

An update on EILA & AIL Structured Finance's cooperation

Since announcing our cooperation in late 2018, AIL Structured Finance and EILA Consulting Private Limited (India) have diligently pursued several transaction opportunities with potential EPC Clients in India and Turkey. The cooperation is about jointly advising and assisting EPC Contractors that are faced with financing requests from their clients for projects that are to be implemented on an EPC-plus-Finance-basis in infrastructure, energy and industrial sectors around the world. Amongst other, our firms have been mandated by one client for a project in Africa, and we are currently in discussion for several other projects. While we are still working hard to achieve the first financial closing for our client, our conversations with potential clients suggests that the services offered through our cooperation - i.e. to arrange financing for infrastructure projects - meets an increasing interest amongst EPC Contractors.

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Private Infrastructure Development Group (PIDG) - when a development financing institution opens doors to new opportunities for Swiss Exporters

PIDG, the Private Infrastructure Development Group, is a London based organization (with offices in sub-Saharan Africa and Asia) active in the fields of infrastructure development and financing. It was established in 2002 to mobilize private investment in infrastructure, in order to boost economic growth and alleviate poverty in the world's poorest countries. The organization is funded by governments of the UK, the Netherlands, Switzerland, Australia, Sweden, Germany and the IFC.

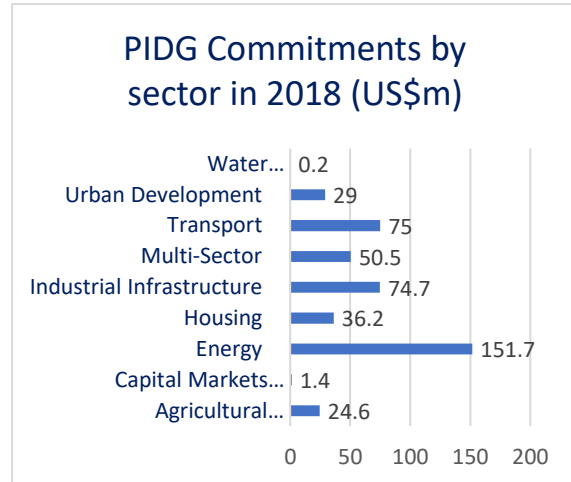
PIDG operates across the infrastructure project life-cycle and capital structure to address the early stage risks associated with project development. PIDG aims to make projects bankable and acts as a key enabler for other development finance institutions and private investors to co-invest in such projects.

The organization works in low-income countries and fragile states with a focus in the frontier markets of Sub-Saharan Africa and South and South-East Asia. It mobilizes private sector investment by deploying its own expertise and capital (equity, debt, guarantees, project development funds and grants). Those services are provided via specialized companies, members of the PIDG Group, and active on three business solutions:

1. Technical assistance (upstream)
covered by (i) TAF (Technical Assistance Facility) through grants and (ii) DevCo through advisory services to governments to help them structure transactions that facilitate private sector participation in infrastructure projects.
2. Investor/Development
covered by (i) InfraCo Africa and (ii) InfraCo Asia, both through early stage project development capital and expertise, acting as catalyst for the private sector to invest in sustainable infrastructure projects.
3. Credit Solutions
covered by (i) EAIF (the Emerging Africa Infrastructure Fund) through long-term foreign currency loans in sub-Saharan Africa and (ii) GuarantCo through innovative local currency contingent credit solutions.

PIDG is present on most sectors of infrastructure, covering of course the energy and transportation sectors but also social infrastructure, manufacturing, agribusiness, water and more.

In 2018 PIDG issued new commitments for more than USD 440 mio. split over 45 projects. Since 2002, PIDG committed for USD 3.6bn in 183 infrastructure projects, mobilising USD 35.8 bio. commitments from private sector investors and development finance institutions in more than 40 countries.



PIDG's services can be complementary to the ones from traditional export credit insurers and consequently are of a high interest for many Swiss Exporters active in the infrastructure sector. As an example, with the support from PIDG, a Swiss developer could get financial support for the execution of a pre-feasibility study in an emerging market, moving the project into its next phase. PIDG can offer financing schemes which are not confined by general export credit agency rules (such as sourcing) or by the OECD Arrangement (e.g. maximum repayment tenor, local content, repayment profile).

In coordination with SECO and PIDG, AIL Structured Finance Ltd and Xport Finance Ltd organize events across Switzerland, aiming to make the PIDG organization better known in the Swiss market. The latter is interesting for Swiss companies and financial institutions that are active in infrastructure projects in emerging markets. Following an exporters event in Lausanne and an event for investors in Zurich in the first half 2019, the next event for exporters will take place on the 27th of September 2019 in Zurich, with Philippe Valahu, CEO of PIDG, presenting the organization he joined in 2014 and interacting with Swiss exporters. The event is organized in cooperation with SERV as well as Switzerland Global Enterprise and interested exporters are invited to send a registration mail to AIL SF at christa.stocker@ailsf.ch

Stadler in Hungary, a success story AIL Structured Financed supported ever since

Currently, 123 FLIRT trains from Stadler are in operation in Hungary. Further, Stadler and MAV Start have concluded a framework agreement for the purchase of additionally 40 KISS double deck trains. The network map below shows the routes (in green) on which the Stadler trains are currently operated or will be operated.



The success story from Stadler Rail in Hungary began almost 15 years ago in August 2005, with the initial conclusion of a delivery contract for 30 FLIRT trains including an option for 30 additional units. The purchase of the first 30 trains was financed within an export credit scheme, for, at that time, AIL Structured Finance developed the underlying financing structure.

Following the delivery of these initial 60 FLIRT trains and considering the interesting growth potential of the Hungarian train market, Stadler established two factories in Hungary in 2009:

- Stadler Szolnok Vasúti Járműgyártó in Szolnok, 120 km in the south-east of Budapest; this factory is dedicated to the production of aluminum carbodies; further, in 2013, a competence center for the overhaul of bogies has been established; Stadler Szolnok factory employs approx. 400 persons
- Stadler Magyarország Vasúti Karbantartó in Pustaszabolcs, 50 km south of Budapest, with its 70 employees, is responsible for the maintenance of all

Stadler trains operated in Hungary by MAV and GYSEV (train operator located in Sopron).

In March 2013 respectively in July 2015, MAV Start, responsible for the passenger traffic, placed additional orders at Stadler for total 63 FLIRT trains. For both contracts, AIL Structured Finance developed and implemented the payment security concepts.

From the latest delivery framework agreement for 40 KISS double deck trains, signed in August 2017 between Stadler and MAV Start, 11 units were immediately firm ordered. AIL Structured Finance again elaborated a tailormade payment security scheme for the scope of the entire framework agreement. Consequently, ALLSF at that time approached the



Carbody before assembly of a KISS train for MAV

private insurance market to ask for a coverage for the volume of the entire frame agreement. Considering the significant transaction amount of more than EUR 600 million, AIL selected three different insurer providers and asked them to combine their efforts and capacity to be able to cover the risks (“contract frustration”) of the entire frame agreement.

In the meantime, backed by the insurance umbrella scheme as described above, the first two individual delivery contracts within the framework agreement have been executed. Thanks to the strategy chosen, it has been very efficient to insure the individual delivery contracts. Most likely, this will also be the case for the remaining delivery contracts still to be concluded.

A key element by combining a comprehensive insurance coverage package for several lots or individual contracts belonging to one single framework agreement is the timing aspect. This since in particular the risk exposure profile of the entire project cannot be properly assessed at the beginning. It is therefore essential to draw a separate risk exposure curve for every single delivery lot and eventually to consolidate these exposure curves. As a result, the risk exposure will be flattened over a longer duration and the peak

exposure will be reduced. The latter allows a risk-adjusted pricing of the overall risk costs of the project.

The optimization of the risk costs is for the benefit of all the parties involved. Stadler can benefit from an economy of scale effect and as a result agree to more attractive delivery terms for MAV Start.