

Information & Communication Technologies (ICT) Sector

EBRD: Investing in the Knowledge Economy
KING ICT Conference, Zagreb March 2017



European Bank
for Reconstruction and Development

The European Bank for Reconstruction and Development (EBRD) at a glance



International Financial Institution

- Established in 1991 and owned by 65 countries and two inter-governmental institutions (EC and EIB)
- Operates in 36 countries from central Europe to central Asia and, since 2011, selected markets of the Southern and Eastern Mediterranean region (Morocco, Tunisia, Egypt and Jordan) with strong local presence

Solid financial position

- AAA / Aaa rating
- Capital base of EUR 30 billion
- Capacity to invest up to EUR 300 million in a single transaction
- The ability to bear risks allows to offer innovative solutions for complex investments

Development mandate

- Promotes projects that expand markets, and help build institutions that underpin the market economy
- Mobilises significant foreign direct investments
- Provides financing at reasonable terms reflecting project risk levels
- Ability to foster a policy dialogue

Largest investor in the region

- Since establishment invested over EUR 117 billion in more than 4,700 projects
- In 2016 alone, EBRD invested EUR 9.4 billion in over 370 operations.
- Private sector > 70% of EBRD finance

EBRD provides financing solutions

“Typical” investment profile

Typical Size

- Minimum ticket is equivalent to EUR 1 million with a maximum size in excess of EUR 200 million

Term/ Holding period

- Debt instruments: typically from 4 to 10 years
- Equity Investments: typically from 4 to 7 years

Instruments

- Debt: public and private instruments, fixed and floating, syndicated loans, bonds
- Equity: Private Equity, IPO, Venture Capital
- Quasi Equity: convertible loans, subordinated loans, loans with warrants

Currency

- Local and major currencies (USD, EUR, CHF etc.)

Investments approach/Limits

- EBRD typically acts as a co-investor along other sponsors
- EBRD's stake typically does not exceed 35% of the total investments (equity and debt) or 50% in case of syndication with other international banks

Applications

- Growth funding, consolidation, working capital, green/brown fields, JVs, privatization etc.

Exact financing terms are defined by existing market conditions

Co-operation with EBRD offers companies numerous advantages

Long-term investor

- EBRD aims to develop long-term relationships - typical investment horizon is up to 10 years with equity holding periods ranging usually 4 - 7 years
- The Bank relies on a buy-and hold approach, which decreases its dependence on the short term market fluctuations

Trusted business partner

- Engaged minority business partner and debt provider, who shares risks
- Close working relationships with shareholders and management
- Strong, internationally recognised financial partner with long-term perspective

Sector knowledge & local expertise

- Deep knowledge and sector expertise proven by more than 180 executed projects in the ICT sector

Structured solutions

- Transactions are tailored to the needs of the clients and a variety of financial structures are considered
- Non-standard structures are welcome and a large range of transaction sizes

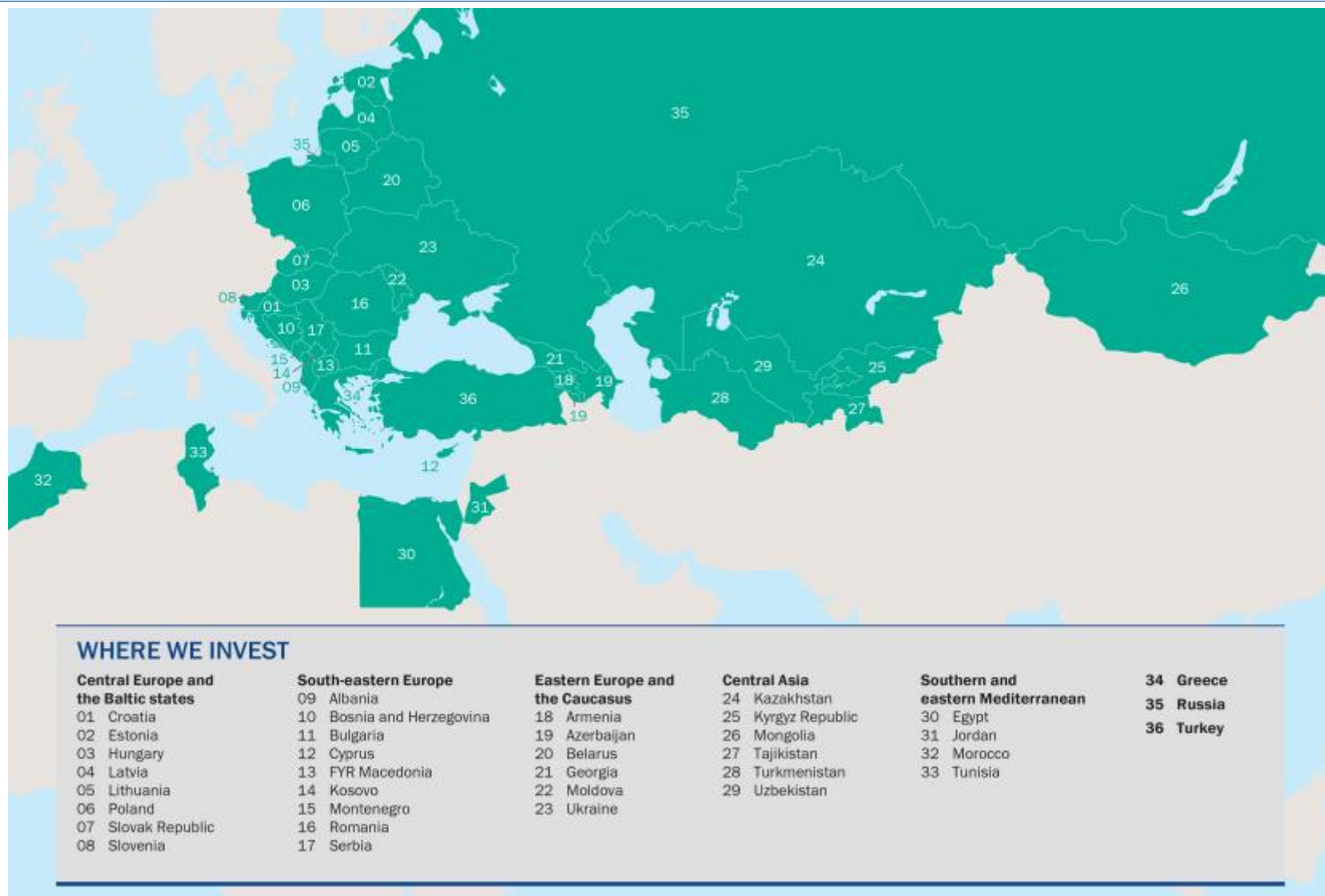
Other

- Catalyst to access additional equity or debt
- Guardian of high standards for corporate governance and compliance (highly valued by minority investors)
- Strong and long lasting connections with local and Federal Governments that allow the Bank to promote and defend interests of its portfolio companies

Where we operate



European Bank
for Reconstruction and Development

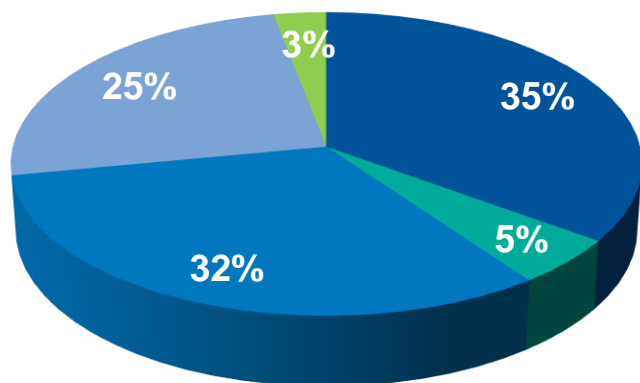


Information and Communication Technologies

Team Portfolio

- Cumulative financing to date: €4.3 billion
- Current portfolio: €1.15 billion
- 180 deals ranging from a few million to over 180 million EURO in 36 countries

ICT Portfolio volume by sector



- Fixed Line/Integrated Telcos
- IT Services
- Mobile
- Media/Other
- VCIP

Selected Subsectors

- | | |
|-----------------------|-----------------------|
| ▪ Mobile & fixed line | ▪ IT services |
| ▪ Cable TV | ▪ Digital Switch Over |
| ▪ Towers | ▪ Software developers |
| ▪ Satellites | ▪ Systems integrators |
| ▪ Fibre | ▪ Call centers |
| ▪ Wireless broadband | ▪ Outdoor advertising |
| ▪ Data centers | ▪ FTA-TV |
| ▪ MVNO | ▪ Internet |
| ▪ Pay-Tv | ▪ Cleantech |
| ▪ Mobile payments | ▪ Semiconductors |

EBRD's Knowledge Economy Initiative (KEI)

Knowledge Economy means:

- Technological dynamism,
- Including in those sectors not always associated with cutting edge innovation, such as agribusiness or heavy industry.

In order to thrive, the knowledge economy relies on 4 pillars:

- An adequate institutional framework,
- Good education,
- Strong communications infrastructure
- A supportive financing environment.

Knowledge Economy Initiative (KEI) launched by EBRD in 2012. Targets 4 key areas:

- Innovation policy,
- Investing in Information infrastructure,
- Technological upgrading for industry; and
- Financing for small innovative tech companies.

Combines investment, policy dialogue and donor-funded technical assistance.

Invested nearly EUR 1.2 billion in more than 40 projects.

Combination of Technical Support and Financing/Investment:

Technical Support

Supports policies and approaches that allow innovation to emerge.

Includes: grant funded policy and regulatory training programme for policymakers and regulatory officials.

Financing / Investment

- Infrastructure enables innovative services to be delivered
- Investments in communications infrastructure (broadband, mobile etc)
- Benefits businesses and consumers in big cities and remote regions
- Providing investment into innovative services e.g. Data Centres, IT applications and services.
- Creating the conditions for knowledge-based businesses to thrive.

Case Study 1: Innovation Policy

‘Accelerating Broadband Connectivity’ Initiative

Designed to help accelerate Broadband roll-out in EBRD’s countries of operation. Adapting successful experience from within European Union and elsewhere. Combines Technical Assistance and Financing.

Technical Assistance

- for policy/strategy development, implementation planning and execution;
- to help optimise regulation and minimise barriers to private investment (e.g. infrastructure sharing, spectrum re-farming, rights-of-way);

Financing

- to support private operators to extend and accelerate investment into commercially viable areas;
- to help government supported efforts to accelerate broadband deployment beyond urban centres.

One ABC analysis already completed in Cyprus, and one is currently under implementation in Serbia. Other countries in the pipeline.

Case Study 2: Innovation Policy

Digital Switch Over in Georgia (2013–15)

DSO increases spectrum efficiency, thus freeing up capacity for mobile and broadband operations. It can also help support competition in the sector, encouraging diversity and plurality.

Technical assistance:

- Defined Options and Policy (hybrid public and private operations – 1 State multiplexer, 3 private multiplexers);
- amending law and drawing up regulations;
- defining specifications and tender process;
- administering tender process;
- monitoring implementation by winning private operator;
- testing and procuring set top boxes, and developing and administering communications campaign;

EBRD financed the winning bidder in the tender for private multiplexer operator



Case Study 3: Information Infrastructure Investment: Hellenic Telecommunications Organisation (2013/2016)

OTE: a full-service telecommunications group and one of the largest providers of fixed and mobile communications in Greece, Romania and Albania.

‘White areas’ in Greece: comprising 323,000 inhabitants and 150,000 homes.

Investments aims to provide broadband access to 95% of the population of these White Areas with speeds of up to 50mbps.



Fixed Broadband

- EBRD successfully syndicated a EUR 339 million unsecured A/B loan for OTE to finance the development of broadband infrastructure in rural areas.
- Through a partnership with the Greek Information Society for implementation, OTE will enable the development of broadband infrastructure in rural areas which have not previously had access to fixed-broadband services.

Mobile Broadband

- EBRD successfully syndicated a EUR 225 million unsecured A/B loan for Telecom Romania Mobile to 7 commercial banks to finance the 4G license.

Case Study 4: Information Infrastructure Investment: United Group (2014)

- United Group is the largest alternative Pay TV platform in the region of former Yugoslavia, providing television, internet, fixed and mobile telephony services through its cable, DTH and OTT platforms. It has operations in Slovenia, Serbia, BiH, Montenegro, Croatia and FYR Macedonia.
- United Group has over 3 million Revenue Generating Units and covers an area with 20 million people (including the diaspora).
- **EBRD finance:** EBRD has invested EUR 50 million equity in United Group alongside KKR, a leading global investment firm and management.

The transaction represented the largest private equity investment in the Former Yugoslavia region and was thus important for mobilising private sector investment in the region.

Since KKR became the largest shareholder, United Group has been investing in network expansion and pursuing acquisitions in the countries it operates with the aim of consolidating the market and ultimately improving access and quality of pay-TV and broadband services to customers.



Case Study 5: Information Infrastructure Investment Serbia DSO (2014-15)

- EUR 16m financing to finalise Multiplexers 2 and 3 helped Serbia to complete the transition from analogue to digital broadcasting (DSO) by internationally agreed deadline;
- EBRD support allowed for the commercialisation of the new over-the-air television transmission market;

Technical assistance financed consultants Grant Thornton for financial due-diligence;

Technical assistance also supported procurement preparation;

EBRD involvement helped facilitate regular working group meetings;

Financing helped enhance the market for new services: improved quality of SD picture/sound, HD broadcasting, possibility for a larger number of over-the-air channels, translation/captions services, programme guides.



Case Study 6: Innovative business model: EBRD supported implementation of new technology, previously non-existent on the Croatian market

Signed in
2012



Client: Podatkovni Centar Kriz (“DataCross”), first carrier neutral data centre in accordance with Tier 3 standard in Croatia

EBRD Finance: Loan of EUR 2.0 million

Use of proceeds: Construction and operation of of a greenfield data center in Jastrebarsko, with initial capacity of 600sqm white space and 250sqm business continuity and disaster recovery space for a total investment of around EUR 7.1 million;

EBRD added value: Provided financing for the greenfield investment into largest carrier neutral data centre in Croatia

EBRD financing endorsed the innovative business concept in Croatia



Financing and Support for small innovative tech companies: Investment, Support and VCIP

EBRD provides:

Investment: direct and indirect through local and international VC funds as well as private equity funds.

Support: EBRD's Small Business Support programme connects entrepreneurs with local and international experts, giving them the knowhow they need to develop their companies successfully.

EBRD's Venture Capital Investment Programme - Established 2013

- €100m facility for direct investment in early and growth stage companies
- Invest alongside experienced venture capital investors.
- Covers all technology **early and growth stage** VC investments.
- Investment size: €1m to €10m over the lifetime of the investment.

Key criteria for investment:

- An innovative, technology-based solution or business model;
- A defensible competitive advantage; a large addressable market; the potential for fast growth;
- An ambitious, motivated and committed management team;
- The ability and desire to create value for shareholders; and
- A significant proportion of operations based in our target geographies.

Case Studies: VCIP Investments



Lithuania

Equity Investment
via Venture Capital Facility as part
of a total funding round of

Euro 5.5 million



Trafi (Lithuania) - mobile application for planning travel by public transport. TRAFI launched in Estonia, Latvia, Lithuania and Turkey and aims to expand across eastern Europe and other emerging markets.

DocPlanner (Poland) - app for managing personal private healthcare services including practitioners and small clinics, dentists, dieticians and other healthcare professionals. “Live” in 25 markets in Europe, Africa, Asia and Latin America.



Poland

Equity Investment
via Venture Capital Facility as part
of a total funding round of

USD 10 million



2015



Ukraine

Equity Investment
via Venture Capital Facility as part
of a total funding round of

USD 5 million



2015

Deposit Photos (Ukraine) - one of the world’s fastest-growing stock photo marketplaces. Headquarters in NEW York, the company serves customers from 192 countries, providing 24/7 support in 20 languages. It has a library of over 40 million premium high-quality stock photos, illustrations, vector images and video files.

Onedio (onedio.com) - Turkey’s leading online advertising platform. Founded in 2013, it has grown significantly to become one of the most-visited websites in Turkey. Onedio provides a single platform where customers can access interesting and fun content in an easily consumable format. For businesses wishing to advertise online, Onedio offers unparalleled segmentation and targeting capabilities.



Turkey

Equity Investment
via Venture Capital Facility as part
of a total funding round of

USD 3 million



2015

Selected VCIP projects



Lithuania
Equity Investment
via Venture Capital Facility as part
of a total funding round of

Euro 5.5 million



2015 & 2017



Russia
Equity Investment
via Venture Capital Facility as part
of a total funding round of

USD 38 million



2012 & 2017



Turkey
Equity Investment
via Venture Capital Facility as part
of a total funding round of

USD 3 million



2015



Slovenia
Equity Investment
via Venture Capital Facility as part
of a total funding round of

USD 3 million



2015



Ukraine
Equity Investment
via Venture Capital Facility as part
of a total funding round of

USD 5 million



2015



Poland
Equity Investment
via Venture Capital Facility as part
of a total funding round of

USD 10 million



2015



Russia
Equity Investment
via Venture Capital Facility as part
of a total funding round of

Euro 10 million



2015 & 2014



Russia
Equity Investment
via Venture Capital Facility as part
of a total funding round of

USD 7 million



2014



Turkey
Equity Investment
via Venture Capital Facility as part
of a total funding round of

USD 20.6 million



2014




Turkey
Equity Investment
via Venture Capital Facility as part
of a total funding round of

USD 5 million


































2013

Selected ICT projects (1/2)

 Poland Second Lien PLN 400 million  2016	 Poland Equity co-investment Euro 24 million  2016	 Greece Syndicated A/B Loan Euro 339 million  2016	 Georgia Syndicated A/B Loan USD 100 million  2016	 Turkey Loan USD 100 million  2016	 Turkey Loan USD 50 million  2016
 Slovenia & Kosovo Bond Investment Euro 12 million  2016	 Greece Bond Euro 50 million  2015	 Mongolia Loan USD 11.1 million  2015	 Poland Bond Investment PLN 200 million  2015	 Turkey Equity co-Investment USD 15million  2015	 Virgin Mobile CEE Poland Equity Co-Investment Euro 2.5 million  2015
 Romania Loan Euro 10 million  2015	 Poland Equity Investment Euro 7.1 million  2015	 Georgia Loan Euro 1.9 million  2015	 Turkey Loan USD 50 million  2014	 Serbia Sovereign Guaranteed Loan Euro 24 million  2014	 Bulgaria Loan Euro 20 million  2014

Selected ICT projects - (2/2)

 <p>Regional Equity Co-Investment</p> <p>KKR</p> <p>Euro 50 million</p>  <p>2013</p>	 <p>Russia Equity Co-Investment with RUSSIAN DIRECT INVESTMENT FUND CapMan</p> <p>USD 25 million</p>  <p>2013</p>	 <p>Romania Syndicated Loan</p> <p>Euro 75 million</p>  <p>2013</p>	 <p>Tunisia Loan</p> <p>Euro 5 million</p>  <p>2013</p>	 <p>Turkey Loan</p> <p>Euro 100 million</p>  <p>2012</p>	 <p>Regional Loan</p> <p>Euro 43 million</p>  <p>2012</p>
<p>Polkomtel S.A. plus</p> <p>Poland Equity Investment</p> <p>Euro 200 million</p>  <p>2011</p>	 <p>Russia Investment in Bond Offering</p>  <p>2011</p>	<p>QSECO SOUTH EASTERN EUROPE</p> <p>Poland & Balkans Loan and Equity Investment</p> <p>Euro 22 million</p>  <p>2009</p>	 <p>Albania Privatization - Syndicated Loan</p> <p>Euro 27 million</p>  <p>2008</p>	 <p>Ukraine Equity Investment</p> <p>Euro 22.3 million</p>  <p>2007</p>	 <p>Kazakhstan Syndicated Loan</p> <p>Euro 130 million</p>  <p>2005-2007</p>
 <p>Poland Equity Investment</p> <p>Euro 10 million</p>  <p>2011</p>	 <p>Russia Equity Investment</p> <p>Euro 30 million</p>  <p>2011</p>	<p>IBS GROUP</p> <p>Russia Convertible Loan</p> <p>USD 20 million</p>  <p>2010</p>	<p>ORION telekom</p> <p>Serbia Convertible debt and Equity</p> <p>Euro 7.5 million</p>  <p>2009</p>	 <p>Russia Syndicated Loan</p> <p>Euro 258 million</p>  <p>2009</p>	 <p>Russia Equity Investment</p> <p>USD 11 million</p>  <p>2009</p>

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