

Annual Report 2004



...THE EU SPECIALISED VEHICLE FOR ADVANCING INNOVATION AND SME FINANCE...THE EU SPECIALISED VEHICLE FOR ADVANCING INNOVATION AND SME FINANCE...



**European
Investment
Fund**

Member of the EIB Group

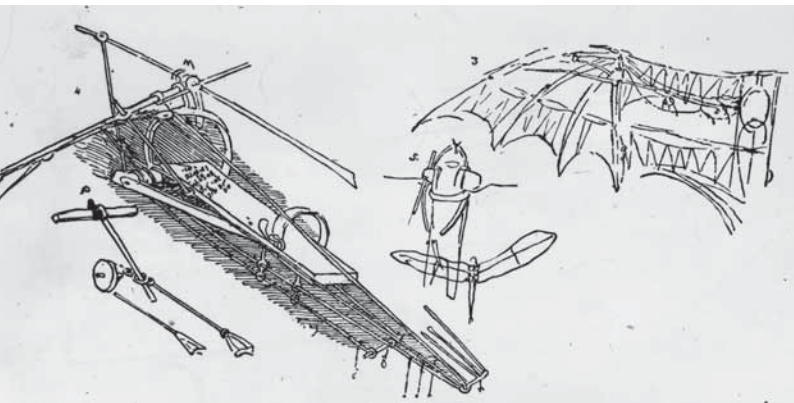
EIF has illustrated its Annual Report with sketches by the Florentine artist and engineer Leonardo da Vinci, (1452-1519):

- Analysing flight of birds, cover & pages 1 & 36 .
- Study for the Apostle Philip in the fresco «The last Supper», cover & page 12.
- The ornithopter and other flying devices, page 2.
- Sketch of an Angel's head, pages 5, 24 & 30.
- Study of water wheel, pages 8 & 17.
- A flying machine, pages 18 & 25.
- Leonardo da Vinci, pages 22 & 31.
- The wings of a glider, pages 26 & 29.
- The manufacturing of cannons, page 28.
- Sketch of an early helicopter prototype, pages 32 & 37.
- The wings of a glider, pages 38 & 49.

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EIF Highlights

as at 31 December 2004

in EUR

2004 Activities

Venture Capital/Private Equity Signatures:	15 funds for 358m
Venture Capital/Private Equity Disbursements:	242m
Guarantees Commitments:	40 operations for 1 447m

Total outstanding

Venture Capital/Private Equity Signatures:	199 funds for 2 770m
Guarantees Commitments:	151 operations for 7 686m

2004 Key financial data

Subscribed capital:	2 000m
Own funds:	587m
Treasury and debt securities:	545m
Net income for the year:	27.2m
Return on Equity	4.7%

Shareholders

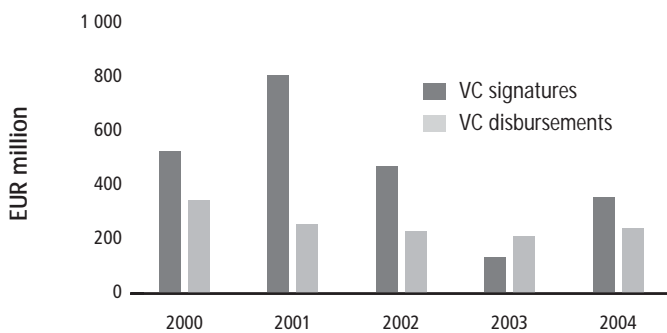
European Investment Bank	59.15%
European Union via the European Commission	30.00%
34 Financial Institutions	10.85%

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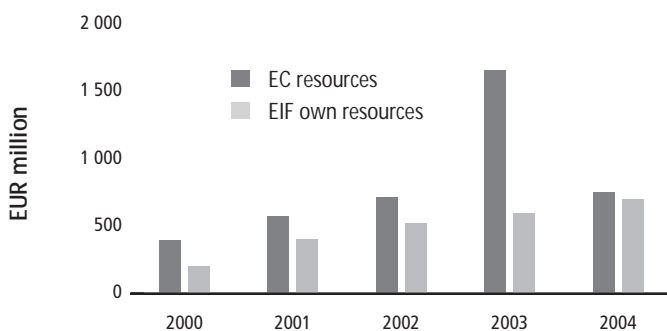
Overview of Past and Present Performance and Results

Venture Capital Signatures & Disbursements*

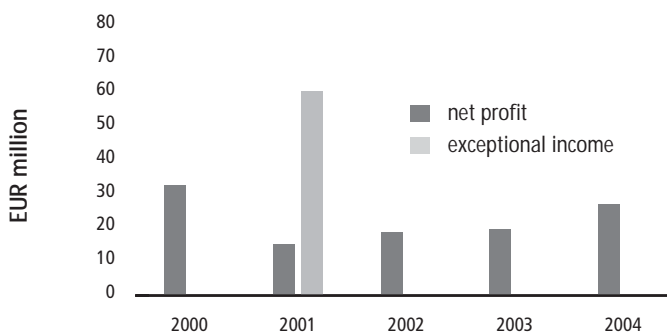


*All mandates

SME Guarantees Commitments



Profit for the financial Year



ROE	7.19%	13.52%	3.41%	3.53%	4.71%
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Exceptional income in 2001 results from the transfer of the Trans-European-Networks activity to the EIB, as a part of the EIF Reform. Return on equity (ROE) is calculated as return on average monthly usable equity.





Foreword by the Chairman of the Board

2004 was an important time in EIF history, marking 10 years of its activity in support of Small and Medium-sized Enterprises (SMEs).

Since its creation in 1994, and more particularly since the reform of 2000, EIF has become a recognised contributor to the EU venture capital industry and SME guarantees business, benefiting enterprises across the SME spectrum, from start-ups through to the later-stage end, and spanning a wide range of sectors from regional industries to innovation or research-based activities. Reports compiled on the underlying venture capital and guarantee portfolios have confirmed that since its inception, over 450 000 SMEs in the EU-25 and in the Accession Countries have benefited from EIF interventions.

EIF's recognised achievements in SME finance have been backed by strong shareholder support, in particular from its majority shareholders, the European Investment Bank and the European Commission, on behalf of which EIF also operates mandates. However, over the past 10 years EIF has also demonstrated a flexibility and innovation in its approach to addressing the financing needs of SMEs, proving that it is a solution-oriented institution.

The many instruments used by EIF today to support its core missions include guarantees and counter-guarantees for portfolios of SME loans and micro-loans, guarantees for securitised loan portfolios, equity participations in venture capital funds, cooperation agreements with like-minded institutions to share information and best practice, and advisory services on innovation policy, SME finance vehicles and technology transfer.

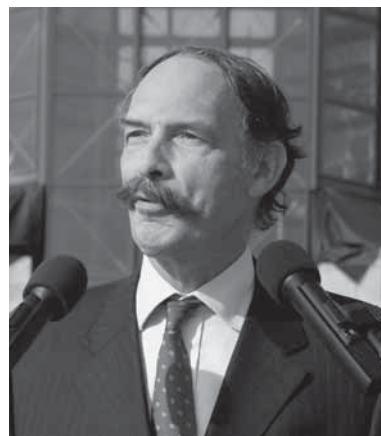
Not only has EIF expanded its instruments in order to be able to reach a greater number of SMEs, but its geographic presence has expanded as well, in advance of the 10 new countries that joined the EU in 2004 and the Accession Countries. EIF learned how to intervene as investor or guarantor in several markets, in order to support regional development and contribute to greater cohesion.

EIF has reached its 10-year anniversary thanks to its pro-activity, creativity, and flexibility. These same attributes will allow it to continue achieving Community objectives in support of innovation and entrepreneurship in the next decade.

A large, stylized handwritten signature in black ink, appearing to read 'Giovanni Ravasio'.

Giovanni Ravasio

Introduction by the Chief Executive



EIF's 10th anniversary in 2004 was marked by the addition of 10 new Member States to the EU and by the amount of revenue generating assets managed by EIF exceeding EUR 10bn.

In 2004, particular achievements stand out as a validation of EIF's progress, in operational and in institutional terms, over the past 10 years. Early in the year, the Basel Committee accorded EIF the status of Multilateral Development Bank, signaling recognition of EIF's commitment and strategy to providing long-term sources of SME finance. As a tangible effect, MDB status will permit national supervisors to apply a 0% risk weight to the EIF under the proposed new Basel Capital Accord (Basel II), benefiting financial institutions working with EIF by reducing regulatory capital allocation on assets guaranteed.

Several other achievements from 2004 are notable: EIF's AAA rating was reconfirmed by the rating agencies Standard & Poor's, Moody's and Fitch; the development of enhanced risk monitoring and fund valuation techniques, to a level acknowledged by the market as being at the leading edge; the implementation of a first external mandate on behalf of the German Federal Ministry of Economics and Labour; the broadening of EIF's shareholder base to include institutions from Denmark, Luxembourg and Sweden; the continuing implementation of a broadly-based European Commission Multiannual Programme for Enterprise and Entrepreneurship (MAP) mandate covering both venture capital and SME guarantees, endorsed by favourable external reviews, which now amounts to EUR 408m for the period 2001-2005, following a significant increase in budgetary allocation for 2004.

There is still much to be accomplished and we will continue with determination to pursue our policy objectives in the coming years. In addition, 2004 falls midway between Lisbon and its stated objectives to be reached by 2010, which, as stressed by the Wim Kok report, call for several long-ranging decisions. The preparation of the financial perspective by the Commission outlining EU policy for 2007 onwards is already underway; the proposed «Competitiveness and Innovation Framework Programme» (CIP), covering the period between 2007 and 2013, will further develop a number of existing and planned Community programmes to support competitiveness and innovation by concentrating on SME finance. We are fully committed to making a substantial contribution towards these objectives.

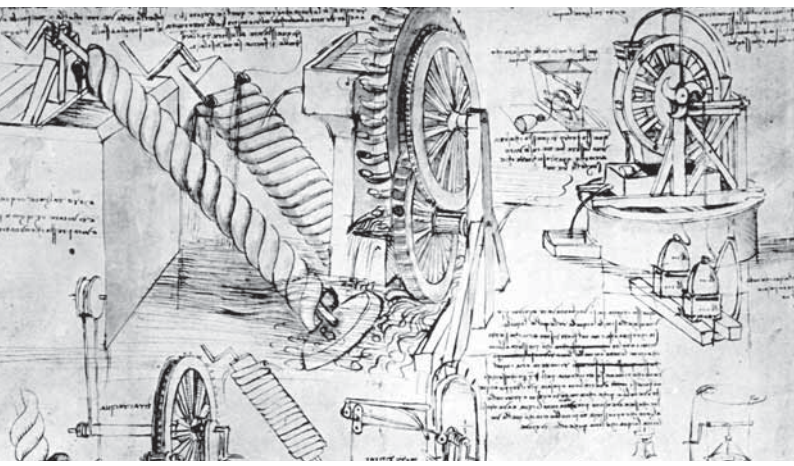
As regards EIF's operations in 2004, EUR 1 805m were signed in total. Of this amount, EUR 358m were committed in 15 venture capital funds and EUR 1 447m were committed in 40 SME guarantee operations, including EUR 697m in own resources credit enhancement activity and some EUR 750m in loan guarantees carried out under the framework of the European Commission's MAP mandate. In 2004, EIF improved its performance, as the financial year shows an audited net profit of EUR 27.2m, compared to EUR 19.7m in 2003.

The above accomplishments have been achieved thanks to the dedication and commitment of EIF staff. Their market expertise and professionalism enable EIF to meet challenging objectives and constitute the strong foundation upon which EIF will further expand in the future. I should like to express my warm thanks and appreciation to them.

A handwritten signature in black ink that reads "F. Carpenter". The signature is written in a cursive, flowing style. The first letter 'F' is large and prominent. The name "Carpenter" follows in a similar cursive script. There is a small mark at the end of the signature, possibly a period or a flourish.

Francis Carpenter

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Venture Capital

Venture Capital

The Market Environment

In 2004, the European venture capital (VC) market showed preliminary signs of recovery; funds raised in the 25 EU Member States (EU 25) in 2004 reached EUR 2.1bn in comparison to EUR 2.0bn and EUR 4.3bn in 2003 and 2002 respectively. It is now believed that the «shakeout» in the industry is over and that, after having weathered the last few years, in the future the market should be more resilient by becoming mature and efficient, with stronger and more seasoned market actors.

The majority of investments in the EU are in the late-stage/buyout segment. In its «2004 Yearbook», EVCA reports that 76.5% of funds raised in 2003 are expected to be allocated to buy-

outs, with another 10.8% to the non high-tech expansion/development segment of the market. Just 8.1% of funds raised in 2003 are expected to be allocated to the early stage segment (5.9% to high-tech early stage and 2.2% to non high-tech early stage).

There are a number of reasons why statistics show lower performance results in seed stage fundraising than in other segments. In particular, amounts involved are often too small compared to the size of the fund and to the level of effort that goes into this type of investment. Also, fund managers may have difficulty appraising opportunities largely based on technology, with limited information in the way of business prospects, and an absence of any track record. Finally, venture capitalists can simply sit it out and wait until a

new venture is sufficiently advanced before they invest.

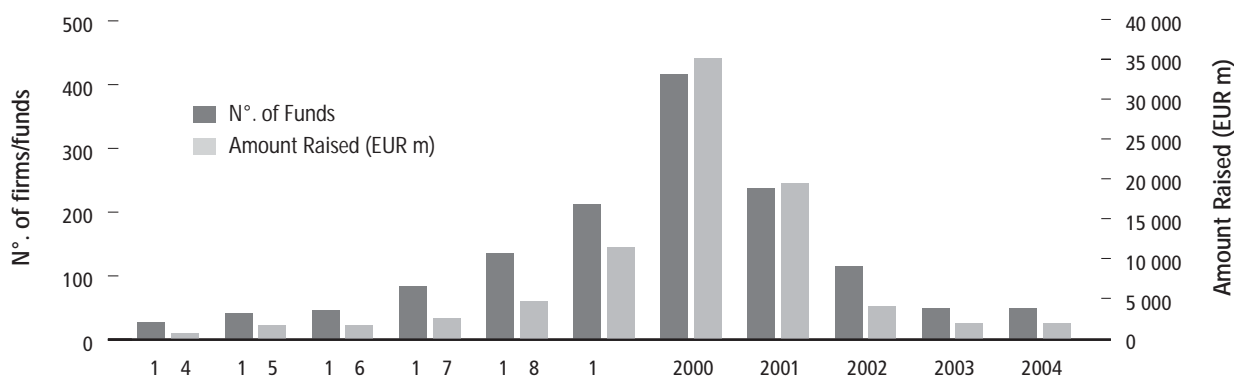
EIF Operations in 2004

As for policy objectives, EIF has remained focused on its core venture capital mission to support innovative enterprises in their early stages or enterprises that are involved in Research & Development, which are a leading source of new knowledge, as well as supporting the expansion of more generalist SME funds in many EU countries.

EIF venture capital operations signed in 2004 totaled EUR 358m committed in 15 funds. This amount is more than double what was signed by EIF in 2003 (EUR 135m) though disbursement levels have, over the years, remained largely stable. Operations were signed

Chart 1: European Venture Capital Funds Raised

Source: Thomson Financial Venture Economics / NVCA



using resources from EIF, EIB, and the European Commission as well as from the German Ministry of Economics and Labour (BMWA).

In conformity with the above objectives, and with a policy of balancing risks, of the 15 new commitments entered into in 2004, eight are venture capital funds targeting companies operating in early stage high-tech sectors including biopharmaceutics, immunotherapeutics, manufacturing, nano technologies, wireless infrastructure, logistics and information technology. The remaining seven operations are more generalist funds that are investing in regional industries and in mid-stage or development capital.

It should be noted that the majority of the year's commitments, or nine funds for EUR 232m, are funds that will seek investment opportunities in countries adjacent to their domestic markets. These are listed in Table 1 as «multi-country» funds.

EIF's Cumulative Portfolio

The EIF's cumulative venture capital portfolio now totals EUR 2 770m invested in 199 funds. As depicted in Chart 2, the geographic distribution of EIF's investments shows a well-diversified portfolio proportional to the respective size of the markets, i.e. including investments in relatively less developed venture capital markets, in

order to contribute to the development of a balanced European private equity market.

In terms of stage, early stage investment (seed and start-up) accounts for roughly 65% of EIF's own resources venture capital portfolio. The presence of expansion, buy and build and replacement capital (roughly 35%) is advisable in order to support successful businesses to ensure a more balanced portfolio. This is to offset the comprehensive presence in less developed market segments and the noted volatility of early stage investments.

The qualitative significance of this portfolio breakdown is properly assessed when viewed in relation to

Table 1: EIF Equity Operations Signed in 2004

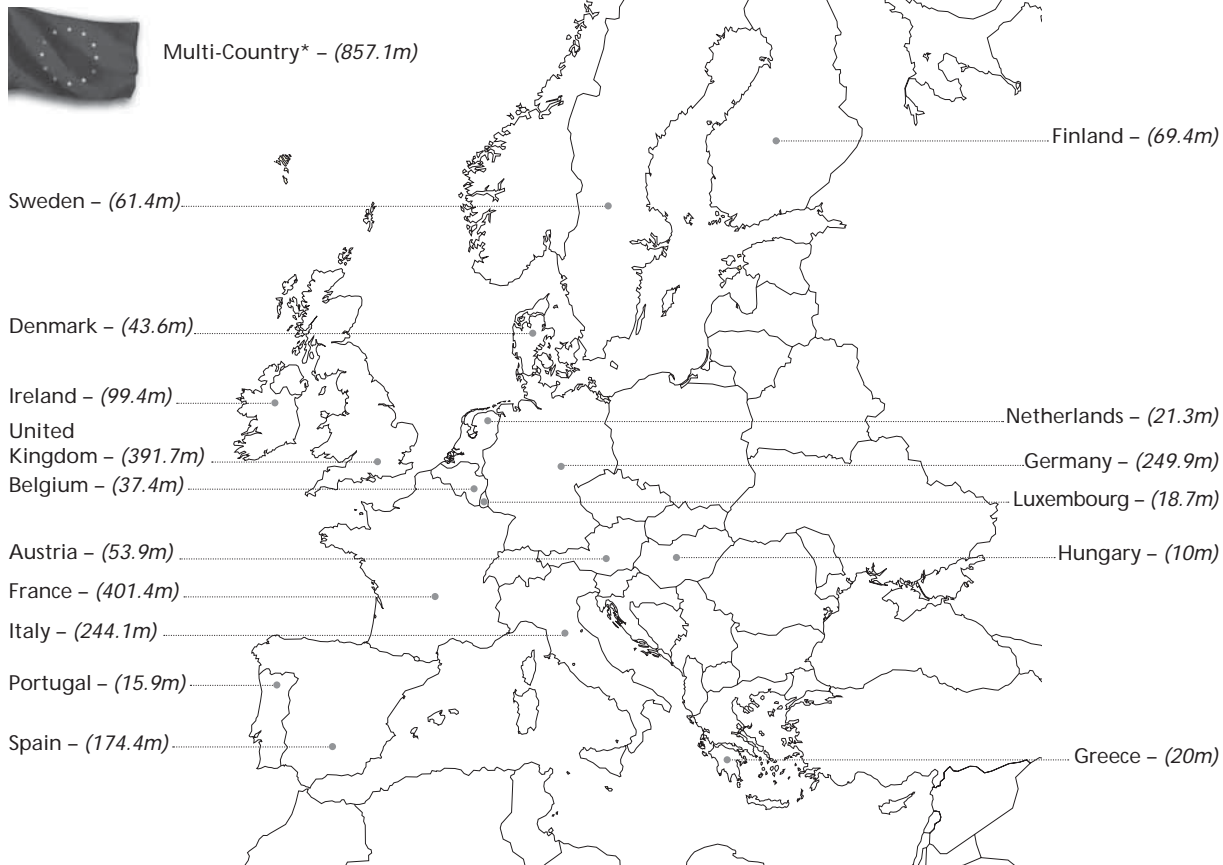
All figures in EUR m (Historical Exchange Rate)

Fund Vehicle	Country	Focus	Resources	Signatures
Accent Equity 2003	Multi-country	Generalist	EIF/EIB	40.0
Advent Private Equity Fund 2	Multi-country	Tech	EIF/EIB	3.0 ♦
Advent Private Equity Fund 4	Multi-country	Tech	EIF/EIB	35.9
Baring Iberia II	Spain	Generalist	EIF/EIB	5.0 ♦
Bencis Buyout Fund II	Multi-country	Generalist	EIF/EIB	25.0
Cape Natexis Private Equity Fund	Italy	Generalist	EIF/EIB	10.0
Eden One LP	United Kingdom	Tech	Commission	14.8
Iris Capital Fund 2	Multi-country	Tech	EIF/EIB	35.0
MCH Iberian Capital Fund II	Spain	Generalist	EIF/EIB	20.0
Merlin Biosciences Fund III	Multi-country	Tech	EIF/EIB	2.9 ♦
Middle Market Fund III	France	Generalist	EIF/EIB	36.1
Nordic Venture Partner II KS	Multi-country	Tech	EIF/EIB	25.0
Polish Enterprise Fund V	Poland & Multi-country	Generalist	EIF/EIB	30.0
TVM Life Science Ventures VI	Germany	Tech	EIF/EIB/BMWA	40.0
Wellington Partners Ventures III	Germany & Multi-country	Tech	EIF/EIB/BMWA	35.0
Grand Total				357.7

♦ Follow-on EIF investment after additional closing of fund

Chart 2: EIF Equity Operations Cumulative Portfolio

EUR 2 770m as at 31 December 2004
Signatures by Country



* When 25% or more of investments are carried out in other countries, the term "multi-country" is applied to a fund. In Central and Eastern Europe (CEE), funds are typically operating across the entire region. Hence, the chart above shows most CEE funds as Multi-Country.

the broader European market as described above, and in comparison to the majority of EU investors, which focuses on later-stage generalist funds (which, according to the EVCA data, represent 87% of the expected allocation of funds raised in European markets in 2003). EIF's position, on the other hand, is not late stage, but is instead to target funds involved in high-technology companies in their early stages.

The core of EIF's activity remains focused on the Lisbon Objectives to en-

hance the competitive strength of small enterprises, fostering innovation and technology, the commercialisation of European Research, promoting growth and high-quality jobs in the EU and in the Accession Countries. This is reflected in the emphasis given to maintaining as broad a geographic focus as possible while investing in high tech/life science funds in the VC portfolio.

2005 is mid-way between Lisbon and its stated objectives of 2010, and is at the core of the Luxembourg Presidency priorities. Following the conclu-

sions of the Wim Kok report, calling inter alia for «increasing availability of venture capital», the EIF is ready to respond to the request of the 2005 Spring Summit to further increase its role in support of innovation and SME finance.

Case Study: Venture Capital Investment

Nordic Venture Partners Fund II

The Nordic region has emerged as a world technology leader over the past two decades in industries that mainly include software and infrastructure for enterprises, technologies for telecom operators and Internet infrastructure. Such a technology base offers highly attractive investment opportunities. However, despite the pick-up in interest by institutional investors for the private equity asset class since the beginning of the year, early-stage financing remains a scarce resource. Hence, venture capital funds are required to play a critical role enabling young companies involved in the most advanced fields of science and technologies to generate new products.

In 2004, EIF made a commitment using its own and EIB resources to invest EUR 25m in «Nordic Venture Partners Fund II» (NVP Fund II), a EUR 115m pan-Nordic venture capital firm dedicated to seed through to pre-IPO stage funding in the Internet and Communication Technology (ICT) sectors. Danske Bank is sponsor of the fund and other investors include a number of Danish pension funds.

NVP Fund II is managed by the fully independent Nordic Venture Partners, a specialised ICT-focused team that is currently managing two other funds: a seed fund of approximately EUR 70m and an expansion capital fund of approximately EUR 150m. The team is well known to EIF through EIF's participation in its first (seed) fund in 2001. The partners of the team have strong technology and operational experience in all stages of the IT and telecom industries, from research and development to international business development. The strategic skill-set of the management team as well as the team's local presence in the three core markets of their investment focus (Denmark, Sweden, Finland with additional investment opportunities in Norway and in Iceland) lend a powerful network to the fund in terms of deal flow.

It should be noted that NVP's discipline to invest only in businesses where the specific skill set of the team allows an in-depth assessment of the business concept of each investee is also why EIF built upon its partnership with NVP by investing in its third fund. NVP's portfolio companies are characterised by their strong commercial value in high potential sectors. The companies include a leading vendor of telecom application services, software developers, a semiconductor company, mobile payment and banking service providers, IT security providers, and creators of network solutions for the gaming industry. Out of 21 portfolio companies to date, seven have reached critical mass in turnover in the range of EUR 10m to 50m. Four investments have posted impressive growth rates over the past years and are expected to be self-sustainable within a year. Eight other investments are in their very early development phase and require further efforts in marketing to capitalise on their technology through sales. Finally, despite the adverse market environment for early-stage ICT investments over the past four years, only two investments have been lost to date.

Venture Capital Mandates Entrusted to EIF

To fund its venture capital operations, the EIF draws on own funds and on three mandates issued by the European Investment Bank (EIB), the European Community (European Commission) and by the German Federal Ministry of Economics and Labour. Explanations of these three mandates are given below:

EIB Risk Capital Mandate

The bulk of EIF's venture capital investments are carried out using EIB resources under the so-called «Risk Capital Mandate» (RCM). EIF has been operating the RCM since the year 2000, when EIF became responsible for most EIB Group equity investments in the EU and in the Accession Countries. Using the RCM, EIF invests notably in early stage, development and expansion capital

technology funds that focus on innovative companies in the EU and in the Accession Countries. The objective is that investments contribute to the diffusion of innovation and/or contribute to a balanced development of markets across European regions.

The Board of Governors of EIB has authorised in 2003 the release in three tranches of EUR 500m from special reserves bringing the level of potential outstanding RCM commitments to EUR 4 000m.

As at 31/12/04, amounts signed using EIB resources to venture capital funds reached EUR 2 357m. In terms of geographic focus, multi-country operations make up some 31% of the EIB portfolio, which has value-added for the harmonisation of European venture capital practices.

Value adjustments during 2004 were EUR 78.7m reaching a total of EUR 343.5m as at 31/12/04. The 2004 writedowns are less than in the two prior years. Value adjustments include management fees paid to fund managers, but principally provisions for lower net asset values of the funds. They do not account for unrealised capital gains.

Since the portfolio's inception and as at 31/12/04, EIB has received EUR 197.9m in capital repayments and EUR 22.9m in dividends from VC funds.

As regards the performance of the portfolio, the decline in values of venture capital markets over the past years has left a mark; for the RCM portfolio, the decline is also due to the timing of investments (i.e. a large portion of investments took place after mid-2000). Since it is a relatively young portfolio in which VC funds have not yet matured, repayments are occurring but not many capital gains.

However, it should be noted that repayments in 2004 reflect a number of strong exits, either through trade sales, secondary buyouts or initial offerings on stock exchanges. A selection of companies that have been sold include CSR (Cambridge Silicon Radio), Ark Therapeutics, BFT, Kellogg, Financière d'Acier et de Plasturgie, Santarus, Fillfactory, Southern Cross Healthcare and Upstate Cell Signalling Solutions. In line with RCM objectives to support innovative high-tech firms, these companies are active in various sectors, notably biotech, pharmaceuticals, IT, wireless technology, composites, e-commerce, and industrial components.

“In 1997, the European Investment Bank was invited by the European Council to start activities in venture capital. This type of financial instrument was needed to boost the economic development in the EU, in particular through the development of a knowledge-based society. Nearly eight years later, the importance of positive action for venture capital has never been higher. Through EIF, the European Investment Bank has already committed large amounts to venture capital. This commitment will continue in the future.”

*Philippe Maystadt,
President of the European Investment Bank*

ERP-EIF Dachfonds Mandate (BMWA), a Public Partnership for Private Sector Innovation

The «ERP-EIF Dachfonds» is an investment mandate that EIF is managing on behalf of the German Federal Ministry of Economics and Labour (BMWA) and the European Recovery Programme (ERP). Structured as a fund-of-funds and with a total size of EUR 500m - BMWA has committed EUR 250m from ERP resources matched by an EIF co-investment - the ERP-EIF Dachfonds is set to invest in venture capital funds focusing mainly on Germany-based high-tech early stage companies.

EIF was awarded management of the ERP-EIF Dachfonds, a major external mandate, in late 2003. This followed a qualification process in which EIF's proposal to manage a BMWA-sponsored investment scheme, an initiative highlighting public sector support for the private sector, was considered alongside other competing public and private institutional fund-of-fund investors. The decision of BMWA representatives in favour of EIF was subsequently approved by the ERP subcommittee of the German Parliament, the German Ministry of Finance and the German Court of Auditors.

Since the Dachfonds' official launch in February 2004, a dedicated team of EIF staff has begun reviewing investment opportunities. The team is specialised in the German VC market, and is responsible for implementing the Dachfonds. In the first year of operation, the team received over 80 fund proposals and completed about 40 first screenings of proposals leading to six due diligences, and three investment approvals. Following this procedure, in December 2004 using ERP-EIF Dachfonds resources, EIF completed its first two commitments for a total of EUR 75m and became cornerstone investor in: TVMLife Science Ventures VI and Wellington Partners Ventures III.



Minister Clement and Vice President Roth

“The ERP-EIF Dachfonds is a genuine example of a Member State and a European Institution joining forces in view of achieving common objectives by supporting young innovation and technology oriented SMEs. Support for the high-tech sector is one of the top priorities of the German Government as outlined in the High-tech Masterplan and the ERP-EIF Dachfonds plays a leading role in the realisation of this high-tech strategy. Defined as a professionally and commercially managed instrument, the Dachfonds already in its first year of operation has proven to be efficient through its sizeable impact in a very difficult market environment.”

Wolfgang Clement, Federal Minister of Economy and Labour, Germany (January 2005)

The case of Wellington Partners Ventures III is notable because EIF has a long standing relationship with the management company, Wellington Partners. In 1997 the team structured Wellington Partners as a partnership and raised Wellington Partners Ventures I for which EIF used European Commission (ETF Start-up Facility) resources to make a cornerstone investment in this promising team. Wellington Partners is a specialised ICT and Life Science early stage investment company currently managing three funds. The management team comprises 13 VC professionals including eight partners with VC selection, investment, management and exit experience in the targeted sectors. They are complemented by established networks that formalise in the fund's board and result in preferred access to deal flow. The board comprises recognised industry experts and EIF is a member of that board.

Examples of the management team's high-quality deal-flow are evident in the 40 investments made by Wellington Partners to date. The companies are characterised by strong intellectual property rights on commercially viable products in sectors such as wireless infrastructure, anti-cancer immunotherapeutics and nano structuring technologies. Since its inception, Wellington Partners has achieved 16 exits, 13 via trade sales and three initial public offerings.

Besides Wellington Partners Ventures III and TVM Life Science Ventures VI, EIF will participate in a number of funds in the near future, as there is a full pipeline of interesting proposals under review in 2005. If each commitment signed is as strategic as the first two, the Dachfonds is certain to have an important impact on the high-tech industry in Germany, fully meeting the intentions of BMWA, as voiced by Wolfgang Clement, Federal Minister of Economy and Labour.

Not only is it in line with Government's strategy, but the Dachfonds is also in accordance with EIF's Statutes and EU objectives - the facility has even become a reference: in the interim report to the European Council on «A European Initiative for Growth» (COM(2003) 579 final), the European Commission invited EIF to come up with proposals for a new range of innovative schemes supporting public and private venture capital investments, on the model of the ERP-EIF Dachfonds completed in Germany.

With such backing, which places EIF as a strong reference in the European VC industry, the aim is indeed to form similar partnerships in other countries in the future.

“The EIB Group supports the implementation of EU policy objectives and in this specific case the Lisbon Process. The ERP-EIF Dachfonds is a concrete example of this promoting the expansion of Europe's technology base. Being in itself an innovative financial and market conform instrument, managed by a dedicated EIF team, it is well equipped to further back the development of a sustainable Venture Capital infrastructure and thereby boosting the transition process to the knowledge based society.”

Wolfgang Roth, Vice President of the European Investment Bank (January 2005)

Mandates from the European Commission

At the EU level, EIF has been assigned the task of supporting seed and early stage capital through the ETF Start-up Facility and the Seed Capital Action schemes, which are included in the European Commission's Multiannual Programme for Enterprise and Entrepreneurship (MAP) mandate. Covering the period 2001-2005, these schemes target the financing of seed or early stage funds financing the development of innovation and research as well as incubators operating as funds. Seed Capital Action is a grant scheme that supports the recruitment of additional investment managers in seed capital funds.

In 2004, EIF signed one operation for EUR 14.8m using ETF Start-up Facility (MAP) resources: «Eden One LP», a venture capital fund focusing on early stage UK software companies in the communications, media and general technology sectors. The cumulative ETF Start-up portfolio as at 31/12/04 totals EUR 140m in 22 funds⁽¹⁾. In recent years, new signatures under this mandate have progressed slowly mainly because of the absence of private sector co-investors in the early/seed stages, which this facility is specifically designed to target. However overall, with positive signs in the market, interest has been renewed in several countries.

Broader Impact

In 2004, taking the funds financed between 1999 and 2002 through the ETF Start-up Facility under the Growth and Employment Initiative and MAP, EIF conducted a survey on the economic impact of its investments. The selected portfolio amounts to EUR 120m invested in 20 funds operating across Europe. The number of investee companies financed by these funds amounts to 290. The survey was based on the three goals of growth, employment and innovation.

Firstly, as far as the economic growth objective is concerned, EIF concentrated on two measures: improvement of SME access to financing and the development of entrepreneurship. Starting with the former, by taking minority positions in funds EIF has played a catalytic role and managed to encourage commitments from a wide range of investors, mainly from the private sector. It has been found that the total amount effectively channelled to final beneficiaries (induced investment) is five times more than the amount committed by the Fund and reaches EUR 600m (the average EIF participation in venture capital funds amounts to 20%). Out of the total number of investee companies, 225 (78%) are in their seed or early stages.

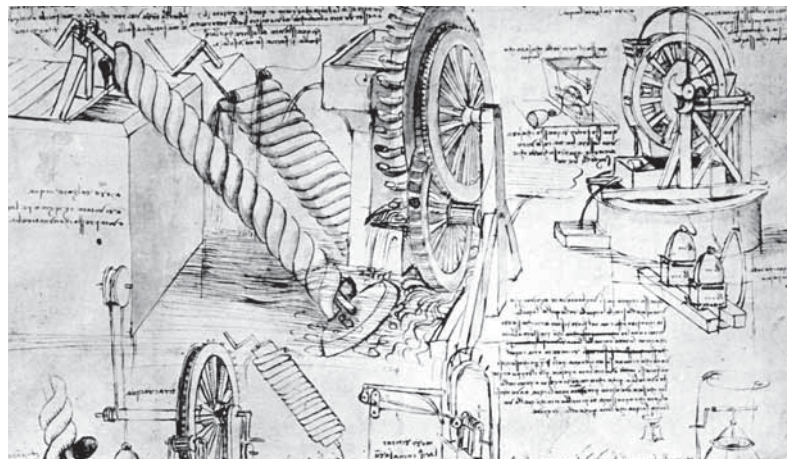
In the selected portfolio by the end of June 2004, EIF has supported an

estimated 10 660 jobs (induced employment), including almost 4 400 new jobs created. Each job induced by EIF thus required EUR 11 100 in investment (EUR 56 000 taking into consideration the total amount channelled by financial intermediaries).

Finally, EIF's study tried to analyse the process of fostering innovation and developing a knowledge-based economy through EIF investments. As an indicator of EIF «induced innovation», 225 start-ups and seeds were funded out of a total of 290 venture backed companies, with a strong concentration in high-tech sectors, mainly computer-related (70%) and biotechnology and medical health-related (26%).

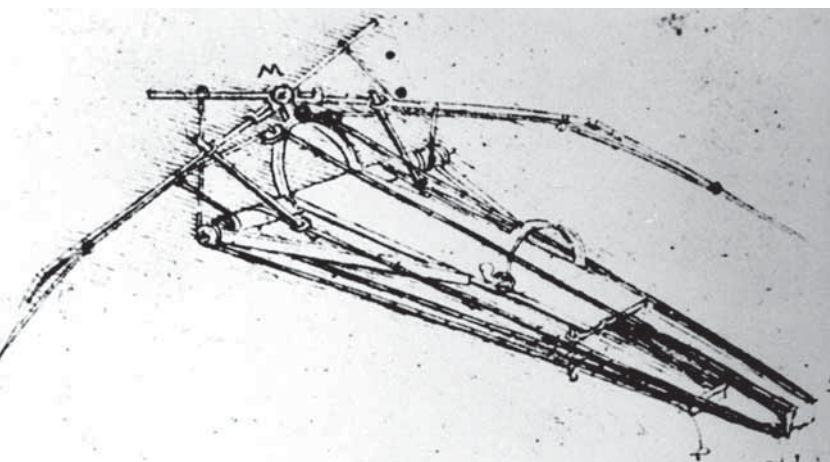
In sum, the results of the survey confirm that EIF venture capital has a positive impact on the development of technology-oriented SMEs in Europe and, hence leads to improvement in economic growth, employment, and innovation. Although the selected portfolio represents only a fraction of EIF's activities, the beneficial outcomes of investments are clear.

1) Figure includes ETF Start-up Facility investments signed between 1998-2003 under the "Growth and Employment Initiative" and "MAP" mandate.



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SME Guarantees

SME Guarantees

For the portfolio guarantees market, the economic instability of the past years has had an effect on the number of company bankruptcies; on the other hand, credit quality has generally started to stabilise. For the EIF, which has established solid credentials in the industry, demand is high and SME securitisation has remained a core business activity in support of SMEs.

EIF Operations in 2004

EIF's SME guarantees emphasis in 2004 was on completing activity with smaller banks, and on expanding activity in countries where the guarantees market is less developed or where EIF has not previously set any deals. This objective was met as transactions set by EIF in 2004 have a broad geographic range and are smaller operations.

In carrying out its guarantee operations, the EIF draws on its own funds and funds that are provided by the European Commission under the «Multi-annual Programme for Enterprise and Entrepreneurship 2001-2005» (MAP) mandate (initially under the «Growth and Employment Initiative 1998-2000»).

In 2004, new SME guarantee operations totalled EUR 1 447m, of which EUR 697m for credit enhancement (own risk) activities and EUR 750m for MAP activities.

Credit enhancement of SME loans and leasing portfolios has contin-

ued to progress, with EIF providing guarantees in various transactions, notably in the more developed markets (Germany, Italy and Spain being the most active) but also in markets where previously EIF had not been active, such as in the Netherlands. At the same time, EIF is making efforts to participate in similar operations in other European markets where SMEs are significant beneficiaries of bank finance. It is also worth mentioning that a first multi-country SME guarantee transaction (EVP II) was signed.

As regards MAP activities in 2004, demand in the existing and in the new Member States and in the Accession Countries was sustained. Sixteen new MAP agreements were signed with institutions in Austria, the Czech Republic, Estonia, Greece, Hungary (2), Lithuania, Malta, Norway, Poland, Portugal, Romania (2), Slovakia, Slovenia and Turkey. This Facility delivers strong added value by providing support for new loans to SMEs through reduced credit risk for the EIF intermediaries.

In May 2004, EIF was mandated by Banco BPI, one of the top four Portuguese banking groups, to support BPI in preparing for its first ever SME loan securitisation transaction. EIF undertook a feasibility study for BPI covering, inter alia, feasible deal structures, recommended eligibility criteria and parameters for the selection of the underlying portfolio as well as indicative tranching based on a number of different structural

features. This study was also critical for PME Investimentos to decide to provide its guarantee for this SME CLO pursuant to the law Decreto-Lei no 188/2002 of 21 August 2002 that provides for public support for securitisation backed by SME loans.

Table 2: EIF SME Guarantee Operations Signed in 2004

All figures in EUR m

Product	Bank	Country	Commitment
Credit Enhancement	European Venture Partners II	Multi-country	40.0
	AR Finance 1	Portugal	10.5 ♣
	FCC GIAC 5	France	20.0
	F-E Green	Italy	108.5
	GC FTPYME PASTOR 2	Spain	40.4
	Girasole Finance 1 S.r.l	Italy	64.6
	Intesa Lease Sec. S.r.l.	Italy	83.8
	MARS 2004 BV	Netherlands	5.0
	Promise Caravela 2004	Portugal	127.0
	Promise-I 2000-1	Germany	7.0 ♥
	SPLIT 2 S.r.l	Italy	8.0
	Symvonie 2004-1 plc	Germany	182.3
		Subtotal	697.1
MAP	ALMI	Sweden	13.0 ♣
	ATI - Alleanza Di Garanzia	Italy	112.5 ♣
	ATI - Garanzia Diretta	Italy	21.0 ♣
	ATI Artigiancredit Piemonte - Emilia Romagna - Lombardia	Italy	45.0 ♣
	ATI Sistema Garanzia Umbria-Marche	Italy	11.0 ♣
	Austria Wirtschaftsservice GmbH	Austria	21.8 ♣
	Austria Wirtschaftsservice GmbH - Equity	Austria	10.0
	Bank BPH S.A.	Poland	30.0
	BRD - Groupe Societe Generale	Romania	11.0
	Ceska Sporitelna S.A.	Czech Republic	50.0
	Credit And Export Guarantee Fund - Kredex	Estonia	11.1
	Encouragement Bank Ad	Bulgaria	14.0 ♣
	HVB Bank Hungary Rt.	Hungary	15.0
	Innovation Norway	Norway	10.0
	Investiciju Ir Verslo Garantijos Uab - INVEGA	Lithuania	13.6
	Kredi Garanti Fonu Isletme Ve Arastirma A.S. (Credit Guarantee Fund)	Turkey	5.5
	Malta Enterprise Corporation	Malta	6.0
	Mediocredito Centrale	Italy	135.0 ♣
	MFB - Hungarian Development Bank Ltd	Hungary	20.0
	Raiffeisen Bank	Romania	20.0
	Slovene Enterprise Fund	Slovenia	5.5
	SOCAMA	France	31.2 ♣
	Sofaris	France	45.0 ♣
	Sofaris - Equity	France	9.9 ♣
	SPGM	Portugal	29.0
	Tatra Banka A.S.	Slovak Republic	25.0
	TEMPME S.A.	Greece	14.6
	The Prince's Trust	United Kingdom	13.9 ♣
		Subtotal	749.6
		Grand Total	1 446.7

♣ Extension ♥ Secondary operation

Chart 3: EIF SME Guarantee Operations Cumulative Portfolio

EUR 7 686m as at 31 December 2004
Commitments by Area



EIF's Cumulative Portfolio

EIF's cumulative guarantees portfolio now totals EUR 7 686m in 151 transactions. The geographic distribution of the portfolio is depicted above.

EIF Added Value in SME Loan Securitisation

In its credit enhancement activity, EIF, through its AAA/Aaa guarantee, helps SME lenders to transfer their credit risk to the capital markets, to achieve

capital relief and free up capacity for new SME financing. EIF is playing a significant role in this rather specialised area since through its guarantee and expertise it enables cost efficiency in putting the structures together. EIF typically takes a middle range of risk, based on its careful due diligence, acting in close cooperation with the originating banks and the arrangers. No losses have been sustained on this credit enhancement activity.

The process of loan securitisation involves the packaging of a pool of homogenous loans or leases and (a)

selling these to investors in the form of securities backed by the cash flows arising from the underlying loans («true sale» securitisation), or (b) the transfer of the credit risk of such portfolio of loans to the capital markets, while actual ownership of loans remains with the originating bank («synthetic» transactions).

The primary role of EIF within securitisation transactions is to facilitate the risk-transfer from originators to the capital market by providing credit enhancement to asset-backed securities, typically in the illiquid mezzanine

segment (i.e. securities with an underlying rating in the range from double-B to single-A). EIF is expected to act as a catalyst for this instrument, underwriting, in full or in part, the most illiquid and riskier tranches alongside institutional investors. It is aiming, in close co-operation with partners who pursue similar objectives, at establishing European standards for SME loan securitisation.

Securitisation offers advantages to all the parties involved in such transactions, i.e. SMEs, originating banks, as well as capital markets and investors. First and foremost, with regards to SMEs, securitisation leads to enhanced availability of debt finance by increasing the lending capacity of banks. Furthermore, it establishes indirect access

to significant new investor groups, e.g. pension funds, insurance companies, regional banks, etc., which cannot provide direct funding to SMEs. It also makes lending to them less dependent on industry and regional concentrations of the bank's loan book.

Secondly, as far as originating banks are concerned, securitisation offers economic and regulatory capital relief, hence, increases the amount which can be reemployed in SME lending. In addition to that, major banks can move from the traditional 'buy and hold' approach to SME loans towards transforming SME credit risk by packaging originated SME loans to structured portfolios that are sold to investors; while small and medium-sized banks can free up their credit

lines to continue lending to SMEs in their respective region.

Lastly, securitisation contributes to more mature capital markets in Europe by improving the transfer of SME credit risk from originators to markets. Moreover, investors benefit from enhanced access to SME credit risk, as well as improved liquidity in the secondary market for SME securitisation due to increased standardisation.

As at the end of December 2004, EIF has made own resources guarantee commitments of EUR 1 625m for securitisation, catalysing the issuance of EUR 34 300m securities backed by SME financing, and affecting 230 000 businesses.

Case Study: SME Loan Securitisation

European Venture Partners II - Leveraged Venture Leasing Company Ltd (Multi-country)

The European Venture Partners II operation signed in 2004 is the first multi-country credit enhancement transaction with EIF participation, and the first one involving a pool of venture leases and venture loans (venture leases and venture loans are granted to early-stage SMEs backed by VC funds). The proceeds of the securitisation will be used to build a EUR 105m portfolio, with replenishment and recycling features (i.e. the excess spread earned on the securitised portfolio and not distributed to investors will be used to finance additional SMEs). Five classes of notes were issued; EIF has provided a wrap on part of the senior class for a nominal amount of EUR 25m and part of the mezzanine class for a nominal amount of EUR 15m. Geographically, European Venture Partners II will originate investments in the UK, France, Germany, Sweden, Denmark, the Netherlands and Israel (max 25% of the portfolio). European Venture Partners II is unique because it represents the first multi-country securitisation of venture loans and venture leases granted to early stage SMEs.

SME Guarantees

Mandate Entrusted to EIF

MAP Mandate (European Commission)

In its guarantee operations, EIF has been entrusted with the management of a dedicated mandate on behalf of the European Commission, the «SME Guarantee Facility», which is a part of the Multiannual Programme for Enterprise and Entrepreneurship (the mandate also includes seed capital schemes). Through this mandate, EIF continues to fulfil EU policy objectives, notably by providing enhanced SME finance and enabling increased accessibility to micro-finance and SME guarantees in the EU 25⁽²⁾, Bulgaria, Romania, Turkey and EFTA/EEA countries (Iceland, Norway and Liechtenstein).



Mr Zourek and Mr McGlue

Now in its fifth year of operation, the total MAP budget amounts to EUR 408m for a period covering 2001-2005. However, it should be noted that the Commission has proposed to the Council and the European Parliament to extend the MAP by

one year, i.e. until the end of 2006. Furthermore, a proposal for a successor programme to MAP, covering the period 2007-2013, is currently being prepared by the European Commission for adoption by the Council and the European Parliament in 2006.

Under the SME Guarantee Facility, EIF provides guarantees and counter-guarantees in relation to portfolios of SME micro-loans, loans or leases. MAP/EIF can cover up to 50% of the credit risk of the individual loans or leases in the dedicated portfolio and its obligation to pay its share of losses under a specific portfolio is capped at a pre-set amount.

Under the Facility as at 31/12/04, EIF has entered into agreements in 27 countries, for a total guarantee commitment of EUR 2 707m. As of 30 September 2004, the estimated underlying loan volume supported by these intermediaries under MAP was EUR 6 806m to 52 680 companies. The high number of employees working in SMEs that have benefited from EIF loan guarantees demonstrates

“For the Commission and other EU institutions (EU Council and Parliament), EIF’s role as agent for the Commission in delivering EU budget-funded programmes is highly valued. EIF’s established reputation in the field of SME financing and its AAA rating underpin its standing in financial markets, confirming it as a centre of excellence, know-how and professionalism in managing its core business.”

Heinz Zourek, Deputy Director-General, Directorate-General for Enterprise and Industry, European Commission

2) EU 15 under the previous “Growth and Employment Initiative” mandate.

the importance of supporting entrepreneurs and small companies and the leverage effect of such financial instruments.

Micro-credit operations under the SME Guarantee Facility have also been extended or renewed in 2004, i.e. to provide continuity to existing schemes. Thanks to MAP/EIF micro-finance guarantees totalling EUR 193m, institutions in 6 countries (Belgium, France, Germany, Ireland, Spain, and the United Kingdom) are able to issue micro-loans, on average of less

than EUR 10 000, to enterprises with between 1 and 10 employees. In addition, mentoring for the entrepreneurs (in order to improve survival rates and the prospects for loan repayment) is provided either by the institutions or by NGO's who work alongside the specialised banking sector to support micro-enterprises. The additionality of MAP/EIF guarantees for micro-credit is thus regarded as very high, as cooperation between players at all levels (entrepreneurs and grassroots organisations, NGOs and banks) is promoted. It should be noted that

this facility is the leading micro-credit support scheme in Europe.

It is noteworthy that the United Nations has set 2005 as «The International Year of Microcredit»³⁾. EIF expects to increase its involvement in micro-credit in order to widen the number of intermediaries providing micro-loans at a national level in 2005.

3) For more information, see www.yearofmicrocredit.org

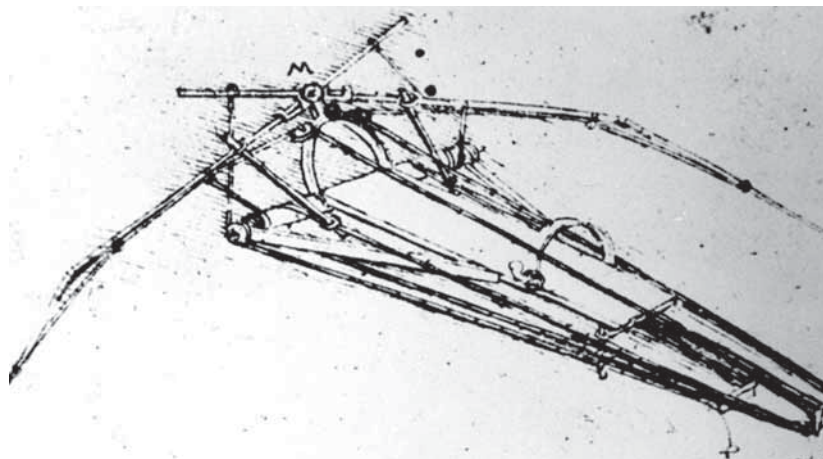
Case Study: SME Guarantee Facility

MAP in Hungary

In 2004, EIF has signed an SME loan guarantee agreement in Hungary for a nominal amount of EUR 20m with the **Hungarian Development Bank Ltd.** EIF's guarantee covers half of the risk taken by this bank in the implementation of a part of the SME Loan Programme, which offers long term financing for technology development investments supporting the closing up of the Hungarian economy to the EU and increasing the competitiveness of SMEs. EIF's guarantee will be used directly or channeled through a network of banks to SMEs, or through HDB's own network throughout Hungary.

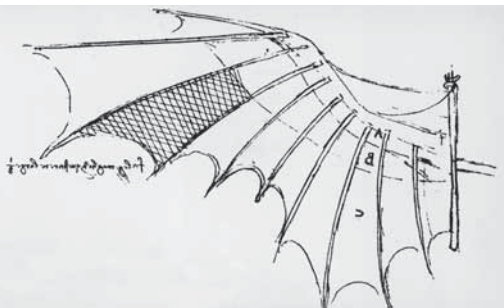
The **HVB Bank Hungary Rt.** participates in the above scheme, but has also entered into a direct loan guarantee agreement with EIF under the MAP for a EUR 15m nominal guarantee amount, which covers 50% of the risk on a EUR 30m portfolio of SME loans. With respect to geographic coverage, HVB also has branches across Hungary with plans to enlarge its regional networks to include a greater number of small outlets aimed especially at serving small enterprises.

The advantage to SMEs in the underlying portfolios is that HDB and HVB may deviate from normal collateral policy and substantially reduce requirements, which are set according to a pre-determined rating system. Loan volumes will also be increased, in line with an expansion strategy in Central and Eastern Europe, which aims to cover 10% of market share in SME lending. The wide geographic coverage and well-established market position of both the HDB network and HVB will further ensure that SMEs have ample points of access to an intermediary that has the ability to effectively implement the SME lending requirements.



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Advisory Services

Advisory Services

In operation since 2003, EIF's Advisory Services (AS) draws on the Fund's expertise in the fields of Venture Capital, Portfolio Guarantees and, more generally, innovative financial engineering. This advice may be sought by regional, national or international organisations, in both the public and private sectors. The scope of assignments includes the design, implementation and evaluation of finance policies, projects and structures.

AS assignments are tailor-made to meet the specific requirements of the contracting party. They have high added value for the beneficiaries concerned, which are able to benefit from the transfer of EIF experience.

All assignments are carried out on a fee-paying basis, independently under market conditions. In following adequate cost coverage principles in its advisory function, EIF has no capital consumption related to this activity.

Following the completion of three assignments in 2003, in 2004 five assignments were undertaken with regional institutions and the European Commission.

Looking forward, EIF is shortly due to sign an agreement, to be managed on behalf of EIB Group, with the European Commission's Enterprise and Industry Directorate-General and Economic and Financial Affairs Directorate-General. The so-called

«Preparatory Action» (PA) is a facility involving EIF guarantees or EIB lending operations coupled with technical assistance funded by PA grants. The Commission's 2004 budget of EUR 6m is being divided into three EUR 2m facilities with the EIB Group, the European Bank for Reconstruction and Development, and a joint agreement with the Council of Europe Development Bank and Kreditanstalt für Wiederaufbau. This reinforcement of EIB Group's cooperation with the Commission is an excellent example of EIB and EIF combining their skills and experience in pursuit of a common Community objective.

The PA's general objective is to expand and strengthen SME credit markets,

Table 3: EIF Advisory Services Contracts Signed in 2004

Assignment	Date of Signature	Purpose
BIC Mid Sweden	Jan. 2004	Study of existing financing instruments for SMEs and on possible new VC funds or guarantee schemes
IFA 2004 (Instituto de Fomento de Andalucía) (Spain)	Mar. 2004	Establishment of a venture capital fund and management company
Technology Transfer Accelerator (TTA) (European Commission - Research Directorate General)	Aug. 2004	Development of a new pre-seed tech transfer vehicle to bridge gap between research and early stage funding
European Investment Bank - European Commission - Regional Policy Directorate General	Oct. 2004	Technical advice on innovation in regions
CDTI - Centro para el Desarrollo Tecnológico Industrial (Spain)	Dec. 2004	Feasibility study for establishing a VC fund-of-funds and management company

Case Study: Advisory Services

Meeting Lisbon: The Technology Transfer Accelerator («TTA»), EIF initiative to bridge the seed financing gap

Increased investments in research and innovation as one of the keys to securing EU competitiveness and sustainable economic growth.

In 2004, EIF Advisory Services launched a unique initiative, funded by the Research Directorate-General of the European Commission and in cooperation with the European Investment Bank, to develop a risk capital and technology transfer vehicle. The proposal to launch the Technology Transfer Accelerator (TTA) initiative was based on several observations relating to European research, such as first, the fact that existing European research and technology transfer infrastructures suffer from a major lack of critical mass, not employing enough people and generating less than one resource-earning licensing deal per year; second, the fact that venture capital is largely absent from the seed phase; third, that a number of research commercialisation projects do not lend themselves to existing standard financing tools and techniques; and fourth, the disadvantages of limited public R&D budgets and fragmented markets.

TTA seeks to assess the feasibility of a new type of investment vehicle focused on financing the commercialisation of the results of research. Its aim is to bridge the financing gap between research and early stage investment through a new scheme that could be implemented by EIF.

Areas which TTA addresses typically include the validation of an invention from a technology and intellectual property point of view, the filing of patents, the in-licensing of complementary patents, the identification of potential market applications, the evaluation of the market potential, the development of prototypes, the assembly of a management team, the development of a first business plan, the signature of the first contracts with the very first customers.

Overall, the objective of the project is to build one or several functioning pilots, which would prove the concept and could then be replicated or enlarged in subsequent phases. Ideally, those pilots would revolve around a number of research institutions, and would seek to address their pre-seed stage financing needs. The exact nature of the relationship between the TTA and those research institutions will be precisely defined in 2005 after completion of the feasibility study.

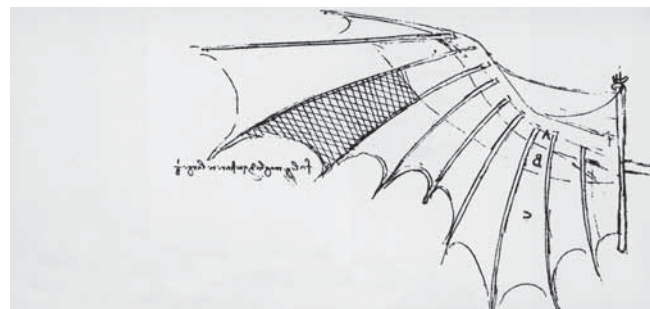
This initiative presents a unique opportunity to design from scratch an instrument that meets the pressing needs of tech transfer in Europe.

notably micro-lending, in the ten new EU Member States. More specifically, by combining both financial and technical assistance, the aim is to improve the capacity of local, regional or cooperative financial institutions or banks to extend loans to SMEs, and, in parallel, also develop the credit institutions' in-house administrative,

assessment and monitoring abilities. This contributes to one of EIF's main objectives of spreading best market practices in its business fields and addressing existing knowledge gaps across the EU.

With a range of assignments in several countries, EIF Advisory activity

has had a solid first two years and is expected to continue gaining in importance, especially in terms of preparation of future operations.





Partnerships

In the presence of Jean-Claude Juncker, current President of the Council of the European Union, Philippe Maystadt, President of the European Investment Bank Group, Gaston Reinesch, President of SNCI, Jeannot Krecké, Luxembourg Minister of Economy, and Francis Carpenter, Chief Executive of EIF, a partnership convention was established in March 2005 between EIF and SNCI (Société Nationale de Crédit et d'Investissement, Luxembourg) to reinforce and develop synergies in venture capital. Signed in early 2005, the convention is similar to the partnership agreements EIF also established with others. The agreement sets out a framework for cooperation between two institutions that share the same objective to support SMEs, confirming existing collaboration (EIF is already an investor with SNCI) and cooperating on future projects, which could include co-investing in venture capital funds and setting up new investment vehicles targeting SMEs.

SNCI signing, (standing l. to r.), P. Maystadt, J.C. Juncker, J. Krecké, (seated l. to r.), G. Reinesch, F. Carpenter.





Publications

Based on the EIF's specificity and portfolio, staff have been involved in the research and writing of venture capital and risk management articles and books, which have appeared in numerous journals and publications. All articles produced by EIF staff are available on the EIF Internet site: www.eif.org.

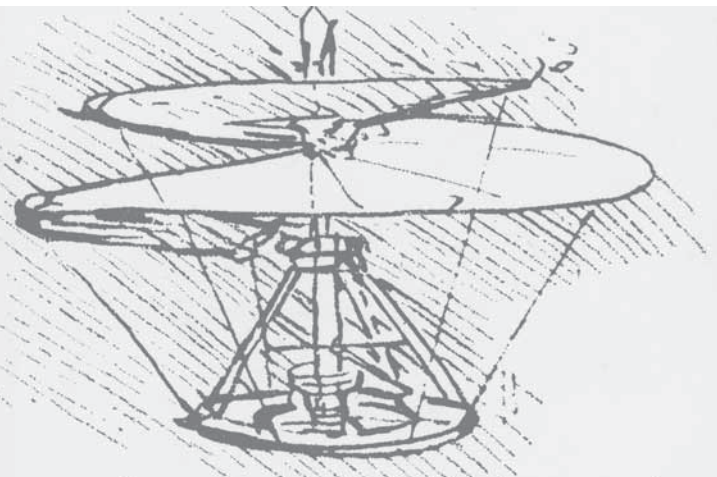
Below are the summaries of two books by EIF staff, which reflect the authors' views:

“Exposed to the J-Curve”

In January 2005, Euromoney Plc published the above book by EIF Head of Venture Capital Operations, Ulrich Grabenwarter, and consultant to EIF, Dr. Tom Weidig (QuantExperts). *Exposed to the J-Curve* presents an overview of the asset class private equity and its contribution to an overall investment strategy. Writing from the market practitioner's perspective, the book discusses all relevant management issues of fund investments. It includes guidance on how to evaluate market opportunities, select management teams and assess a team's investment strategy. *Exposed to the J-Curve* also provides an in-depth insight on the key aspects in structuring the relationship between the fund manager and the investors. It further includes a discussion of relevant aspects of portfolio management of fund investments including the latest cash-flow models and their use to avoid liquidity squeezes and over-allocation and gives an overview on alternative instruments in private equity such as fund-of-funds, secondary transactions, securitisation notes and other structured products.

“Beyond the J-Curve”

To be published by Wiley Finance in summer 2005, *Beyond the J-Curve* has been written by EIF Head of Risk Monitoring and Management, Dr. Thomas Meyer, and EIF staff, Pierre-Yves Mathonet. The book aims to serve as an aid for limited partners in venture capital and private equity funds, providing an innovative toolset for such limited partners to design and manage portfolios tailored to the dynamics of this market place. *Beyond the J-Curve* covers topics such as the selection of fund managers, proper liquidity management as a way to improve portfolio returns, and the concept of “fair value” under the proposed new accounting rule IAS 39 and “risk” under the proposed Basel II accord.



Risk Management

Risk Management

EIF aligns its risk management systems to changing economic conditions and evolving regulatory standards. It adapts them on an ongoing basis as «best market practices» develop. Credit, market and operational systems are in place to control and report on the main risks inherent to its operations.

EIF's Risk Management is covered by an independent division (Risk Management and Monitoring, RMM) that reports directly to the Chief Executive. This segregation of duties and the four-eyes principle ensure an unbiased review of EIF's business activities.

RMM is divided into three teams corresponding to different areas: Financial Administration, Portfolio Guarantees, and Venture Capital. In addition, EIF's Risk Management and Monitoring operates in close contact with the Risk Management Directorate of the European Investment Bank.

The basis for an effective risk management process is the identification and analysis of existing and potential risks inherent in any product. Hence RMM covers EIF's VC and guarantee activities, monitors risk regularly on individual transactions as well as on a portfolio level, and assesses new and old transactions. For this purpose, RMM:

- reviews the risk management methodologies, processes, and instruments in use at EIF Operations;
- issues independent opinions on all transaction proposals;

- independently reviews internal ratings (portfolio guarantees)/grades (VC) assigned by Operations; and
- checks limits.

An overall portfolio view is compiled in regular reviews and is incorporated in the development of an Asset Liability Management Framework. In addition, RMM is responsible for the execution of on-site monitoring visits with regard to its guarantee activities under the EC Mandates.

The information basis for EIF transaction decisions has to be consistent and all relevant data has to be easily accessible. Therefore, RMM is leading the development and implementation of management information systems for controlling, monitoring and reporting risks.

Risk Assessment Venture Capital: Grading-based Economic Model

For its venture capital business, over the last years, EIF staff has developed an innovative toolset to design, manage and monitor portfolios tailored to the dynamics of this market place. This toolset based on the Grading-based Economic Model («GEM») allows EIF to better assess and verify funds' valuations and expected performance. This effort, supported by the development of a proprietary IT system, improves the investment decision process and the management of portfolio's financial risks and of liquidities. These new developments,

“The [Aaa] rating is further supported by the Fund's [EIF] prudent financial policies, its sophisticated risk management and monitoring systems, and the strength of its management team.” **Moody's Investors Service** (15/07/2003)

which are already shared with some key industry players, are significant contributions towards compliance with the new International Financial Reporting Standards (IFRS), Basel II and Solvency II. The controls over the operational risks have also been improved by an integrated IT system as a central reference point for front and back-office staff, a new process between front-office and risk management with flash-reports to highlight «hot spots» in the portfolio and the implementation of new methodologies to determine the monitoring coverage and intensity. Finally, EIF portfolio management systems are not mechanical exercises, but are based on experienced staff, conducting on-site visits, and checking and questioning financial reporting.

Credit Risk Assessment for Venture Capital Investments

Over the last two years EIF has been developing the GEM to determine a

fair value of venture capital funds for IAS 39 and to address comparable requirements under the New Basel Accord.

The GEM gives a forecast for the portfolio lifetime investment return. In other words, it projects the range for the likely outcomes for the portfolio on maturity and eliminates temporary «J-curve» effects. The return measure used is the pooled IRR, taking into account the timing and amount of the cash flows generated from venture capital investments done under EIF own resources.

Under IAS 39 fair value accounting, the portfolio lifetime investment return and a discount rate (private equity market typical return targets) form the main inputs to determine the provisioning. Consequently, the strategies discussed in the following will have an impact on EIF's provisions.

Risk Assessment/ Rating Portfolio Guarantees

In accordance with the EIF Credit Risk Policy Guidelines, EIF Operations Department - Guarantees Division - assigns to each new guarantee transaction (own risk) an internal rating that summarizes its credit quality, mapped to the Moody's rating scale.

There are three key dimensions that EIF considers when entering into a new guarantee transaction:

- Credit quality;
- Weighted Average Life; and
- Minimum incremental return.

Capital allocation, provisioning and pricing are functions of the expected and unexpected loss, i.e. they vary according to the assigned rating. The individual internal rating is assigned upon closing and revised quarterly for each transaction. Furthermore, the principle of «monitoring by exception» is applied. If there is an event which could cause an upgrade or a

downgrade of a transaction it triggers an analysis.

As the rating is based on a model, RMM - in the course of the independent opinion process and in line with the Model Review Procedure - conducts a model review for each new rating as well as sample checks of updated ratings. The purpose of this

Model Review is to reduce the model risk establishing guidelines for use of all quantitative tools models for valuation and risk assessment within EIF. Inter alia it defines that each basic model has to be independently reviewed within EIF and that assumptions made to adjust basic models for individual transactions have to be documented and reviewed by RMM.

Provisioning Policy

The charts below illustrate the annual amounts set aside for the venture capital portfolio value adjustment using EVCA II compliant valuation methodology and SME guarantees provisioning:

Chart 4: VC Portfolio Value Adjustment

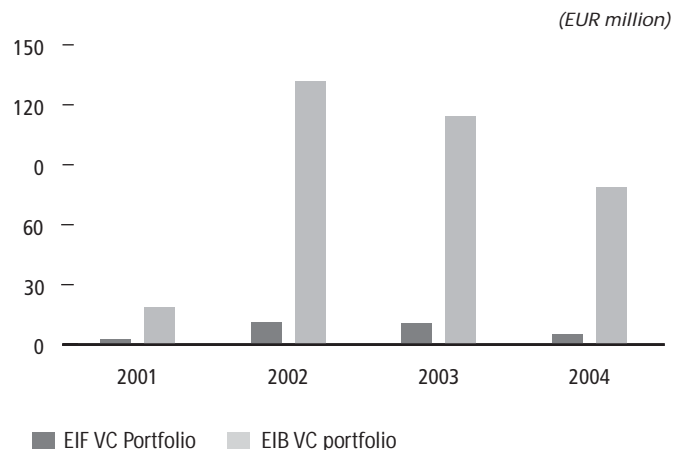
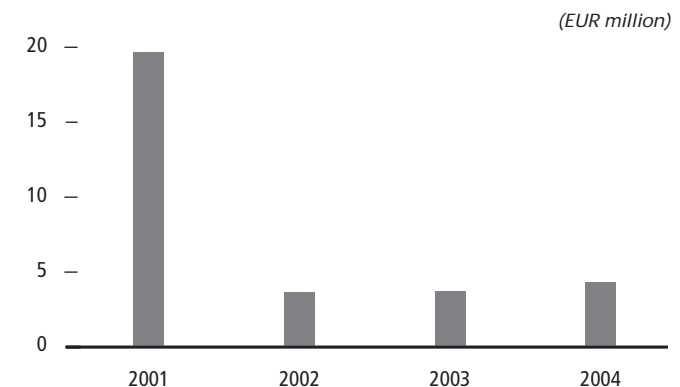


Chart 5: Provision Relating to EIF SME Guarantees



Figures for 2001 include provisions related to the TENs Guarantees Portfolio subsequently transferred to EIB and that from 2002 onwards the provisioning policy has been amended.

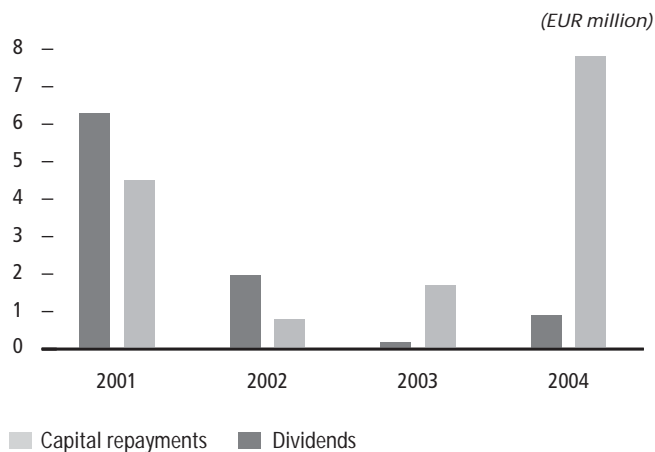
Portfolio performance

The charts below illustrate the evolution of the EIB and EIF venture capital portfolios:

Chart 6: VC EIB Portfolio



Chart 7: VC EIF Portfolio



The guarantee transactions are monitored regularly by the Operations Department; the monitoring process includes:

- Ongoing risk review of each existing guarantee operation;
- Checking compliance of contractual obligations by the relevant counterparty (e.g. timely reporting, compli-

ance with eligibility criteria, verification of financial covenants, timely payment of fee due, etc.);

- The assessment the expected evolution of each guarantee operation in terms of its performance compared to ex-ante estimates set prior to signature of the operation;
- The assessment whether the level of capital allocation and general provi-

sions made for each operation are adequate and to propose, if deemed necessary, specific provisions for individual loss items;

- The establishment and maintenance of the Watch List (for transactions rated below Ba2) in accordance with the internal guidelines.

Furthermore, on the basis of the above deal-specific analysis, RMM carries out the analysis of the Guarantee Portfolio as a whole (Portfolio Review).

Treasury Risk Management

Treasury investments are classified into: 1) short-term treasury, with the primary objective to maintain liquidity, 2) long-term treasury, as a second liquidity line.

Credit risk policy for treasury transactions is also monitored through the attribution of credit limits to the counterparties for short-term and long-term transactions. Weighted exposure for each counterparty must not exceed the authorised limit.

Table 4 offers an illustration of the size and credit quality of EIF's various treasury portfolios in January 2005.

Adherence to New Accounting Measures

Basel II has implications for EIF's guarantees business, as it is expected to result in a moderate reduction of regulatory capital for loans to smaller SMEs (retail segment) but an increase for mid-sized SMEs. In view of the BIS II capital charges on securitisation exposures, the use of SME securitisation is likely to expand under the Basel II rules. As most of the economic capital is in fact attributable to the mezzanine tranches the success in identifying investors for these tranches determines the continued growth of this asset class in the EU. Here, EIF is expected to play an important role as catalyst

Issues Related to the Transition to IFRS

Generally, the fair value is defined as «the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction». The standard foresees two ways to arrive at fair value:

- If an active market exists: quoted price, and
- If no active market: valuation technique.

When no active market exists, which is the case for VC funds, IAS 39 suggests estimating the fair value with valuation techniques. For such techniques, the standard mentions the discounted cash flow analysis, which has been used for a model-based approach developed by EIF services. This model addresses the following IAS 39 related issues:

- All available market inputs can be taken into account in the cash flow projections model. Firstly, being a discounted cash flow approach, the discount rate is estimated mainly based on market input. Furthermore, the projections are supported by real cash flow series.

- Entity-specific inputs are limited to a structured review that aims to rank the private equity funds within their peer-group and are only used as a substitute for the lack of market inputs. Furthermore, in no circumstances, available market inputs are substitutes by any entity-specific inputs.
- The model provides realistic estimates of the fair value as it is based on real historical cash flow statistics and as the present values are calculated using a market typical discount rate.
- The structured review that aims to rank the private equity funds within their peer group has been designed so that all factors that market participants would consider in setting a price are taken into account.
- Being based on a discounted cash flow analysis, it is consistent with accepted economic methodologies for pricing financial instruments.

The cash flow projections generated by the model are based on historical statistics. Therefore its main assumption is that the past is representative of the future, i.e. that market fluctuations are neutralised.

Table 4: Size and credit quality of EIF's treasury portfolio (figures as at 01/2005)

Portfolio/Rating	Nominal exposure (EURm)					Total
	Short Term External Rating	Long Term External Rating				
	A-1+ / P-1	<A or NR	A	AA	Aaa	
Operational Portfolio	93.9	-	-	-	-	93.9
AFS Portfolio	-	-	-	-	48.4	48.4
Investment Portfolio	-	-	38.6	137.2	187.3	363.1
Total nominal treasury funds	93.9	-	38.6	137.2	235.7	505.4

for other investors. Already, some of this year's SME securitisations would not have been closed without the participation of EIF.

The new EU regulation on accounting standards, IFRS, is to be implemented following final amendments and in EIF's case, as of financial year 2005. Several items are expected to impact EIF, such as IAS 19 for the pension scheme, IAS 39, 37, 18 and 4 for guarantee operations; IAS 39 in particular will impact the venture capital side of EIF's business, as this standard requires «fair value» accounting for non-quoted equity, without any method having been agreed within the industry for such valuations.

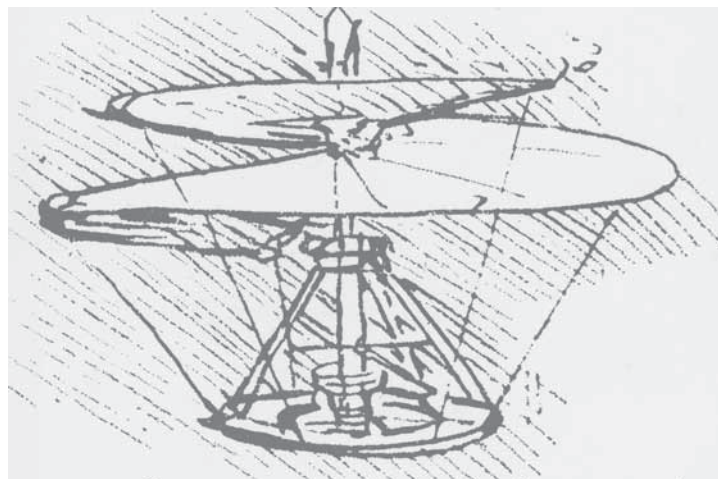
Audits and Controls

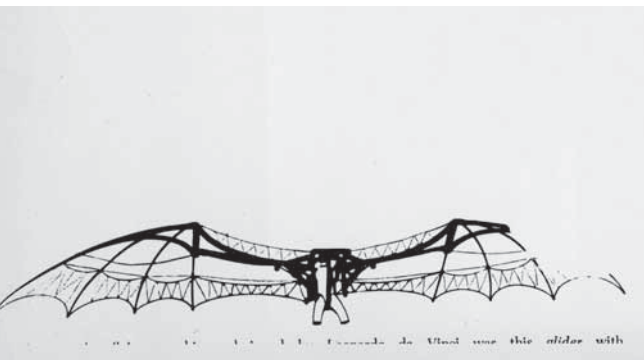
The principal audit and control mechanisms include both internal and external auditors working under the supervision of the Audit Board, which pays attention to maintaining the independence and integrity of the audit function. Internal and external auditors are working in liaison with the internal and external auditors of the European Investment Bank and the European Commission for the fiduciary mandates. In addition, the European Court of Auditors conducts an audit of all Commission mandated EIF programmes and insofar as the Commission's shareholder participation in EIF, the remit of the Court of Auditors

operates within a specific tripartite agreement and includes the possibility to audit the value of that participation. In terms of methodology, an External Control Framework mechanism covers all the key business process of EIF.

EIF also operates a comprehensive Internal Control Framework, with its Internal Auditor. Early in 2005, the Secretary of the Fund has created a Compliance function which will, among other things verify conformity of operations to EU policies and respect of codes of conduct: it will liaise, with the EIB Compliance Officer.

The activity report of the EIF Audit Board is published on the EIF Internet site.





Results for the Financial Year 2004

Independent Auditor's Report

To the Audit Board
of the EUROPEAN INVESTMENT FUND
43, avenue J.F. Kennedy
L-2968 Luxembourg

Following our appointment by the Audit Board, we have audited the accompanying annual accounts of the EUROPEAN INVESTMENT FUND for the year ended December 31, 2004. These annual accounts are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these annual accounts based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the annual accounts. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall annual accounts presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the attached annual accounts give, in accordance with the general principles of the Council Directives of the European Union on the annual accounts and consolidated accounts of banks and other financial institutions, a true and fair view of the financial position of the EUROPEAN INVESTMENT FUND as of December 31, 2004 and of the results of its operations and its cash flows for the year then ended.

Luxembourg, 2 March 2005

PricewaterhouseCoopers S.à r.l.
Réviseur d'Entreprises
Represented by

Pierre Krier



Report of the Audit Board

The Audit Board set up in accordance with pursuant to Article 22 of the Statutes,

- acting in accordance with the customary standards of the audit profession,
- having studied the books of accounts and such documents which it deemed necessary to examine in the discharge of its duties,
- having examined the report dated 2 March 2005 drawn up by PricewaterhouseCoopers S.à r.l. RÈviseur d'Entreprises,

considering Articles 17, 18 ad 19 of the Rules of Procedure,

hereby confirms

- that the operations of the Fund have been carried out in compliance with the formalities and procedures laid down in the Statutes, the Rules of Procedure and the guidelines and directives from time to time adopted by the Board of Directors;
- that the balance sheet and profit and loss account of the European Investment Fund give a true and fair view of the financial position of the Fund in respect of its assets and liabilities, and of the results of its operations for the financial year under review.

Luxembourg, 2 March 2005

THE AUDIT BOARD



Michael Haralabidis



Sylvain Simonetti



Hanu Lipponen

Balance Sheet as at 31 December 2004

in EUR

ASSETS	Notes	2004	2003
Cash at bank and in hand	3.1		
Current accounts		34 850 979	24 123 231
term deposits		51 500 000	30 000 000
		86 350 979	54 123 231
Debt securities and other fixed-income securities	3.2, 3.4	458 819 917	478 934 830
Shares and other variable income securities	3.3, 3.4	70 355 318	59 870 013
Intangible fixed assets	3.4	1 393 078	993 975
Tangible and other fixed assets	3.4	4 575 816	4 714 086
Other assets	3.5	8 696 382	3 376 011
Prepayments and accrued income	3.6	14 749 526	15 163 313
TOTAL ASSETS		644 941 016	617 175 459
OFF-BALANCE SHEET ITEMS	Notes	2004	2003
Guarantees issued	5.1		
On drawn		2 912 062 998	2 768 008 277
On undrawn		131 039 293	204 503 824
		3 043 102 291	2 972 512 101
Commitments	5.3	104 212 743	82 747 480
Assets held for third parties	5.4	250 617 974	227 920 889
Fiduciary operations	5.5	7 474 830 878	6 714 836 258
	5.6	10 872 763 886	9 998 016 728
LIABILITIES	Notes	2004	2003
Creditors	4.1	5 023 188	1 758 283
Accruals and deferred income	4.2	15 845 846	16 006 738
Provisions for liabilities and charges			
Provisions relating to guarantees	4.3	30 656 978	27 454 593
Provisions relating to pensions and similar obligations	4.4	4 644 296	2 702 122
Other provisions		2 183 906	1 976 360
		37 485 180	32 133 075
Capital	4.5		
Subscribed		2 000 000 000	2 000 000 000
Uncalled		-1 600 000 000	-1 600 000 000
		400 000 000	400 000 000
Share premium account		12 770 142	12 770 142
Statutory reserve	4.6	62 314 590	58 367 050
Profit brought forward	4.6	84 298 631	76 402 471
Profit for the financial year	4.6	27 203 439	19 737 700
TOTAL LIABILITIES		644 941 016	617 175 459

The accompanying notes form an integral part of these annual accounts.

Profit and Loss Account

for the year ended 31 December 2004

	Notes	2004	in EUR 2003
Net interest and similar income	6.1	22 256 429	22 451 050
Income from securities			
Income from investments in venture capital funds		890 120	126 868
Commission income	6.2	28 565 954	24 463 235
Net loss on financial operations	6.3	-691 592	-1 632 761
Other operating income		27 319	221 713
General administrative expenses:			
Staff costs:			
- wages and salaries	6.4	-8 578 721	-6 704 911
- social security costs			
of which: EUR 647 533 relating to pension contributions (2003: EUR 541 205)		-1 008 265	-810 554
		-9 586 986	-7 515 465
Other administrative expenses		-3 975 887	-3 369 950
		-13 562 873	-10 885 415
Value adjustments in respect of tangible and intangible fixed assets		-600 295	-348 031
Value adjustment in respect of shares and other variable income securities	3.3	-5 392 432	-10 922 598
Provisions for commitments	4.3	-4 289 191	-3 736 361
Profit for the financial year		27 203 439	19 737 700

The accompanying notes form an integral part of these annual accounts.

Cash Flow Statement

for the year ended 31 December 2004

in EUR

	2004	2003
Cash flows from operating activities		
Profit for the financial year	27 203 439	19 737 700
Value adjustments in respect of tangible & intangible fixed assets	600 295	348 031
Value adjustments in respect of shares & other variable income securities	5 482 482	12 496 651
Net increase in provisions for commitments	3 202 385	1 932 172
Increase in provisions relating to pensions & similar obligations	150 000	150 000
Profit on operating activities	36 638 601	34 664 554
Decreases / (increases) in other assets	-5 320 371	- 2 729 426
Decreases / (increases) in prepayments & accrued income	413 787	-680 546
Increases / (decreases) in creditors & other provisions	3 472 450	-1 483 406
Increases / (decreases) in accruals & deferred income	-160 892	51 312
Increases / (decreases) in contributions relating to pension & similar obligations	1 792 174	2 002 122
Net cash from operating activities	36 835 749	31 824 610
Cash flows from investing activities		
Decreases/(increases) in tangible & intangible fixed assets	-861 128	-1 115 960
Net decreases/(increases) in shares & other variable income securities	-15 967 787	-23 061 357
Net decreases/(increases) in debt securities & other fixed income securities	20 114 913	27 780 058
Net cash from investing activities	3 285 998	3 602 741
Cash flows from financing activities		
Dividends paid	-7 894 000	-7 500 000
Net cash from financing activities	-7 894 000	-7 500 000
	2004	2003
Summary statement of cash flows		
Cash at bank and in hand at the beginning of the financial year	54 123 231	26 195 881
Net cash from:		
Operating activities	36 835 750	31 824 610
Investing activities	3 285 998	3 602 741
Financing activities	-7 894 000	-7 500 000
Cash at bank & in hand at the end of the financial year	86 350 979	54 123 232

The accompanying notes form an integral part of these annual accounts.

1. General

The EUROPEAN INVESTMENT FUND (hereafter the "Fund") was incorporated on June 14, 1994 as an international financial institution.

The primary task of the Fund, while providing adequate return on equity, is to contribute to the pursuit of European Community objectives through

- the provision of guarantees;
- the acquisition, holding, managing and disposal of equity participations;
- the administration of special resources entrusted by third parties, and
- related activities.

The Fund operates as a partnership the members of which are the European Investment Bank (hereafter the "EIB"), the European Union, represented by the Commission of the European Communities (the "Commission"), and a group of financial institutions of Member States of the European Union and of one accession state. The members of the Fund shall be liable for the obligations of the Fund only up to the amount of their share of the capital subscribed and not paid in.

The financial year of the Fund runs from January 1 to December 31 each year.

As detailed in note 4.5, the EIB has a majority shareholding in the Fund. Consequently the Fund is included in the consolidated accounts of the EIB Group. The consolidated accounts may be obtained from the registered office of the EIB at 100, boulevard Konrad Adenauer, L-2950 Luxembourg.

2. Accounting policies and presentation of annual accounts

2.1 Presentation of annual accounts

The Fund's annual accounts are based on the general principles of the Council Directive of the European Communities 86/635/EEC of December 8, 1986 as amended by the Council Directive 2001/65/EC of September 27, 2001 (applicable as from January 1, 2005) relating to the annual accounts and consolidated accounts of banks and other financial institutions.

These annual accounts have been prepared in accordance with the historical cost convention, using the accounting policies set out below.

2.2 Valuation of foreign currency balances and transactions

The share capital of the Fund is expressed in euro ("EUR") and the accounting records are maintained in that currency.

Non-monetary items, which include "Intangible fixed assets" and "Tangible and other fixed assets" denominated in a foreign currency are reported using the exchange rate at the date of the transaction (historical cost).

Monetary items, which include all other assets, liabilities, and off-balance sheet items expressed in a currency other than EUR are reported using the closing foreign exchange rate ruling on the date of the closure of the annual accounts, as issued by the European Central Bank.

Income and charges in foreign currencies are translated into EUR at the exchange rate ruling on the date of the transaction.

Other exchange differences arising from the translation of monetary items are recognised in the profit and loss account in the period in which they arise.

2.3 Debt securities and other fixed-income securities

Debt securities and other fixed-income securities are categorised and valued as follows:

- floating rate notes with maturities exceeding one year and fixed rate notes other than commercial paper are included in the "Investment Portfolio" and are valued at the lower of cost or market value and respectively at amortised cost;
- floating rate notes and commercial paper with maturities of less than one year are included in the "Short-term Portfolio" and are shown at nominal value.

Premiums paid over the maturity value, and discounts received in comparison to the maturity value of securities, are taken to the profit and loss account in equal instalments over the remaining period to maturity. The net cumulative amortisation of premiums and discounts from the date of acquisition is included in "Accruals and deferred income" or "Prepayment and accrued income" in the balance sheet.

2.4 Investments in venture capital funds

Investments in venture capital funds are included in "Shares and other variable income securities". They are acquired for the longer term in the normal course of the Fund's activities and are shown in the balance sheet at their original purchase cost.

Based on the reports received from fund managers up to the balance sheet date, the investments in venture capital are valued on a line-by-line basis at the lower of cost or attributable net asset value ("NAV"), thus excluding any attributable unrealised gain that may be prevailing in this portfolio.

The attributable net asset value is determined through applying either the Fund's percentage ownership in the underlying vehicle to the net asset value reflected in the most recent report or, to the extent available, the precise share value at the same date, submitted by the respective fund manager.

For the final valuation, the attributable net asset value is adjusted for the events having occurred between the available NAV date and the balance sheet date to the extent that it is considered to be material.

Investments in venture capital funds in existence for less than two years at balance sheet date are valued based on the same principles. Unrealised losses due only to administrative expenses of these recently created funds will however be ignored.

2.5 Intangible and tangible fixed assets

Intangible fixed assets include the development costs of software that are capitalised under specific conditions such as identifiable expenses or existence of a future benefit for the Fund.

Intangible and tangible fixed assets are valued at purchase price, including development costs, reduced by accumulated value adjustments calculated to write off the value of such assets on a straight line basis over their expected useful life as follows:

Useful life	
Intangible fixed assets:	
Software	2 to 5 years
Internally developed software	3 years
Tangible fixed assets:	
Buildings	30 years
Fixtures and fittings	3 to 10 years
Office equipments	3 to 5 years
Computer equipments and vehicles	3 years

2.6 Provisions relating to guarantees

Provisions relating to guarantees have been calculated in line with the methodology set out in the Fund's Credit Risk Policy Guidelines approved by the Board of Directors on December 4, 2001, as amended by the Board of Directors on May 4, 2004.

This results, as far as general provision is concerned, in a valuation of the provisioning requirements based on credit ratings, done transaction-by-transaction.

On a prospective basis, for the operations signed since January 1, 2002 the provisioning requirements are built up during the two thirds of the weighted average life of the guarantees in order to better conform with fair value accounting principles. The provisioning requirements remain booked in full for the guarantee operations signed until December 31, 2001.

In addition, where it has been felt appropriate, a specific provision has been built up.

2.7 Provisions relating to pensions and similar obligations

The main pension plan of the European Investment Fund is a contributory defined benefit pension scheme, which covers all employees. It has entered into force in March 2003, replacing a

defined contribution pension scheme. All contributions of the Fund and its members of staff are transferred to the EIB for management and are invested by the EIB, in accordance with the rules and principles applied by the EIB for its own pension scheme. The amount transferred to the EIB for management is included under the heading "Other assets". The annual contributions are set aside and accumulated as a specific provision on the liabilities side of the Fund's balance sheet, together with annual interest.

Commitments for retirement benefits are to be valued on a periodic basis using the "projected unit credit method" to ensure that the provision recorded in the accounts is fairly stated. The main actuarial assumptions used by the actuary are set out in note 4.4. Actuarial surpluses and deficits are spread forward over a period based on the average expected remaining service lives of staff.

2.8 Guarantees issued

The amount disclosed in respect of issued guarantees represents the total commitment which refers to both the drawn and undrawn principal amounts of the underlying loans and, if relevant, to the present value of the flow of future interest payments covered by the guarantees.

2.9 Net interest and similar income

Interest and similar income are recognised on a time proportion basis.

Premiums on fixed-income securities amortised during the financial year, and interest and similar expenses paid are deducted from the gross amount of interest and similar income received.

2.10 Commission income

Up-front commissions received for arranging and granting guarantees are recognised when a binding obligation has been entered into.

Guarantee commissions received are recognised on a time proportion basis over the life of the guarantee.

3. Detailed disclosures relating to asset headings

3.1 Cash at bank and in hand

The remaining life of cash at bank and in hand is as follows:

	2004 EUR	2003 EUR
Repayable on demand	34 850 979	24 123 231
Up to three months	51 500 000	30 000 000
	86 350 979	54 123 231

3.4 Movements in fixed assets

Expressed in EUR

Headings	Purchase price at the beginning of the year	Additions	Disposals	Purchase price at the end of the year	Cumulative value adjustments at the end of the year	Carrying amount at the end of the year
Debt securities and other fixed income securities held as fixed assets (*)	428 434 830	38 938 600	(48 561 804)	418 811 626	6 791	418 818 417
Shares & other variable income securities	86 850 992	23 741 687	(7 773 900)	102 818 779	(32 463 461)	70 355 318
Intangible fixed assets	1 322 776	681 325	(13 788)	1 990 313	(597 235)	1 393 078
Tangible and other fixed assets of which:	6 402 404	193 591	0	6 595 995	(2 020 179)	4 575 816
a) Land and buildings	5 161 380	0	0	5 161 380	(1 170 675)	3 990 705
b) Fixtures and fittings	329 497	27 973	0	357 470	(183 608)	173 862
c) Office equipment	624 276	61 522	0	685 798	(367 968)	317 830
d) Computer equipment	194 414	104 096	0	298 510	(213 855)	84 655
e) Vehicles	84 073	0	0	84 073	(84 073)	
f) Other fixed assets	8 764	0	0	8 764		8 764
Total	523 011 002	63 555 203	(56 349 492)	530 216 713	(35 074 084)	495 142 629

(*) This amount does not include commercial paper.

3.2 Debt securities and other fixed-income securities

Debt securities and other fixed-income securities are analysed as follows:

	2004 EUR	2003 EUR
Short-term Portfolio	40 001 500	50 500 000
Investment Portfolio	418 818 417	428 434 830
	458 819 917	478 934 830

Debt securities and other fixed-income securities held by the Fund are all listed on a recognised market.

Debt securities and other fixed-income securities with a remaining duration to maturity of less than one year amount to EUR 92 672 852.

The market value of the debt securities and other fixed-income securities amounts to EUR 477 680 034 (2003: EUR 496 055 085).

The Fund participates as lender in a Securities Lending and Borrowing Programme with Euroclear and Clearstream. The market value of securities lent at year-end amounts to EUR 58 220 (2003: EUR 42 676).

3.3 Shares and other variable income securities

Shares and other variable income securities include investments in venture capital enterprises and are analysed as follows:

	2004 EUR	2003 EUR
Net disbursed amount at cost	102 818 779	86 850 992
Value adjustment	- 30 580 365	- 25 187 933
Unrealised loss on foreign currencies	- 1 883 096	- 1 793 046
Net book value	70 355 318	59 870 013

Investments in venture capital funds represent equity investments and related financing structures.

The unrealised gains on these investments, which are not recorded in the accounts, in accordance with the valuation method described in note 2.4, amount to EUR 7 047 415 (2003: EUR 5 323 724).

The unrealised foreign exchange loss arising from the revaluation of venture capital funds at year-end closing rates amounts to EUR 1 883 096 (2003: unrealised loss of EUR 1 793 046). In accordance with the Fund's provisioning policy this amount is included in the exchange loss of the year.

3.5 Other assets

Following the introduction of a new pension scheme in 2003 (see note 2.7), "Other assets" include the assets of the pension scheme transferred to the EIB for management and investment on behalf of the Fund. The movements for the year are as follows:

	2004 EUR	2003 EUR
Cumulated pension contributions	1 514 945	633 138
Net pension fund rights purchased/sold	1 953 074	1 294 358
Pension risk fund	850 000	700 000
Optional Supplementary Pension Scheme	263 820	217 326
Interests earned on pension funds	326 277	74 208
Assets relating to pensions funds managed by the EIB	4 908 116	2 919 030
Other debtors	3 788 266	456 981
	8 696 382	3 376 011

3.6 Prepayments and accrued income

Prepayments and accrued income are analysed as follows:

	2004 EUR	2003 EUR
Interest receivable on debt securities	10 423 692	10 698 842
Interest receivable on term deposits	53 920	7 230
Accrued commission on guarantees & management fees	4 271 914	4 457 241
	14 749 526	15 163 313

4. Detailed disclosures relating to liability headings

4.1 Creditors

Creditors are analysed as follows:

	2004 EUR	2003 EUR
Trade creditors and other payables	3 410 119	1 475 677
Optional Supplementary Pension Scheme (see Note 4.4)	259 070	217 326
Current account with EIB	1 353 999	65 280
	5 023 188	1 758 283

4.2 Accruals and deferred income

Accruals and deferred income are analysed as follows:

	2004 EUR	2003 EUR
Deferred income on issued guarantees	11 851 932	11 776 781
Premium amortised on "Investment Portfolio"	3 993 914	4 171 580
Deferred income on commercial papers	0	58 377
	15 845 846	16 006 738

As mentioned in the note 2.3, the discounts and premiums are netted. Discounts amount to EUR 3 352 891 (2003: EUR 2 790 130) and premiums amount to EUR 7 346 805 (2003: EUR 6 961 710). The total amount of discounts and premiums to be accrued on the remaining life of these securities respectively amounted to EUR 2 730 027 (2003: EUR 3 207 587) and EUR 6 116 848 (2003: EUR 6 478 701).

4.3 Provisions for commitments

The movements relating to provisions in respect of contingent losses that may arise from the guarantee portfolio are set out below:

	2004 EUR	2003 EUR
Balance at the beginning of the financial year	27 454 593	25 522 421
Transfer relating to SME guarantees	4 289 191	3 736 361
Utilisation of the provision	(1 086 806)	(1 804 189)
Balance at the end of the year	30 656 978	27 454 593

The balance of EUR 30 656 978 (2003: EUR 27 454 593) solely pertains to the Fund's own risk SME guarantee portfolio.

4.4 Provisions relating to pensions and similar obligations

Commitments in respect of retirement benefits as at December 31, 2004 have been valued in January 2005 by an independent actuary using the projected unit credit method. The calculations are based on the following assumptions:

- A discount rate of 4.9% for determining the actuarial present value of benefits accrued;
- A retirement age of 62;
- Probable resignation of 3% up to age 55;
- Use of EVK/PRASA 90 actuarial tables.

Following this actuarial calculation, the Fund has allocated funds to the provisions relating to pensions to ensure that commitments are fairly covered.

The movements in the "provisions relating to pensions and similar obligations" are as follows:

	2004 EUR	2003 EUR
Provisions at December 31, 2003	2 702 122	550 000
Contributions during the year	1 942 174	2 152 122
Provisions as at December 31, 2004	4 644 296	2 702 122

The Board of Directors in its meeting of December 3, 2002 approved the principle of the creation of a defined benefit pension fund replacing the previous defined contribution pension scheme. Following the advice of an independent actuary a risk fund with an initial amount of EUR 550 000 was set up. Following the allocation of EUR 150 000 for 2004 (2003: EUR 150 000), this fund now amounts to EUR 850 000. Also refer to notes 2.7 and 3.5. This amount is recorded in the Profit and Loss Account under "Other administrative expenses".

The above figures do not include the liability towards members of staff in respect of the Optional Supplementary Pension Scheme (a contributory defined benefit pension scheme). The corresponding amount of EUR 259 070 (2003: EUR 217 326) is included under "Creditors".

4.5 Capital

The authorised capital amounts to EUR 2 billion, divided into 2 000 shares with a nominal value of EUR 1 000 000 each.

The subscribed share capital of EUR 2 000 000 000 representing 2 000 shares is called for an amount of EUR 400 000 000 representing 20% of the subscribed share capital.

The subscribed share capital is detailed as follows:

	2004 EUR	2003 EUR
Subscribed and paid in (20%)	400 000 000	400 000 000
Subscribed but not yet called (80%)	1 600 000 000	1 600 000 000
Balance at the end of the year	2 000 000 000	2 000 000 000

The capital is subscribed as follows:

	2004 Number of shares	2003 Number of shares
European Investment Bank	1 183	1 192
European Commission	600	600
Financial institutions	217	208
	2 000	2 000

4.6 Statutory reserve and profit brought forward

Under the terms of Article 27 of its Statutes, the Fund is required to appropriate to a statutory reserve at least 20% of its annual net profit until the aggregate reserve amounts to 10% of subscribed capital. Such reserve is not available for distribution.

A minimum amount of EUR 5 440 688 is required to be appropriated in 2005 with respect to the financial year ended December 31, 2004. Movements in reserves and profit brought forward are detailed as follows (in EUR):

	Statutory reserve	Profit brought forward	Profit for the financial year
Balance at the beginning of the financial year	58 367 050	76 402 471	19 737 700 (7 894 000)
Dividend paid			
Other allocation of last financial year profit	3 947 540	7 896 160	(11 843 700)
Profit for the financial year			27 203 439
Balance at the end of financial year	62 314 590	84 298 631	27 203 439

The General Meeting of Shareholders of March 29, 2004 approved the distribution of a dividend amounting to EUR 7 894 000 relating to the year 2003 (2002: EUR 7 500 000), corresponding to EUR 3 947 per share.

5. Disclosures relating to off-balance sheet items

5.1 Guarantees

5.1.1 SME Guarantees

Guarantees issued are analysed with reference to their maturity as follows:

	Drawn EUR	Undrawn EUR	Total 2004 EUR	Total 2003 EUR
Up to five years	477 675 908	20 916 520	498 592 428	692 184 789
From five to ten years	292 697 596	74 965 812	367 663 408	485 057 132
From ten to fifteen years	937 301 129	10 925 000	948 226 129	314 877 109
Over fifteen years	269 697 049	0	269 697 049	123 000 000
	1 977 371 682	106 807 332	2 084 179 014	1 615 119 030

Of the above total amount, EUR 18 741 651 (2003: EUR 26 403 417) has been issued in favour of the EIB.

The drawn down portion of the guarantees issued includes an amount of EUR 31 680 770 (2003: EUR 26 426 858) representing the present value of future interest covered by guarantees.

5.1.2 TEN Guarantees

TEN infrastructure guarantee operations, complementary to EIB's activities, have been transferred to the latter. The relevant contract was signed with the EIB on December 7, 2000. The EIB assumes the advantages of the transferred portfolio, but also bears the ultimate risk of the transactions, the Fund remaining merely a guarantor of record.

	Drawn EUR	Undrawn EUR	Total 2004 EUR	Total 2003 EUR
Up to five years	379 517 043	7 481 961	386 999 004	451 784 694
From five to ten years	284 823 045	16 750 000	301 573 045	327 731 044
From ten to fifteen years	188 255 965	0	188 255 965	307 500 447
Over fifteen years	82 095 263	0	82 095 263	270 376 886
	934 691 316	24 231 961	958 923 277	1 357 393 071

The drawn down portion of the guarantees issued includes an amount of EUR 25 306 165 (2003: EUR 32 940 834) representing the present value of future interest covered by guarantees.

5.2 Statutory ceiling on the overall commitments for operations

As regards guarantee operations, under the terms of Article 26 of the Fund's Statutes, the overall commitment of the Fund, excluding commitments made by the Fund on behalf of third parties, may not exceed three times the amount of its subscribed capital for guarantee operations.

The present level of subscribed capital paid in establishes a ceiling of EUR 6 000 000 000 in relation to total guarantees outstanding committed by the Fund currently totalling EUR 2 084 179 014 (2003: EUR 1 615 119 031).

The TEN guarantee operations managed by the Fund on behalf of EIB are not included in the above amount of guarantees outstanding in view of the risk thereon having been taken over by the EIB (EUR 958 923 277).

The ceiling decided by the General meeting pursuant to Article 12 and Article 26 of the Statutes and presently applied in respect of the Fund's own venture capital operations is 50% of own funds. Taking into account the 2004 results, the ceiling stands at EUR 287 853 401 whilst the commitments in respect of the venture capital operations at current rate amount to EUR 236 935 960 (2003: EUR 192 195 305).

5.3 Commitments

Commitments represent investments in venture capital funds committed and not yet disbursed amounting to EUR 104 212 743 at current rate (2003: EUR 82 747 480).

5.4 Assets held for third parties

Assets held for third parties, as set out below, represent trust accounts opened and maintained in the name of the Fund but for the benefit of the Commission and the EIB. Sums held in these accounts remain the property of the Commission and the EIB so long as they are not disbursed for the purposes set out in relation to each programme.

Under the Growth and Environment Pilot Project, no longer eligible for new drawdowns, the Fund provides a free guarantee to the financial intermediaries for loans extended to SME's with the purpose of financing environmentally friendly investments. The ultimate risk from the guarantee rests with the Fund and the guarantee fee is paid out of European Union budgetary funds. This program is closed and the final recovery of the remaining balance on the trust account has been returned to the EC Budget and the bank account has been closed both at December 2004.

Under the SME Guarantee Facility, the Fund is empowered to issue guarantees in its own name but on behalf and at the risk of the Commission.

Under the ETF Start-Up Facility, the Fund is empowered to acquire, manage and dispose of ETF start-up investments, in its own name but on behalf and at the risk of the Commission.

The support provided by the Seed Capital Action is aimed at the long-term recruitment of additional investment managers by the venture capital funds to increase the number of qualified personnel and to reinforce the capacity of the venture capital and incubator industries to cater for investments in seed capital.

Within the context of its venture capital activity, the Fund manages on behalf, and at the risk of the EIB the European Technology Facilities (ETF) 1 and 2, which have been implemented by the Fund since 1998.

The framework of the Risk Capital Mandate signed with the EIB in 2000, the EIF took over the EIB's existing venture capital portfolio, with further investments being funded as part of the "Innovation 2000 Initiative" of the EIB.

	2004 EUR	2003 EUR
Growth & Environment Pilot Project	0	5 192 134
SME Guarantee facility	101 577 956	113 120 994
ETF Start-up Facility (*)	35 646 572	41 337 877
Seed Capital Action	174 840	102 570
MAP Guarantee	58 715 357	17 965 961
MAP Equity (*)	37 146 969	26 737 605
Trust accounts with the Commission (**)	233 261 694	204 457 141
Trust accounts with the EIB	17 356 280	23 463 748
	250 617 974	227 920 889

(*) The figures above do not include the net cash flow in venture capital, of EUR 69 406 321 for ETF Start-Up (2003: EUR 56 706 333) and EUR 3 830 680 for MAP Equity Facility (2003: EUR 2 987 831) made on behalf of the Commission that are included in 5.5.

(**) The trust accounts with the Commission include cash at bank, money market balances, investments in securities at nominal value and the relevant security accruals. They do not represent a final valuation of the relevant programmes.

5.5 Fiduciary operations

Pursuant to Article 28 of its Statutes, the Fund may accept the tasks of administering special resources entrusted to it by third parties. In execution of this article, the Fund manages and disposes of investments in venture capital funds, in its own name but on behalf and at the risk of

- the EIB, in accordance with European Technology Facility, European Technology Facility 2 and Transfer, Implementation and Management of Risk Capital Investments (Risk Capital Mandate) agreements,
- the Commission, in accordance with ETF Start-Up Facility and Seed Capital Action agreements, and
- the German Ministry of Economy and Labour (Bundesministerium für Wirtschaft und Arbeit "BMWA"), in accordance with ERP-EIF Dachfond agreement.

The Fund is also empowered to issue guarantees in its own name but on behalf and at the risk of the Commission according to the Fiduciary and Management Agreement concluded with the Commission (SME Guarantee Facility). However, the EC programmes are only liable for a contracted percentage of the full signature amounts shown below, up to the limit of the agreed budgetary allocation.

Fiduciary operations concluded pursuant to the Fiduciary and Management Agreements are analysed as follows:

	2004 EUR	2003 EUR
Guarantees committed on behalf of the Commission (*)		
Under the SME Guarantee Facility		
Drawn	2 408 651 512	2 357 520 172
Undrawn	34 288 284	118 187 749
Under the MAP Guarantee Facility		
Drawn	1 096 629 303	221 663 587
Undrawn	1 610 565 154	1 730 523 681
Investments made on behalf of the Commission:		
Under ETF Start-Up Facility:		
Drawn (**)	67 832 005	71 467 113
Undrawn	29 692 967	38 459 119
Under MAP Equity		
Drawn (**)	3 830 680	2 987 831
Undrawn	24 555 979	10 947 169
Under Seed Capital Action		
Drawn (**)	0	0
Undrawn	300 000	300 000
Investments made on behalf of the EIB:		
Under EIB Risk Capital Mandate		
Drawn (**)	993 048 981	961 354 057
Undrawn	968 483 117	980 586 565
Under European Technology Facility		
Drawn (**)	114 038 105	135 870 967
Undrawn	85 414 791	84 968 248
Investments made on behalf of the External mandators:		
Under ERP-EIF Dachfond:		
Drawn (**)	0	0
Undrawn	37 500 000	0
	7 474 830 878	6 714 836 258

(*) Those amounts are valued based on the valuation method described in note 2.8.

(**) Those amounts are valued at cost on the basis of the valuation method described in the note 2.4.

- a value adjustment has been estimated at EUR 343 503 900 (2003: EUR 264 806 802) leading to a net adjusted value of EUR 763 583 186 (2003: EUR 832 418 222), on the investments managed on behalf of the EIB.

- a value adjustment has been estimated at EUR 34 180 406 (2003: EUR 24 156 284 estimated amount) leading to a net adjusted value of EUR 37 482 279 (2003: EUR 50 298 660 estimated amount), on the investments made on behalf of the Commission.

5.6 European Investment Fund commitments included in the off-balance sheet items

From the total off-balance sheet of EUR 10 872 763 886 (2003: EUR 9 998 016 728) the Fund bears the final risk for the following operations:

	2004 EUR	2003 EUR
Guarantees issued		
Drawn	1 977 371 682	1 477 449 922
Undrawn	106 807 332	137 669 108
	2 084 179 014	1 615 119 030
Commitments in venture capital operations	104 212 743	82 747 480
	2 188 391 757	1 697 866 510

6. Detailed information on the profit and loss account

6.1 Net interest and similar income

Net interest and similar income comprises:

	2004 EUR	2003 EUR
Interest on debt securities	20 571 066	23 070 334
Interest on term deposits	1 115 721	482 993
Interest on bank current accounts	649 679	(9)
Net premium amortised on debt securities	(824 138)	(1 272 405)
Interests on pensions	252 068	74 208
Net other interest & similar charges	492 033	95 929
	22 256 429	22 451 050

As mentioned in the note 2.3, the discounts and premiums of the debt securities are netted. The discounts amount to EUR 863 060 (2003: EUR 1 146 795) and the premiums amount to EUR 1 687 198 (2003: EUR 2 419 200).

6.2 Commission income

Commission income is detailed as follows:

	2004 EUR	2003 EUR
Commissions on own Portfolio Guarantees	14 561 339	10 976 275
Commissions on mandates relating to venture capital operations	9 546 507	8 214 014
Commissions on mandates relating to guarantees	3 999 681	5 262 946
Income from Advisory activity	448 427	0
Other commissions	10 000	10 000
	28 565 954	24 463 235

Income from Advisory activity has been reclassified from "Other operating income" into "Commission income". Had this classification been used in 2003, the "Commission income" would have been EUR 24 675 675, with Advisory fees amounting at EUR 212 440.

An amount of EUR 1 340 033 of commission income on a EC mandate relating to guarantee operations under SMEGF mandate is under discussion with the European Commission services. This amount has not been included in EIF income pending an agreement being reached between the parties.

6.3 Net loss on financial operations

Net loss on financial operations amounting to EUR 691 592 (2003: EUR 1 632 761) mainly corresponds to losses arising from transactions or cash positions in foreign currencies for an amount of EUR 698 384 (2003: EUR 1 740 238), of which EUR 90 050 is an unrealised loss on foreign exchange revaluation of the venture capital portfolio (2003: EUR 1 574 054).

6.4 Wages and salaries

Wages and salaries include expenses of EUR 2 701 121 (2003: EUR 2 955 016) incurred in relation to staff seconded from the EIB.

7. Personnel

The number of persons, including 12 EIB secondees (2003: 14 EIB secondees), employed at the year-end was as follows:

	2004	2003
Chief Executive	1	1
Employees	78	67
Total	79	68
Average number of employees over the year	72	63

8. Related parties transactions

8.1 European Investment Bank

The amounts included in the financial statements and relating to the European Investment Bank are disclosed as follows:

	2004 EUR	2003 EUR
ASSETS		
Prepayments and accrued income	1 420 710	1 340 682
Other assets	4 908 115	2 919 030
LIABILITIES		
Creditors	1 925 557	1 486 949
Other provisions	999 327	947 500
Accruals and deferred income	210 000	220 004
Capital paid in	236 600 000	238 400 000
OFF BALANCE SHEET		
Guarantees on drawn	754 428 318	1 003 774 163
Guarantees on undrawn	16 250 000	34 377 311
Assets held for third parties	17 356 280	23 463 748
Investments drawn in venture capital	1 107 087 086	1 097 225 024
Investments undrawn in venture capital	1 053 897 909	1 065 554 813
INCOME		
Net interest & similar income	252 068	74 208
Management fees	7 357 381	7 336 057
EXPENSES		
Wages & Salaries	2 701 121	2 955 016
IT expenses	798 644	779 741
Services	200 866	526 424

8.2 Commission of the European Communities

The amounts included in the financial statements and relating to the Commission of the European Communities are disclosed as follows:

	2004 EUR	2003 EUR
ASSETS		
Accounts Receivable	1 374 808	1 881 038
LIABILITIES		
Accounts Payable	1 340 033	0
Deferred fees	5 957 467	8 823 358
Capital paid in	120 000 000	120 000 000
OFF BALANCE SHEET		
Guarantees on drawn	3 505 280 815	2 579 183 759
Guarantees on undrawn	1 644 853 438	1 848 711 430
Assets held for third parties	233 261 694	204 457 141
Investments drawn in venture capital	71 662 685	74 454 943
Investments undrawn in venture capital (*)	54 548 946	49 406 288
INCOME		
Management fees	5 246 537	6 140 903
Commissions received	2 865 892	3 218 682
EXPENSES		
Treasury management fees	46 331	35 842

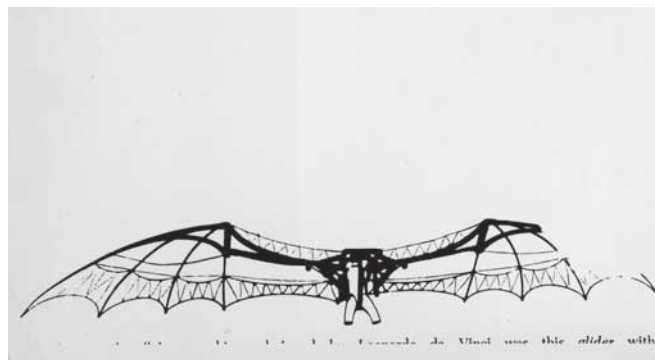
(*)If the Seed Capital Action undrawn amount had also been included in this category in 2003 then the comparative value would have been EUR 49 706 288.

8.3 Other related parties

The venture capital fund investments held by the Fund are not to be considered as related parties, as the aim is not to exercise control over the financial and operating policies of the fund's management.

9. Taxation

The Protocol on the Privileges and Immunities of the European Communities, appended to the Treaty of 8 April 1965 establishing a Single Council and a Single Commission of the European Communities, applies to the Fund, which means that the assets, revenues and other property of the Fund are exempt from all direct taxes.





Governance, Management and Administration

(standing l. to r.), U. Grabenwater, A. Tappi, M. Schublin, J.P. Burcklen, M. Ummenhofer, R. Wagener, J. Lilli, J.A. Holloway, (seated l. to r.), P. de Bruxelles, F. Carpenter, F. Schepens, C. Karis, (missing: M. Leander, T. Meyer).

EIF Management (as at 1 April 2005)

Chief Executive	Francis CARPENTER
Head of Risk Management and Monitoring	Thomas MEYER
Secretary General	Robert WAGENER
Head of General Affairs	Marc SCHUBLIN
Head of Legal Service	Maria LEANDER
Head of Strategy and Advisory	Jacques LILLI
Chief Accountant	Frédérique SCHEPENS
Responsible for Human Resources	Petra de BRUXELLES
Director, Operations	John A. HOLLOWAY
Head of Venture Capital Operations 1 (BE, ES, FR, IT, GR, LU, NL, UK)	Jean-Philippe BURCKLEN
Head of Venture Capital Operations 2 (AT, CY, CZ, DE, DK, EE, FI, HU, IE, LT, LV, MT, PL, PT, SE, SL, SK, Accession Countries)	Ulrich GRABENWARTER
Deputy Head of Division (ERP-EIF Dachfonds)	Matthias UMMENHOFER
Head of Guarantees, MAP and Securitisation	Alessandro TAPPI
Deputy Head of Division	Christa KARIS

Board of Directors (as at 1 April 2005)

Chairman

Giovanni RAVASIO Former Director General, Economic and Financial Affairs Directorate General, European Commission, Brussels

Members

Detlef LEINBERGER Mitglied des Vorstandes, KfW Bankengruppe, Frankfurt/Main
since 29 March 2004
Mauro CICCHINÈ until 29 March 2004

Ralph MÜLLER Ministerialrat, Leiter des Referates Haushalt und Finanzen der EU und den EIB Gruppe, Bundesministerium der Finanzen, Berlin
since 29 March 2004
Lars TYBJERG until 29 March 2004

Sauli NIINISTÖ Vice-President, European Investment Bank

María PÉREZ RIBES Subdirectora General de Instituciones Financieras Europeas, Dirección General de Financiación Internacional, Ministerio de Economía y Hacienda, Madrid
since 16 July 2004
Iñigo FERNÁNDEZ DE MESA until 16 July 2004

Peter SEDGWICK Vice-President, European Investment Bank

Heinz ZOUREK Deputy Director-General, Directorate-General for Enterprise and Industry, European Commission, Brussels
since 29 March 2004
Guy CRAUSER until 29 March 2004

Alternates

Jean-Pierre ARNOLDI Administrateur général de la Trésorerie, Ministère des Finances, Brussels

Terence BROWN Director General, Directorate for Lending Operations - Europe, European Investment Bank

Mauro CICCHINÈ President, DEXIA CREDIOP, Rome
since 29 March 2004
Detlef LEINBERGER until 29 March 2004

Rémy JACOB Deputy Secretary General, General Administration Department, General Secretariat, European Investment Bank

David McGLUE Director, Directorate for Financial Operations, Programme Management and Liaison with the EIB Group, Economic and Financial Affairs Directorate General, European Commission, Luxembourg

Graham MEADOWS Director General, Regional Policy Directorate General, European Commission, Brussels
since 29 March 2004
Timo SUMMA until 29 March 2004

Jacek TOMOROWICZ Director, Foreign Policy Department, Polish Ministry of Finance, Warsaw
since 8 March 2005
Anne Laure de COINCY until 1 November 2004

Audit Board (as at 1 April 2005)

Chairman

Michael P. HARALABIDIS Deputy Director, Group Risk Management, National Bank of Greece, Athens

Members

Hannu LIPPONEN Director of Finance, Finnvera plc, Kuopio

Sylvain SIMONETTI Head of Unit, Internal Audit, Economic and Financial Affairs Directorate General, European Commission, Luxembourg



(l. to r.), H. Lipponen, S. Simonetti, M.P. Haralabidis.

(standing l. to r.), S. Niinistö, D. McGlue, P. Sedgwick, F. Carpenter, G. Ravasio, R. Müller, R. Wagener, (seated l. to r.) H. Zourek, M. Pérez Ribes, D. Leinberger.



Capital and Shareholders

Authorised capital is EUR 2 000m divided into 2 000 shares of EUR 1m each. In 2004 three new members joined the EIF's shareholding structure. This was made possible after the EIB agreed to sell a number of its shares to the following institutions:

- 3 shares to Vækstfonden effective 30 June 2004
- 3 shares to Banque et Caisse d'Epargne de l'Etat effective 29 October 2004
- 3 shares to Stiftelsen Industrifonden effective 26 November 2004

The EIF's capital was entirely subscribed on 31 December 2004 by the EIB (59.15%), the European Community represented by the European Commission (30%), and a number of European banks and financial institutions (10.85%).

Institution	Number of shares
European Investment Bank	1 183
European Community represented by the European Commission	600
34 Financial institutions (breakdown below)	217
Total	2 000
Austria	9
Bank Austria Creditanstalt AG	3
Erste Bank des Oesterreichischen Sparkassen AG	3
Raiffeisen Zentralbank Österreich AG	3
Belgium	10
Fortis Bank NV	6
KBC Bank NV	4
Bulgaria	3
Encouragement Bank	3
Denmark	3
Vækstfonden	3
Finland	6
Finnvera p.l.c.	6
France	6
Caisse des dépôts et consignations (CDC)	15
Dexia Public Finance Bank	10
Germany	60
KfW Bankengruppe	45
LfA Förderbank Bayern	5
Bayerische Landesbank Girozentrale	5
Landeskreditbank Baden-Württemberg Förderbank	5

	Number of shares
Greece	9
Alpha Bank A.E.	6
Emporiki Bank of Greece, S.A.	3
Hungary	5
Hungarian Development Bank Ltd.	5
Ireland	3
AIB Capital Markets plc (AIBCM)	3
Italy	40
CAPITALIA, S.p.A.	10
Dexia Crediop	10
SAN PAOLO IMI Private Equity S.p.A.	10
Banca Monte dei Paschi di Siena S.p.A.	5
Banca Intesa S.p.A.	5
Luxembourg	11
Banca Lombarda International S.A.	5
Banque et Caisse d'Épargne de l'Etat	3
BGL Investment Partners S.A.	3
Malta	5
Bank of Valletta p.l.c.	5
The Netherlands	3
NIB Capital Bank N.V.	3
Portugal	9
Banco BPI S.A.	6
Banco Espírito Santo S.A.	3
Spain	5
Instituto de Crédito Oficial	5
Sweden	3
Stiftelsen Industrifonden	3
United Kingdom	3
Barclay's Bank plc	3
Multilateral Financial Institution	5
Nordic Investment Bank	5

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*Please note that all documentation on EIF
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