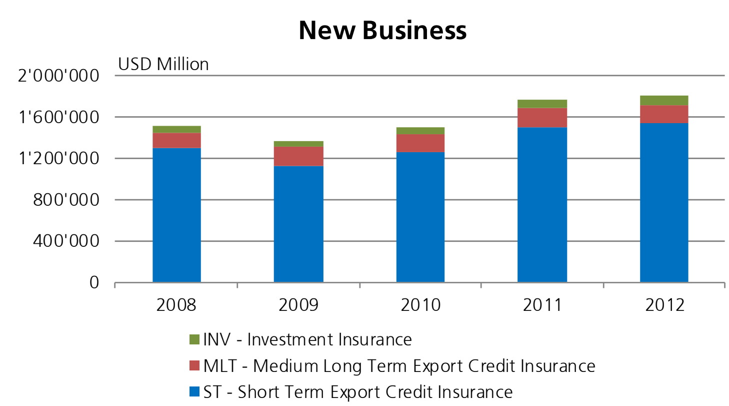
The Berne Union and its Members, an Anchor in the Storm of the Financial Crisis

Since the outbreak of the financial and economic crisis in the year 2008, the necessity among exporters and investors to implement appropriate risk mitigating measures has increased. In a highly volatile economic environment this resulted in a higher demand for credit and investment insurance coverage in cross border trade and investment. This development is underlined by the recently published statistical data of the Berne Union (www.berneunion.org).

The Berne Union, also known as the International Union of Credit & Investment Insurers, is the leading organization for the global export credit and investment insurance industry and consists of 78 member companies from around the world. The Berne Union was founded in 1934 by private and state export credit insurers from France, Italy, Spain and the UK. Its first meeting was in Berne, Switzerland – which is where the name Berne Union came from.

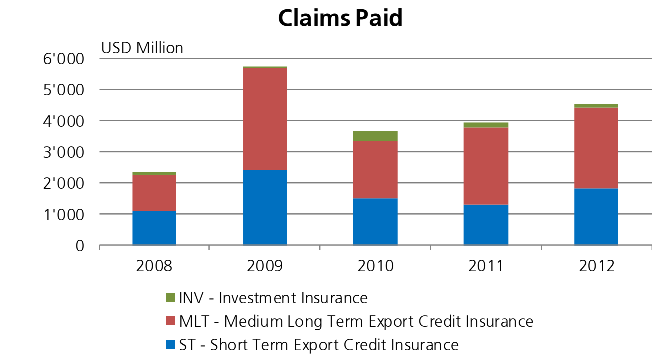
The mission of the Berne Union is to promote cross-border trade and investment by supporting international guidelines in export credits and foreign investments as well as providing a platform for professional exchanges among its members.

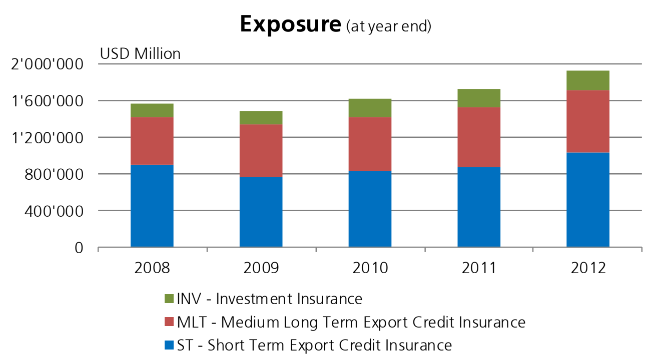


Source: www.berneunion.org; Berne Union Yearbook 2013

According to the Berne Union, in 2012 its members supported more than 10% of the world's international trade volume. As the figure on the right hand side shows, in 2012 the value of credit and investment insurance in terms of new business amounted to approx. US$ 1.8 trillion, an all-time high. Thereof, about US$ 1.54 trillion or almost 85% represented short term export credit insurance (ST). The amount of newly underwritten ST-export credit insurance continuously increased during the last couple of years. The reason was most likely because a) exporters and investors increasingly aim for support of export credit agencies in order to cope with their commercial and political risks in their relevant export markets and b) reduced risk appetite among banks for unsecured trade finance and export transactions. This conclusion is supported by the figures of the mid and long-term (MLT) exposure of the Berne Union members: during the last five years the MLT-exposure increased by more than 30% from US$ 524 billion to US$ 684 billion. This growth was certainly facilitated by the availability of new support schemes such as the cover for refinancing and working capital facilities and the fact that for unsecured long-term credits the banks' capacity constraints were most notable.

Although the risk of a further escalation of the Eurozone crisis has been mitigated and the recent global economy indicators are encouraging, political, transfer and commercial risks have not disappeared at all. According to the Berne Union, total claims paid by the members reached in 2012 US$ 4.6 billion (see chart). Over the last decade, only during 2009, at the height of the financial crisis, the indemnities paid out were higher. A close look at the indemnity figures shows that although in 2012 the MLT-exposure was significantly lower than the ST-exposure, the claims paid related to the MLT-export credit insurance exceeded the indemnities in relation to ST-credit insurance by more than 40%.





Source: www.berneunion.org; Berne Union Yearbook 2013

Based on our own experience, we believe that without the support of the Berne Union members (e.g. in Switzerland through assistance by the Swiss Export Risk Insurance SERV), many foreign projects and investments or export delivery contracts would not have been realized. Although the crisis seems to be partially contained, as noted above, the political and commercial risk exposures have not disappeared. Therefore, exporters and project developers are well advised to carefully analyze their markets and to invest in smart customized solutions to mitigate their political and commercial risks in relation to cross-border trade and investment. We remain convinced that exporting companies and investors, which dispose of comprehensive knowledge on support schemes provided by export credit agencies such as SERV, will benefit from a competitive advantage when exporting goods and services.

Hungary, Italy & Serbia – Successful Closings, AIL advises Stadler Rail on the Delivery of Total 71 FLIRT Trains

Between March and June 2013, AIL closed pre-shipment risk insurance and payment security schemes related to rolling stock deliveries of the Swiss railway manufacturer Stadler Rail to the Hungarian State Railways MÁV, the Austrian-Hungarian regional train operator GYSEV, the Serbian State Railways and the Italian public transport company Trentino Trasporti.

In Hungary, Stadler Rail has won a tender jointly issued by MÁV and GYSEV as regards the delivery of 42 electrical trainsets of the type FLIRT to MÁV and of 6 units to GYSEV. This is Stadler Rail's 3rd delivery of FLIRTs to Hungary after the first order in 2005 for the delivery 60 FLIRT trainsets to MÁV followed by a 2nd order of 4 FLIRTS by GYSEV in 2012. Overall, 112 FLIRTS will be in operation in Hungary after the delivery of these 48 trainsets. The new 48 four-part trains with a seating capacity of 200 and a maximum speed of 160 km/h will be delivered during 2014 and 2015.

The national railway company of Serbia, Serbian Railways, has ordered 21 electric FLIRTs from Stadler Rail for commuter rail services in the Belgrade region. The order worth around EUR 100 million is being financed by the European Bank for Reconstruction and Development (EBRD) in London. The vehicles will be delivered between autumn 2014 and late summer 2015. The carriage areas can all be accessed without steps and have 234 seats, including 14 tip-up seats and 12 seats in 1st class.

In Italy, Trentino Trasporti ordered 2 electric FLIRTs from Stadler Rail for commuter rail services in the Trentino region. The vehicles will be delivered in summer 2014.

AIL structured for Stadler Rail tailor made security packages supported by the Swiss Export Credit Agency SERV and mitigated the specific export risks within these deliveries.

Belarus – Closing of an EBRD Financing

AIL has advised the Stadler Rail Group in the structuring and arranging of a transaction for the financing of an investment in a new factory in Belarus. This transaction, which closed in April 2013, has partially been financed by the European Bank for Reconstruction and Development (EBRD).

The Stadler Rail Group (Stadler) has entered last year into the joint venture OJSC Electric Transport / Stadler Minsk (Stadler Minsk) in Belarus with a local partner with the target to produce rolling stock, essentially for the CIS market. The Belarusian partner is contributing assets from a local manufacturer of trams and trolleybuses, whereas Stadler will support the joint venture with capital as well as the latest technologies and know-how for the production of trams, trolleybuses and passenger trains.

Stadler Minsk will produce the trams and trolleybuses in the existing factory formerly owned by the local partner in Minsk, while trains will be welded and assembled in a greenfield factory in the Fanipol Free Economic zone, near Minsk. The major part of the planned investment concerns the construction of the Fanipol factory. The factory is currently under construction and the production is planned to start at the beginning of 2014.

The investment is being financed with an equity portion of Stadler and a loan provided by EBRD. The EBRD loan amounts to EUR 14.5 million and has a repayment period of up to 10 years. EBRD highlights that this investment is the first one conducted by a western sponsor in Belarus as regards the construction and operation of modern rolling stock manufacturing.

AIL has advised Stadler during the entire financing process, including support in the fulfillment of the conditions precedent regarding the EBRD loan.

Jean-Claude Feusier promoted to Partner at AIL Structured Finance

AIL Structured Finance is pleased to announce that Jean-Claude Feusier was appointed to the firm’s partnership as of 1 July 2013. Having previously worked for large multinational corporations operating in the energy and transportation areas, Jean-Claude has been working for AIL since April 2005.

He has been active in the field of project and structured export finance for nearly 15 years, primarily in the structuring of export finance transactions. In addition to his primary focus on structured and project finance matters, Jean-Claude has special expertise in the area of security structures and mitigation of political and commercial risks in relation to export transactions.

Carnot Capital Ltd: Good News for Innovative Automotive Suppliers

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

At the end of June, the European Union agreed to enforce stricter rules on carbon dioxide emissions for all new cars sold on the European market from 2020. Therefore, Carnot expects that automotive suppliers, which have CO2 reducing technologies available, will benefit from this decision.

Rigorous CO2 limits: The European car industry has to prepare itself for continuously tightening greenhouse gas emission rules. The agreement of the EU at the end of June, which still needs the official endorsement of EU member states, stipulates a target of 95g CO2/km by 2020, down from 130g/km in 2015. This 2020 target, which equates to approx. 4.1 l/100 km of petrol, is an average for each manufacturer's new car fleet. In 2012, new cars sold in the EU emit 132g/km on average. Also in the USA and Japan CO2 rules become stricter. However, the limits are lagging the European standards by some years.

What can be done: You don't buy a car only because of its low fuel consumption. Comfort, security and performance are equally important when choosing a model. Hence, R&D departments of manufacturers and suppliers are keen not to sacrifice driving pleasure to fuel economy. In the figure below, we have outlined the most important technologies in order to achieve the 95g CO2/km target:

Motor • Fuel injection, turbo • Variable valve control • Cylinder deactivation • Hybrid, electric motors • Natural gas motors	**Weight** • Engine size (downsizing) • Light-weight engineering (metal) • Compound materials (car body) • High-performance polymers (pipes, chassis parts ...)
Energy managment • Start-stop system • Brake energy regeneration • Electric oil and water pump • Electric steering • Air conditioning	**Friction resistance** • Aerodynamics • Metal surfaces • Wheel bearings • Tyres

Source: Universität Aachen, BMW, Carnot

Good market environment for innovators: Given the demanding emission targets, car manufacturers are looking for automotive suppliers with innovative fuel saving technologies. Carnot believes that automotive suppliers with enabling technology should achieve high growth and decent margins in the coming years. Therefore, Carnot is invested in a number of market leading companies with fuel saving technologies mentioned above.

AIL Structured Finance

We bridge the gap

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10 YEARS ANNIVERSARY AIL Structured Finance