



EUROPEAN INVESTMENT BANK

European Fund for Strategic Investments

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

**For projects, previously subject to a confidentiality agreement,
As of 21 December 2018**

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This document should be read in conjunction with the document: *“DECISIONS TAKEN BY THE EFSI INVESTMENT COMMITTEE IN 2018 - for projects previously subject to a confidentiality agreement, as of 21 December 2018”*

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.

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, which have not yet been disclosed as of 21 December 2018, 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, 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

SUSTAINABILITY RETAIL DEVELOPMENT (Spain)

The IC approved the use of the EFSI guarantee for a proposal supporting the construction of an urban shopping centre in the city of Seville, in a Cohesion Region of Spain. The project will be located in industrial site close to the port of the city that requires reconversion. The project is consistent with an integrated urban regeneration strategy, with a focus on the regeneration of brownfield sites with the development of a former derelict brownfield site that was used as an unsanctioned tipping site before it was reclaimed by the promoter. In terms of circular economy, the promoter also oversaw the remediation and reclaimed the soil that was polluted from years of illegal tipping. It has reused 100% of the soil excavated in the development of new urban areas close to the site avoiding transport and the dumping in the landfill.

The project will allow the city of Seville offering a new option for planned and sustainable growing urban development area. The proposed development has received the initial approval of international sustainable building certification awards in retail buildings, with very good sustainable green building rating, as it will benefit from renewable energy sources that include photovoltaics and a geothermal energy system, as well as an integrated green roofing system. Ahead of the specific investments proposed under EFSI, the project will be supported by new transportation modes with planned and approved metro stations and bus routes, and will be close to social infrastructure with an urban public park and a university sports and athletic complex. The project will therefore serve an important social and community infrastructure for the area and will attract retail, office, culture, hotel and residential investments of varying types, aiming at creating an attractive

and sustainable modern urban and social fabric. The investments shall contribute to growth and jobs in the region. The overall employment creation thanks to the project is estimated at 3450 new jobs.

This operation is addressing the current sub-optimal investment situation in the form of a lack of long term unsecured financing offerings. The Spanish real estate market still faces difficulties in mobilising sufficient financing in order to achieve the necessary expansion and upgrade of real estate. Since 2009 financial crisis, there has been a supply/demand imbalance in the European debt markets, as the deleveraging trend on the supply side no longer satisfied the sustained demand for debt. Access to external financing is a mandatory condition for the completion of any major investment. The EIB through EFSI will be providing long-term financing with an unsecured structure, otherwise not available on the market. The operation will also signal confidence in the company's management and strategic plan, and will represent a quality stamp on the economic rationale of the project. This shall help crowding-in private sector financing, and to increase the ratio of more international commercial lenders confidence in the operation and confirm their own engagement in the financing of the company's growth plans.

September 2018

AMS SEMICONDUCTOR SOLUTIONS RDI (Austria, Regional - EU Countries, Germany, Belgium)

The IC approved the use of the EFSI guarantee for a proposal concerning the investment in RDI activities in the sector of electronic semiconductors, in particular the field of high performance sensor solutions, sensor integrated circuits, interfaces and related software. The implementation of the RDI activities are pointing the global megatrends: 3D sensing/augmented reality, Internet of Things and autonomous driving, while making devices and technology smarter, safer, and easier to use. The operation will target research in micro- and nano-electronics, one of the Key Enabling Technologies (KETs) identified by the European Commission as source for innovation that feed into many different industrial value chains and sectors, and are crucial to maintain the competitiveness of the European industry.

The semiconductor industry is characterized by short product cycles and a cyclicity strongly driven by the demand in volatile end markets. This requires a high degree of resilience and competitiveness, ensuing sub-optimal investment situations, where raising debt financing at sector level becomes challenging. Therefore, the RDI activities in new semiconductor technologies, the cyclicity of the business segment, the borrower's credit metrics and the large size of the lending amount, as well as the unsecured format of the financing, categorize the operation as EIB Special Activities. Without the support of EFSI, the EIB could not provide financing to the promoter or to the same extent. The proposed long-term loan indicates confidence in the company's strategy and a signalling effect to the bank lenders and investors. Furthermore, over the medium term, the loan will contribute to diversify the company's funding structure, paving the way to catalyse additional long-term financing providers to the company, and allowing the promoter to advance with other major investment projects in the future. This will be the first operation for the EIB with the borrower. The operation will also benefit from EU grants, under the Horizon 2020 programme.

October 2018

LEONARDO R&D (Italy)

The IC approved the use of the EFSI guarantee for a proposal concerning the promoter's investments in Research, Development and Innovation (RDI) activities carried out in its Helicopters Division. The RDI aims at integrating transversally the latest technologies, including investments in information and communications technologies, cybersecurity, as well as investments to comply with the applicable legislation (safety in the workplace, environment) and improvement of industrial processes. The operation addresses a number of EU and EFSI objectives. It contributes to developing a more competitive EU aeronautics industry, to the achievement of the Climate Action target, through lowering aircraft weight, and to accelerating the accumulation and diffusion of knowledge in Europe, through the promoter's collaboration with universities, research centres and industrial partners. The operation also helps to achieve the EU cohesion policy objectives for strengthening EU's economic, social and territorial balance.

The promoter operates in a complex competitive environment characterised by long development cycles, requiring significant up-front investments, above industry-average project execution risks, high capital intensity, long payback periods and the need to comply with diverse national regulations and certification requirements, leading into a suboptimal investment situation. The EIB/EFIS lending is expected to accelerate the deployment of the investment programme, in a context where carrying out RDI and capex investments on time is crucial for the company, in order to be able to maintain its competitiveness and keep up with the numerous challenges that are currently affecting the sector. The loan could therefore not have been provided to the same extent by the EIB without EFSI support. This support shall be seen as a quality stamp to the company, expecting to crowd-in financing both for the RDI programme, but for also other investment activities of the company globally.

ABBANOVA WATER INVESTMENTS (Italy)

The IC approved the use of the EFSI guarantee for a proposal supporting investments in water and wastewater infrastructure in the Italian cohesion region of Sardinia. The project consists of numerous small to medium size investments for upgrading and optimising the existing water production, transfer and distribution systems, as well as the wastewater collection and treatment works, for supplying a population of 1,650,000 inhabitants. Due to the characteristics of the territory, mountainous and sparsely populated, the networks of water and wastewater are highly fragmented and with the highest level of water leakage in Italy. The lack of connections between the different systems and the obsolescence of the infrastructure is considerably affecting the operational efficiency, which is aggravated with recurrent drought episodes. Fully deployed in a cohesion region, the project will contribute to the European Union priorities on convergence and social cohesion, and to EFSI's climate action target.

In order to accelerate the transition towards more sustainable and efficient water distribution systems, the promoter has developed a large-scale investment project, aimed at integrating, upgrading and rationalizing the existing not efficient infrastructure. The borrower is experiencing constrained access to long-term financing, with private lenders holding back funding, mainly as a result of relatively short residual life of the concession and of the relatively weaker than peers credit metrics. Furthermore, the economic life of water and wastewater infrastructure is significantly longer than the tenor of loans that are typically available on domestic capital markets, thereby contributing to addressing a financial market failure. The EIB financing under EFSI will be providing long-term financing with an unsecured structure, which is expected to result in a quality stamp on the project. This support shall help crowding-in private sector financing and increase commercial lenders confidence in the operation and confirm their own engagement in the

financing. The financing will also allow complementing the grant finance provided inter alia by the European Structural Investment Funds (ESIF), which is key to the overall financing scheme of the operation. The operation will be the first for the EIB with the promoter. The European Investment Advisory Hub (EIAH) is expected to provide Technical Advisory support to the operation.

BUDAPEST AIRPORT CONCESSION (CAPEX PLAN) (Hungary)

The Investment Committee approved the use of the EFSI guarantee for the proposed loan to part-finance the investment programme of Budapest Airport until 2022, which will alleviate already existing congestion during peak times and increase the operational resilience of the airport, add additional capacity to accommodate anticipated traffic growth and incorporate latest European regulations for safety and security of air transport.

While not located in a Cohesion region, the airport is of significant economic importance to its catchment area that includes all of Hungary and Cohesion Regions in neighbouring Croatia, Romania and Slovakia. The long-term economic benefits of the investment are therefore expected to go beyond the direct employment impact of 3,590 temporary and 270 permanent post at the airport itself.

The Investment Committee welcomed the financing for an example of private investment and management of a large and highly visible infrastructure project, and a core TEN-T network at the intersection of three European TEN-T corridors (Mediterranean, Orient/East-Med and the Rhine Danube). It acknowledged the significant Contribution to EU Policy and the Excellent score for the Quality and Soundness of the project.

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.

November 2018

CREDIT MUTUEL ALLIANCE FÉDÉRALE CO-FINANCING (France)

The Investment Committee approved the use of the EFSI guarantee for the proposed intervention in a non-granular risk sharing with Credit Mutuel. 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 2x the amount of the EFSI intervention.

The proposal increases the lending capacity of Credit Mutuel Group to existing Midcap and larger SME clients with financing ticket sizes that cannot be supported by EIB directly. In addition, the contractually required new eligible portfolio, shall benefit at least 20% entities in Cohesion regions and at least 20% innovative companies, two areas where the access to finance remains especially constrained. At full deployment, the proposal is expected to benefit entities with more than 26,000 employees.

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.

Wilhelm MOLTERER
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