



EBRD – Italy Local Enterprise Facility
An equity investor in the Balkans and
Turkey

2011



What is the EBRD – Italy LEF?

- A facility (proprietary fund) for equity and quasi-equity investments, as well as tailor-made debt financing
- Established jointly by the EBRD and the Italian Government in 2006
- For Investments in Albania, Bosnia & Herzegovina, Bulgaria, Croatia, FYR Macedonia, Montenegro, Romania, Serbia (including Kosovo, under UNSCR 1244) and Turkey
- To meet the growing financing needs of dynamic local enterprises, not sufficiently supported by other financing sources



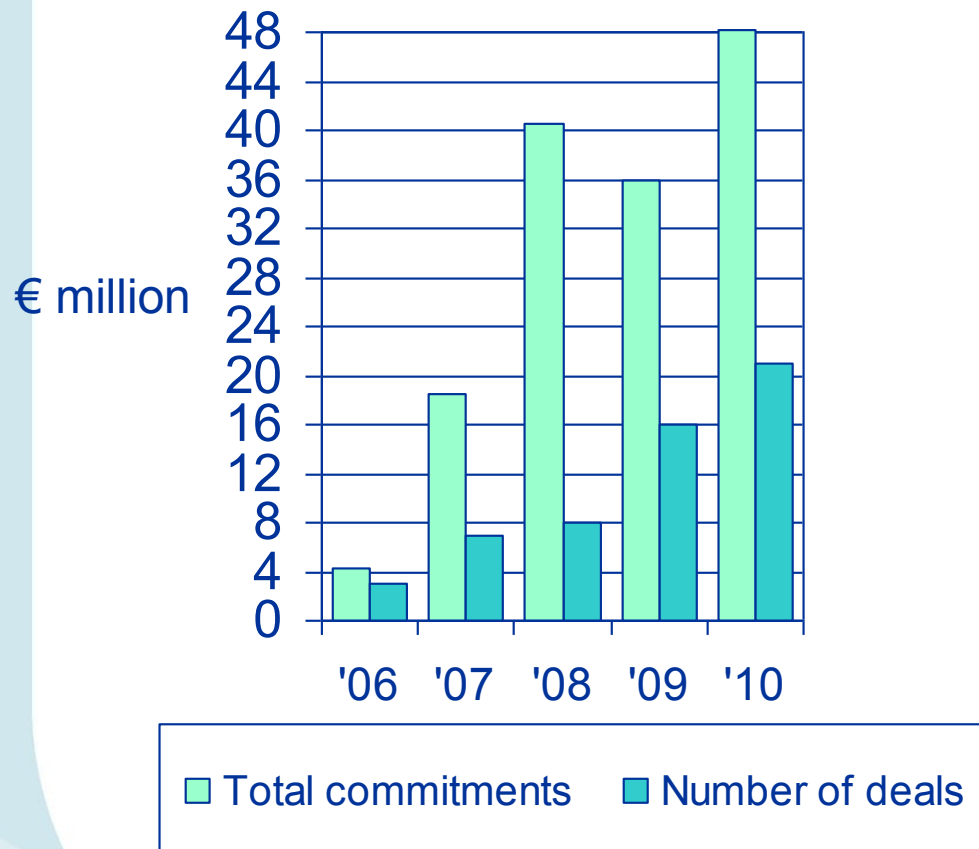
What are the Objectives of LEF?

- **Enhancing competitiveness and product quality:** strengthening market competitiveness and improving the quality of goods and services provided
- **Restructuring:** introducing new, replicable products and technologies to achieve better use of labour, higher productivity and efficiency improvements
- **Setting standards for corporate governance:** encouraging investee companies to apply higher standards of corporate governance and business conduct



EBRD – Italy LEF: Achievements

Gross Investment Volume and number of transactions by year



- Market has been very responsive and the pipeline of prospective projects has grown fast
- 55 projects have been approved as of 2010 (year-end) for a total cumulative commitment of €142.4 million
- €48.2 million were the total LEF commitments in 2010 alone in 21 projects



Who is eligible for investments under LEF?

- **Eligible investments:** expansion, restructuring or acquisitions of existing private businesses
- **Eligible sectors:** a wide range of sectors, with only few exceptions (weapons, liquors and tobacco). All investments must be in line with sound environmental principles
- **Size of investments:** between EUR 1 million and EUR 10 million
- **Target Stake (for equity investments):** (preferably) in the range of 20 to 35% of the capital of the company
- **Time horizon:** 3 to 8 years for equity investments; up to 10 years for debt financing



Investment focus

- **By company type:** companies with opportunities for growth and willingness to move to the next level in terms of corporate governance
- **By country:** no formal country limits are set, but geographical diversification is sought
- **By instrument:** equity and quasi-equity instruments are preferred, yet the facility is able to offer also tailor-made debt financing if that is the most appropriate instrument
- **By industry:** agribusiness, manufacturing and services and financial institutions are the 3 most popular sectors, with investments being made also in telecoms, informatics and media, natural resources, real estate and health care



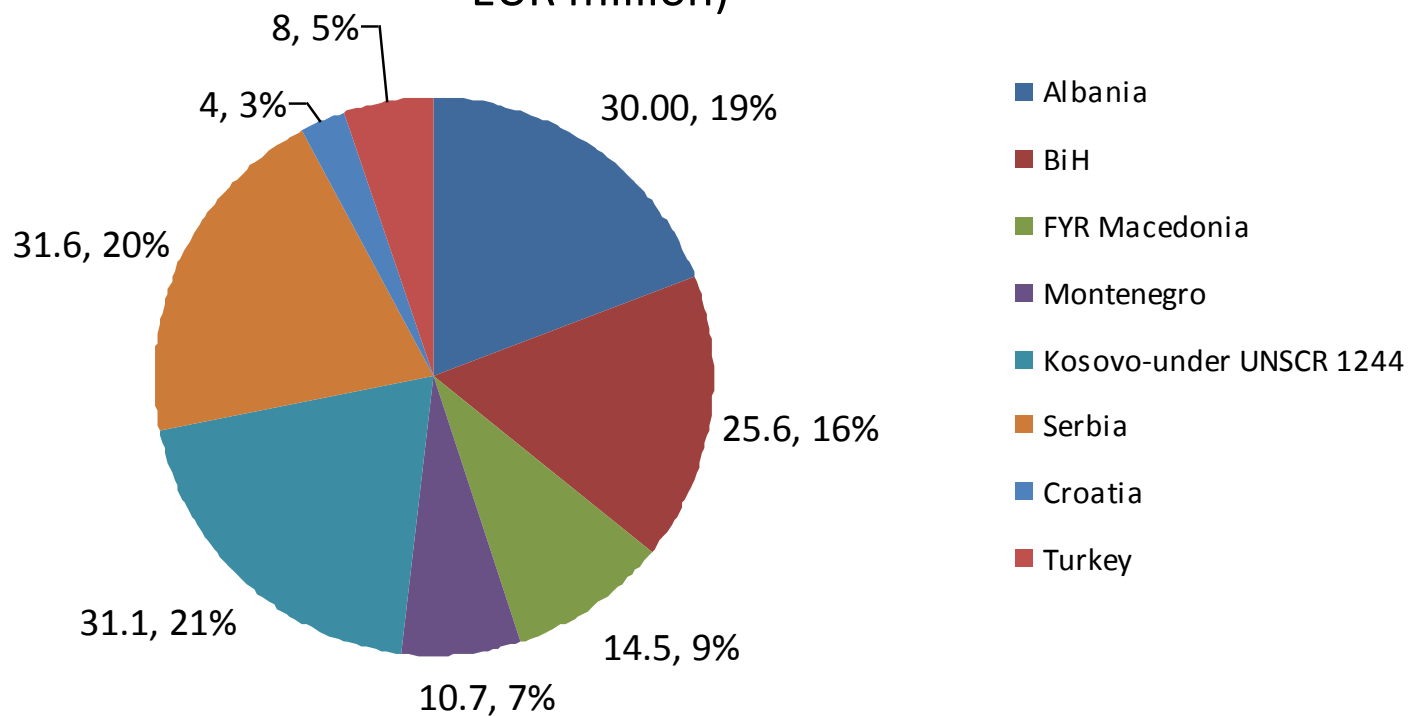
Post-Investment Management

- EBRD has strong commitment to improving the corporate governance of the companies it invests in. To do so, it:
 - Proposes an experienced industry expert/ banker to sit on the Board of Directors of the company (if agreed) in order to advise on strategic issues;
 - Hires suitable technical consultants (if necessary) to help the company in the implementation of the project;
 - Encourages management to adopt rules and procedures for good corporate governance and increased transparency (IFRS accounting, etc.);
- As a minority shareholder and a financial investor, EBRD does not interfere with the day-to-day management of the operations of the companies it invests in. Yet, it looks for shared corporate governance when it comes to strategic and major financial issues.



Portfolio composition

Portfolio Geographical Distribution: by investment volume (in EUR million)



Pestova Sh.p.k.

(Serbia, Kosovo under UNSCR 1244, 2007)

- **Company Information**

- Private enterprise
- For agriculture and food processing

- **Investment Details**

- EUR 1.9 million of ordinary equity for a 33% stake
- EUR 0.5 million for WC purposes (provided in 2010)

- **Purpose of investment**

- Purchase of a processing line for frozen potatoes
- Expansion of the potato crops and seeds production area
- Construction of a new warehouse
- Purchase of a packaging machinery





Vitalia Nikola DOO (FYR Macedonia, 2007)

- **Company Information**

- Limited liability company owned by a local entrepreneur and his family
- Healthy food producer and trader

- **Investment Details**

- EUR 1 million of ordinary equity for a 25% stake

- **Purpose of investment**

- Completion of the production line for crunchy muesli
- Purchase of a new packaging machine
- Construction of a new warehouse



Union Bank of Tirana (Albania, 2008)

- **Company Information**

- Received a universal banking license in May 2005
- Owned by one majority shareholder

- **Investment Details**

- EUR 3 million of ordinary equity for a 12.5% stake
- EUR 2 million in terms of a credit line (provided in 2009)

- **Purpose of investment**

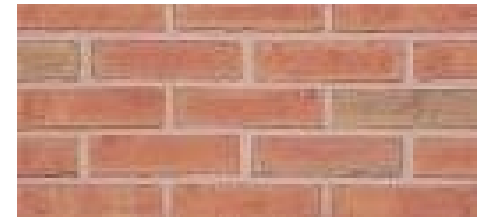
- Increase the bank's loans-to-deposits ratio
- Extend lending activities to all sectors
- Strengthen Albania's financial sector



NewCo Ramiz Sadiku Brick Factory (Serbia, Kosovo under UNSCR 1244, 2008)

- **Company Information**

- Limited liability company privatized in 2005
- Owned by 3 equal shareholders
- National leader for clay brick production



- **Investment Details**

- EUR 5 million of ordinary equity for a 22.5% stake



- **Purpose of investment**

- Purchase and install a new production line of bricks and clay blocks
- Strengthen market position





Tikves a.d. (FYR Macedonia, 2008)

- **Company Information**

- Joint stock company listed on the local stock exchange
- Largest wine producer in South-Eastern Europe

- **Investment Details**

- EUR 6 million of ordinary equity for a 23% stake
- EUR 2.5 million of working capital loan (provided in 2009)

- **Purpose of investment**

- Increase the higher value/branded wines in the company's portfolio
- Modernise facilities to improve quality and brand recognition
- Strengthen brand name and distribution to increase exports





Cactus

(Serbia, Kosovo under UNSCR 1244, 2010)

- **Company Information**

- Private shareholding company
- Leading domestic provider of Information and Communication Technology (ICT) services

- **Investment Details**

- EUR 2 million of ordinary equity for a 35% stake

- **Purpose of investment**

- Purchase of assets for the expansion of Company's know-how and expertise
- Strengthen existing product portfolio



Old Mill (Serbia, 2010)

- **Company Information**

- Investment in the intermediate company “Holdco”, which owns the limited liability project company

- **Investment Details**

- EUR 7 million of ordinary equity for a 33% stake

- **Purpose of investment**

- Construction, development and operation of a mixed-use real estate complex in the Old Town of Belgrade, including (i) a 4-star hotel, (ii) a class-A office component, and (iii) ca 160 parking spaces



Bingo

(Bosnia and Herzegovina, 2010)

- **Company Information**
 - Limited liability company
 - Second largest local retailer in BiH, with 34 supermarkets and 16 hypermarkets
- **Investment Details**
 - EUR 6.5 million senior loan
- **Purpose of Investment**
 - New stores roll-out including site acquisition, equipment costs, and refurbishment/construction costs



Galeb Metal Pack (Serbia, 2010)

- **Company Information**

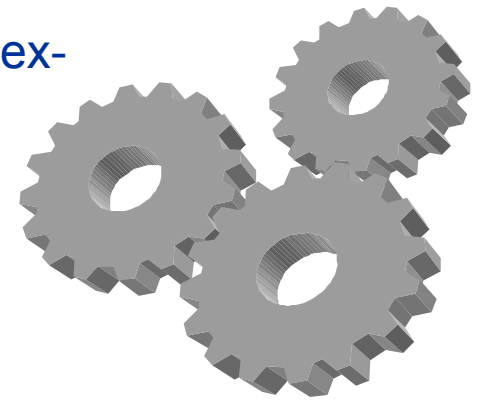
- Limited liability company, member of Galeb Group
- Leading producer of metal packaging in Serbia and ex-Yugoslavia

- **Investment Details**

- Total investment of EUR 4 million, consisting of a combination of equity (EUR 0.8 million) and senior debt (EUR 3.2 million)

- **Purpose of Investment**

- Purchase of new equipment and construction of new warehouse
- Balance sheet restructuring





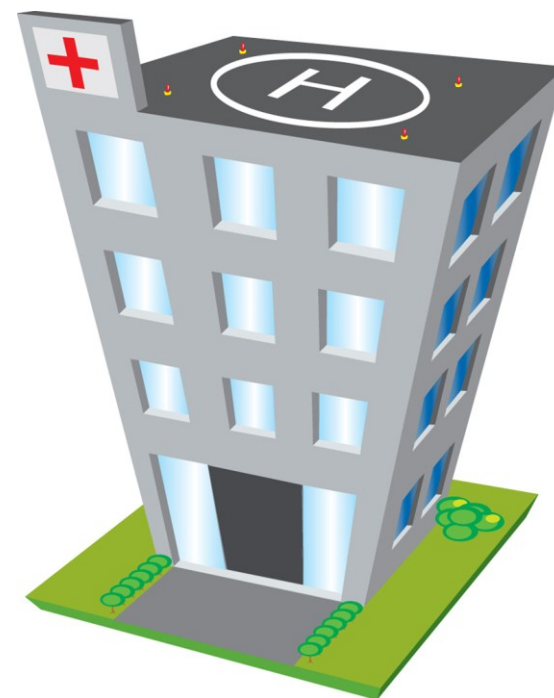
HYGEIA GROUP

HYGEIA HOSPITAL TIRANA

General & Maternity Hospital

Hygeia Hospital Tirana (Albania, 2010)

- **Company Information**
 - Joint-stock company established for the purpose of constructing and operating a greenfield private hospital in Tirana
- **Investment Details**
 - EUR 10 million senior loan
- **Purpose of Investment**
 - Refinance bridge financing provided by the sponsor to support project implementation
 - Partly finance the purchase of new hospital equipment



BHB Cable TV

(Bosnia Herzegovina, 2010)

- **Company Information**

- Limited liability company
- One of the largest cable TV operators in BiH

- **Investment Details**

- EUR 2.5 million mezzanine loan

- **Purpose of Investment**

- Financing the acquisitions and subsequent upgrades of the acquired networks to support the consolidation plan of the Company

