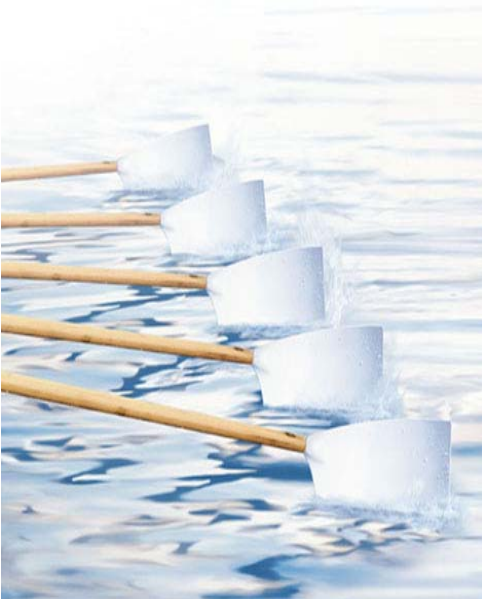


Financing high-tech start-ups in Germany – the role of KfW

- Kerstin Kiehl, Vice-President, Economic Research Division, KfW Bankengruppe
- 10 April 2008, “Investing in Innovation: Promoting New Opportunities in the UN Economic Commission for Europe”, Geneva

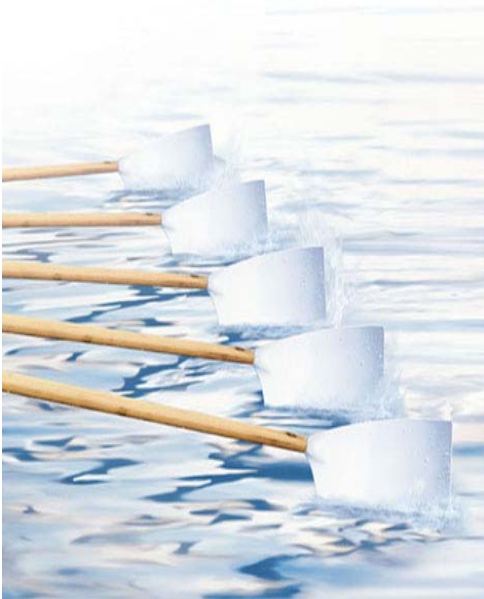


KfW Bankengruppe in brief



- Promotional bank of the Federal Republic of Germany
- Founded in 1948
- Shareholders: Federal Republic of Germany (80%), German federal states (20%)
- Headquarters: Frankfurt am Main; branch offices: Berlin and Bonn
- Representative offices: around 50 offices and representations worldwide
- Balance sheet total at the end of 2006: EUR 360 billion
- Employees at the end of 2006: 3,600
- Rating: AAA/Aaa/AAA

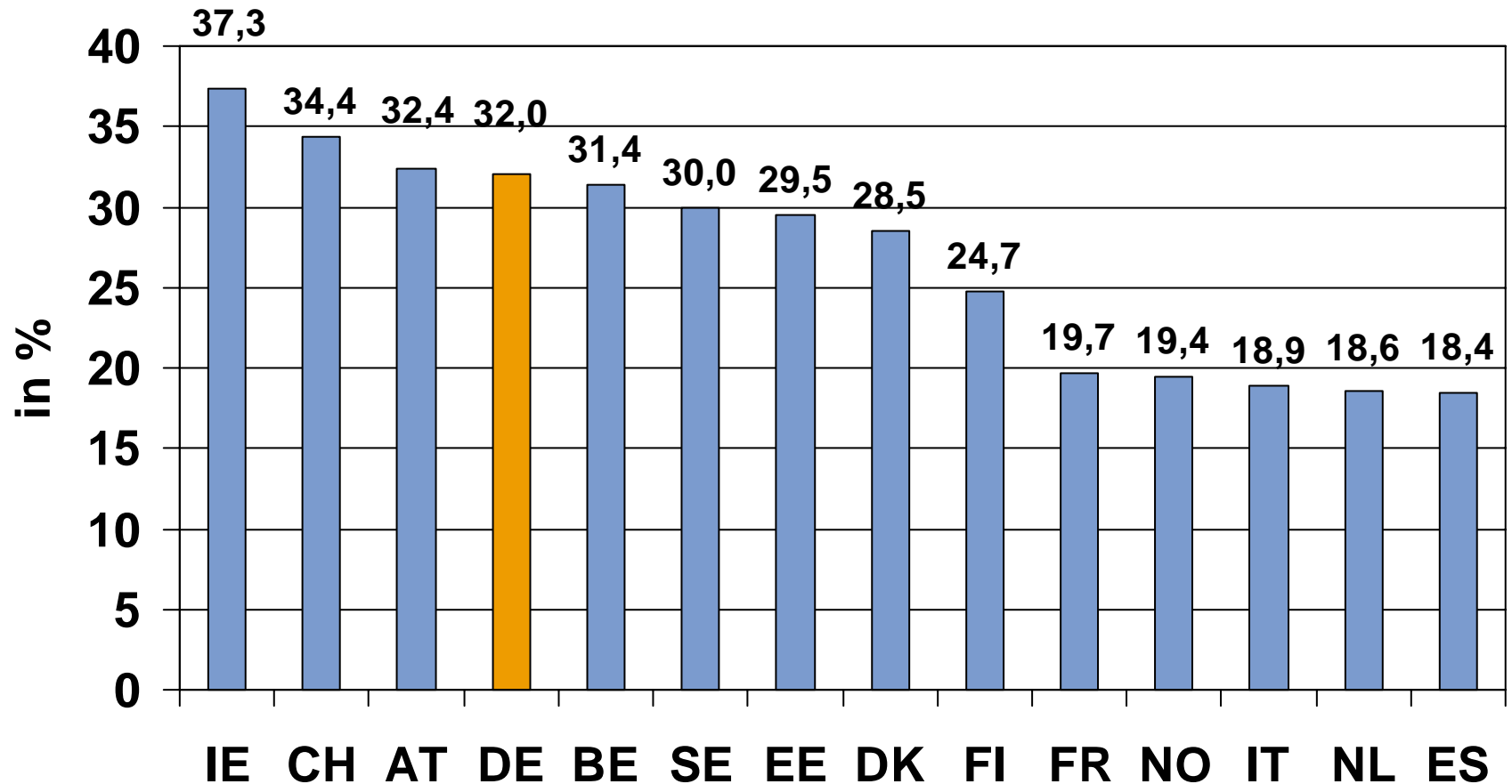
A broad mission



- We give impetus to the economy, politics and society.
- We provide international project and export finance.
- We provide support for developing countries.
- We perform tasks and services on behalf of the German government. KfW Bankengruppe is an adviser to the government.
- We finance investment in Germany.

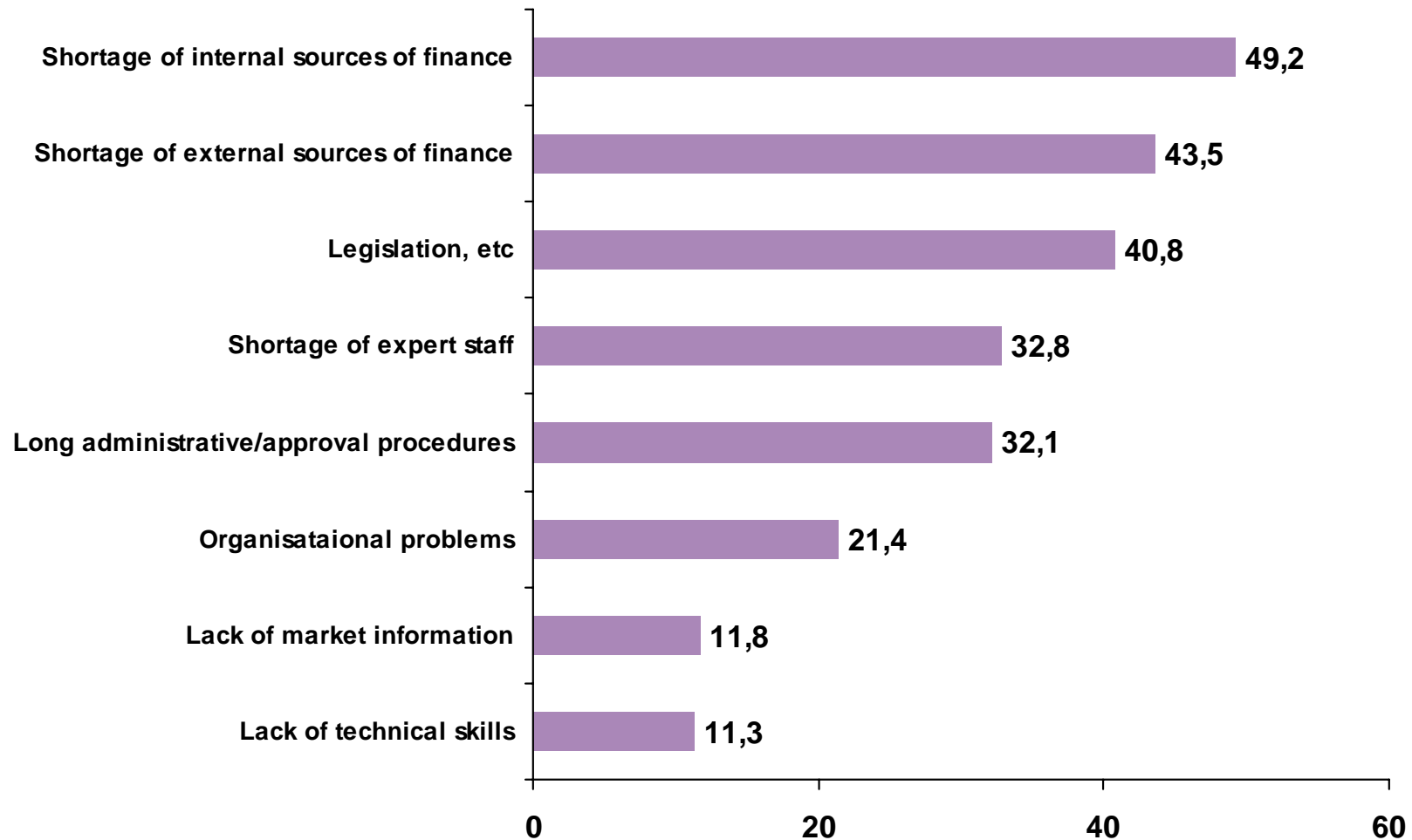
An international comparison of innovation activity

SME innovators in west European states



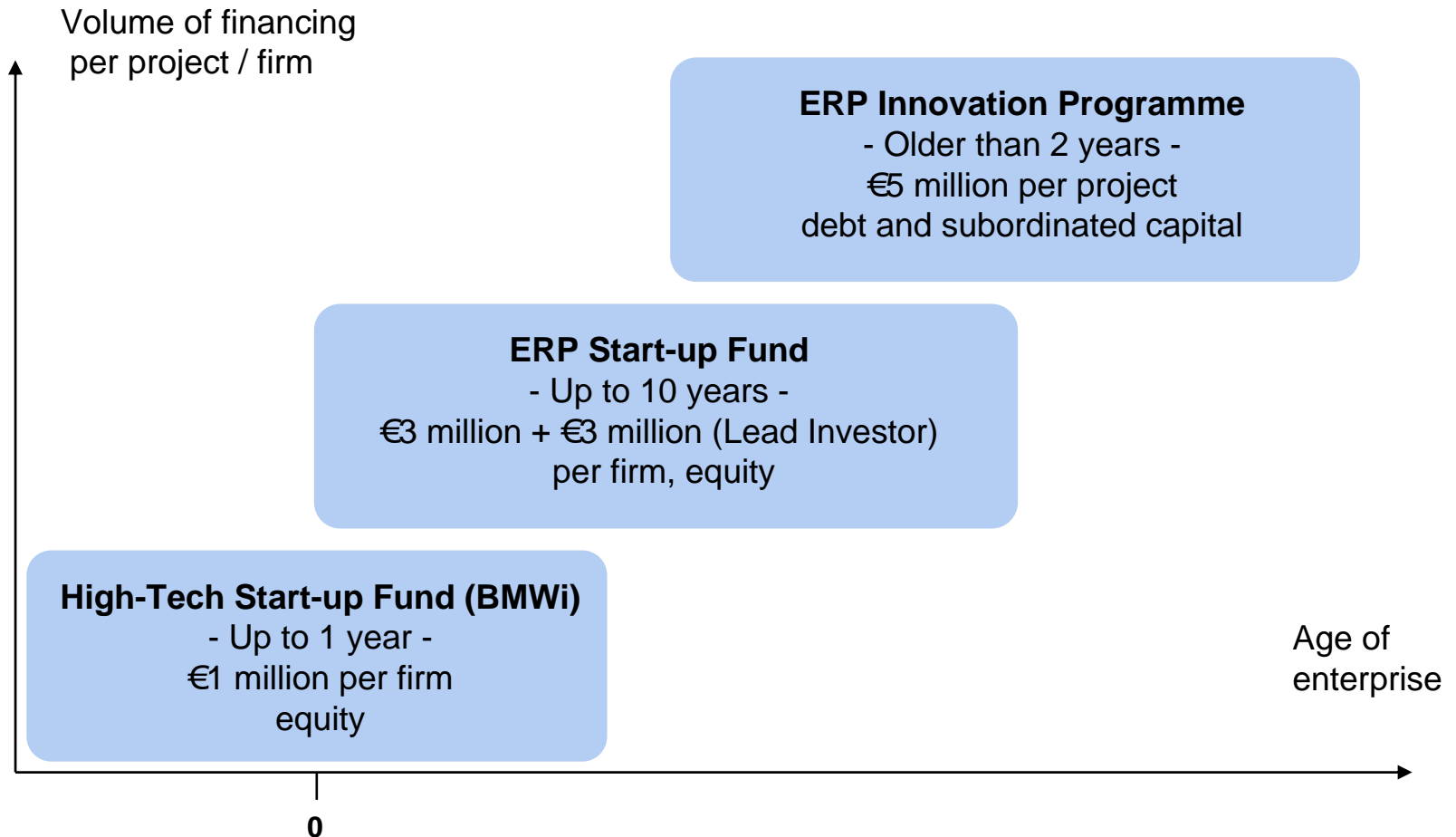
Source: European Innovation Scoreboard 2007

Obstacles to innovation at SMEs 2004-2006 (share in %)



KfW Bankengruppe

Main innovation finance programmes



ERP Start-up Fund

Term Sheet



Volume:	EUR 250 million
Focus:	Young innovative technology start-ups (early stage)
Type of investment:	Direct investment by KfW, <i>pari passu</i> with lead investor ⇒ KfW as co-investor ⇒ financial incentives (management fee) for lead investor
Investors:	KfW (from ERP-funds)
Investment period:	Until November 2009
Disinvestment:	Up to 10 years after end of investment period

ERP Start-up Fund

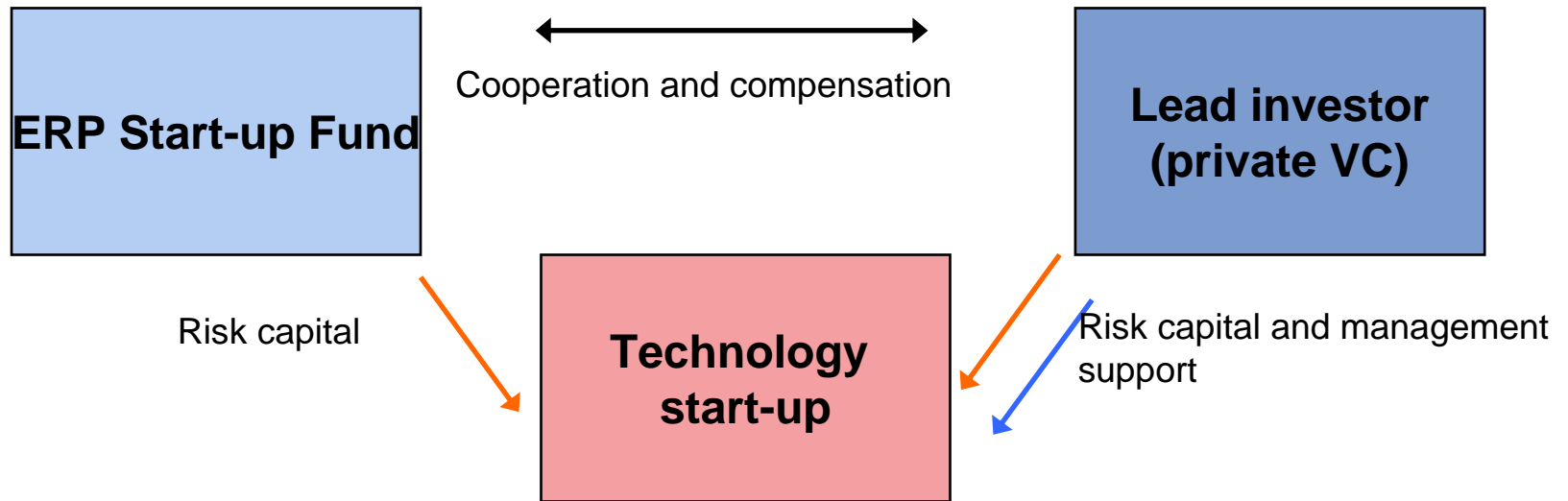
Investment criteria



- **Target firm:** USP / competitive advantage, protected IP; high growth potential
Company dominated by founder, VC does not hold a majority of voting rights
- **Management:** Founding team with technological and management knowledge
- **Lead investor:** Acquisition and structuring of deal; due diligence; terms of investment; *pari passu* investment.

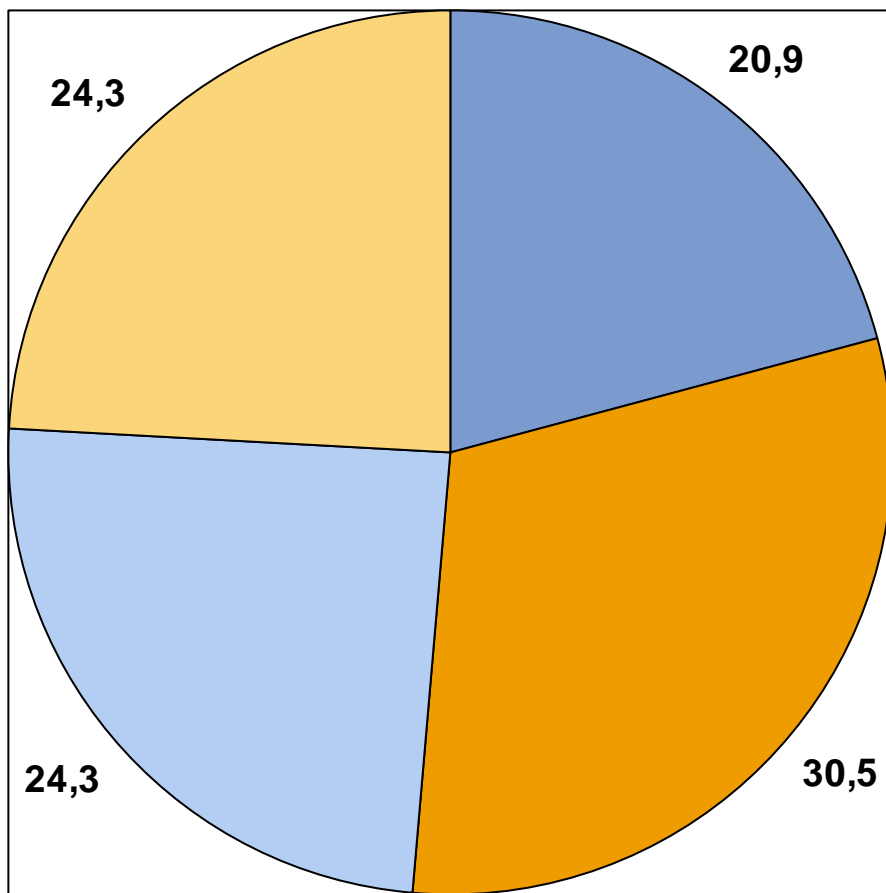
ERP Start-up Fund

Investment structure



ERP Start-up Fund

Investment as at 31 December 2007,
by share volume

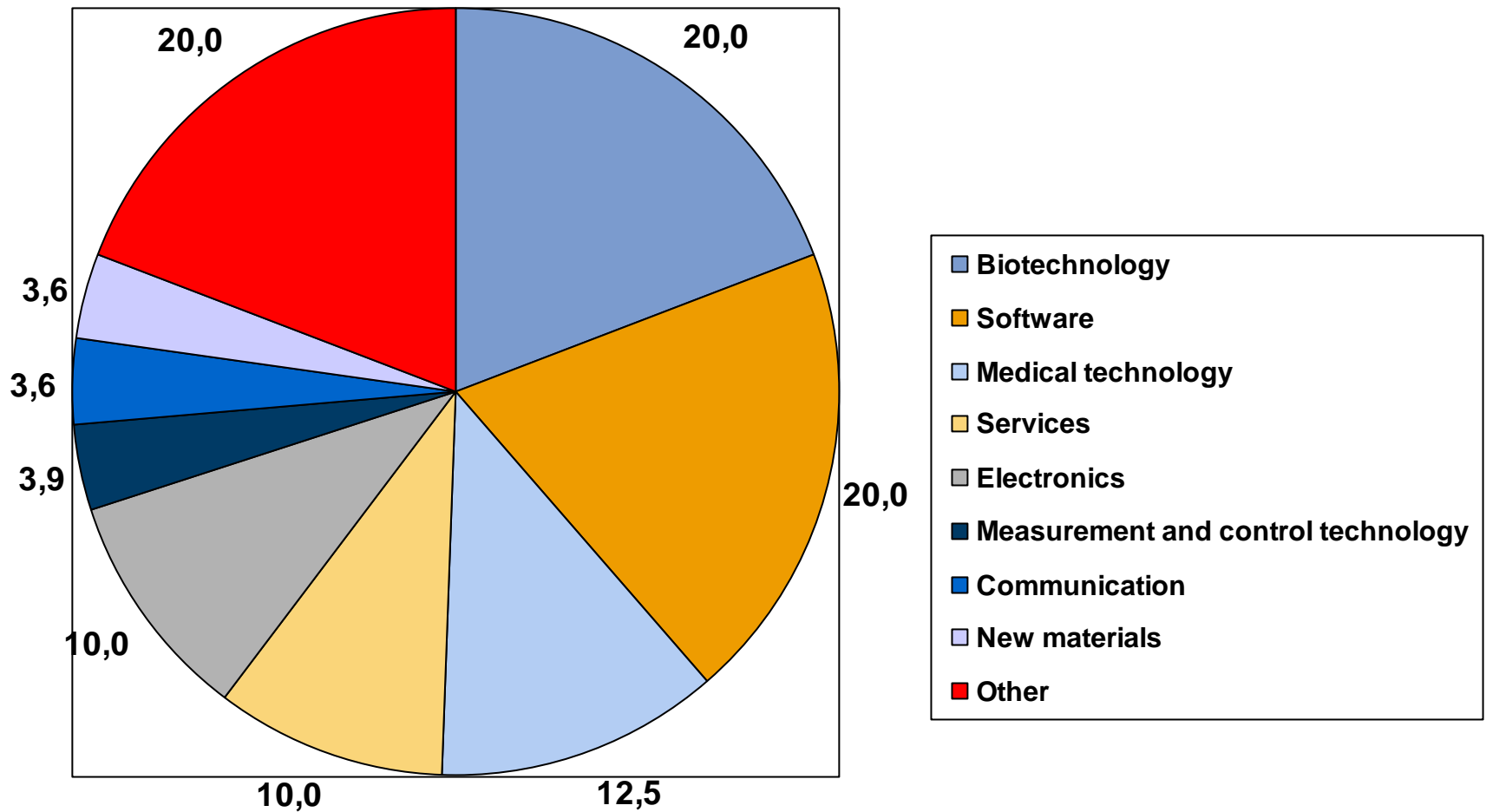


180 enterprises receiving support
280 agreements
EUR 133 million

- Below EUR 250,000
- From EUR 250,000 to less than EUR 500,000
- From EUR 500,000 to less than EUR 1 million
- EUR 1 million and above

ERP Start-up Fund

Investment as at 31 December 2007,
by technology sector



ERP Start-up Fund

Conclusion: Lessons learnt

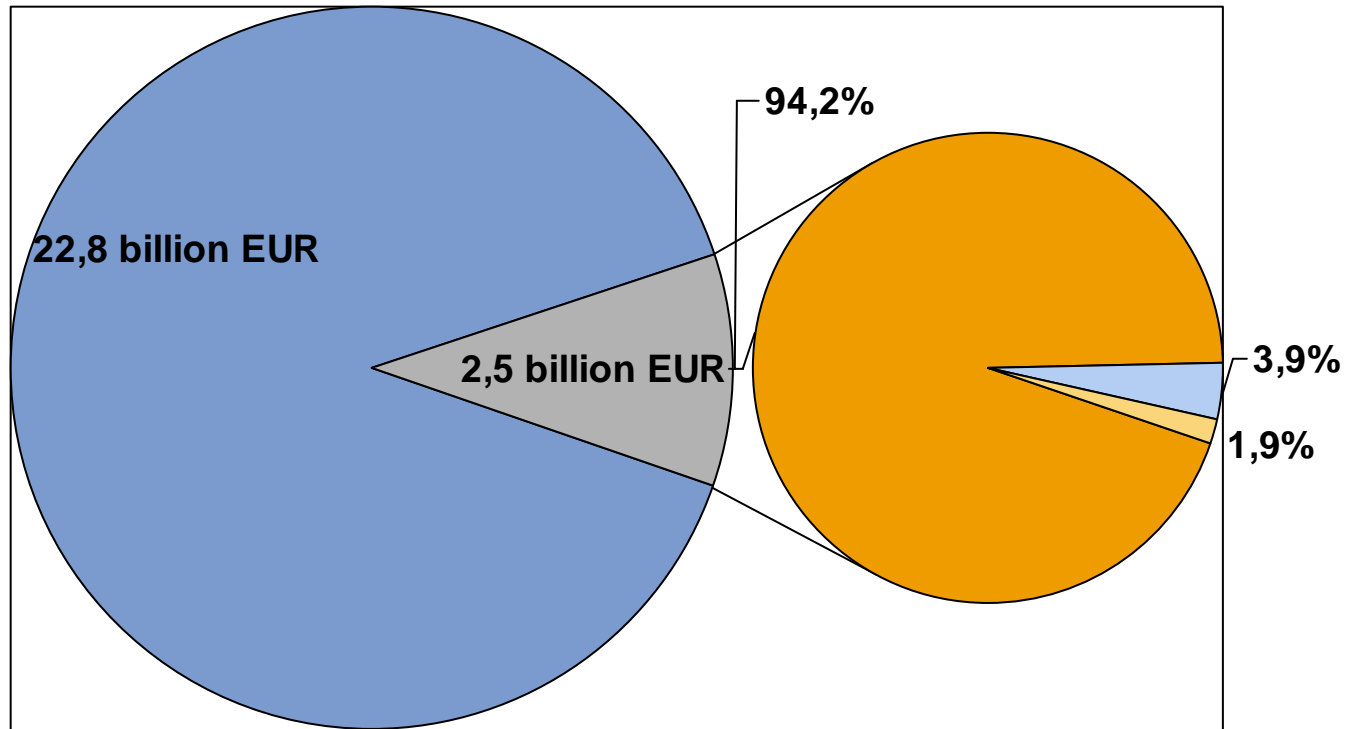


- *Pari passu* principle
- Increased usage of equity
- Acquisition through lead investor is the key to success
- Ability to finance follow-up rounds (holds for ERP Start-up Fund and lead investor)

KfW Bankengruppe

Main innovation finance programmes

Investments 2006/7



■ Investment financing

■ ERP-Innovationsprogramm

■ ERP Start-up Funds

■ Hightech Start-up Funds

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