

Belarus / Stadler – Successful Closing, AIL advises Stadler Rail on the export of ten FLIRT trains

Mid July 2010, an export finance transaction structured and arranged by AILSF, acting as advisor to the Swiss rolling stock company Stadler Rail AG, has reached financial closing. Purpose of the transaction was the delivery of 10 trains type FLIRT for an amount of approx. EUR 60 Mio. For Stadler, this is the first contract from a country from the former Soviet Union. Delivery of the four-carriage trains will already start in January next year and continue until the middle of 2012. The trains in Belarus will operate on a broad-gauge track of 1'520 millimeters.

The financing, taking into consideration the specific environment of the Belarusian financial market, was structured as bank-to-bank export financing transaction. Under this scheme, a Belarusian bank, for this project Belarusbank, grants a loan to the Belarusian Railways, the buyer of Stadler trains. Belarusbank is refinanced by Zurcher Kantonalbank (ZKB). SERV, the Swiss ECA, covers ZKB's credit risks.

This bank-to-bank export financing structure shows as an important risk mitigation factor for ZKB and SERV Belarusbank (an internationally recognized Belarusian bank) as counterparty. Belarusbank is the country's largest financial institution, with total assets above USD 12 bln. As borrower, Belarusbank has already been accepted by several ECAs, among others Euler-Hermes, SACE, OeKB. For the Belarusbank, this is an opportunity to access long-term and tightly priced refinancing in a hard currency (EUR, being also the currency of the delivery contract).

AIL Structured Finance is currently in negotiation with further Swiss exporters to use the same or similar financial structures for their export transactions to Belarus.

SwissCham – Door opener to Swiss export industry

From Peter Silberschmidt, President SwissCham & Board Member of AIL Structured Finance

Historically lacking in natural resources, Switzerland has built up its wealth through a highly competitive export industry and a successful diversification of the industrial and service sectors. It is also thanks to the many members of SwissCham, the association of Swiss foreign trade chambers, that the Swiss export industry plays a major role in successfully establishing reliable business relations with partners around the world.

Swiss companies pool their resources in individual foreign trade chambers, and work in cooperation with embassies and other foreign trade organizations to provide support to exporters entering new markets. The chambers provide firsthand information on the political, financial and economic developments of

the countries they represent. The success and competitiveness of Swiss companies in exports show that the networking platform which the chambers provide is a welcome tool for exchanging ideas and experience, and making contacts with the right partners.

Founded in 1935, SwissCham's role is to make a private sector contribution to promote and support Swiss foreign economic relations in general and Swiss exports of products or services in particular. It represents the common interests of its members in administration, parliament and other public institutions. It is a non-profit organization which receives no financial support besides that of its members. The association has 56 member chambers which represent the Swiss exports industry in 105 countries. SwissCham and its members seek a good and reliable partnership with the state export promotion agency, which is obliged to work on a non-competitive basis towards the private initiative.

SwissCham with their professional staff, local contacts and network of business professionals provide valuable and necessary support to Swiss exporters. SwissCham looks forward to continuing contributing to Switzerland's export success.

EEII (Eastern Energy & Infrastructure Invest) AG – Company Update

EEII is a SIX-listed company with an investment focus to maximize long-term returns to its shareholders through investments in strategically selected companies active in the energy and infrastructure sectors, with a special focus on emerging markets and in particular the former Soviet Union. The Company is currently invested in ten Ukrainian utility companies, Ukrnafta, the premier Ukrainian oil company and Russian Gazprom, the world's biggest gas company. AIL is the investment manager of the Company.

In the third quarter, EEII's net asset value per share ("NAV") increased by 7% from CHF 15.58 to CHF 16.61. During this period the fair value of the equity holdings increased by 3%. This despite the fact that the Ukrainian currency Hryvna and the US\$ both almost lost 10 % against the CHF in the third quarter.

In 2010 Ukrnafta, the biggest holding within the EEII investment portfolio, finally seems to bring its oil prices in line with the global benchmark oil prices, which means a change from the 50% average discount last year. After keeping electricity prices artificially low since autumn 2008, the National Electricity Regulatory Commission of the Ukraine has loosened its grip since May 2010 and allowed generators to increase electricity prices.

Moody's revised Ukraine's sovereign rating outlook to stable from negative, affirming the country's B2 rating. The agency noted the new IMF USD 15.1 bln stand-by agreement and successful USD 2 bln sovereign Eurobond placement in September among the factors driving the revision. Moody's is the last among the top three rating agencies to revise Ukraine's sovereign rating/outlook this year, putting it in line with that of Fitch (B, Stable) and one

notch below that of S&P (B+, Stable). According to Ukraine's State Statistics Committee, country's GDP grew 6% yoy in the 2nd quarter of 2010 after 4.9% yoy increase in the previous quarter.

Russia's economy grew 4% in the first half of 2010, continuing its recovery from the global crisis. The data showed industrial output up 9% in the January-July period compared with a year earlier as the country recovered from a severe slowdown sparked by the global economic crisis. With the recovery of energy prices, the government forecast growth of 4% for all of 2010.

All in all Russia and Ukraine's economies seems to recover faster than expected and both countries benefit from the solid situation on the international commodity and especially oil and gas markets.

Carnot Capital Ltd.: Tailwind from German Energy Concept

Carnot Capital AG 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 AG is an associated company of AIL Structured Finance Ltd. For further Information: www.carnotcapital.com

Carnot Capital's investment case for energy efficiency gets big support from Germany: The German Bundesregierung makes energy efficiency a "key issue" in the energy concept published late September. While it seems that the news channels fully concentrate on the issue of nuclear power stations, the paper is a much more comprehensive concept for an "environmentally friendly, reliable and economical energy supply". It is named as a viable path to reach the highly ambitious 40% CO2 reduction target by 2020 (compared to 1990).

*„Germany is to become one of the most energy efficient and environmentally friendly economies with competitive energy prices and high prosperity“.
 German Energy Concept 2010*

The cost aspect of the various measures has, not surprisingly, turned to an absolutely key criterion. As a consequence, the renovation of the existing buildings, which consume more than 40% of the primary energy in Germany, is declared as top priority. Thereof the renovation rate needs to be doubled from 1% to 2%. This certainly is good news for the building technology manufacturers within the Carnot portfolio, which by the way currently represent the most important portfolio segment.

When it comes to alternative energies, the German Government first stresses that cost efficiency has to become the guideline for the expansion of alternative power generation. In practice, the Government specifically wants

to a) support strongly off-shore wind projects b) encourage on-shore repowering and c) support the various ways of exploiting the domestic biomass sources. The so far heavily subsidized German photovoltaic electricity production is not mentioned at all. The reinforcement of the electricity grid and the installation of power storage capacities are recognized as an inevitable condition of the alternative energy expansion. Pump storage power plants, which are in the core of Carnot's investment strategy, are identified as the most efficient way of storing electricity.

Carnot sees this latest development positive, since it seems that Germany herewith sets the priorities more and more on energy efficiency and makes a first step to adapt accordingly its subsidy policy and incentive measures.

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

