Newsletter June 2014

Sweden / MTR Express – Successful Closing

At the end of January 2014, AIL closed a structured rolling stock leasing facility transaction in Sweden for the MTR Express Project. AIL acted as financial advisor to the reputable Swiss railway manufacturer Stadler Rail. The transaction was financed on a completely private basis, tailor made and particularly innovative, especially in view of the non-recourse financing structure and the challenges in raising long term financing.

MTR Express has been established to operate railway passenger transportation on a private basis between Sweden's two largest cities – the capital Stockholm on the east coast and the industrial port of Gothenburg in the west coast. This comes after the deregulation of the Swedish passenger rail market which took place in 2010. MTR Express is part of the Hong Kong-based MTR Corporation and is going to start its operation in the year 2015. It will provide approximately 100 weekly services on the 455 km route between Stockholm and Gothenburg. The service will be the most environmentally friendly way to travel between Sweden's two largest cities.

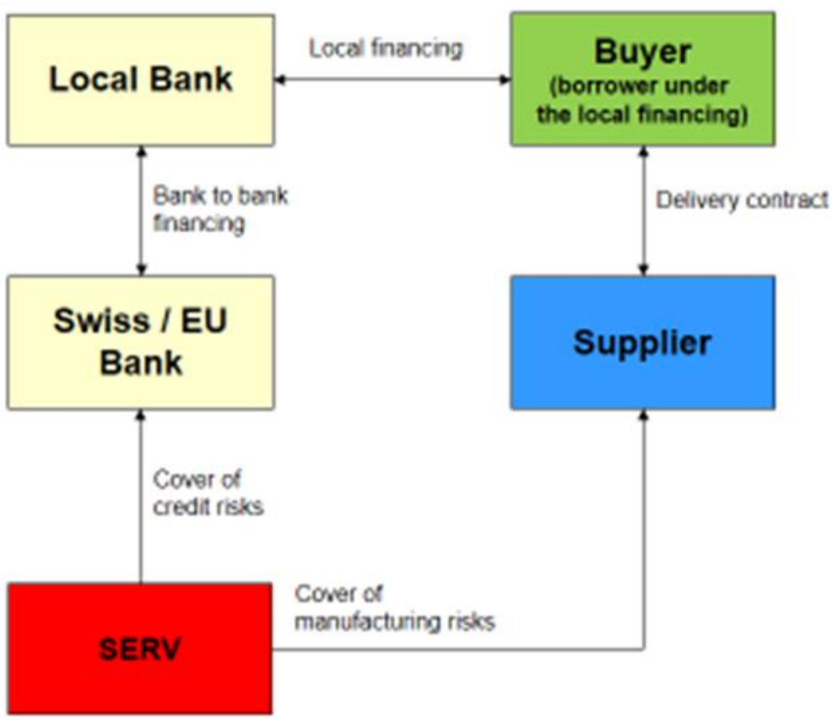
Stadler will deliver six intercity FLIRTs. The vehicles are five carriage trains with a top speed of 200 km/h. The trains for MTR are an advanced development of the FLIRT with a high quality interior for comfortable travelling across long distances and are especially designed to fulfil the requirements of severe winters. This technology has already proven itself in Stadler trains for the other Nordic countries. In securing the order, Stadler has succeeded for the first time in selling trains to Sweden. The order is worth around CHF 85 million and will be carried out in Switzerland. AIL professionals accompanied and supported Stadler and MTR Express throughout the entire financing process. The trains are financed through a tailor made finance lease arranged and funded by a large international bank.

New Financing Transaction closed in Belarus

This April a loan agreement to finance a rolling stock delivery contract between Stadler Bussnang AG, the Swiss producer of trains, and Belarusian Railway, Belarus' national railways was signed. As usual for export financing in Belarus, the delivery contract has been financed under a bank-to-bank financing scheme covered by SERV, the Swiss ECA. The agreement was concluded between UBS, CS and ZKB on the one side and Belarusbank, the biggest local bank in Belarus, on the other side. The financing solution has been structured by AIL Structured Finance AG.

A bank-to-bank financing, in earlier times a common financing structure, in particular for the former communistic countries of Eastern Europe, can nowadays still be a serviceable solution for certain transactions.

Under such a scheme and different to a standard export financing solution, the financing agreements will not be concluded directly between the buyer (as borrower) and a Swiss or European bank. In a bank-to-bank financing, a local bank will be involved between the buyer and the Swiss or European bank. The financing structure may be drawn as follows:



- The exporter (supplier) and the buyer conclude a delivery contract; the buyer requires a financing of its purchase
- The exporter requests a term sheet from a Swiss or European bank to finance up to 85% of the delivery contract
- In parallel, the exporter contacts SERV for a cover of the manufacturing risk; with regard to the financing, SERV may advise on possible acceptable banks in the buyer's country to act as counterpart to the Swiss / European bank
- Once the parties (Swiss / European bank and local bank) in the financing are defined:
    - the Swiss / European bank and the local bank will negotiate a financing agreement for the refinancing of the local bank's loan to the buyer and, in parallel,
    - the local bank and the buyer will negotiate a financing agreement for the purchase of equipment under the delivery contract.
- With regard to the financing, SERV shall cover towards the Swiss / European bank the political and transfer risks, as well as the commercial risk of the local bank.

In several cases, this scheme may be interesting, in particular

- in countries with difficulties in refinancing with hard currencies and / or for long term financings
- with buyers which are financially sound, but are local players and / or too small to be acceptable as borrower for a Swiss / European bank.

For Stadler, this is the third contract for the supply of FLIRT trains to Belarus. The scope of this delivery contract includes two FLIRT "IC", 7 coaches for an amount of EUR 20.3 million. For the first time in Belarus, Stadler will deliver interregional trains, which will be in operation between Minsk and the main cities of the country. The two trains will be delivered until November 2015. With this contract, the total number of trains sold to the Belarusian Railway amounts to eighteen.

Structured Finance

We bridge the gap

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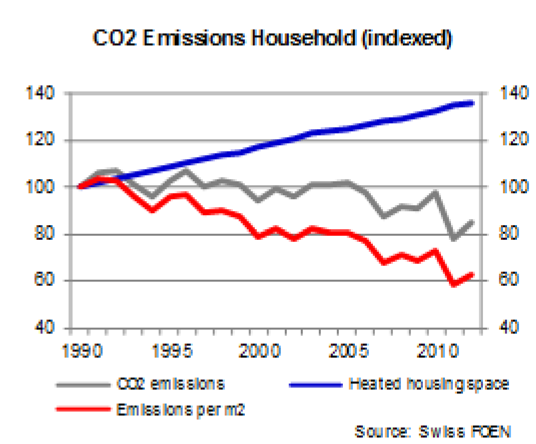
Carnot Capital Ltd: Intermediary Kyoto Accounting

Carnot Capital Ltd is an asset management company, established in July 2007, which manages an investment fund open to qualified investors. The fund pursues a value approach and concentrates on companies within the energy sector. Specifically the fund invests in listed companies that create value by enabling a more efficient use of energy. Carnot Capital Ltd is an associated company of AIL Structured Finance Ltd. For further Information: www.carnotcapital.com

High growth, stable emissions: The Swiss Federal Office for the Environment has presented an intermediary report about the development of the country's greenhouse gas emissions. In 2003 Switzerland committed in the Kyoto Protocol to an 8% reduction in the 2008-2012 period compared to 1990. This objective has been achieved, partly with the help of forest expansion and foreign CO2 certificates. The gross emissions were reduced by 1%. What looks like a minor change is quite an achievement when comparing emissions with the economic growth (+36%) or the industrial production (+54%) in the same period. Particularly in the building segment the improvement of energy efficiency is striking: While the housing floor space expanded by 36% since 1990 the energy consumption for heating was cut by almost 20% (see graph).



Amplified Climate Policy: Switzerland has confirmed the target of a further greenhouse gas reduction of 12% by 2020. The revised so-called CO2 law gives a strong armory at hand of the government: Energy consumption standards will be tightened (e.g. for cars), the building renovation fund is augmented to CHF 600 mn p.a. and the importers of fossil fuels will be obliged to finance emission reduction projects. The amplified climate policy is certainly tail wind for our investment case, i.e. companies with energy efficient products and technologies. However, we continue to focus on companies with products that provide an economic value added without being dependent on regulation and subsidy schemes.

Contact

AIL Structured Finance Ltd
Schaffhauserstr. 418
CH-8050 Zurich / Switzerland
www.ailsf.ch
Attn: Urs Gerspacher
Phone: +41 43 299 62 01
Email: urs.gerspacher@ailsf.ch