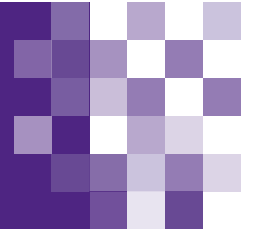


OFFSHORE-i



**/EXPERT INSIGHT INTO
THE WORLD OF OFFSHORE
TRANSACTIONS/**

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INTRODUCTION

Welcome to this inaugural edition of Appleby's **Offshore-i**, a new report that provides data and insight about the mergers and acquisition activity going on in the major offshore jurisdictions around the globe, where we do the majority of our business.

This report looks primarily at deals data for the first three months of 2012, and it will be no surprise that corporate transaction levels remain somewhat in the doldrums. The volume of deals taking place offshore was down 24% on the last quarter of 2011, and was 26% lower than the same period of last year. Values however, showed a 25% increase above the level of the preceding three months. It will be interesting to see if this positive increase in values continues into the rest of 2012.

“The challenges ahead are manifold, but there are ongoing signs of real buoyancy in Asian and other emerging markets.”

Our markets are not immune to the global economic pressures, of course, and in the period under review the United States economy faltered amid fears that the recovery would continue to be lacklustre at best. That inevitably impacted business in the offshore jurisdictions of Bermuda and the Cayman Islands, which derive the bulk of their business from the United States. Continuing uncertainty about the Eurozone, and the potential contagion from Greece of the sovereign debt crisis into the Spanish and Italian markets hit deal drivers elsewhere. The threat of a slowdown to the seemingly unstoppable Chinese growth story further dented confidence.

All jurisdictions are continuing to witness the conservatism that has become a mainstay of M&A today, driven by uncertainty about future growth prospects, liquidity challenges and pricing concerns. That said, experience tells us that deal activity is usually more robust in Q2 than Q1, and we have no reason to think this year will be any different. The challenges ahead are manifold, but there are ongoing signs of real buoyancy in Asian and other emerging markets, and robust activity in the financial services and natural resources sectors, which should fuel some optimism.

We hope you find the 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:

- While **deal volumes were lower** in Q1 2012 than the same period a year ago, there is still a reasonable amount of activity going on across the offshore world. Furthermore, our experience tells us that Q2 and Q4 are typically strongest, and we expect that to be the case this year.
- In Q1, 2012 deal values **increased by 25%** from the previous quarter's USD 23.2bn to USD 30.9bn. We will watch Q2 activity with great interest to see if this improvement is sustained.
- The **banking, insurance and financial services** sector continues to dominate offshore activity. This sector has been consistently ahead of the nearest comparator, wholesaling, for some time. The leisure and business services, and mining and extraction sectors are also driving deal volumes.
- Most of the deals in the last quarter were **minority stake transactions** rather than full takeovers, with these often driven on the sell side by a need for liquidity, and on the buy side by a desire to capitalise on low valuations. We see this trend continuing throughout the calendar year.
- **IPOs** remain few and far between, but are strongest in Asia and there are signs of a strengthening pipeline elsewhere.
- The most popular destinations for investors doing deals involving offshore targets are **Hong Kong and the Cayman Islands**, both driven by the continuing strength and attractiveness of the Asian markets.
- **Mauritius** is the offshore economy witnessing the greatest growth in activity, with the number of deals involving targets there jumping from six to 12 between Q1 2011 and Q1 2012. While these numbers are low by comparison to other jurisdictions, they are evidence of a trend towards accessing not just the Indian but also African economics via the jurisdiction.

Q1, 2012: SNAPSHOT

412	31 US\$ bn	Banking Insurance Financial	% Minority Stake	Hong Kong, Cayman Islands
Total number of deals	Total value of deals	No. 1 sector	Favoured type of deal	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.

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