGRADE PROGRAMME (Poland)

The IC approved the use of the EFSI guarantee for a proposal concerning the long-term investment programme to expand and modify the promoter's production facilities and diversify its product portfolio with renewable based, low emission materials for the polyurethane industry. The investments will result in an improved environmental performance and specific energy consumption of the production base. The project is located in Brzeg Dolny in Lower Silesia, Poland. A region eligible under the EU Cohesion Policy, thus the operation will contribute to the Union priorities on convergence and social cohesion. At the same time, in line with the EFSI objective of supporting research, development and innovation (RDI), and driven by the EU directive on halogen free fire retardants and customers' demand for renewable based, low emission raw materials and additives for the polyurethane industry, the operation also partly addresses investments in line with Horizon 2020 in Poland. The RDI investments will directly support the promoter's long-term product innovation [...], driving productivity, competitiveness and environmental performance for the main employer in a small city. [...]

The operation addresses a market failure and sub-optimal investment situation under which the European [...] industry is affected, tending to suffer from high costs, lagging innovation and regulatory barriers, and with an overall global competitiveness. [...] The EIB EFSI backed loan will serve as a reliable long-term source of debt funding, which would be difficult to raise from commercial banks on similar terms. [...]

BUDAPEST DISTRICT HEATING STRATEGIC INVESTMENTS (Hungary)

The IC approved the use of the EFSI guarantee for a proposal that will optimize and further develop efficient heat supply services in Budapest to meet existing and future heating demand. The project will reduce emissions of greenhouse gases and will support the achievement of ambitious European targets for renewable energy generation in line with the EU 2030 Energy Strategy as well as the long-term Energy Roadmap 2050 and the Paris Climate Accord. The substitution of individual coal, oil or gas fuelled ovens and boilers and subsequent reduction of air pollutants is furthermore very important for Budapest in improving its air quality, especially in the densely populated central areas of the city.

EFSI support will allow the EIB to participate in this operation by offering a larger loan amount and a longer maturity, in line with the economic life of the underlying assets, than otherwise possible. The EIB loan will open up a new funding source for this first time borrower, who has limited access to long-term external financing and who has traditionally relied on public funding allocation.

The EIB financing will allow closing the financing of the programme, which is also co-financed with grants provided by the European Commission under the Energy Efficiency and Environment Operative Programme, aiming to contribute to achieving the Europe 2020 targets for smart, sustainable and inclusive growth.

October 2018

ILIAD FRANCE TRES HAUT DEBIT EXPANSION (France)

The IC approved the use of the EFSI guarantee for a proposal concerning the expansion of the fibre to the home (FTTH) telecommunication network throughout France. The project focuses on the backbone network as well as the customer connections, for over 1.8m customers. The project contributes to the “Digital Agenda for Europe” flagship initiative of the Europe 2020 Strategy and the complementary “Connectivity for a European Gigabit Society” initiative, through further development and expansion of the Next Generation Network infrastructure, which aims at reaching the targets of high-speed broadband access for all European citizens by 2020 and 2025.

The operation addresses a number of market failures related to the generation of positive network externalities, by enabling more users to benefit from the access to information, digital services and better communication infrastructures. The suboptimal investment situation is driven by commercial lenders constraints in their capacity to provide the volume of affordable financing necessary for the best implementation of the project (requiring long-term maturities), in particular when considering the underlying structural risks. The project is expected to generate parallel benefits to other sectors of the economy supporting innovation and competitiveness, including the enhanced productivity of SMEs and better access to e-services by households. The EIB will be able to provide a sizeable long-term loan addressing the suboptimal investment situation faced by the promoter, that otherwise could not have been financed under the same conditions without the EFSI guarantee.

November 2018

CAJAMAR ABS ENHANCED SUPPORT RURAL SMES AND MID-CAPS (Spain)

The Investment Committee approved the use of the EFSI guarantee for the proposed participation in the mezzanine tranche of a securitisation of SME loans of Cajamar, one of the largest credit cooperatives in Spain.

The EIB intervention with EFSI support facilitates increased lending capacity towards new financing for rural SMEs with a contractual minimum requirement to support new eligible financing of at least 7.5x the amount of the EFSI intervention, supporting an estimated 50,000 jobs. It supports a leading provider of financing to entities in rural / Cohesion areas, which are not sufficiently served by traditional commercial banks.

The IC welcomed the joint EIB Group intervention with EFSI guaranteeing the mezzanine tranche and EIF/EIB the senior tranches (without EFSI support), in order to achieve the release of lending capacity that enables Cajamar to further its new lending to eligible beneficiaries, with an expected 50% directly benefiting entities in Cohesion regions. The IC took note of the separate new portfolio requirement matching the EIF participation (without EFSI support), which is not included in the EFSI investment mobilised / multiplier figures.

Despite the welcome stabilisation of the economic environment in Europe access to finance for SMEs and Midcap remains constrained, both quantitatively and qualitatively in terms of available terms, tenors and collateral requirements, and its continued support therefore a self-standing purpose of the EFSI in line with Article 3 (b) of the Regulation.

The risk profile of the project is Special Activity in line with the EIB's Statute which is a strong indicator of Additionality in the EFSI Regulation.

AENA ENERGY EFFICIENCY INVESTMENT PLAN SFBS (Spain)

The IC approved the use of the EFSI guarantee for a proposal focused in investments with the objective of reducing energy consumption and increasing the use of renewable energy of the airports in Spain, the vast majority part of the Trans-European Transport Network. The project includes investments in LED lighting, high volume-low speed fans, the installation of small-scale solar PV plants for self-consumption, or the installation of electric vehicle recharging stations. Overall, the project is expected to generate energy savings of around 60GWh/year once completed, and production of electricity of 50GWh/year from renewable sources, with a total associated CO₂ emissions reduction of 34 ktons/year. The proposal is in line with the EFSI objectives of developing transport infrastructure, supporting of environment and resource efficiency, as well as the objective to support less developed regions; and falls under the Smart Finance for Smart Buildings (SFBS) Initiative, a joint initiative of the EIB Group and the European Commission aiming at supporting energy efficiency investments in buildings. The positive externalities shall be delivered in the form of public health, greenhouse gas reductions and environmental benefits.

The borrower is facing a sub-optimal investment situation, as access to suitable financing for this type of project specific investments is not readily available. The investments are fully dedicated to energy efficiency measures, and require a dedicated and non-recurrent financing provision, within a clearly defined scaled envelope and scope, and with quantifiable targets that will be subsequently monitored. The financing with the support of the EU Guarantee will allow the promoter to overcome the sub-optimal investment situation in a timely and proportionally manner, helping to accelerate the planned investments, ensuring their implementation in a relatively-short period and during full operation of the airports. The EIB/EFSI financing is expected to result in a quality stamp on the project, increasing commercial lenders confidence in the operation and confirm their own engagement, for completing the financing.

ALIOR MEZZANINE ABS FOR SMES AND MID-CAPS (Poland)

The Investment Committee approved the use of the EFSI guarantee for the proposed

participation in the mezzanine tranche of a synthetic securitisation of SME and MidCap loans of Alior Bank SA.

The EIB intervention with EFSI support facilitates enhanced lending capacity towards new financing for SMEs and MidCaps with a contractual minimum requirement to support new eligible financing of at least 2x the amount of the EFSI intervention, supporting an estimated 35,000 jobs.

The IC welcomed the joint EIB Group intervention with EIB guaranteeing the mezzanine tranche and EIF the senior tranche (without EFSI support), in order to achieve the release of lending capacity that enables Alior to further its new lending to eligible beneficiaries, and expected 80% benefit to Cohesion regions. The IC took note of the separate new portfolio requirement for the EIF participation (without EFSI support), which is not included in the EFSI investment mobilised / multiplier figures.

Despite the welcome stabilisation of the economic environment in Europe access to finance for SMEs and Midcap remains constrained, both quantitatively and qualitatively in terms of available terms, tenors and collateral requirements, and its continued support therefore a self-standing purpose of the EFSI in line with Article 3 (b) of the Regulation.

The risk profile of the project is Special Activity in line with the EIB's Statute which is a strong indicator of Additionality in the EFSI Regulation.

December 2018

BBPM ENHANCED SME AND MID-CAP SUPPORT (Italy)

The Investment Committee approved the use of the EFSI guarantee for the proposed participation in a synthetic securitisation of a granular portfolio of Italian corporate loans. The EIB intervention with EFSI support facilitates lending capacity towards increased access to finance for eligible entities with less than 3,000 employees, with a contractual minimum requirement to support new eligible financing of at least 5x the amount of the EFSI intervention.

The proposal combines the financing capacity of EFSI with the deep market access of BBPM group, an important provider of financing for SMEs and Midcaps in Italy. At full deployment, the new eligible portfolio is expected to benefit SMEs and Midcaps with more than 37,000 employees in total.

The IC welcomed the joint EIB Group intervention with EIF acting as guarantor towards the intermediary and providing its expertise in the due diligence and implementation of the project.

Despite the welcome stabilisation of the economic environment in Europe access to finance for SMEs and Midcap remains constrained, both quantitatively and qualitatively in terms of available terms, tenors and collateral requirements, and its continued support therefore a self-standing purpose of the EFSI in line with Article 3 (b) of the Regulation.

The risk profile of the EFSI intervention is Special Activity in line with the EIB's Statute, which is a strong indicator of Additionality in the EFSI Regulation.

FNAC DARTY RETAIL DIGITAL TRANSFORMATION RDI (France)

The Investment Committee approved the use of the EFSI guarantee for the proposed participation financing of in-house RDI investments into the digital transformation of FNAC Darty group.

The IC acknowledge the importance of investments into the digital capabilities of European corporates which are in line with the European targets of the 2020 strategy and foster the competitiveness of established companies.

Such investments are especially crucial in the retail industry, which on top of its traditional cyclicity, seasonality and intensive competition is undergoing transformational changes and is therefore inherently risky.

New marketplace and emerging dominant positions of pure internet players as well as alleged abusive practices are increasingly disruptive to physical retailers, with negative consequences for employment and the very viability of inner cities. Ongoing strategic investment into the digital capacity of established retailers is therefore essential to allow for the development of balanced business models, however given the inherent riskiness of the industry financing of such strategic investments with the required long repayment profiles is constrained. Without EFSI EIB would not be able to support even a leading national player with the proposed long repayment profile.

The risk profile of the EFSI intervention is Special Activity in line with the EIB's Statute, which is a strong indicator of Additionality in the EFSI Regulation.

RESEAU DE CHALEUR GRENOBLE METROPOLE (France)

The IC approved the use of the EFSI guarantee for a proposal to modernise, expand and further optimise the Grenoble District Heating network, in France. The projects aims at increasing energy efficiency and use of renewable resources, as well as reducing the CO₂ and other pollutants emissions. Through savings in demand for electricity and heat, energy efficiency projects reduce carbon externalities, as well as, in most cases, air pollution and other negative externalities.

The borrower is facing a sub-optimal investment situation, as access to adequate financing needed to support the project specific requirements is not readily available by commercial banks. The economic life of heat infrastructure is significantly longer than the tenor of loans that are typically available on domestic capital markets. This prevents from deploying investments under the scale and timeline that would be appropriate. The EIB would give a strong signal to other promoters in the energy sector facing similar suboptimal investment situations that future operations could potentially help to rectify. Due to the additional risk of the operation, the EIB could not have granted the loan to the same extent without the support of EFSI.

February 2019

LA CABRERA Y TALAYUELA SOLAR PV (Spain)

The IC approved the use of the EFSI guarantee for a proposal contributing to enlarging the footprint of renewable energy in Spain, through the financing of two solar photovoltaic power plants, with a combined capacity of 482MWp, both located in regions eligible under the EU Cohesion Policy, Andalucía and Extremadura. Aligned with the EFSI objective of developing the energy sector in accordance with the Energy Union priorities, the operation helps Spain in achieving its objective of generating 20% of primary energy using renewable sources by 2020, in line with its nationally binding EU targets under the Renewable Energy Directive.

The project addresses a sub-optimal investment situation in the renewable energy sector in Spain. The insecurity associated with the new regulatory framework in Spain and in particular the exposure of the project to open market electricity price risk, creates uncertainty regarding the funding of such type of projects. The market circumstances accompany a major market shift in the financing of renewable energy assets, i.e. towards

project finance structures based on Power Purchase Agreements (PPA), migrating from a model dependant on public subsidies to one based on competition, with a wider range of new promoters and supported by more developed and increasingly affordable technologies. EFSI can provide the EIB the availability of long-term non-recourse debt financing, crucial to bridge the gap, thus ensuring the viability of the project. The EIB will be acting as a first time cornerstone lender, contributing to the crowding-in of other potential investors and private lenders and accelerate the shifting towards new financing structures in Spain.

March 2019

SKIN HEALTH R&D (Spain)

The IC approved the use of the EFSI guarantee for a proposal concerning research and development activities focused on medical dermatology, in particular immuno-inflammatory diseases and non-melanoma skin cancer, as well as orphan diseases. The operation is in line with the EFSI objectives of supporting (i) human capital, culture and health, and (ii) research, development and innovation (RDI). The project's supported RDI activities will generate significant positive knowledge and technology externalities, through the creation of innovative processes, products or services and through skills development in health solutions. The research-based pharmaceutical industry play a critical role in restoring Europe to growth and ensuring future competitiveness in an advancing global economy.

The operation addresses a sub-optimal investment situation in the branded prescription drug segment of the pharmaceutical industry. The sector is subject to a complex and strict compliance environment under a specific regulatory framework at the European level and globally, with a significant impact on increasing the risks related to R&D results and their economic viability. To the required continuous investments in innovation, the path to a marketed drug involves a lengthy process with multiple phases of research, testing and regulatory approval. Pharmaceutical research and clinical development of new drugs are therefore some of the costliest and riskiest activities of knowledge creation, with rapid changes as a result of technological advances and scientific discoveries. There is an increasing consolidation of players into global consumer health groups with high product, segment and geographical diversification, which contributes to creating a sub-optimal investment situation for mid-size, niche players such as the project promoter, in their access to long-term financing. When considering the long-term nature of the investments and the inherent risk structures in regards to the research, development and launch of new products, there is a lack of suited financing solutions. The EIB will be providing, to a first time promoter, long-term financing with an unsecured structure that could not have been provided to the same extent without EFSI. This support is expected to result in a validation of the project and of the promoter's strategic plan, and contribute to crowding-in private sector funding for the project itself and for the promoter's future investment needs.

ROTTERDAM ELECTRIC BUSES TRAM AND METRO INFRA (Netherlands)

The IC approved the use of the EFSI guarantee for the proposed project, which supports smart and sustainable urban mobility in the Rotterdam area. The project will facilitate the roll-out of one of the largest fleets of electric and therefore zero emission buses for public transport in Europe and related charging infrastructure. It will also replace more than 100 Diesel buses used on longer distance lines, which are reaching the end of their economic life, with cleaner hybrid technology buses, as well as refurbish the infrastructure of Rotterdam's existing tram and metro network.

The Project will blend grant financing under the Connecting Europe Facility with debt financing provided by national promotional Banks, EIB with EFSI support and financing

provided under the CEF DI (Debt Instrument) facility, thereby accelerating the roll-out of a showcase project that will update 40% of the bus fleet of a major European city to zero-emission and a combined 80% to alternative drive technology (electric, hybrid and on a pilot basis hydrogen fuel cells).

The Investment Committee welcomed the project that supports Climate Action in its entirety and highlighted the excellent score for the Quality and Soundness of the project (Pillar 2).

Wilhelm MOLTERER
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