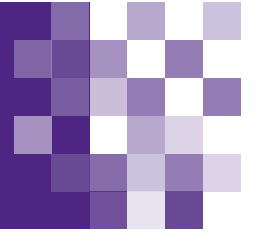


OFFSHORE-i

SECOND QUARTER 2012



/EXPERT INSIGHT INTO THE WORLD OF OFFSHORE TRANSACTIONS/

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INTRODUCTION

Welcome to this second edition of Appleby's Offshore-i, which we hope will offer once again some insightful data and analysis on the corporate transactions going on in the world's major offshore jurisdictions, where Appleby operates on a day-to-day basis.

In this report we look at transactions data for the second quarter of 2012, and find that despite continuing low deal levels, there are reasons for optimism. The value of deals taking place offshore was up 12% on the first quarter of the year, and was the strongest three-month period since Q2 2011. Volumes showed a slight drop-off, with the number of deals down from 466 in the preceding three months to 447 this quarter (a 4% drop), but crucially the average deal size has increased, which we hope points to a gradual return of confidence amongst dealmakers.

“Financial sponsors find themselves sitting on cash that needs to be invested, and corporate balance sheets look strong and ripe for spending on the right deals in the right places.”

While we are quietly confident of the early signs of activity returning to our markets, however, we cannot ignore the macro situation and the considerable global economic pressures that continue to weigh heavy on our regions. Ongoing uncertainty about the Eurozone, which shows little sign of imminent resolution, has inevitably dampened investor appetite, while the neck-and-neck race for the White House that will conclude in November is providing just cause for reticence in an otherwise slowly improving US market.

Though conservatism may be a feature for the duration, there are nevertheless some strong underlying fundamentals that we expect to see fuelling dealflows through the remainder of the year. The hunger for natural resources remains very real with the appetite for deals in that sector continuing unabated, pushing investors into new and developing markets. At the same time financial sponsors find themselves sitting on cash that needs to be invested, and corporate balance sheets look strong and ripe for spending on the right deals in the right places.

Offshore companies continue to see transactions across a wide range of sectors and from a wide range of geographies. The most significant increases in investment activity this quarter involved Africa and portions of Eastern Europe, although we continue to see a large number of transactions this quarter in the more traditional markets of North America and Western Europe.

We believe that it is unlikely that the floodgates will suddenly open for increased deal flow any time soon, but a certain level of robustness is beginning to emerge in the offshore M&A figures. In quarter three, continuing global uncertainty is likely to be the most significant factor driving transactions on and offshore. The imminence of the US elections and the state of the UK economy are likely to have a depressive effect in our traditional markets over the second half of the year. Further, China will experience a once-in-a-decade leadership change in the Autumn which is likely to cause added caution. Given the confluence of these events, there is unlikely to be an up-tick in the willingness of businesses to enter into transactions in the coming six months. We will watch with interest the northwards trend in offshore deal values, however we expect no material increase in volumes of activity in the coming quarter.

We hope that you find our analysis on the following pages useful. Please do not hesitate to get in touch with your usual Appleby contact should you have any questions.



Peter Bubenzer
Group Chairman, Appleby

EXECUTIVE SUMMARY

There are a number of key themes that emerge from the statistics outlined on these pages. In particular:

- The volume of deals done offshore fell 4% in Q2 compared to Q1, but aggregate values grew 12%, with **more USD 1bn-plus transactions** than we have seen for some time.
- The **financial services** sector continues to dominate activity, accounting for 155 of the 447 deals done and USD 5bn of the USD 37.4bn spent.
- The combined **energy and natural resources** sector continues to generate bullish deal flow, accounting for six of the top 20 deals of the quarter.
- The top 20 deals of the quarter, and those coming up, paint a picture of ongoing confidence in **Asia markets and in oil and gas, minerals and mining**.
- More than half of the deals completed offshore were **minority stake transactions**, as companies sought exposure to new industries or markets with limited risk.
- There were **just nine IPOs** offshore in the quarter, and they raised just USD 211m, though planned IPO numbers suggest a positive pipeline.
- **Share buybacks were few** in the last quarter but account for five of the top 20 rumoured transactions going forward.
- The biggest number of acquisitive deals came out of **BVI and Hong Kong**, reflecting a substantial involvement of entities from both markets in the development of minerals, commodities and oil and gas exploration rights in Africa and Southeast Asia.
- When ranked by the amount of money being spent, **the offshore region ranks fifth in the world**, generating greater deal value than regions like Eastern Europe and Scandinavia, and more deals than the Middle East and Africa combined.
- The offshore markets are **performing better than many other world regions**, showing a 12% increase in transaction values in the second quarter as against Q1, 2012, at a time when North America, the Middle East and the Far East and Central Asia all saw deal values falling.
- The top destinations for investors doing deals involving offshore targets were **Cayman and BVI**.

Q2, 2012: SNAPSHOT

447

Total number of deals

37.4

US\$
bn

Total value of deals

Financial Services

No. 1 sector

%

Minority Stake

Favoured type of deal

Cayman Islands, BVI

Top destinations

LOOKING FOR OFFSHORE TRANSACTIONS ADVICE?

The Corporate & Commercial group at Appleby is among the largest and most widely recognised in the offshore world. Our multi-disciplinary teams advise a large number of FTSE 100 and Fortune 500 companies on all aspects of corporate and commercial law, focusing on mergers and acquisitions, corporate restructurings, joint ventures, capital markets and investment funds.

Our lawyers are part of a truly international practice operating from our offices in Bermuda, the British Virgin Islands, the Cayman Islands, Guernsey, Hong Kong, Isle of Man, Jersey, London, Mauritius, the Seychelles and Zurich. Our network enables us to service our clients all over the world, including the key developing regions and, in particular, the BRIC economies.

Appleby's cross-border Corporate & Commercial team works closely with our global Fiduciary & Administration group, which provides offshore company incorporation, management and administration services to our domestic and international clients in all locations, including Shanghai.

ABOUT APPLEBY

Appleby is the world's largest provider of offshore legal, fiduciary and administration services. We have around 800 people, including 80 partners, operating from 12 offices around the globe. This includes the key offshore jurisdictions of Bermuda, the British Virgin Islands, the Cayman Islands, Guernsey, Isle of Man, Jersey, Mauritius and the Seychelles, as well as the international financial centres of London, Hong Kong, Shanghai and Zurich. Together, our teams service clients based all over the world.

We advise global public and private companies, financial institutions, and high net worth individuals, working with them and their advisers to achieve practical solutions, whether in a single location or across multiple jurisdictions.

For further information contact:

Peter Bubener,
Group Chairman
pbubener@applebyglobal.com

Judith Collis,
Global Head of Corporate & Commercial
jcollis@applebyglobal.com

