European Equity Tranche Income Limited ("EETI" or the "Company")

Proposed capital restructuring

Introduction

Following the Company's announcement on 12 November 2008 confirming that it remained in discussions with a number of potential investors with a view to reducing its level of debt, the Board of EETI announces that the Company has today entered into agreements in relation to a proposed capital restructuring intended to reduce substantially its level of debt whilst retaining potential value for existing shareholders of the Company. The capital restructuring includes:

(i) the purchase by Scribona Nordic AB ("Scribona") from Citibank of all outstanding commitments, rights and obligations in relation to the Eur 30 million of debt owed by the Company to Citibank under its existing facility agreement (the "Facility Agreement");

(ii) the conversion by Scribona of Eur 5.6 million of debt to equity at Eur 0.0111 per share;

(iii) a non pre-emptive placing of new ordinary shares ("Shares") with certain existing shareholders at a price of Eur 0.0111 per Share to raise up to Eur 4.4 million, underwritten by Scribona, where the relevant subscription monies will be applied by the Company in prepayment of debt owed to Scribona; and

(iv) the release by Scribona of the Company from its obligations under the Facility Agreement to repay approximately Eur 14.3 million of debt.

It will be necessary to obtain a number of shareholder approvals to implement the proposed capital restructuring including:

(i) to approve the issue of Shares at a discount to the prevailing net asset value per share;

(ii) to de-list from the Channel Islands Stock Exchange ("CISX") to save the costs and expenses in relation to such a listing; and

(iii) to approve a waiver of Rule 9 of The City Code on Takeovers and Mergers ("City Code") (in order to avoid Scribona and any parties deemed by the Takeover Panel to be acting in concert with Scribona being obliged to make a mandatory offer for all of the Company's Shares, which they would otherwise be obliged to do as Scribona will acquire over 30 per cent. of the voting rights of the Company by way of the implementation of the proposed capital restructuring).

While the purchase of the Citibank debt by Scribona described above has already become effective, the other elements of the proposals are conditional, *inter alia*, upon the passing of all relevant shareholder resolutions.

As part of the arrangements, the Company will also seek approval for a consolidation of Shares to enable the Company's Shares to trade at a price which the Directors believe is more likely to lead to a reduction in the bid offer spread and an improvement in liquidity.

Background

During the course of 2008 there has been a general deterioration in market conditions affecting the Company's investments. As a result, EETI has felt it necessary to record significant downward fair value adjustments against certain of the assets within its portfolio such as Sestante loans and Ludgate residual note. As a result of these fair value adjustments, the Company's net asset value has reduced significantly during 2008 and amounted to Eur 30.4 million as at 30 June 2008.

In relation to the Company's debt financing, the Company has referred on a number of occasions to its objective of securing stable, long term financing to replace its Eur 70 million facility taken out with Citibank in 2006, of which approximately Eur 30 million is currently drawn, and which was due for repayment at the end of 2008 with a "term out option" to extend until December 2009. However, this has not proved possible in light of the conditions in the debt markets. Furthermore, as market conditions deteriorated in 2008, the Company actively explored options with potential investors regarding a reduction in the Company's level of debt in order to create a more appropriate capital structure.

Importance of the proposed capital restructuring

The Company announced on 12 November 2008 that if it could not develop firm debt reduction proposals within the following weeks it was unlikely to be able to continue as a going concern. In particular, the Company was unable to satisfy the conditions necessary to enable it to make use of the term out option under the Facility Agreement. This resulted in the debt becoming repayable on 15 December 2008 and the Board did not see any prospect of being able to refinance this debt by this date. The only firm proposals that the Company received were those from Scribona described in this announcement and these were acceptable to Citibank.

As a result, the Board's view was that if it did not enter into the agreements with Scribona described in this announcement the Company would be unable to meet its debts as they fall due, leading to the likelihood of immediate and enforced realisation of assets at a heavily discounted price by the secured lender and/or the Company entering into a formal insolvency process. Furthermore, if shareholders do not vote in favour of the resolutions to approve the proposed capital restructuring, the proposed release of debt, conversion of debt to equity and issue of Shares will not take place and the Company will continue to owe approximately Eur 30 million under the new facility entered into with Scribona. Accordingly, the Company will be unable to meet its obligations as they fall

due, again leading to a likely immediate secured lender enforcement and/or insolvency proceedings. In such event, shareholders would be unlikely to receive any return of capital they have previously invested.

Information on Scribona

Scribona AB, the parent company of Scribona, was formed in 1992 and is based in Solna, Sweden. Prior to the recent sale of all of its operating activities to Tech Data in May of this year, Scribona AB was the leading distributor of IT products in the Nordic region.

As at 30 September 2008, Scribona AB had net financial assets amounting to SEK 555 million and cash equivalents of SEK 548 million. Scribona AB is currently listed on the Swedish OMX market.

Proposed debt facility

The Company has today entered into a debt purchase agreement with Scribona and Citibank, pursuant to which Scribona has agreed to acquire the outstanding commitments, rights and obligations in relation to the debt owed by the Company to Citibank under the existing Facility Agreement.

As a condition to the transfer of the existing debt from Citibank to Scribona, Scribona has today agreed to the repayment date under the Facility Agreement being 15 December 2009. The interest payable under the terms of the Facility Agreement is EURIBOR + 5% per annum.

As part of the placing and subscription arrangements described below, Scribona has agreed to waive such amount of the facility provided under the Facility Agreement as has the result that, as at completion of the proposed capital restructuring, the sum outstanding under the Facility Agreement will amount to approximately Eur 5.7 million.

Furthermore, until such waiver of debt and subscription for Shares by Scribona and other shareholders, Scribona has agreed that the financial covenants in the Facility Agreement will be calculated as if such waiver and subscription of Shares had occurred.

Proposed issue of Shares

The Company has also today entered into a placing and subscription agreement (the "Placing and Subscription Agreement") with Scribona and Arbuthnot Securities Limited ("Arbuthnot") pursuant to which:

(i) Scribona and other investors may subscribe for Shares as follows:

  (a) Scribona has agreed to subscribe for 500 million Shares at a price of Eur 0.0111 per Share with Scribona's obligation to subscribe for such Shares being satisfied by the Company setting off the subscription price against Eur 5.6 million of debt owed by the Company to Scribona; and

(b) Arbuthnot has agreed, as agent for the Company, to use its reasonable endeavours to procure certain existing shareholders in the Company to subscribe on a non pre-emptive basis for 400 million Shares at a price of Eur 0.0111 per Share, the placing proceeds to be used to pay off debt owed by the Company to Scribona. Such placing has been underwritten by Scribona. To the extent that Scribona is required to subscribe as principal for these Shares, its obligation will be satisfied by the Company setting off the subscription price against the equivalent amount of debt owed by the Company to Scribona.

(ii) Scribona has agreed to write off so much of the remainder of its debt as will leave the sum outstanding under the Facility Agreement at approximately Eur 5.7 million; and

(iii) Scribona will be paid a commission of Eur 299,700 in relation to its underwriting, to be satisfied by the issue to it of 27 million Shares at Eur 0.0111 each.

Following the proposed capital restructuring, EETI will have 1,025 million Shares in issue. Scribona will be interested in (i) 527 million Shares (representing 51.4 per cent. of the enlarged issued share capital) in the event that it is not required to subscribe for any of the Shares made available under the non pre-emptive placing; or (ii) 927 million Shares (representing 90.4 per cent. of the enlarged issued share capital) in the event that it is required to subscribe as principal in full for all of the Shares made available under the non pre-emptive placing.

Each of Scribona's and Arbuthnot's obligations under the Placing and Subscription Agreement are conditional on, *inter alia*:

(i) formal approval of the Takeover Panel of a circular to be dispatched to shareholders setting out details of the proposed capital restructuring;
(ii) passing of all relevant shareholder resolutions;
(iii) the Placing and Subscription Agreement not having been terminated;
(iv) admission of the Shares occurring by 16 February 2009; and
(v) delisting of the Company's Shares from the CISX.

Scribona will be entitled to terminate the Placing and Subscription Agreement if there is a material breach by the Company of that agreement and/or of any of the warranties given by the Company in that agreement.

All the figures set out in this announcement relating to the number of Shares which may be subscribed for or issued by the Company will be adjusted to such lower number as results from the implementation of the proposed share capital consolidation.

Extraordinary general meeting

The Company intends to convene an extraordinary general meeting ("EGM") as soon as practicable (which is expected to be in January 2009) to propose all relevant resolutions. A circular setting out the full details of the proposed capital restructuring together with a notice of EGM will be sent to shareholders in due course.

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END OF ANNOUNCEMENT