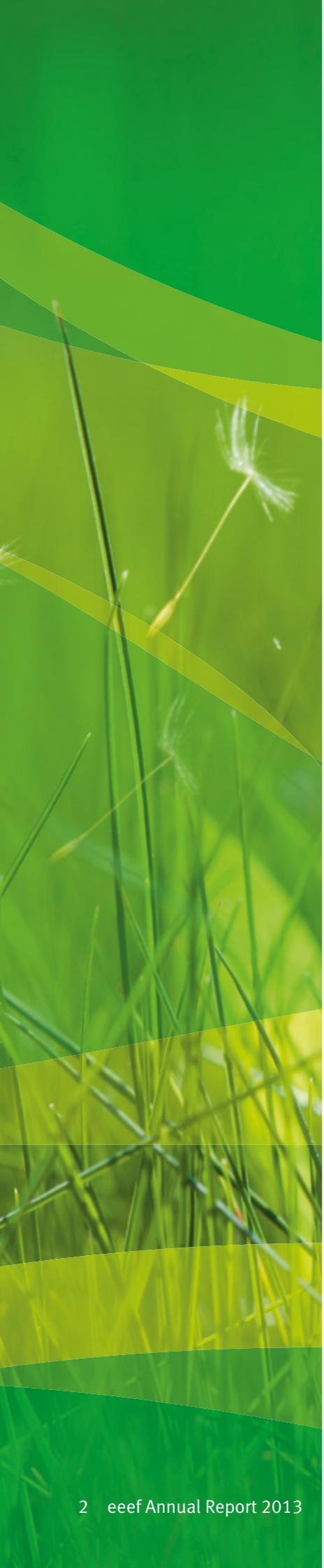
eeef
EUROPEAN ENERGY
EFFICIENCY FUND

European Energy Efficiency Fund

Annual Report 2013



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Greetings

While the EU is making good progress towards meeting its climate and energy targets for 2020, an integrated policy framework for the period up to 2030 is needed to ensure regulatory certainty for investors and a coordinated approach among member states.

The framework presented by the European Commission in January 2014 seeks to drive continued progress towards a low-carbon economy. It aims to build a competitive and safe energy system that ensures affordable energy for all consumers, increases the security of the EU's energy supplies, reduces our dependence on energy imports and creates new opportunities for growth and jobs.

Along with stable and ambitious climate commitments, Europe needs to leverage more private capital into sustainable energy investments, and in particular energy efficiency, that generate stable revenues through energy savings as well as multiple socio-economic benefits such as local jobs, reduced energy imports or improved work and living conditions.

The European Energy Efficiency Fund (eeef) has been launched as a role model fund to demonstrate how sustainable energy projects can be financed by providing a solid track record of innovative financing solutions, with a strong replication potential. The first results under the Fund have shown high interest from project promoters and public authorities with very promising deals already signed across the EU.

As climate and energy commitments are being reinforced at a time of public budgetary constraint, more than ever, we need more efficient use of EU and national expenses, with a clear leverage on private capital.

The eeef is therefore an important instrument to support the goals of the European Union to promote a sustainable energy market and reinforced climate protection.

Marie C. Donnelly
Chair of the Supervisory Board and
Director at the European Commission

Letter from the Chairperson

Dear Reader,

I am very pleased to present to you the European Energy Efficiency Fund ("eeef") 2013 Annual Report.

eeef, an innovative public-private partnership dedicated to mitigating climate change through energy efficiency measures and the use of renewable energy, was established in July 2011. It operates under the 'Advancing Sustainable Energy for Europe' agenda. It finances and provides technical assistance to municipal, local, regional authorities and entities – both public and private – acting on behalf of those authorities. The eeef operates in all member states of the European Union.

The Fund was capitalized with an initial volume of € 265 million by the European Commission, European Investment Bank, Cassa Depositi Prestiti and Deutsche Bank. It also manages a € 20 million Technical Assistance Facility provided by the European Commission.

While 2012 was characterized by building up a sustainable pipeline and closure of its first transactions, 2013 marked a significant growth of both its investment and technical assistance portfolio. By December 2013, the investment portfolio of eeef reached an allocated volume of € 102 million with the overall Fund commitments of € 145.8 million and is currently providing financing to 7 projects.

eeef also provided technical assistance to nine projects for a total amount of € 9 million. In 2013, it also managed to build up a substantial investment and technical assistance portfolio aimed at reaching the ambitious targets it set itself for 2014.

eeef continued its participation in conferences and active dialogues with public authorities. These activities helped to raise awareness and transparency about eeef's current and future operations.

Our objectives for the next few years remain demanding – (i) increasing our network of public authorities and Energy Service Companies (ESCO), (ii) preparing eeef for further growth by acquiring new investors and (iii) further diversifying the investment portfolio by adding new investments.

I am confident that eeef is well positioned to further invest in valuable public sector projects based on: (i) its successfully established track record, (ii) the continuously growing commitment of the local authorities to engage in green initiatives, and (iii) the Fund's flexibility to provide various financing instruments including structuring services.

Enjoy reading!

Peter Coveliers
Chairperson of the Management Board

Letter from the Investment Manager

Dear Reader,

eeef was established in 2011; ever since, we have been actively involved in market development, while observing the progress in energy efficiency across the EU member states.

A number of regional initiatives have been launched for energy efficiency upgrades in European cities, covering street lighting and public building upgrades as well as construction of district heating networks or combined heat and power plants using renewable resources. Energy service companies promoting energy performance contracting linked to savings guarantees are being increasingly embraced to enhance the sustainable use of energy, through energy efficiency and renewable energy sources. However, the energy efficiency market is still at its inception phase across Europe and projects in this field are developing at a moderate pace.

As the investment manager of the Fund, we consider 2013 as a breakthrough year for eeef, since we were able to invest in a variety of projects in Europe and achieve co-operations with a number of public authorities in Europe to facilitate project 'creation' in the market. By the end of 2013, a total of approx. € 9 million in funds was provided from the eeef European Commission Technical Assistance (TA) Facility to public authorities to finance their project development activities. For example, the Spanish cities of Santander, La Palma, Marbella, Cordoba, Elche and Terrassa are using the technical assistance funds provided by eeef to develop projects in public lighting/building retrofitting/clean urban transport and photovoltaic sectors, representing potentially attractive investment opportunities for the Fund.

In the course of 2013, eeef deployed various financial instruments required by our partner institutions. We have invested equity in combined heat and power (CHP) plants in France to ensure a clean renewable heat supply to French cities, acquired project bonds to finance a comprehensive energy efficiency upgrade in Bologna (Italy), entered into partnership with a financial institution to provide a green financing facility to the Romanian bank Banca Transilvania and, lastly, invested in project bonds issued by Bolloré to support a green transportation initiative for the cities of Paris, Lyon and Bordeaux (France).

The Fund will continue to build upon this experience in the future, utilising its capability to efficiently offer and implement various long term funding solutions aligned with the project needs of European local and regional communities. We have a strong ambition to be a constant driver for the conversion process of the European cities and communities into low carbon environments and accompany our partners along their successful implementation path.

We are looking forward to another inspiring year and we hope you enjoy reading this report.

Lada Strelnikova-Hübner Matthias Benz Zarpana Massud-Baqa
Deutsche Bank AG, Environmental & Social Capital

The European Energy Efficiency Fund at a glance

Mission

eeef's mission is to contribute, in the form of a public private partnership (PPP) with a layered risk/return structure, to enhancing energy efficiency and fostering renewable energy within the European Union, primarily through the provision of dedicated financing to municipal, local, regional or national authorities or public or private entities acting on their behalf. Financing is provided mostly directly or via partnering with financial institutions.

eeef's Objectives

eeef aims to support the 20/20/20 goals of the European Union to promote a sustainable energy market and foster climate protection by:

- Contributing to the mitigation of climate change
- Achieving economic sustainability of the Fund
- Attracting private and public capital for climate financing

The Fund's Setup

Geographic Scope

eeef targets investments in the member states of the European Union, currently: Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the United Kingdom.

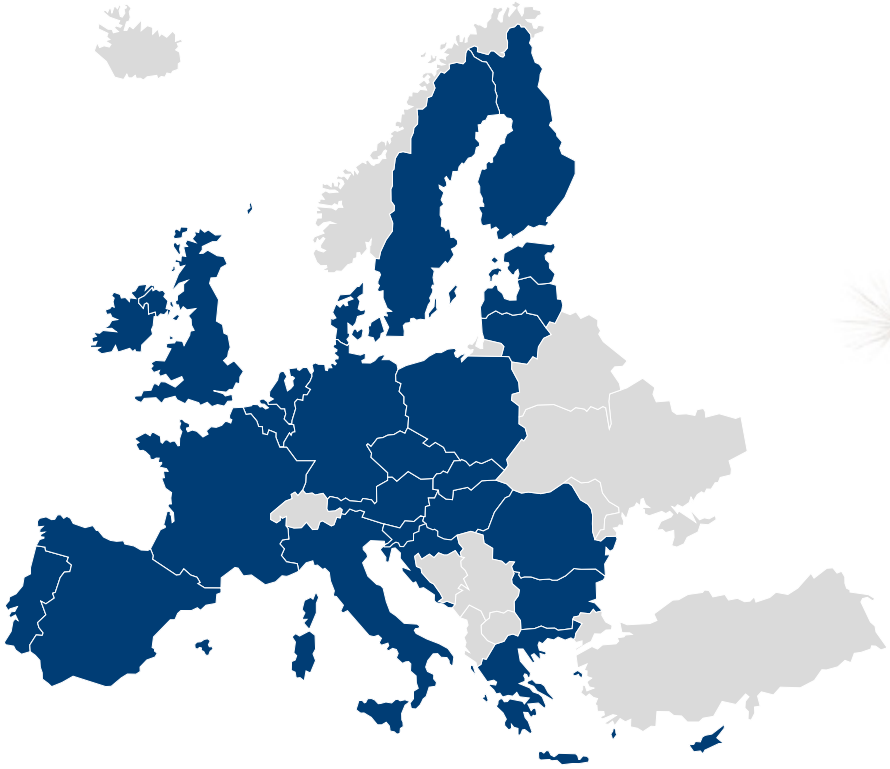
Operational Structure

The Fund's shareholders are represented by the Management Board, which oversees the eeef's activities and is responsible for strategic decisions. The Management Board is the legal representative of the Fund with exclusive power to administer and manage the Fund.

The Management Board appoints the Investment Committee, which reviews investment decisions proposed by the Investment Manager and gives recommendations to the Management Board. It has an advisory role for investments, divestments and other management decisions.

The Investment Manager conducts the Fund's business on behalf of the Management Board. The Investment Manager also manages the technical assistant facility of eeef.

The Supervisory Board controls the management of the Fund and provides strategic advice to the Management Board on the overall development of the eeef's activities.



TARGET COUNTRIES

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eeef's Business Proposal

How to qualify for eeef funding

The final beneficiaries of eeef must be municipal, local, regional authorities or public and private entities acting on their behalf, such as utilities, public transportation providers, social housing associations, energy service companies etc. Funding can be provided in euros or, in certain cases, in local currencies.

The general eligibility criteria are:

- Municipal link
- Commitment of municipality to mitigate climate change (e. g. via Covenant of Mayors Initiative)
- Primary energy savings and CO_2 emission savings of at least 20 %
- Projects should preferably be between € 5 m to € 25 m
- Alignment with relevant EU legislation
- Use of tested forms of technology, each of which may have its own specific eligibility criteria

Development of eeef since inception

2011

July

eeef created and capitalized by the initiator EC and the founding investors EIB and CDP

2012

January

Operational and procedural setup of the Fund finalized

March

Jewish Museum Berlin joins eeef as its first partner institution via the ESCO of Johnson Controls

November

Financing of building retrofit project of the University of Applied Sciences Munich

December

City of Santander cooperates with eeef on technical assistance

Investment Process

INITIAL SCREENING

- Initial screening of project in line with eeef's eligibility criteria for investments
- Portfolio fit assessment

DECISION TO START DETAILED DUE DILIGENCE (DD)

- In case initial screening is positive, detailed DD to be initiated
- Further project details required (financial model, comprehensive project description/ investment memo, technical details etc.)

DEUTSCHE BANK (DB) DUE DILIGENCE

DB conducts financial, technical and legal review:

- Financial evaluation
- Technical and legal evaluation
- Environmental evaluation (validation of required CO_2 savings for potential projects)

PREPARATION OF INVESTMENT COMMITTEE

DB prepares an investment proposal based on the due diligence to be presented to eeef's Investment Committee and Management Board

INVESTMENT COMMITTEE/MANAGEMENT BOARD APPROVAL

PREPARATION OF FINANCIAL CLOSING

- Negotiation of legal documentation
- Disbursement of funds

6 months

2013

May

- Financing of energy efficiency upgrade of University Hospital S. Orsola Malpighi in Italy
- City of Cordoba cooperates with eeef on technical assistance

June

- eeef reaches financial closing for first equity investment, city of Orléans' CHP plant in France
- La Palma cooperates with eeef on technical assistance

September

eeef enters into green on-lending facility with Banca Transilvania in Romania

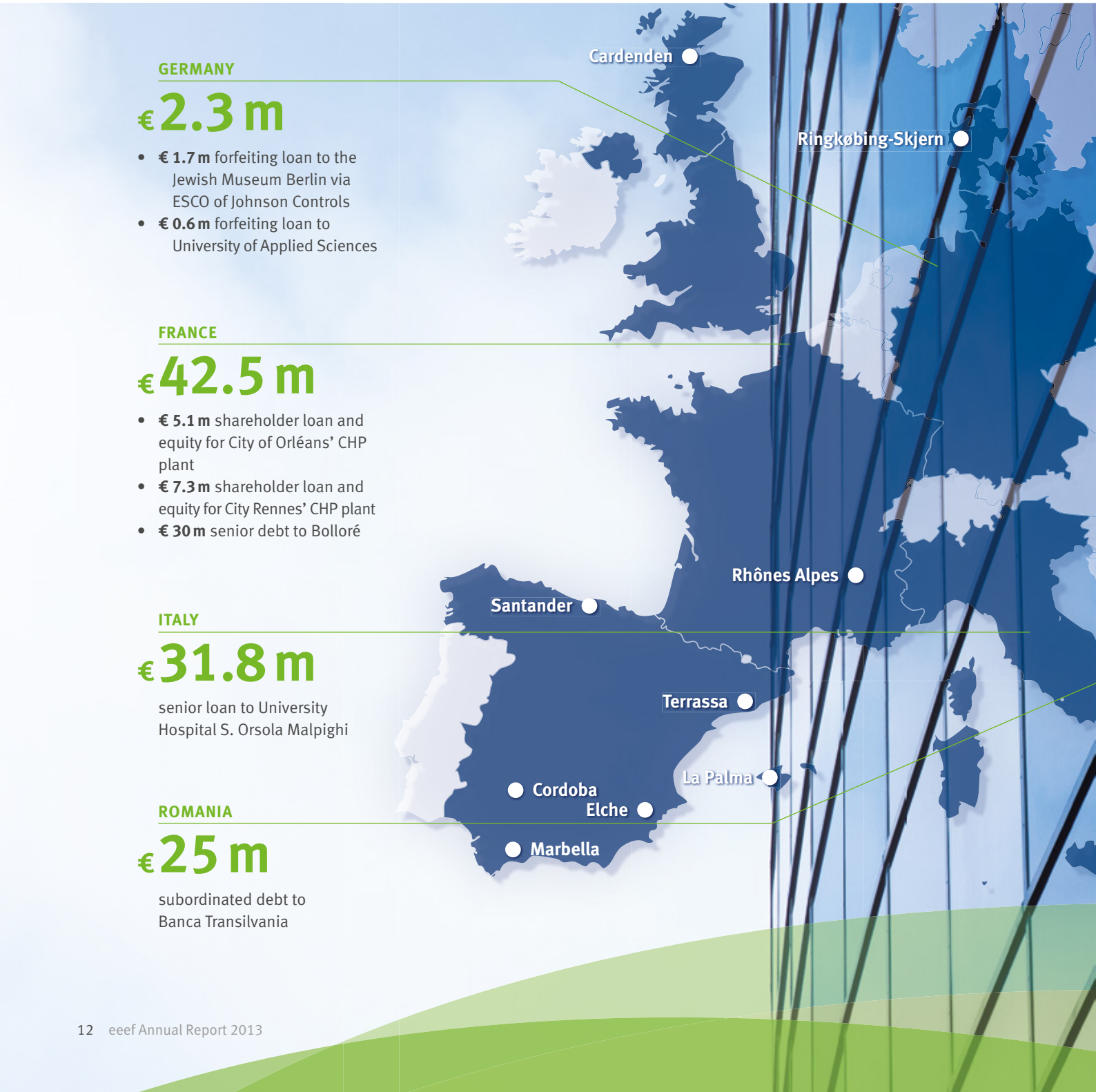
November

- Municipality of Ringkøbing-Skjern cooperating with eeef on technical assistance
- Ore Valley Housing Association and the Region of Rhône Alpes cooperate with eeef on technical assistance

December

- eeef reaches financial closing for second equity investment, City of Rennes' CHP plant, and the Bolloré transaction (green transportation initiative for the cities of Paris, Lyon and Bordeaux)
- Cities of Marbella, Terrassa and Elche cooperate with eeef on technical assistance

2013 Activities Report: Investments



GERMANY

€2.3 m

- **€ 1.7 m** forfeiting loan to the Jewish Museum Berlin via ESCO of Johnson Controls
- **€ 0.6 m** forfeiting loan to University of Applied Sciences

FRANCE

€42.5 m

- **€ 5.1 m** shareholder loan and equity for City of Orléans' CHP plant
- **€ 7.3 m** shareholder loan and equity for City Rennes' CHP plant
- **€ 30 m** senior debt to Bolloré

ITALY

€31.8 m

senior loan to University Hospital S. Orsola Malpighi

ROMANIA

€25 m

subordinated debt to Banca Transilvania

Since its inception, eeef has committed a total of € 101.6 million to 7 partner institutions. Further € 8.7 m are committed to 9 technical assistance projects via the EC Technical Assistance Facility.

- **Project development activities were carried out in the following locations:**
  Cardenden (United Kingdom), Santander (Spain), Cordoba (Spain), Rhône Alpes (France), La Palma (Spain), Ringkøbing-Skjern (Denmark), Marbella (Spain), Terrassa (Spain), Elche (Spain)

Investment Portfolio:

Jewish Museum Berlin Foundation

Project Profile

The Jewish Museum Berlin and the Energy Service Company (ESCO) of Johnson Controls entered into an Energy Performance Contract (EPC) for the buildings of the museum with a total EPC volume of € 3.1 m. eeef's investment size is € 0.55 m up to now – construction ongoing.

The museum owns two buildings in Berlin which are used both for various cultural events. Since opening in September 2001, several million people have visited the Jewish Museum Berlin, making it one of Germany's most visited museums. Offering guided tours, temporary exhibitions, and a diverse calendar of events, the museum is a lively centre for Jewish history and culture.

Agreeing on energy efficiency measures comprising of the optimization of heating, ventilation & air conditioning, energy efficient lighting and an efficient energy management system, the project is currently under construction and is exptected to achieve a reduction of CO_2 emissions of 55 % (1,812 tonnes p. a.) compared to the baseline. The ESCO has guaranteed the Jewish Museum Berlin energy savings per annum and will perform the maintenance and building operation services for the 10 year loan contract period at least.

Key figures	
Country	Germany
Sector	Energy efficiency – building retrofit
Type of investment	Forfaiting loan
Total project size (€ m)	3.1
eeef investment size (€ m)	1.7
Financial Close	20 March 2012
Maturity	10 years
Expected CO_2 emission savings (tonnes p. a.)	1,812

Project Highlights

The JMB transaction is a lighthouse project for transactions with ESCOs to finance energy performance contracts and to foster the use of such structures in the European municipal sector. It is an innovative Public Private Partnership (PPP) building sustainable communities for a better environment and facilitating small and medium sized investments into the energy efficiency sector.

It was the winner of the European Energy Service Initiative's Award for the best European efficiency service project in 2011.

University of Applied Sciences Munich

Project Profile

The University of Applied Sciences Munich and the Energy Service Company (ESCO) of Johnson Controls entered into an energy performance contract (EPC) for both buildings of the university's campus in Munich-Pasing with a total EPC volume of € 1.1 m. The university was founded in 1971 and is the largest university of applied sciences in Bavaria with about 16,500 students, 500 professors, 750 lecturers and 600 non-academic staff.

The ESCO and the university agreed on energy efficiency measures comprising the optimization of heating, lighting, metering, building management and pumping as well as the acquisition of a 49.5 kW combined heat and power (CHP) plant. The implementation of all measures achieved primary energy savings of 1,275 MWh and 9 tonnes of CO_2 emissions in 2013. The ESCO has guaranteed the university energy savings per annum and will perform maintenance and building operation services for the 10 year loan contract period at least.

Key figures	
Country	Germany
Sector	Energy efficiency – building retrofit
Type of investment	Forfaiting loan
Total project size (€ m)	1.1
eeef investment size (€ m)	0.6
Financial Close	31 November 2012
Maturity	10 years
CO_2 emission savings (tonnes p. a.)	9
Primary energy savings 2013 (in MWh)	1,275

Project Highlights

This is an innovative forfeiting structure for financing energy efficiency measures in a further public building with a focus on low carbon solutions which will improve the learning environment of the students as well as that of staff. Although it is a smaller project, it proves the concept of combating climate change through a smarter use of energy which also benefits the public budget. It even includes a small component of decentralized energy production for the university's own use.

This project can serve as a role model for further energy efficiency investments in educational facilities such as universities, schools and kindergartens.

University Hospital S. Orsola Malpighi

Project Profile

The project entity Progetto ISOM signed a concession agreement with the University Hospital S. Orsola Malpighi. The concessionaire, the university hospital, is one of the biggest Italian hospitals, equipped with around 5,300 employees and 1,700 beds.

Initiatives are planned to raise the energy efficiency of the entire fluids production and distribution system and reduce energy consumption. Such measures include adoption of energy efficient equipment such as centrifugal chillers and absorbers, reconstruction of heat distribution networks, renovation of heat exchange substations and inclusion of a tri-generation plant for the combined production of cooling, heat and power (CCHP) sized on the energy consumption of the hospital facility which is fuelled by methane gas.

The new technological centre for high-efficiency energy production and distribution will achieve a reduction of CO_2 emissions by approx. 31 % compared to the baseline.

Key figures	
Country	Italy
Sector	Energy efficiency – upgrade of entire energy system
Type of investment	Senior funds
Total project size (€ m)	41
eeef investment size (€ m)	31.8
Financial Close	08 May 2013
Maturity	20 years
Expected CO_2 emission savings (tonnes p. a.)	15,158

Project Highlights

This upgrade of the entire energy system of the university hospital has been the largest energy efficiency upgrade in Italy under a Public-Private Partnership (PPP) framework so far. Furthermore, the recently introduced bond structure in Italy was applied in this project, qualifying its legal structure to be nominated for an International Financial Law Review Award.

For local public healthcare, it is a significant step forward, as the university hospital is one of the biggest hospitals, making it a role model for other hospitals around the country. It is a lighthouse project which demonstrates the positive impact of energy efficiency measures in public buildings which have to be run 24/7, thus improving the underlying conditions for providing healthcare services to citizens of the Emilia-Romagna region.

City of Orléans

Project Profile

This CHP plant, with an installed capacity of 7.5 MW in electricity and 17 MW in thermal heat, will supply heat to the city of Orléans and sell the electricity via a Power Purchase Agreement (PPA) to Electricité de France (EDF) at a negotiated tariff set over 20 years. This project was the first equity investment of eeef (majority owner of the plant with 84 %). Dalkia France is co-investing along with eeef.

The plant is fired by wood biomass (90,000 tons per annum) received from a supply radius of less than 100 km. The CHP plant commenced its operation in March 2014. During the first partial year of operation, the CHP plant achieved primary energy savings of 2,470 MWh and 23,361 tonnes of CO_2.

Key figures	
Country	France
Sector	Energy Efficiency
Type of investment	Junior Funds
Total project size (€ m)	36.0
eeef investment size (€ m)	5.1
Financial Close	10 June 2013
Maturity	Perpetual
CO_2 emission savings (tonnes p. a.)	23,361
Primary energy savings 2013 (in MWh)	2,470

Project Highlights

The project enables decentralized energy supply for the city of Orleans using an existing district heating network. The plant will allow 15,000 households in the city to achieve annual savings of € 200 with the new energy source and increase environmental sustainability especially of private households.

The supply of biomass can be ensured within a 100 km radius, which is pretty comfortable. Also by signing a long term PPA with EDF, the off-take of the project risk is minimized.

Banca Transilvania

Project Profile

eeef provided a refinancing facility to Banca Transilvania (BT), one of the leading banks in Romania, for a green on-lending programme to support energy efficiency and renewable energy investments of the public sector in Romania.

It is the first cooperation of the eeef with a financial institution and also the first transaction in Eastern Europe. eeef will support BT in sourcing and evaluating the projects. BT will ensure that financed projects comply with eeef's requirements with respect to CO_2 emission/primary energy consumption reduction of at least 20 %. Further, eeef may jointly finance projects with BT in case larger financing amounts are required.

Key figures	
Country	Romania
Sector	Energy Efficiency/ Renewable Energy
Type of investment	Subordinated debt
Total project size (€ m)	25
eeef investment size (€ m)	25
Financial Close	27 September 2013
Maturity	10 years
Expected CO_2 emission savings (tonnes p. a.)	Min. 20 %

Project Highlights

In BT, eeef has won a strong local partner with credentials in financing several energy efficiency projects, and one which has a strong footprint in financing small and medium sized enterprises (SMEs).

Banca Transilvania is the 3rd largest Romanian bank, by assets. This co-operation will help to strengthen the Romanian banking sector by providing financing to energy efficiency and smaller-scale renewable energy projects, primarily through the provision of financing to public and private building owners, homeowner/condominium associations and municipalities, public sector entities and private sector companies acting on behalf of the public sector. The bank is also qualified to take on technical assistance funds in escrow and to allocate them to eligible public beneficiaries who receive funds from the eeef facility provided to Banca Transilvania.

Banca Transilvania: sub-loans under the eeef subordinated debt facility

Banca Transivania focused in the last quarter of 2013 on projects dealing with public transportation and building retrofitting, thereby on-lending € 14.9 m from the eeef facility.

1 FLEET RENEWAL OF A PUBLIC TRANSPORTATION COMPANY IN A SMALL ROMANIAN COMMUNITY

Background

Founded in 2002, Giroceana srl holds the concession of the public transportation in Giroc, a village less than 10 km from Timisoara; the village has around 2,500 inhabitants, most of them working and studying in Timisoara.

Project description

Public transport in Giroc is highly inefficient and polluting; the company operates six Ikarus buses older than 20 years, which consume 35 l/km and travel 150 – 200 km/day. The company intended to replace two of its old buses with new ones (Diesel Euro5, Golden Dragon XML6125CL) consuming 25 l/km, almost 30 % less than the old buses.

Besides the economic rationale of the project – increasing profitability of the company will lead to fewer subsidies from the local budget – there is an important impact on the environment. It is estimated that the annual CO_2 savings will be over 40 %.

Key figures	
Disbursement date	09/09/2013
Sub-loan size	€ 243,206
Annual CO_2 saving	47 %

2 FLEET MODERNIZATION FOR THE PUBLIC TRANSPORTATION COMPANY IN ONE OF ROMANIA'S LARGEST TOWNS

Background

Cluj Napoca is the second-largest town in Romania, with a population of over 300,000; the public transport is provided by Ratuc, a company held by the City Council of Cluj. Ratuc owns a fleet of over 50 trolleys, most of them over 20 years old.

Project description

The company intends to renew its trolley fleet, the project financed by Banca Transilvania consists of replacing five old trolleys with new Astra trolleys. The average electric consumption of the new trolleys is almost 50 % lower than the 3.4 kwh/km average electric consumption of the existing trolleys.

The investment is supported by the City Council of Cluj. The project has a economic rationale – increasing profitability of the company will lead to fewer subsidies from the local budget) but also has an important advantage in terms of mitigating climate change. The CO_2 emissions savings will be over 40 %.

Key figures	
Disbursement date	29/11/2013
Sub-loan size	€ 2,016,000
Annual CO_2 saving	46 %

3 RETROFIT OF RESIDENTIAL FLATS BLOCKS IN BUCHAREST, DISTRICT 6

Background

Constructii Erbasu is one of the main Romanian construction companies, founded in 1991, with expertise in the construction of residential as well as industrial buildings. The company also has a good track-record in the municipal sector, such as reconstruction of roads and renovation of sewer networks.

Project description

Constructii Erbasu is the leader of the association of construction companies that have won the tender organised by Bucharest district 6 town hall for the renovation of 300 blocks of flats. Most of the blocks of flats in Romania were built between 1950 and 1990 and need insulation and replacement of doors and windows. The thermal rehabilitation includes solutions for the exterior walls, the exterior joints and balconies as well as for the floor above the basement and the terrace.Banca Transilvania has financed the project by providing a non recourse factoring limit of € 16 m (€ 12.6 m under the eeef facility): Bucharest town hall, district 6, one of the biggest Romanian town halls with a good financial standing, is the assigned debtor. 50 % of the investment will be financed by the national budget, 50 % by the local budget.

Key figures	
Disbursement date	13/09/2013
Sub-loan size	€ 12,635,801
Annual CO_2 saving	81 %

City of Rennes

Project Profile

The Fund has completed its second equity transaction, investing in Rennes Biomasse Energie SAS, which has been authorised to operate a combined heat and power facility with an electrical output of 9.8 MWe and thermal output of 22 MWth over the next 20 years.

This junior fund investment has been realised through the purchase of 85 % of the shares of Rennes Biomasse Energie by eeef. Dalkia France is co-investing along with eeef and is shareholder of the remaining 15 % of Rennes Biomasse Energie.

Key figures	
Country	France
Sector	Energy Efficiency/CHP plant
Type of investment	Junior funds
Total project size (€ m)	47.6
eeef investment size (€ m)	7.3
Financial Close	16 December 2013
Maturity	10 years
Expected CO_2 emission savings (tonnes p. a.)	37,063

Project Highlights

The project enables decentralized energy supply for the city of Rennes using an existing district heating network. The plant will allow 21,000 households in the city to achieve savings with the new energy source and increase their environmental sustainability.

The supply of biomass can be ensured within a 100 km radius, which is pretty comfortable. Also the by signing a long term PPA with EDF, the off-take of the project risk is minimized.

Bolloré

Project Profile

The French company Bolloré, providing the Autolib' car-sharing service for electric cars in Paris, signed a bond subscription agreement for floating rate notes worth € 30m with the eeef. The bond has a maturity of 5 years and was issued by Bolloré, purchased by the eeef.

eeef's investment will be used to finance electric cars and needed infrastructure (i. e. charging stations, rental places etc.) used in Bolloré's European electric car rental concession Autolib', which the company won via a public tender. This transaction is within the framework of an urban transportation initiative for the cities of Paris (1), Lyon (2) and Bordeaux (3).

Key figures	
Country	France
Sector	Public urban transportation
Type of investment	Senior debt
Total project size (€ m)	30
eeef investment size (€ m)	30
Financial Close	23 December 2013
Maturity	5 years
Expected CO_2 emission savings (tonnes p. a.)	Min. 20 %

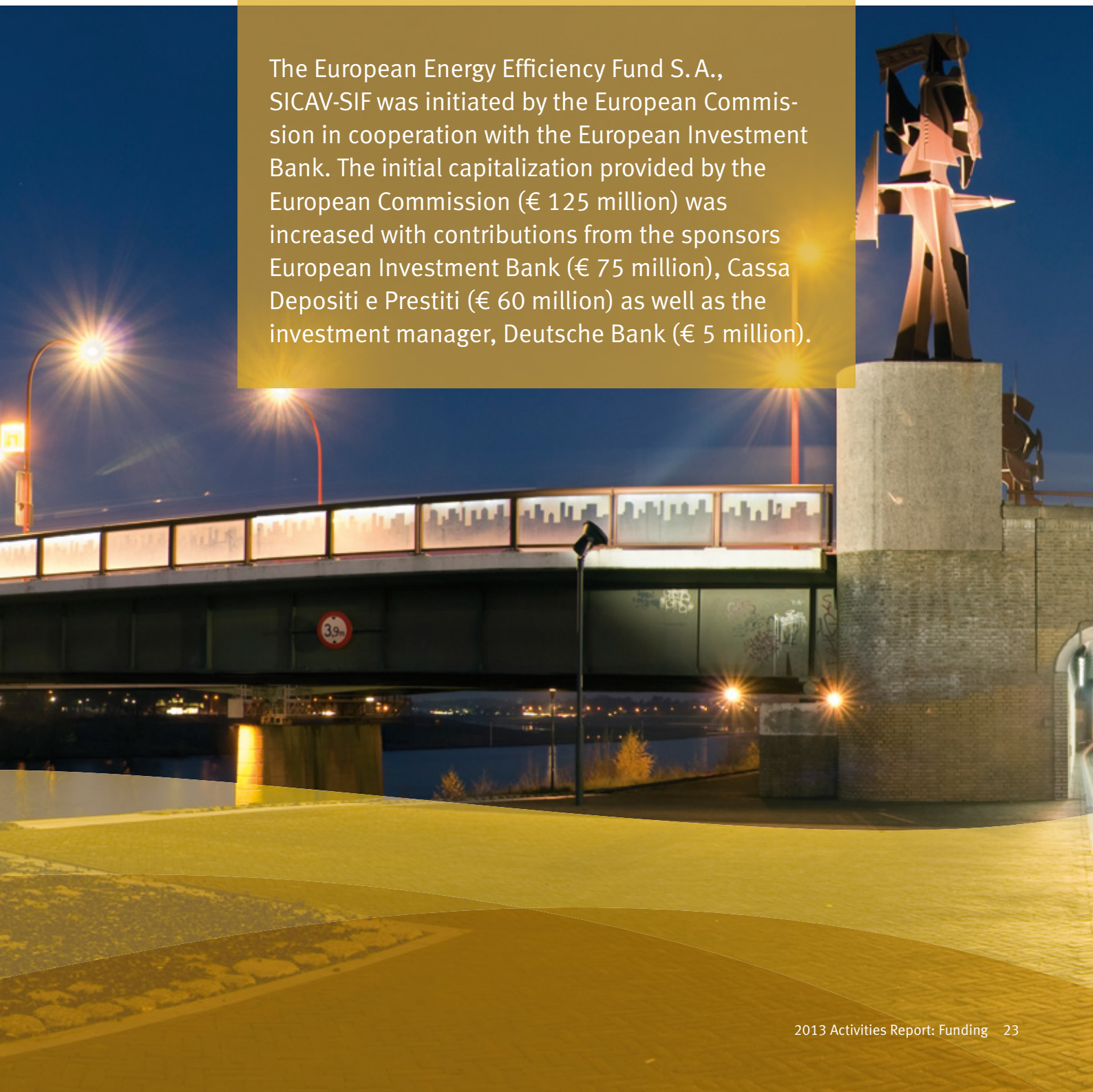
Project Highlights

Starting off in Paris, the city was furnished with environmentally friendly electric cars with the support of the city council. After the trail period and an established track record, Lyon and Bordeaux are the next cities Bolloré has been targeting for the initiative. The funds from eeef's bond will mainly to used to expand further to these regions.

The city of Paris is paving the way for other cities to follow their example of an environmentally friendly car sharing scheme to combat climate change and contribute to the use of innovative forms of alternative technologies.

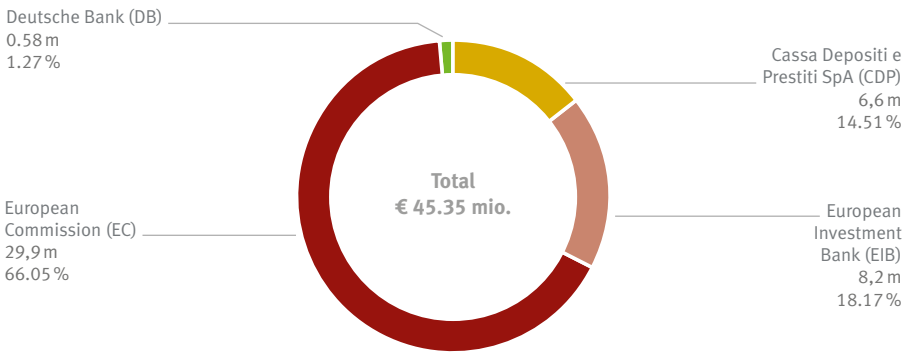
2013 Activities Report: Funding

The European Energy Efficiency Fund S. A., SICAV-SIF was initiated by the European Commission in cooperation with the European Investment Bank. The initial capitalization provided by the European Commission (€ 125 million) was increased with contributions from the sponsors European Investment Bank (€ 75 million), Cassa Depositi e Prestiti (€ 60 million) as well as the investment manager, Deutsche Bank (€ 5 million).

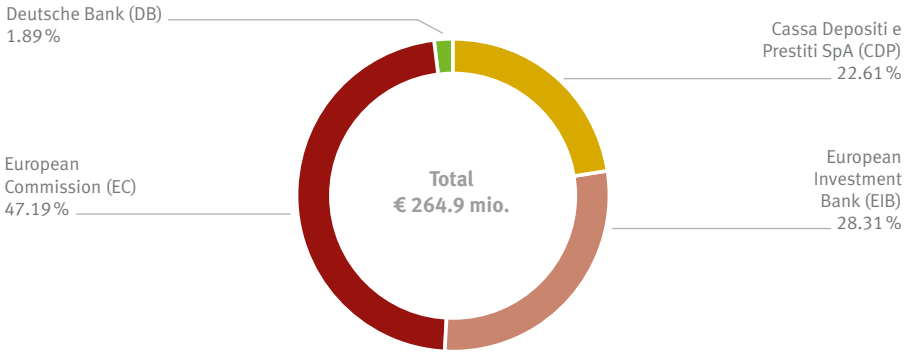


Funding Situation

Shareholder structure based in voting rights



Current split of investments committed to eeef



CURRENT SPLIT OF SHARECLASSES ACCORDING TO DRAWN AMOUNTS AND REMAINING COMMITMENTS

Notes	Total commitment in €	Drawn in €	Undrawn in €
A-Shares	116,900,000.00	12,753,003.69	104,146,996.31
B-Shares	23,000,000.00	2,644,995.90	20,355,004.10
C-Shares	125,000,000.00	29,956,086.00	95,043,914.00
Total	264,900,000.00	45,354,085.59	219,545,914.41

eeef funds itself across three different share classes: Class C-Shares which represent the fund's first loss piece, Class B-Shares which rank senior to the Class C-Shares and Class A-Shares which rank senior to the other two share classes but junior to all other creditors of the Fund.

All these share classes bear voting rights. While Class C-Shares are essentially designed to correspond to the expectations of governments, the other two share classes are of more commercial nature and are currently held by development banks and the investment manager.

The Fund can issue notes which are designed for private investors. They are senior to all share investors and bear no voting rights.

Report on the European Commission Technical Assistance Facility and the Energy and Greenhouse Gas Emission Savings

The Fund benefits from a technical assistance facility which supports its mission and strategic direction, primarily to assist Public Partner Institutions in their project development activities to prepare valuable investments.

eeef aims to achieve at least 20 % primary energy savings on an annual basis (higher for building sector) and 20 % reduction of CO_2 equivalents for transport and renewable energy projects.

European Commission Technical Assistance Facility

Purpose

To support the municipalities to lower or even neutralize their carbon footprint, the European Commission has equipped eeef with a technical assistance facility (European Commission Technical Assistance Facility). This facility aims to accelerate investments in the fields of energy efficiency, small-scale renewable energy and clean urban transport.

The European Commission Technical Assistance Facility supports its beneficiaries which can only be public entities in developing their green project ideas further by providing grants for up to 90 % of the total development costs, subject to a later partial financing by eeef.

The technical assistance grants aim to facilitate the implementation of projects by supporting the preparation of feasibility studies, business plans, tendering processes etc.

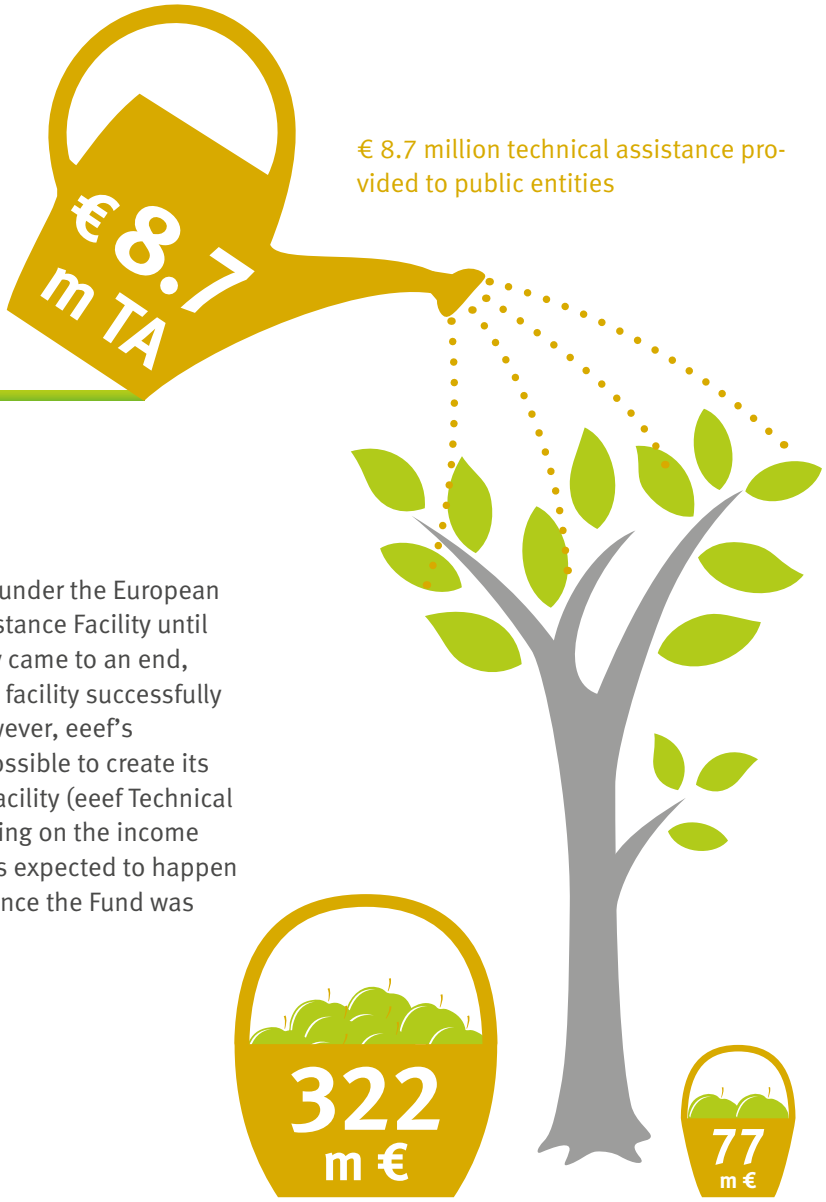
Activities

By 31 December 2013, the Fund provided technical assistance funds to 9 public authorities for their project development activities, achieving a total amount of € 8,711,887.15.

- Ore Valley Housing Association (Scotland) – district heating powered by biomass
- Ayuntamiento de Santander (Spain) – public lighting, building retrofit
- City of Cordoba (Spain) – public lighting, building retrofit
- Rhône Alpes (France) – building retrofit
- Cabildo of La Palma (Spain) – public lighting, building retrofit, clean urban transport
- Ringkøbing-Skjern (Denmark) – decentralised district heating powered by biomass
- Marbella (Spain) – public lighting, building retrofit, photovoltaic
- Terrassa (Spain) – public lighting, building retrofit, clean urban transport, photovoltaic
- Elche (Spain) – public lighting, building retrofit, clean urban transport, photovoltaic

€ 8,711,887.15

Total volume of technical assistance grants committed since the Fund's inception



€ 8.7 million technical assistance provided to public entities

Outlook

eeef provided grant money under the European Commission Technical Assistance Facility until 31 March 2014. This facility came to an end, allocating almost the entire facility successfully to public beneficiaries. However, eeef's structural setup makes it possible to create its own Technical Assistance Facility (eeef Technical Assistance Facility) depending on the income situation of the Fund. This is expected to happen in the foreseeable future, since the Fund was already profitable in 2013.

Total project volume of € 322 million created by the technical assistance funds by 31 December 2013

This ensures a potential investment pipeline of € 77 million for eeef.

Energy and Greenhouse Gas Savings 2013

All projects financed by eeef will realise expected CO_2 savings of more than 77,000t per annum.

The total expected CO_2 savings for all the projects closed until the end of 2013 amounts to more than 77,000 tons per annum. This is a significant increase compared to the value of below 2,000 tons per annum for 2012.

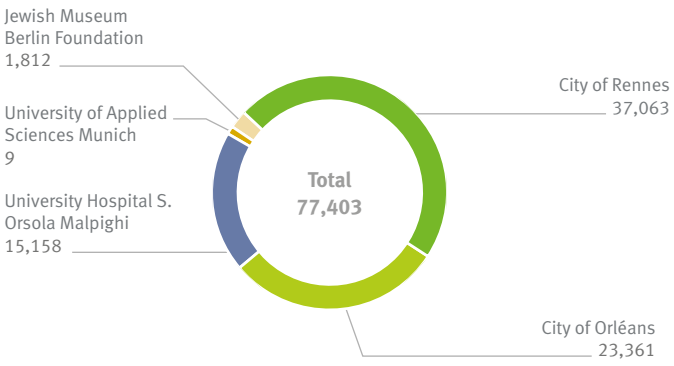
Last year, growth in CO_2 savings were driven by new lending and equity investments of the Fund, especially into biomass fired CHP plants in France.

eeef – CO_2 REPORTING TABLE

SECTOR	TECHNOLOGY FINANCED	PROJECT FINANCED	CO_2 SAVINGS (IN TONS P.A.)/REPORTING STATUS
Energy Efficiency	Building efficiency – building retrofit	Jewish Museum Berlin Foundation/Germany	1,812
	Building efficiency – building retrofit	University of Applied Sciences Munich/Germany[1]	9
	Building efficiency – upgrade of energy system	University Hospital S. Orsola Malpighi/Italy	15,158
	Building efficiency – building retrofit	Banca Transilvania/Romania[2]	energy audit under process
Renewable Energy	Biomass fired CHP plant	City of Orléans/France	23,361
	Biomass fired CHP plant	City of Rennes/France	37,063
Public urban transport	Electric cars and related infrastructure	Bolloré/France[3]	–
	Bus modernisation	Banca Transilvania/Romania	energy audit under process
	Trolley modernisation	Banca Transilvania/Romania	energy audit under process
Total CO_2 saving p.a.			77,403

[1] Electricity consumption from renewable sources, CO_2 calculation based on a CO_2 emission factor of only 0.0001 kg CO_2/MWh. In 2013, the project was in operation for 9 months due to a technical incident which was resolved in December. In 2014, bigger CO_2 and primary energy savings should be achieved.
[2] Energy audits are currently under development, primary energy savings are expected to be higher than 20 %
[3] eeef funding was completed 01/2014, initial CO_2 savings will be reported in eeef's 2014 Annual Report

Annual CO_2 savings



Financial Statements

In 2013, eeef achieved its first profit, was able to pay out its target dividends, and started picking up on the target dividend deficiency amounts to entitled investors for 2011 and 2012. In relation to growth, the Fund's assets increased significantly after a ramp-up period.

The figures presented are the unaudited financial statement as of December 31, 2013. For a full version of the official and audited financial statements, please contact the Fund (see last page).

Balance Sheet

STATEMENT OF FINANCIAL POSITION
(EXPRESSED IN €)

	31 December 2013	31 December 2012
ASSETS		
Loans and receivables	38,939,490	566,654
Investments in subsidiaries	2,774,630	–
Interest receivable	56,512	–
Prepaid expenses and other receivables	71,032	13,413
Cash and cash equivalents	2,860,294	1,528,006
Total Assets	**44,701,958**	**2,108,073**
LIABILITIES		
Accounts payable and accrued expenses	8,473,851	457,641
Distribution to holders of redeemable ordinary shares	114,036	–
Net assets attributable to holders of redeemable ordinary shares		
A Shares – Tranche 1	10,414,730	470,000
B Shares – Tranche 1	2,185,265	230,000
C Shares – Tranche 1	23,514,076	950,432
Total Liabilities	**44,701,958**	**2,108,073**

€ 42.6 m

Growth of Fund's Assets in 2013

Income Statement

STATEMENT OF COMPREHENSIVE INCOME
(EXPRESSED IN €)

	For the year ending 31 December 2013	For the year ending 31 December 2012
INCOME		
Interest income	657,663	11,804
Commission and fees income	645,156	–
Other income	132,781	10,000
Total income	**1,435,600**	**21.804**
EXPENSES		
Direct operating expenses	(857,925)	(651,596)
Total operating expenses	**(857,925)**	**(651,596)**
Operating profit / (loss)	**577,675**	**(629,792)**
Distribution to holders of redeemable ordinary shares	(114,036)	–
Total corrprehenslve income for the year	**463,639**	**(629,792)**

Statement of Changes in Net Assets

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE ORDINARY SHARES
(EXPRESSED IN €)

	Net assets attributable to shareholders
As at 31 December 2011	**920,424**
Issue of redeemable shares	1,359,800
Redemption of redeemable shares	–
Increase in net assets attributable to shareholders from transactions in shares	**1.359,800**
Decrease in net assets attributable to shareholders from operations	(629,792)
As at 31 December 2012	**1,650,432**
Issue of redeemable shares	34,000,000
Redemption of redeemable shares	–
Increase in net assets attributable to shareholders from transactions in shares	**34,000,000**
Increase in net assets attributable to shareholders from operations	463,639
As at 31 December 2013	**36,114,071**

SUPPLEMENTARY INFORMATION

	31 December 2013	31 December 2012	31 December 2011
NET ASSET VALUE PER SHARE CLASS (€)			
Class A Shares – Tranche 1	10,414,730	470,000	470,000
Class B Shares – Tranche 1	2,185,265	230,000	230,000
Class C Shares – Tranche 1	23,514,076	950,432	220,424
NET ASSET VALUE PER SHARE (€)			
Class A Shares – Tranche 1	100,000.00	100,000.00	100,000.00
Class B Shares – Tranche 1	50,000.00	50,000.00	50,000.00
Class C Shares – Tranche 1	60.03	89.01	8,477.85

Cash Flow Statement

STATEMENT OF CASH FLOWS
(EXPRESSED IN €)

	For the year ended 31 December 2013	For the year ended 31 December 2012
Total comprehensive income for the year	**463,639**	**(629,792)**
NET CHANGES IN OPERATING ASSETS AND LIABILITIES		
(Increase) / decrease in prepaid expenses and other receivable	(57,619)	–
(Decrease) / Increase in accounts payable and accrued expenses	8,016,210	(486,419)
Interest received	(56,512)	–
Distributions paid to holders of redeemable ordinary shares	114,036	–
Net cash flow (used in) / from operating activities	**8,479,754**	**(1,116,211)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of subsidiaries	(2,774,630)	–
Increase in loans and receivables financial assets	(38,372,836)	(566,654)
Net cash flow from investing activities	**(41,147,466)**	**(566,654)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of redeemable ordinary shares	34,000,000	1,359,800
Net cash flow provided by financing activities	**34,000,000**	**1,359,800**
Net increase / (decrease) in cash and cash equivalents	1,332,288	(323,065)
Cash and cash equivalents at beginning of the year	**1,528,006**	**1,851,071**
Cash and cash equivalents at end of the year	**2,860,294**	**1,528,006**

Imprint

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Disclaimer

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