ALLEN & OVERY

HOSTILE TAKEOVERS REACH THREE-YEAR HIGH

POOR POLITICAL SENTIMENT IS DISCOURAGING CEOs FROM TRANSFORMATIONAL ACQUISITIONS

VALUATION MISMATCH CONTINUES TO HAMPER M&A RECOVERY

The Allen & Overy M&A Index

Q3 2010 Insight Report

Global M&A Trends – Q3 2010

Welcome to Allen & Overy's analysis of global M&A trends in the third quarter of 2010.

The Allen & Overy M&A Index is written by Allen & Overy partners and offers market insight and commentary on trends in global M&A. The report also compares quarterly volume and value of public and private M&A deal types across key sectors and regions.

The story that emerges from the statistics presented here is a positive one, with both global M&A volumes and values increasing in the last three months compared to Q3 2009. But to say that the transactional markets are shaking off the financial crisis would be optimistic: whilst we have seen certain areas coming back to life, such as private equity and hostile public M&A, on a macro level there are still serious issues standing in the way of an upturn.

The re-emergence of private equity is good news, but is significantly driven by the need of sponsors to do deals after a long period of inactivity. The increase in hostile takeover bids, led by BHP Billiton's move for Potash of Canada, is also a positive development, demonstrating a willingness amongst chief executives to make transformative acquisitions despite the inherent risks of doing so without target board support.

But whilst these headline deals inevitably buoy investor confidence, the reality of the macro-economic situation works to counter-balance that. Banks are still looking to shrink their balance sheets everywhere, which means new money lending is still constrained, even though the situation has improved compared to previous quarters. The sovereign debt crisis of Q2 2010 has once again dented confidence in the banking system, while consumer confidence remains curtailed by the tightening of government spending going on around the world.

The data presented in this report shows some upturn in the M&A markets, but we expect only steady progress and a long road to recovery. September was a positive month for new business, and the activity emanating from the emerging markets will likely continue to fuel activity going forward. Asia and the BRIC economies are bucking the trend of global uncertainty, with GDP growth continuing and capital markets activity bullish. The number of IPOs coming out of Hong Kong, including the massive fundraising by the Agricultural Bank of China, is a concrete sign of the growing importance of the region and will clearly drive outbound investment activity and generate global deals.

In terms of sectors, we expect financial services to continue to struggle in M&A, with buyers remaining few and far between. The retail sector too is in for tough times ahead, as a result of poor consumer confidence, and so we expect only opportunistic value propositions or defensive M&A to take place in that market.

What we can look forward to is an upturn in restructuring-led M&A, which is being driven by the refinancing timetable for many of those corporates sitting on highly leveraged balance sheets. A lot of the deals struck under covenant-lite arrangements in the boom are due for refinancing, and we expect more companies to be forced into insolvency or restructuring, even though banks are keen to avoid realising losses.

Globally, the transactional markets are inching out of the financial crisis and there are signs of life returning. But with confidence amongst consumers and investors still fragile, Q4 looks unexciting and it will be some time before we can say the crisis is behind us.

Richard Cranfield
Chairman of the Global Corporate Practice

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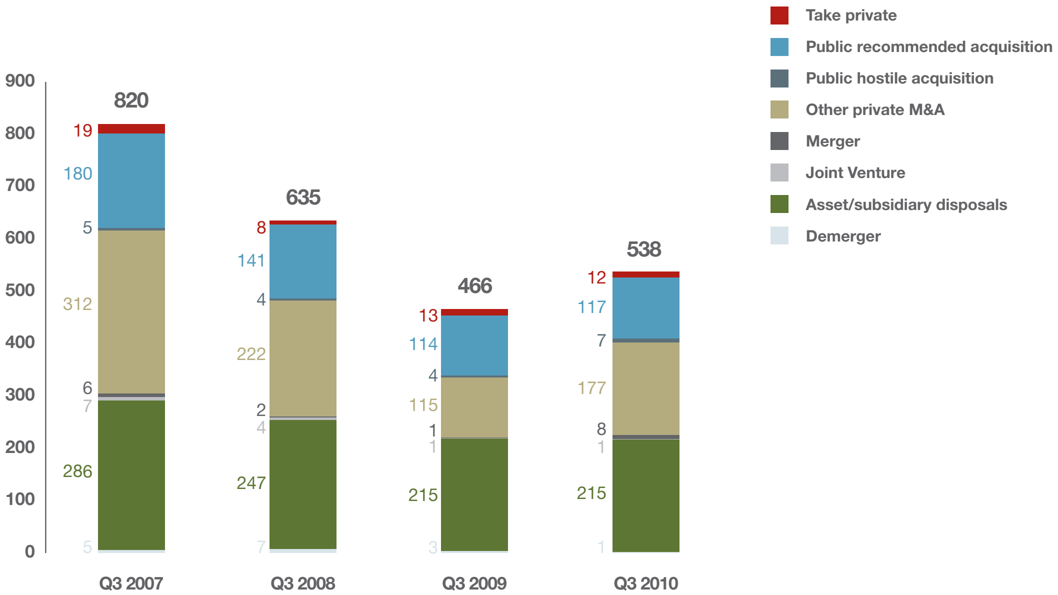
Executive summary

A number of key themes emerge from the statistics and analysis contained in this report. These can be summarised as follows:

- Strategic corporate acquisitions continue to dominate M&A, with private equity slowly reviving in the U.S. and Western Europe.
- Cross-border deals involving emerging markets are driving up transaction sizes. Brazil is proving attractive to Western investors, and Indian investors are looking overseas.
- Volume of hostile acquisitions reached a three-year high in Q3 2010 and the total value of hostiles has increased ten-fold when compared to Q3 2009. Volume and value of other private M&A has increased by 54% (115 to 177) and 85% (USD41 billion to USD76bn) respectively compared to the same period last year.
- The most developed economies are witnessing the return of hostile M&A, which has been a key feature of the U.S. and Western European deal landscape in the last quarter, especially in the energy sector.
- Outbound M&A from Asia is thriving, with Chinese investors and state-owned enterprises targeting the energy and natural resources sector.
- The mismatch in value expectations between buyers and sellers continues to slow and complicate transaction processes in all regions and sectors, leading in some cases to the inclusion of significant earn-out packages.
- Volatility in commodity markets is a major hurdle to deal making in the energy sector. A temporary and often 'eleventh hour' spike in prices will often occur, leading to a reappraisal of value by the target board that cannot be supported by the bidder, thus delaying or terminating transactions.
- In the Latin American agribusiness and pharmaceutical sectors, investors are recognising the importance of using Brazilian know-how and acting as long-term partners to build up value in the acquired companies, buying a non-controlling stake with the hope of moving to a controlling stake within two to five years.

Global deal types



Global deal summary

	Demerger		Asset/subsidiary disposals		Joint Venture		Merger		Other private M&A		Public hostile acquisition		Public recommended acquisition		Take Private		TOTAL	
	Volume of deals	Value of deals (US$m)	Volume of deals	Value of deals (US$m)	Volume of deals	Value of deals (US$m)	Volume of deals	Value of deals (US$m)	Volume of deals	Value of deals (US$m)	Volume of deals	Value of deals (US$m)	Volume of deals	Value of deals (US$m)	Volume of deals	Value of deals (US$m)	Volume of deals	Value of deals (US$m)
Q1 2007	5	62,580	279	170,008	3	481	8	27,874	285	138,258	3	1,842	200	251,920	32	102,119	815	755,082
Q2 2007	8	30,946	337	317,645	6	6,625	4	25,224	374	206,706	2	5,013	219	444,964	49	182,767	999	1,219,890
Q3 2007	5	20,210	286	176,995	7	4,095	6	7,574	312	128,949	5	1,864	180	408,349	19	46,191	820	794,227
Q4 2007	10	29,915	334	209,589	4	1,823	3	2,876	324	156,296	9	4,054	201	235,561	18	30,964	903	671,078
2007 TOTAL	28	143,651	1,236	874,237	20	13,024	21	63,548	1,295	630,209	19	12,773	800	1,340,794	118	362,041	3,537	3,440,277
Q1 2008	4	110,887	248	128,073	1	118	3	11,331	298	142,239	4	2,356	137	125,139	13	15,759	708	535,902
Q2 2008	7	55,170	268	157,367	6	3,229	4	5,504	268	152,101	4	3,344	167	243,686	10	12,169	734	632,570
Q3 2008	7	28,994	247	162,310	4	1,616	2	1,757	222	100,616	4	64,472	141	306,821	8	2,193	635	668,779
Q4 2008	2	3,671	159	142,569	3	1,658	1	282	134	122,720	2	1,006	78	154,291	2	227	381	426,424
2008 TOTAL	20	198,722	922	590,319	14	6,621	10	18,874	922	517,676	14	71,178	523	829,937	33	30,348	2,458	2,263,675
Q1 2009	1	1,296	133	74,340	1	679	2	941	105	94,607	3	45,182	69	175,779	4	2,173	318	394,997
Q2 2009	4	10,089	179	183,356	1	128	3	8,984	92	49,588	3	2,543	96	119,331	1	117	379	374,136
Q3 2009	3	2,929	215	110,517	1	771	1	393	115	40,535	4	4,034	114	129,562	13	4,659	466	293,400
Q4 2009	7	25,544	233	128,752	4	72,851	6	4,562	183	144,083	3	24,035	122	183,153	12	7,907	570	590,887
2009 TOTAL	15	39,858	760	496,965	7	74,429	12	14,880	495	328,813	13	75,794	401	607,825	30	14,856	1,733	1,653,420
Q1 2010	5	8,317	169	202,942	4	11,138	3	2,933	170	73,006	3	8,357	110	119,086	5	3,481	469	429,260
Q2 2010	4	7,968	234	147,674	1	383	7	18,314	191	80,847	2	535	138	136,109	15	11,978	592	403,808
Q3 2010	1	3,020	215	162,287	1	189	8	17,075	177	76,045	7	49,144	117	158,365	12	21,783	538	487,908
2010 TOTAL	10	19,305	618	512,903	6	11,710	18	38,322	538	229,898	12	58,036	365	413,560	32	37,242	1,599	1,320,976
TOTAL	73	401,536	3,536	2,474,424	47	105,784	61	135,624	3,250	1,706,596	58	217,781	2,089	3,192,116	213	444,487	9,327	8,678,348

Sector analysis

Energy and Natural Resources

The last quarter has seen a continuation of a number of the trends that we highlighted at the end of the first half of 2010, including the increasing influence of the National Oil Companies (NOCs) and the continuing drive by a number of integrated oil and gas companies to divest their downstream assets. In addition, we have also noted the re-emergence of hostile takeover activity and the impact of volatility in commodity markets on M&A activity in the energy and resources sector.

The last quarter has been marked by an increase in the hostility of bidders when considering and undertaking public M&A transactions in the sector. Historically, bidders have been reluctant to approach target shareholders directly given the issues that face bidders undertaking transactions in the absence of target board recommendations, including an inability to do due diligence. Although of very different magnitudes, BHP Billiton's USD39 bn hostile takeover bid for Potash Corporation of Saskatchewan, and Korea National Oil Corporation's successful USD3bn hostile acquisition of Dana Petroleum highlight the re-emergence of the hostile bid as a deal execution tool and the increasing willingness of bidders to use it.

In the case of the Dana transaction we saw one of the first hostile takeovers undertaken by a National Oil Company, which underscores the willingness and ability of the NOCs to undertake resources transactions on a more global basis and in a more confrontational manner. The BHP Billiton takeover also demonstrates how the cash-rich international resources companies are now willing to use their war chests and potentially compete with government-owned entities, such as Sinochem, to acquire these assets.

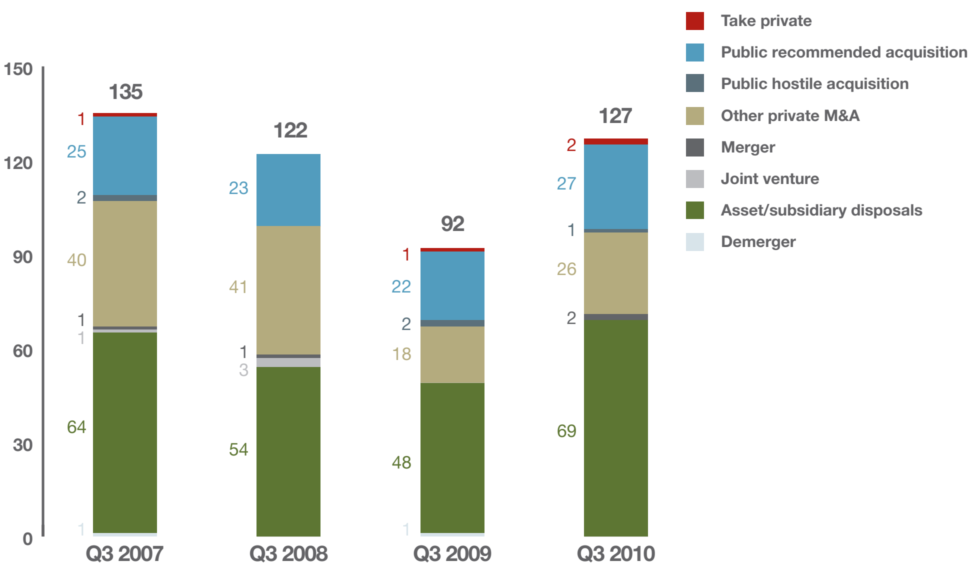
Separately, the volatility in commodity markets is now potentially impacting M&A activity in the energy and resources sector. Whilst M&A activity has remained buoyant during the past two or three years, one of the major factors that has hit the viability of transactions is volatility in markets including base metals, oil and natural gas.

Since 2007, much has been made of the significant valuation differential that has existed between bidder and target boards, driven in part by the uptick in corporate and asset valuations experienced in the pre-credit crunch period where M&A auctions delivered sellers significant headline prices. Whilst this valuation differential has narrowed, the impact of volatility in commodity markets has replaced it and become a major hurdle to agreeing and, more importantly, closing transactions.

Such volatility has manifested itself in many situations where, once valuations have been agreed, a temporary and often 'eleventh hour' spike occurs in the relevant commodity market and leads to a reappraisal of value by the target board that cannot be supported by the bidder. The resultant adjustment in the target's valuation expectations has often taken a considerable period to re-align with previous valuation metrics, and has resulted in delayed or aborted transactions.

In the light of the ongoing volatility in the commodity markets, and the ability of a number of the emerging economies to influence such markets, we think this trend will be around for some time.

Energy and Natural Resources deal types



POOR POLITICAL AND INVESTOR SENTIMENT IS ALSO DISCOURAGING CEOs FROM TRANSFORMATIONAL ACQUISITIONS.

Financial Services

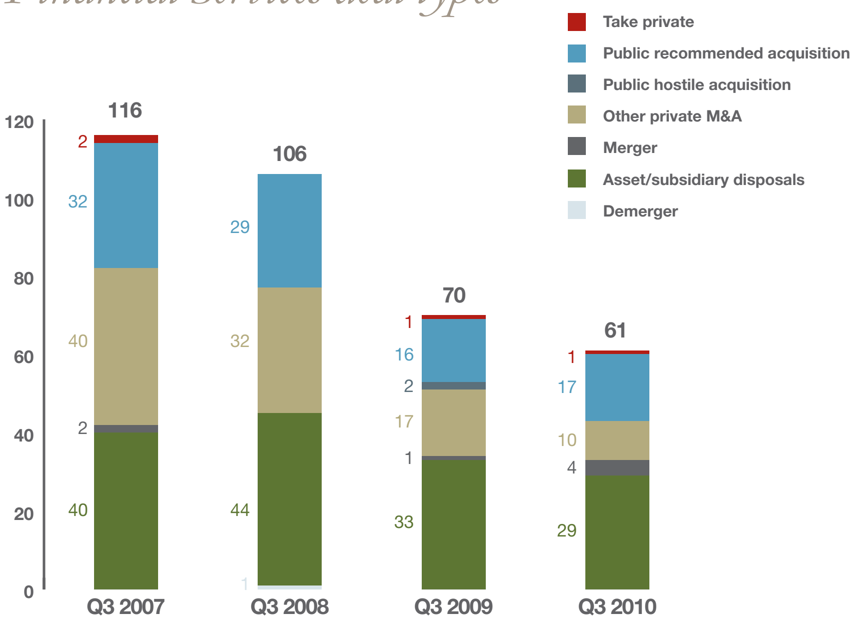
There has been an increase in the value of deals in the financial institutions sector in Q3 2010, compared to the first two quarters of the year and the same period last year, but deal values remain significantly down on the heady days of 2007 or 2008. Financial services M&A has not shown the rebound in activity seen in the telecoms and energy sectors.

A large amount of M&A activity remains driven by regulator-mandated disposals, such as the sale by RBS of certain UK branches and its WorldPay business, and KBC's disposal of its global convertible bond and Asian equity derivatives businesses. But these mandated disposals are beginning to tail off, with the main outstanding UK disposals now being RBS Insurance and some Lloyds branches.

We have seen the return of M&A driven by domestic consolidation, although this has often been where one or both of the parties is stressed and consolidation is needed to strengthen the sector. Such was the case among the regional banks in Spain, with Deutsche Bank's offer for Deutsche Postbank, and with the bid by Greece's Piraeus for domestic rivals ATE and Postbank (since withdrawn). Traditional M&A remains difficult, particularly cross-border, with banks forced to preserve cash and low share prices hindering stock transactions. Poor political and investor sentiment is also discouraging CEOs from transformational acquisitions.

The trend we saw earlier in the year for financial institutions to divest risk weighted assets (RWAs), and particularly non-core capital intensive businesses, has continued.

Financial Services deal types



M&A in areas such as custody services, asset finance and security and trust services has continued, and some established players specialising in these areas have been active buyers. Asset management businesses remain attractive purchasing opportunities even though equity prices have increased, but with many of the disposals by larger financial institutions now complete, a lack of suitable targets is hindering M&A.

Banks have been downsizing their balance sheets through disposals of receivables, with the value of some disposals dwarfing the size of traditional M&A deals. Many of the receivables being divested are performing loans being sold at around par value, while non-performing loans are being retained as a result of valuation difficulties and banks' reluctance to lock in losses in an improving market.

As well as managing their balance sheets on the assets side, banks are focused on equity and liability management. Although only seven banks failed the CEBS stress tests in Europe, the tests highlighted significant exposures to sovereign debt in bank books. Sovereign credit spreads have stabilised recently, and the EUR750bn European bail-out fund prevented a wholesale meltdown, but there is still scepticism about the ability of some sovereigns to avoid a debt restructuring. Basel III will further increase the pressure on banks to improve core Tier 1, with capital requirements firmly focused on retained profits and ordinary share capital, and the place of CoCos undecided.

We therefore expect M&A in the financial institutions sector to remain constrained in the short to medium term as institutions look to strengthen their liquidity and capital positions. As the market improves we expect to see some increase in M&A, including deals driven by non-core disposals, domestic consolidation of stressed entities (antitrust restrictions permitting) and potentially by further regulator-imposed structural change.

Life Sciences

A recent and continuing trend in the life sciences sector is the increasing focus of the industry on the emerging markets of China, India, Russia and Brazil. Initially seen as merely locations for outsourced manufacturing functions because of their highly-skilled but low-cost workforces, these "pharmerging markets" are now playing a more developed role in pharma companies' strategies.

With developed market profits being squeezed by factors such as the increased cost of bringing drugs to market, the loss of patent exclusivity and heightened competition from generics, increasing consumer sales in these emerging markets present an ideal opportunity to increase revenues and help plug this profit hole.

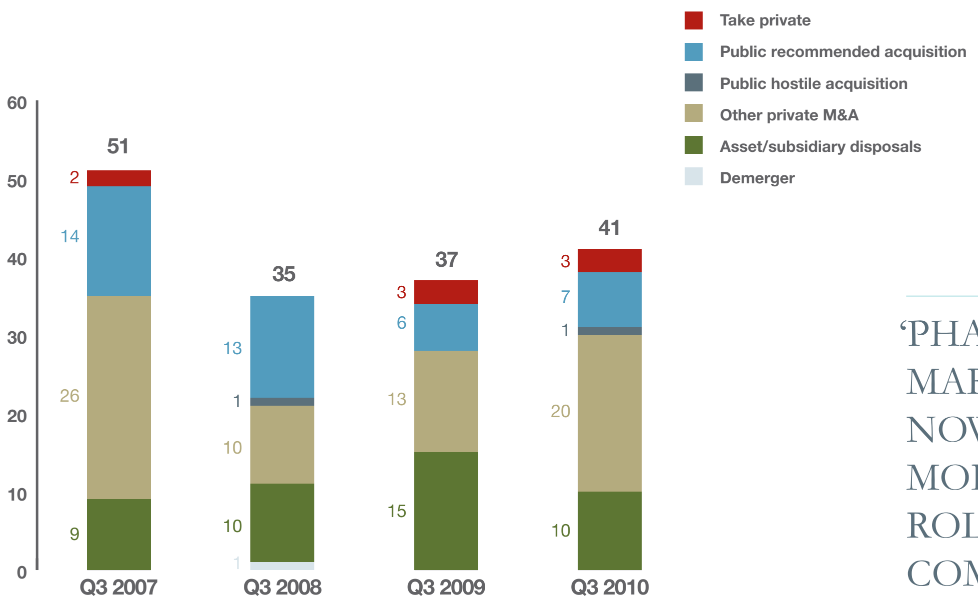
To date, China has led the charge. Prior to the financial crisis, Chinese life sciences M&A activity was strong, with several high-profile deals such as NYSE-listed Mindray's acquisition of Datascope's patient monitoring business and WuXi PharmaTech's acquisition of U.S.-based AppTec. The crisis led to a slowdown in activity, but with the Chinese sector still highly fragmented, further consolidation is inevitable. The State Council's approval in 2009 of the government's healthcare reform plan will only help increase the potential size of the market, making China even more attractive to big pharma.

A similar picture has emerged in India where, pre-crisis, there were a healthy number of outbound acquisitions by Indian companies as well as high-profile inbound deals, notably Japan's Daiichi Sankyo's buyout of Indian group Ranbaxy. Inbound activity has continued, with Abbott set to take the largest share of the Indian market after the recent announcement of its USD3.7bn takeover of Piramal Healthcare.

Russia has made itself a more attractive market by increasing access to patients, expanding clinical research operations and improving research quality, while Brazil's healthcare market is growing rapidly due to the increasing size and spending power of the country's middle classes. The sector's interest in South Korea, Turkey and CEE is also growing significantly.

Innovator companies have seen the potential, and the threat, of generic drug companies in the emerging markets, with many tackling the issue by themselves and starting to sell branded generics once their patents have expired. Some have entered the generic market through the acquisition of local generic companies, and we expect further similar acquisitions as the race to access such high-growth markets intensifies.

Life Sciences deal types



'PHARMERGING' MARKETS ARE NOW PLAYING A MORE DEVELOPED ROLE IN PHARMA COMPANIES' STRATEGIES.

ACTIVITY LEVELS CONTINUED TO IMPROVE, DRIVEN BY NORTH AMERICA AND WESTERN EUROPE WITH SECONDARY BUYOUTS AND P2Ps DOMINATING THE LARGER DEAL SEGMENT.

Private Equity

Private equity activity levels, in both volume and value terms, continued to improve in Q3 2010, but remained a long way off the highs of 2007. The uptick was driven by North American and Western European activity, which continued to dominate the sector, with the UK and France particularly active, whilst Germany was relatively quiet. Activity levels in the CEE and MENA regions were depressed, and Latin America and Asia Pacific were buoyant by comparison, with PIPEs and minority investments featuring in Asia.

In Western Europe, the larger deal landscape was dominated by secondary buyouts and we expect many more of these. That said, the period ended with global metal packaging group Impress being sold to strategic buyer Ardagh Glass, and talk of the disposal of United Biscuits to a strategic buyer. Whilst it is encouraging to see corporate buyers, corporate sellers remain reluctant to come to market.

Public-to-private transactions constituted a significant part of larger deal activity given the paucity of corporate divestitures in the market, particularly in the UK with Tomkins, Brit Insurance, Nestor Healthcare and Spice all the subject of private equity bids. Contingent value notes form part of the consideration in the Brit Insurance deal but we expect these, and stub equity variants, to remain exceptions rather than regular features in the future.

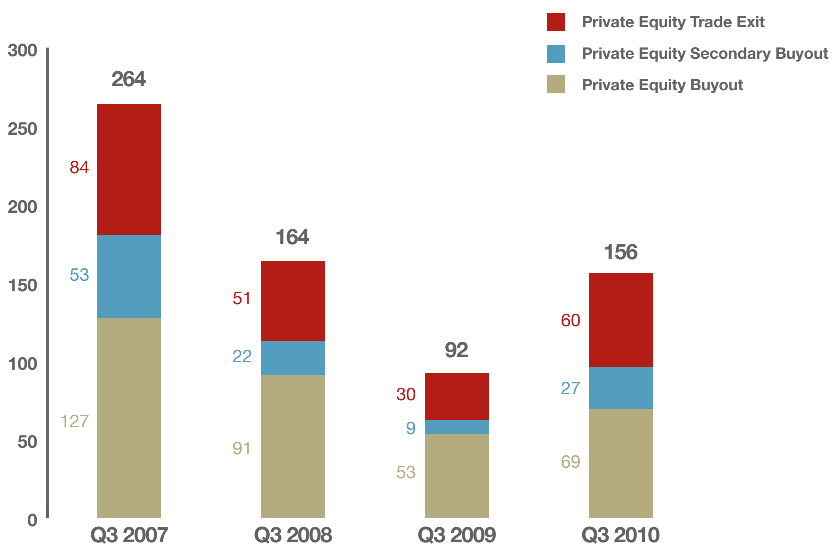
In North America the largest deals of the quarter were secondary buyouts and P2Ps, with Burger King and Dynegy two of the largest. There does appear to be greater primary buyout activity in the USD500 million to USD1bn range in the U.S., however, and more so than in Western Europe.

The most notable feature of Q3 was a run of EUR1bn-plus transactions in close succession, supported by significant debt packages underwritten by a smaller syndicate of banks than would have been the case in 2009. With the availability of high yield, there is renewed confidence that bigger deals can be financed and that may encourage corporate sellers of larger assets to test the waters. However, the debt market is still thin in overall capacity terms, with the appetite for B loans limited by the extent to which CLOs have received cash from prior exits, although to some extent mitigated by the emergence of dedicated debt funds set up by sponsors. In summary, debt financing is available but only for the right deal.

On larger transactions the approach is to identify pools of liquidity in whatever markets they exist and create an attractive financing package around them. Structures with senior loan and senior bonds ranking *pari passu* are becoming common and we have seen structures designed for syndication to both the U.S. and the European markets.

The equity overhang means that deals in the top end of the market have become competitive, with larger funds keen to put capital to work. Auctions remain the norm but there have been exceptions. We expect larger deal sizes to attract the larger funds away from the mid-market, which may result in a pickup in activity from more traditional mid-market players, though that segment is unlikely to be any less competitive.

Private Equity activity



Technology, Media and Telecoms

Indications from Q3 2010 are that the TMT markets are both maturing and evolving. The bigger deals appear to be returning to the telecoms sector, and there is the prospect of M&A elsewhere as a result of the convergence of technologies.

In telecoms, two big deals at the end of Q3 show the limits of private investment in the sector, with Orascom Telecom of Egypt announcing a complex merger with Russia's Vimpelcom, and UAE-based Etisalat bidding for a controlling stake in Middle East rival Zain. Both deals indicate consolidation in emerging market telecoms, and we think there is room for more, following Vivendi's investment in GVT of Brazil, Bharti's acquisition of Zain Africa, and France Telecom's investment in Méditel in Morocco. The Indian telecoms market has witnessed compelling economic growth and an over-supply of licences, meaning consolidation and more innovative transactions to create national 3G coverage are likely.

Vodafone's retreat from non-controlling investments will drive some activity in telecoms M&A, but this may be limited to non-transformative deals such as full ownership by Vivendi and Verizon, and activity in smaller markets in Australia and New Zealand. It will be interesting to see whether deals on the scale of Telefonica's acquisition of Vivo of South America, the Orascom/Vimpelcom merger and the Etisalat/Zain bid result in a rash of larger consolidation deals. There is scope for further intercontinental consolidation, but within Europe deals will probably be intranational rather than cross-border. Elsewhere, it is likely that tower sharing and network outsourcing will continue quietly, potentially moving from low revenue-per-user high-growth markets to more mature ones, such as the long-discussed towers outsourcings in the Gulf.

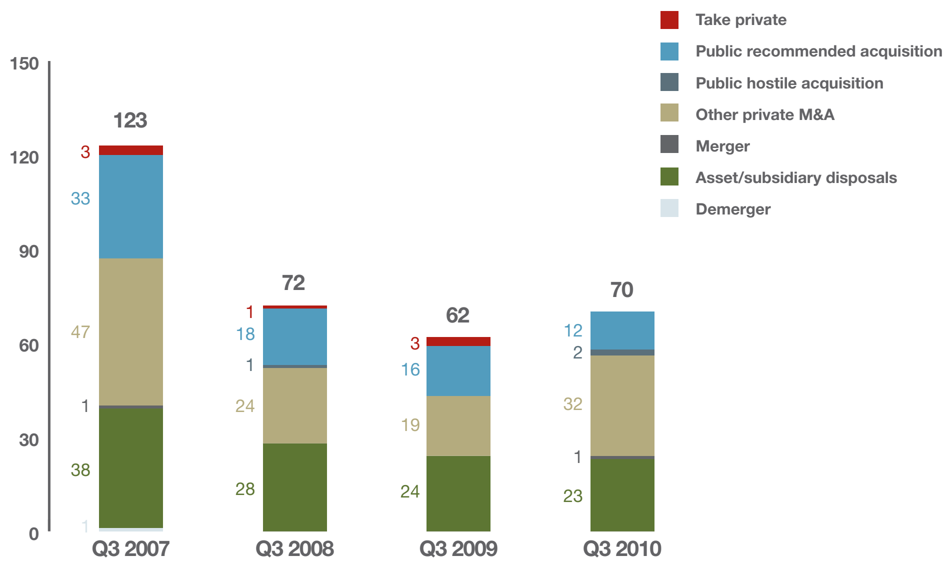
In the technology sector, the market seems to have fallen in love with cloud computing, led by Microsoft, Intel, HP and Dell. This may drive M&A activity, as old-school technology companies look to acquire expertise and presence in this new market, where software is the new hardware.

We expect the coming months will see more convergence transactions, as telecoms carriers and media content owners seek to cross into the world of device manufacturers and platform providers, who seem to be gathering the share of revenue growth in the new TMT world. The reverse is also possible, but seems less likely.

Finally, in media the distinctions between content owners and distributors look set to blur, as content owners respond to the challenges of new revenue and business models such as advertising driven internet distribution. We expect them to acquire and digest technology and platform owners, to get themselves closer to viewers, the ultimate sources of revenue. Horizontal consolidation between content owners and generators will also be a response to changes in media business models, but will not address the fundamental shifts taking place in how we consume our media.

Each of the technology, media and telecoms sectors has its challenges, largely resulting from changes in business models. Old habits die hard, but we think that evolutionary convergence deals, where each of these sectors acquires knowledge and presence from parts of the other, will be a valid way of responding to the challenges that convergence presents.

Technology, Media and Telecoms deal types



Facts and figures

Q3 2010

1/3 increase

Volume of private equity buyouts increased by more than 1/3 compared to Q3 2009

Over 100%

Number of U.S. other private M&A more than doubled compared to Q3 2009

USD7.2bn

Q3 saw just nine insolvency-related deals worth USD7.2bn

Up to USD12bn

Value of Indian public recommended M&A up from USD322m to USD12bn over the past 12 months

USD244bn

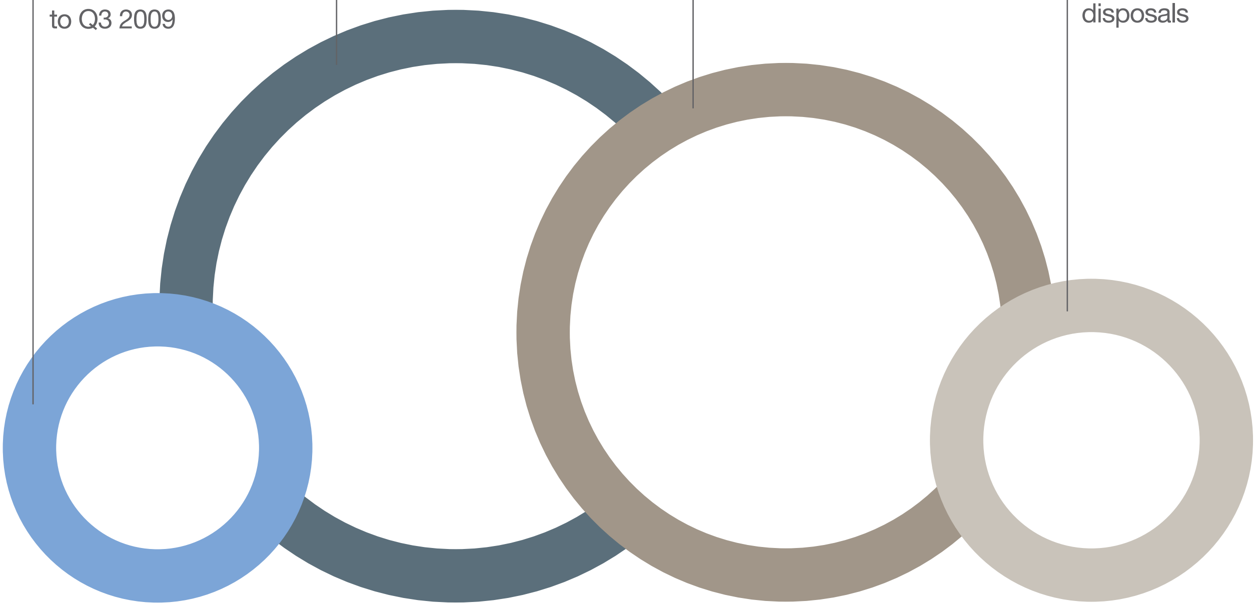
252 cross-border transactions worth USD244bn in Q3

80%
Value of Asia Pacific public recommended M&A increased 80% compared to Q3 2009

38%
increase in energy & resource M&A activity compared to Q3 2009

75%
increase in number of public hostiles compared to Q3 2009

40%
of Q3 M&A was asset/subsidiary disposals



Geographical analysis

Asia Pacific

M&A in the Asia Pacific region continued to show resilience in Q3 2010. Deal volume remained fairly static with 121 transactions, but deal value increased to USD92bn from USD74bn in Q3 2009.

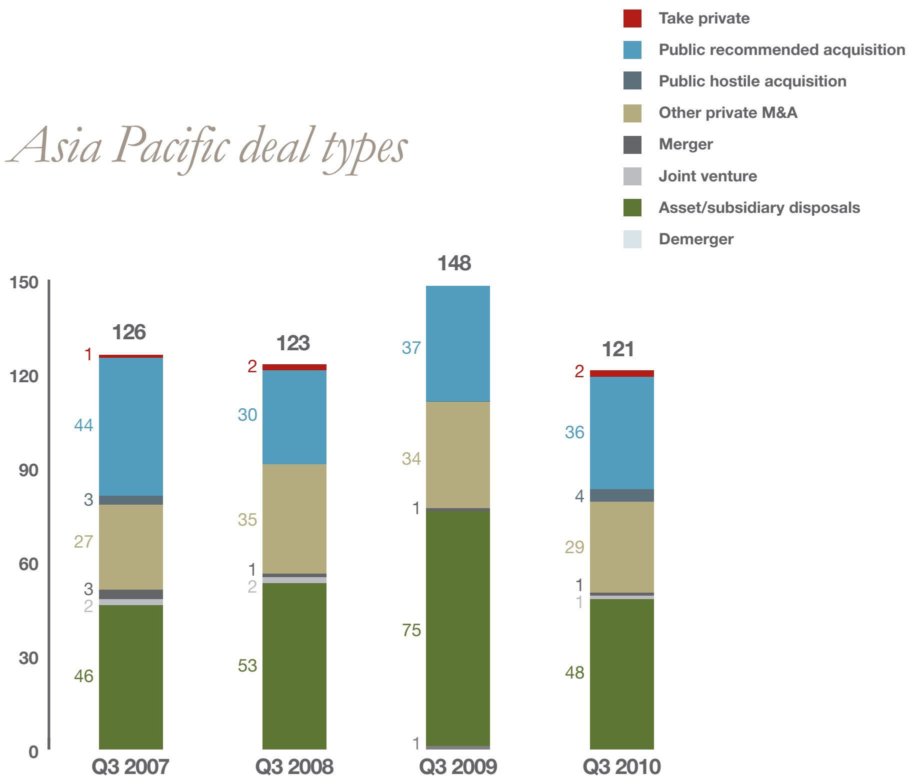
Strong outbound M&A activity was evident across Asia Pacific, with some mega-deals originating from the region, such as natural resources group BHP Billiton's hostile bid for Canada's Potash. Outbound M&A from China was particularly active, driven by the need, especially for state-owned enterprises, to secure the supply of natural resources. Many PRC outbound deals have been in the natural resources and energy sector and Australia is often the target destination. But Chinese investors have also targeted assets in Africa, South America and elsewhere, and in addition to natural resources have moved into sectors including technology, industrials and agriculture.

PRC outbound activity could hit obstacles going forward. Many countries are growing sensitive to foreign investment into natural resources, especially if it results in control shifting to the foreign investor. While this sensitivity is not unique to investors from the PRC, the involvement of Chinese state-owned enterprises is often a particular cause for concern. These SOEs have, for example, been accused of having unfair advantages over competitors and of potentially pursuing strategic objectives. Further concerns surround the role of the PRC government, and the potential for manufacturing and jobs to be relocated to China. Thus some resource-rich nations are now erecting barriers to ensure that any foreign ownership is in the national interest.

Outbound investment is also expected to increase from countries such as Thailand and Japan, due to strong local currencies, continuing subdued local economic activity and a sense that growth and risk diversification is best achieved by investing abroad. Japan's Nippon Telegraph and Telephone Corporation recently announced an offer for South African-based Dimension Data Holdings, and further activity is likely from Japanese investors.

SOME RESOURCE-RICH NATIONS ARE NOW ERECTING BARRIERS TO ENSURE THAT ANY FOREIGN OWNERSHIP IS IN THE NATIONAL INTEREST.

Asia Pacific deal types



As well as outbound activity, consolidation deals and domestic M&A activity continue. In Japan, while inbound investment remains quiet, Panasonic recently announced a move to acquire Sanyo, and in the PRC significant volumes of in-country activity have been seen in Q3 2010.

Private equity has been a key driver of M&A activity in Asia Pacific. Significant investments include the Carlyle Group and TPG Capital's proposed acquisition of Australia's Healthscope Limited which, if successful, is expected to be the biggest buyout in Australia for some time. MBK Partners is also in discussions with potential bidders about a sale of China Networks Systems in Taiwan which, if successful, would be the biggest private equity exit in the Asia Pacific region this year.

The Asia Pacific region continues to dominate the global equity capital markets, partly spurred by increased competition between Asian exchanges in Hong Kong and Singapore to attract premium listings. The Agricultural Bank of China set the record for the world's largest first-time share sale in Q3 2010, and the IPO of AIA is expected to close in Hong Kong in Q4 2010. We expect the region will continue to see high levels of IPO activity over the coming months, and that a significant proportion of the proceeds will be invested in further M&A activity.

Asia Pacific deal summary

	Demerger		Asset/subsidiary disposals		Joint Venture		Merger		Other private M&A		Public hostile acquisition		Public recommended acquisition		Take Private		TOTAL	
	Volume of deals	Value of deals (US$m)	Volume of deals	Value of deals (US$m)	Volume of deals	Value of deals (US$m)	Volume of deals	Value of deals (US$m)	Volume of deals	Value of deals (US$m)	Volume of deals	Value of deals (US$m)	Volume of deals	Value of deals (US$m)	Volume of deals	Value of deals (US$m)	Volume of deals	Value of deals (US$m)
Q1 2007	-	-	45	18,914	-	-	-	-	41	15,297	1	871	49	46,820	3	452	139	82,354
Q2 2007	1	2,219	60	26,772	1	1,261	1	430	51	17,515	-	-	43	28,992	8	9,443	165	86,632
Q3 2007	-	-	46	17,455	2	303	3	6,828	27	6,691	3	1,286	44	36,375	1	155	126	69,093
Q4 2007	-	-	62	28,740	-	-	2	2,619	62	29,419	2	1,428	53	35,126	5	4,181	186	101,513
2007 TOTAL	1	2,219	213	91,881	3	1,564	6	9,877	181	68,922	6	3,585	189	147,313	17	14,231	616	339,592
Q1 2008	-	-	55	19,267	-	-	2	4,011	49	24,970	3	2,183	38	23,282	1	1,362	148	75,075
Q2 2008	-	-	51	30,284	2	1,286	2	2,057	37	13,296	-	-	36	65,291	1	2,203	129	114,417
Q3 2008	-	-	53	37,331	2	1,037	1	1,082	35	11,941	-	-	30	8,695	2	366	123	60,452
Q4 2008	1	126	47	26,547	1	147	-	-	32	34,042	1	276	20	25,899	1	112	103	87,149
2008 TOTAL	1	126	206	113,429	5	2,470	5	7,150	153	84,249	4	2,459	124	123,167	5	4,043	503	337,093
Q1 2009	1	1,296	40	22,934	1	679	-	-	24	10,885	1	618	25	7,977	2	1,610	94	45,999
Q2 2009	-	-	54	51,268	-	-	1	1,209	22	12,180	-	-	26	16,680	-	-	103	81,337
Q3 2009	1	1,319	75	31,839	-	-	1	393	34	13,610	-	-	37	27,291	-	-	148	74,452
Q4 2009	4	14,910	79	37,841	2	58,407	3	1,341	33	13,755	1	789	43	47,652	3	412	168	175,107
2009 TOTAL	6	17,525	248	143,882	3	59,086	5	2,943	113	50,430	2	1,407	131	99,600	5	2,022	513	376,895
Q1 2010	2	809	33	21,232	-	-	-	-	32	12,711	1	259	37	25,013	-	-	105	60,024
Q2 2010	1	1,091	56	17,732	-	-	-	-	20	5,532	1	118	39	28,548	1	176	118	53,197
Q3 2010	-	-	48	24,001	1	189	1	932	29	13,349	4	1,725	36	49,198	2	2,451	121	91,845
2010 TOTAL	3	1,900	137	62,965	1	189	1	932	81	31,592	6	2,102	112	102,759	3	2,627	344	205,066
TOTAL	11	21,770	804	412,157	12	63,309	17	20,902	528	235,193	18	9,553	556	472,839	30	22,923	1,976	1,258,646

Central and Eastern Europe

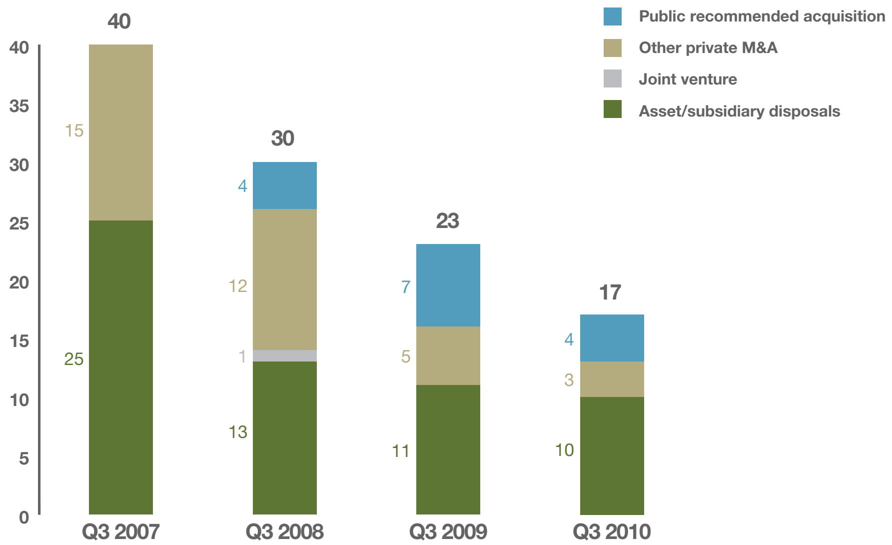
Activity in Central and Eastern Europe over the past 18 months was largely driven by circumstances relating to specific sellers, such as distressed sales, sales of non-core assets by multinationals and disposals by financial institutions following receipt of state aid. However, since the start of Q2 2010 we have seen an increased volume of M&A activity, at all levels, falling broadly into three categories.

The most significant source of activity has been privatisations and the declared strategy of the government in Poland. Some sales are being effected through the capital markets, but many are being done using auction processes, often involving listed targets. This is introducing a new level of complexity into Polish M&A. The deals involve considerations of public M&A, including the sometimes complex consequences of pricing mandatory offers and squeeze-outs.

Budget deficits are driving sales of government assets by the newly elected centre right governments in the Czech and Slovak Republics. Most activity has been seen in the energy and utilities sector, which has seen privatisations, significant asset swaps, and a lot of activity around renewables. There are smaller deals in the pharma and healthcare sectors, especially in Romania.

The sector coming into focus is TMT where, as well as in the consumer and food and beverage sectors, we are seeing the second producer of activity, namely exits by large regional private equity houses of assets purchased in 2005/06. We expect the telecoms sector will produce some further large disposals of non-core assets, which are regarded as profitable and cash generative but which are not providing the returns initially expected by their strategic owners.

Central and Eastern Europe deal types



Central and Eastern Europe deal summary

	Demerger		Asset/subsidiary disposals		Joint Venture		Merger		Other private M&A		Public hostile acquisition		Public recommended acquisition		Take Private		TOTAL	
	Volume of deals	Value of deals (US$m)	Volume of deals	Value of deals (US$m)	Volume of deals	Value of deals (US$m)	Volume of deals	Value of deals (US$m)	Volume of deals	Value of deals (US$m)	Volume of deals	Value of deals (US$m)	Volume of deals	Value of deals (US$m)	Volume of deals	Value of deals (US$m)	Volume of deals	Value of deals (US$m)
Q1 2007	-	-	22	8,928	1	125	-	-	21	6,145	-	-	5	4,642			49	19,840
Q2 2007	-	-	21	27,831	2	3,593	-	-	22	15,838	-	-	1	2,228			46	49,490
Q3 2007	-	-	25	23,695	-	-	-	-	15	4,636	-	-	-	-			40	28,331
Q4 2007	-	-	17	8,631	1	155	-	-	26	27,694	-	-	11	9,414			55	45,894
2007 TOTAL	-	-	85	69,085	4	3,873	-	-	84	54,313	-	-	17	16,284			190	143,555
Q1 2008	-	-	23	17,841	-	-	-	-	23	7,462	-	-	6	3,912			52	29,215
Q2 2008	-	-	26	18,333	-	-	-	-	18	9,410	1	141	4	3,490			49	31,374
Q3 2008	-	-	13	4,520	1	293	-	-	12	1,994	-	-	4	1,783			30	8,590
Q4 2008	-	-	3	1,875	-	-	-	-	12	3,476	-	-	3	595			18	5,946
2008 TOTAL	-	-	65	42,569	1	293	-	-	65	22,342	1	141	17	9,780			149	75,125
Q1 2009	-	-	4	3,540	-	-	-	-	7	2,068	-	-	2	2,109			13	7,717
Q2 2009	-	-	5	3,211	-	-	-	-	9	8,576	-	-	1	168			15	11,955
Q3 2009	-	-	11	6,198	-	-	-	-	5	826	-	-	7	2,244			23	9,268
Q4 2009	-	-	15	11,973	-	-	-	-	9	3,232	-	-	1	114	2	482	27	15,801
2009 TOTAL	-	-	35	24,922	-	-	-	-	30	14,702	-	-	11	4,635	2	482	78	44,741
Q1 2010	-	-	9	8,487	-	-	-	-	6	1,809	-	-	3	1,177			18	11,473
Q2 2010	-	-	16	16,321	-	-	-	-	7	2,543	-	-	7	13,013			30	31,877
Q3 2010	-	-	10	5,456	-	-	-	-	3	596	-	-	4	1,556			17	7,608
2010 TOTAL	-	-	35	30,264	-	-	-	-	16	4,948	-	-	14	15,746			65	50,958
TOTAL	-	-	220	166,840	5	4,166	-	-	195	96,305	1	141	59	46,445	2	482	482	314,379

The third area of activity is the sales of family-owned entrepreneurial businesses both to regional private equity houses and to strategic investors. To deal with mismatched price expectations, we see an increasing tendency to include a significant element of earn-out, sometimes as much as 50% of the price. Deals are being negotiated on a bilateral basis, with full sets of warranties, retention and escrow arrangements. Detailed upfront regulatory and competition analyses are being carried out, and there have been far fewer auction processes in this segment than in the past.

In parts of the region, and most notably in Hungary, Romania and Ukraine, there are some specific drivers of M&A based on currency difficulties and the challenges of obtaining bank financing. These are leading local companies to look to access the capital markets and attract mezzanine investors.

M&A activity has picked up strongly in Russia since Q2 2010, reflecting the recovery in both the oil price and the Russian economy. The most active sectors are oil and gas, energy and utilities, and manufacturing, and activity is driven either by foreign strategic investors (particularly Chinese and Indian energy companies) or Russian companies seeking to consolidate their market share. A number of Russian companies have also announced plans to tap the international equity markets with listings in London and Hong Kong.

We are seeing Chinese and other Asian investors showing interest in all parts of the region and in all sectors, with a particular advantage when bidding for industrial and infrastructure assets. Similarly, Russian lending and acquisitions are visible across all sectors in Ukraine, with an emphasis on the steel industry and the agricultural sector.

TO DEAL WITH MISMATCHED PRICE EXPECTATIONS, WE SEE AN INCREASING TENDENCY TO INCLUDE A SIGNIFICANT ELEMENT OF EARN-OUT.

India

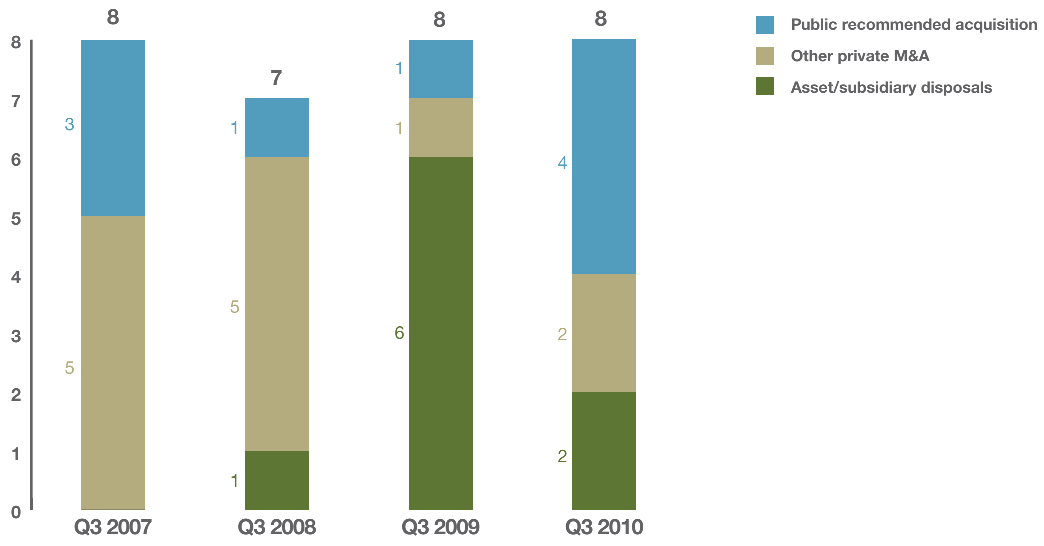
The Indian market has enjoyed a sustained level of GDP growth throughout the downturn, and the rate of growth is continuing to increase with the International Monetary Fund forecasting 9.7% GDP growth for 2010. This has fuelled M&A activity, and in the last couple of quarters there has been increasing interest in outbound investments from India, particularly into Europe and Asia. The majority of these deals have been in the resources and engineering sectors, though the year began with the high-profile acquisition by Bharti Airtel of Zain Telecom's 15-country Africa operations for USD10.7bn, the second largest deal by an Indian company since Tata Steel's USD13.6bn acquisition of steel maker Corus.

The sectors witnessing the strongest inbound M&A activity have been telecoms, manufacturing, chemical and pharmaceuticals. One of the largest inbound deals of the year so far was the acquisition of Essar Telecom Infrastructure for USD450m by Transcend Infrastructure, an affiliate of American Tower Corp.

Private equity investments have begun to take off again in India, though a mismatch in valuation expectations between buyers and sellers remains a considerable obstacle in India just as it is the world over, affecting both the private equity and strategic M&A sectors. A number of private equity funds are nevertheless willing to invest into the Indian energy and infrastructure sectors, however, and there have also been a few significant domestic Indian M&A transactions in the energy, oil and gas, civil aviation and financial services sectors.

THERE ARE SIGNIFICANT CHANGES TO THE TAKEOVER REGULATIONS IN INDIA, WHICH COULD MAKE THE ACQUISITION OF PUBLIC LISTED COMPANIES MORE EXPENSIVE.

India deal types



A REFORM IN THE INDIAN RETAIL, BANKING, INSURANCE AND DEFENCE SECTORS WILL ALSO RESULT IN STRATEGIC PARTNERSHIPS IN THESE SECTORS.

The Indian stock market has witnessed significant investment and the stocks have increased almost 30% in the last few quarters, so that they are now close to the peak levels achieved prior to the global economic slowdown. This growth has been triggered by foreign investment into Indian-listed stock. Standard Chartered, the London-based bank, became the first overseas company to list in India in June when it raised USD529m through a public issue and listing of Indian Depository Receipts.

We see ongoing opportunities for foreign investments in India and we expect more activity to come in the pharmaceuticals, chemicals, manufacturing, engineering, real estate, energy, infrastructure and telecoms sectors. A reform in the Indian retail, banking, insurance and defence sectors will also result in strategic partnerships in these sectors.

There are nevertheless a number of expected regulatory changes of which inward investors need to be aware, which include the proposed changes to direct tax loss, the dilution of the double tax avoidance treaty, and the possible coming into force of the merger control provisions under Indian competition law. There are also proposals for significant changes to the takeover regulations in India, which could make the acquisition of public listed companies more expensive on account of an obligation to make an open offer to buy out the entire public stock.

India deal summary

	Demerger		Asset/subsidiary disposals		Joint Venture		Merger		Other private M&A		Public hostile acquisition		Public recommended acquisition		Take Private		TOTAL	
	Volume of deals	Value of deals (US$m)	Volume of deals	Value of deals (US$m)	Volume of deals	Value of deals (US$m)	Volume of deals	Value of deals (US$m)	Volume of deals	Value of deals (US$m)	Volume of deals	Value of deals (US$m)	Volume of deals	Value of deals (US$m)	Volume of deals	Value of deals (US$m)	Volume of deals	Value of deals (US$m)
Q1 2007	-	-	2	13,790	-	-	-	-	5	934	-	-	2	1,157	-	-	9	15,881
Q2 2007	2	5,854	2	1,509	1	190	-	-	6	1,686	-	-	5	1,642	-	-	16	10,881
Q3 2007	-	-	-	-	-	-	-	-	5	3,695	-	-	3	1,380	-	-	8	5,075
Q4 2007	-	-	5	954	1	168	-	-	7	1,917	-	-	4	761	-	-	17	3,800
2007 TOTAL	2	5,854	9	16,253	2	358	-	-	23	8,232	-	-	14	4,940	-	-	50	35,637
Q1 2008	-	-	6	1,471	-	-	-	-	9	1,809	-	-	8	3,955	-	-	23	7,235
Q2 2008	-	-	5	1,840	1	328	-	-	3	923	-	-	3	7,531	-	-	12	10,622
Q3 2008	-	-	1	227	-	-	-	-	5	1,203	-	-	1	116	-	-	7	1,546
Q4 2008	-	-	3	1,869	-	-	-	-	1	2,653	-	-	3	511	-	-	7	5,033
2008 TOTAL	-	-	15	5,407	1	328	-	-	18	6,588	-	-	15	12,113	-	-	49	24,436
Q1 2009	-	-	1	1,305	-	-	-	-	8	1,417	-	-	2	1,820	-	-	11	4,542
Q2 2009	-	-	3	555	-	-	-	-	1	239	1	133	3	864	-	-	8	1,791
Q3 2009	-	-	6	1,910	-	-	-	-	1	101	-	-	1	322	-	-	8	2,333
Q4 2009	-	-	5	4,290	1	650	-	-	9	2,393	-	-	1	252	-	-	16	7,585
2009 TOTAL	-	-	15	8,060	1	650	-	-	19	4,150	1	133	7	3,258	-	-	43	16,251
Q1 2010	-	-	5	2,790	-	-	-	-	7	1,196	-	-	1	125	-	-	13	4,111
Q2 2010	-	-	14	20,510	-	-	-	-	4	2,026	-	-	6	2,570	-	-	24	25,106
Q3 2010	-	-	2	233	-	-	-	-	2	517	-	-	4	12,085	-	-	8	12,835
2010 TOTAL	-	-	21	23,533	-	-	-	-	13	3,739	-	-	11	14,780	-	-	45	42,052
TOTAL	2	5,854	60	53,253	4	1,336	-	-	73	22,709	1	133	47	35,091	-	-	187	118,376

Latin America

Latin America's positive response to the credit crunch and consistent GDP growth rates are combining to attract considerable foreign investment. Opportunities are evident in various sectors including commodities and natural resources, where Latin America is particularly rich: it has 15% of the world's oil reserves and 30% of its fresh water, for example, not to mention a significant portion of the world's minerals and land suitable for agriculture.

Since the beginning of 2010, Latin America has recorded 89 deals worth USD103bn. Brazil leads the M&A activity, followed by Mexico and with Colombia, Chile, Panama and Peru all growing fast. These economies enjoy an investment-grade rating and have become key markets for companies from the developed economies, which see an opportunity for sustainable and rapid growth.

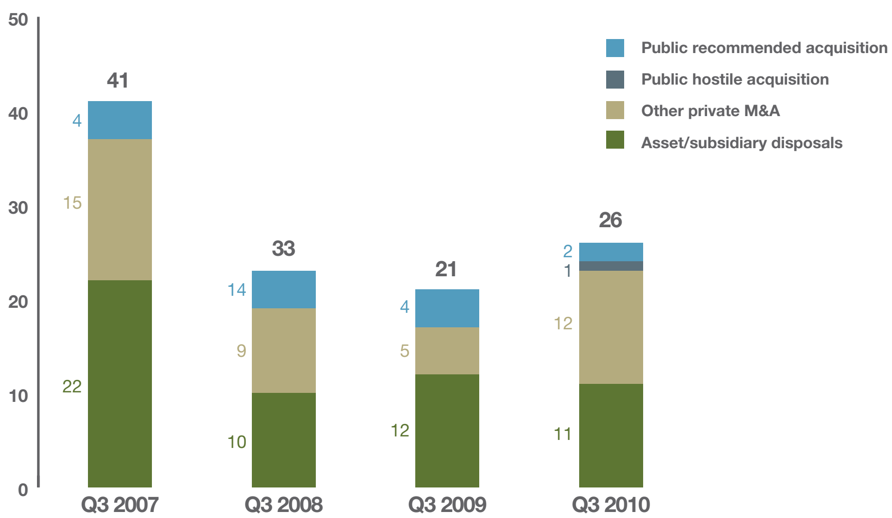
In outbound work, we have seen major Brazilian commodities companies making substantial investments in the United States, Europe and Latin America and also in Asia and Australia. These acquirers include the beef producers JBS and Marfrig, steel mill and cement group CSN, cement group Camargo Correa and Vale, the world's largest iron ore producer. The trend reflects the appreciation of the Brazilian currency and the fact that these companies have to become truly international if they are to compete with their peers on a global scale.

The real action, however, is in Brazilian inbound work as local M&A transactions are expected to reach an all-time high in 2010. Foreign investors are strongly attracted to Brazil's energy and infrastructure, agribusiness and pharmaceutical sectors.

Both the agribusiness and the pharmaceutical sectors have been undergoing consolidation, with smaller companies, and particularly family-owned businesses, encountering selling pressure from big international players, which are keen to expand in a low-cost and fast-growing environment. Investors are starting to recognise the importance of using Brazilian know-how and acting as long-term partners to build up value in the acquired companies, so they now often look to buy a non-controlling stake with the intention of moving to a controlling stake within two to five years.

INVESTORS ARE RECOGNISING THE IMPORTANCE OF USING BRAZILIAN KNOW-HOW.

Latin America deal types



WE HAVE SEEN MAJOR BRAZILIAN COMMODITIES COMPANIES MAKING SUBSTANTIAL INVESTMENTS IN THE UNITED STATES, EUROPE AND LATIN AMERICA.

In the agribusiness, the sugar-cane-based ethanol sector is still highly fragmented in Brazil, where there are approximately 440 mills in south-central Brazil, 20% of which changed hands in 2009. After the global credit crunch, many mills renegotiated their debt with financial institutions, accepting significantly higher interest rates, and are now seeking investors or sources of finance to repay their loans and meet their working capital and investment requirements. The sector is quickly consolidating and we expect it will soon be dominated by large and well-capitalised companies.

The Brazilian pharmaceutical sector registered strong growth in the first half of 2010. It has been one of the key targets for foreign investors and represents a great potential for new investments. Like many of the country's assets, the sector is benefiting from Brazil's high growth rates and the overall increase of salaries and purchasing power among its population.

Latin America deal summary

	Demerger		Asset/subsidiary disposals		Joint Venture		Merger		Other private M&A		Public hostile acquisition		Public recommended acquisition		Take Private		TOTAL	
	Volume of deals	Value of deals (US$m)	Volume of deals	Value of deals (US$m)	Volume of deals	Value of deals (US$m)	Volume of deals	Value of deals (US$m)	Volume of deals	Value of deals (US$m)	Volume of deals	Value of deals (US$m)	Volume of deals	Value of deals (US$m)	Volume of deals	Value of deals (US$m)	Volume of deals	Value of deals (US$m)
Q1 2007	-	-	10	3,134	-	-	-	-	17	6,068	-	-	4	1,461	-	-	31	10,663
Q2 2007	-	-	14	4,350	-	-	-	-	19	7,085	-	-	3	5,215	-	-	36	16,650
Q3 2007	-	-	22	10,849	-	-	-	-	15	4,691	-	-	4	1,748	-	-	41	17,288
Q4 2007	1	13,546	20	8,316	1	900	-	-	15	5,456	1	408	3	1,480	-	-	41	30,106
2007 TOTAL	1	13,546	66	26,649	1	900	-	-	66	23,300	1	408	14	9,904	-	-	149	74,707
Q1 2008	-	-	12	5,127	-	-	1	7,320	15	5,889	-	-	3	7,867	-	-	31	26,203
Q2 2008	-	-	14	8,591	-	-	-	-	11	1,758	-	-	8	10,530	-	-	33	20,879
Q3 2008	-	-	10	4,073	-	-	-	-	9	1,934	-	-	4	2,852	-	-	23	8,859
Q4 2008	-	-	13	12,337	-	-	-	-	4	839	-	-	5	23,886	-	-	22	37,062
2008 TOTAL	-	-	49	30,128	-	-	1	7,320	39	10,420	-	-	20	45,135	-	-	109	93,003
Q1 2009	-	-	7	6,766	-	-	-	-	5	1,919	-	-	3	1,560	-	-	15	10,245
Q2 2009	-	-	12	9,720	-	-	-	-	9	1,926	-	-	5	5,274	-	-	26	16,920
Q3 2009	-	-	12	11,483	-	-	-	-	5	3,176	-	-	4	10,291	-	-	21	24,950
Q4 2009	-	-	15	12,255	-	-	-	-	9	3,304	-	-	3	1,225	-	-	27	16,784
2009 TOTAL	-	-	46	40,224	-	-	-	-	28	10,325	-	-	15	18,350	-	-	89	68,899
Q1 2010	-	-	12	22,987	-	-	-	-	12	3,215	-	-	7	30,823	-	-	31	57,025
Q2 2010	-	-	16	11,688	-	-	-	-	12	5,541	-	-	3	3,049	1	938	32	21,216
Q3 2010	-	-	11	17,815	-	-	-	-	12	3,505	1	2,606	2	765	-	-	26	24,691
2010 TOTAL	-	-	39	52,490	-	-	-	-	36	12,261	1	2,606	12	34,637	1	938	89	102,932
TOTAL	1	13,546	200	149,491	1	900	1	7,320	169	56,306	2	3,014	61	108,026	1	938	436	339,541

Middle East and North Africa

The MENA region, like the rest of the global economy, has been hit hard by the economic crisis, but there are signs of life returning to the M&A sector. M&A activity in the region continues to be driven by petrochemical-related transactions, but there has also been a focus on investments outside the region, with various funds expressing interest in European assets such as Birmingham City Airport and football clubs.

The severity of the financial crisis, especially in Dubai, has been highlighted by a 78% fall in M&A deal value in the third quarter of 2010 compared with the same period in 2009. With the deal volume falling 11%, it is clear that there has been a shift in activity away from the region that can in part be attributed to the global response to the debt restructuring of Dubai World.

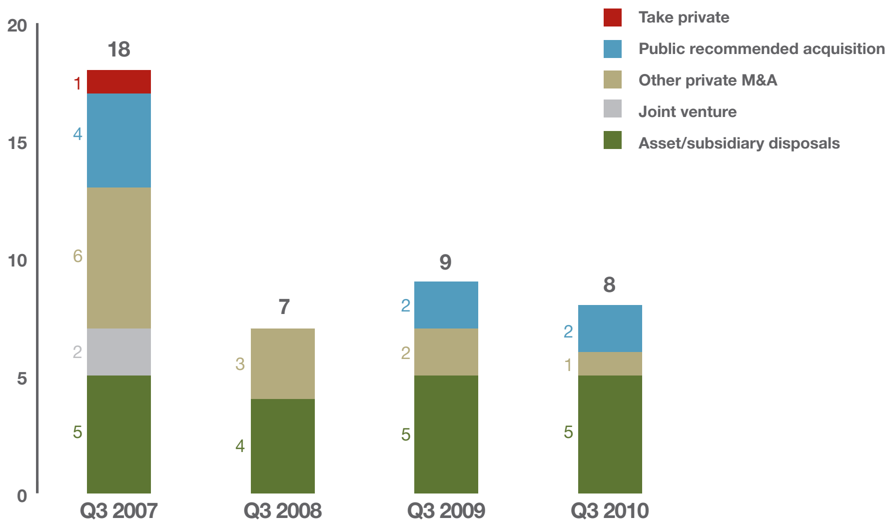
Private equity and sovereign wealth funds are behind the majority of M&A activity in the region, and although the frequency of deals slowly increased in Q3, it has still not returned to anything like the levels of activity previously experienced.

Private equity fundraising in the region has remained slow, with the focus instead on sales of existing assets, where divestments made up the bulk of M&A activity taking place in the quarter, rather than new investment projects. Local private equity funds have maintained a strong focus on regional investments. Abraaj Capital's Riyada Enterprise Development Fund, aimed at investing USD700m into small and medium size regional enterprises, is one example, as is the recent acquisition by EFG-Hermes of a 65% interest in Lebanese bank Credit Libanais.

By contrast SWFs have been considering investments further afield in Asia and Europe. SWFs from Abu Dhabi, Libya and Kuwait have been playing an increasingly significant role in market activity, with the Libyan Investment Authority taking a 2.6% stake in UniCredit SpA earlier this summer. It is reported that the Abu Dhabi Investment Authority holds in excess of USD300bn and is expected to make a number of high-value investments in the near future.

Since the restructuring of Dubai World's debt, a level of confidence has returned to the Dubai market, though it is yet to translate into deal activity, where M&A transactions remain hampered by a lack of debt funding. The involvement of the government of Abu Dhabi in the context of the Dubai World debt restructuring has led to speculation that it may take a more active

Middle East and North Africa deal types



SWFs FROM ABU DHABI, LIBYA AND KUWAIT HAVE BEEN PLAYING AN INCREASINGLY SIGNIFICANT ROLE IN MARKET ACTIVITY.

role in the financial markets of the region, which would have a positive impact on the M&A market.

There has been a steady increase in capital raising by corporates across MENA, with a number of IPOs being launched. The largest IPO of the year to date was the Saudi Arabia-based Knowledge Economic City Company, which raised USD273m, and so far most IPO activity has been based in Saudi Arabia though it is expected to spread across the region going forward.

Large multinationals have continued their interest in MENA as a source of potential growth, as seen with Fairfax Financial Holdings Limited's acquisition of a 39% stake in Gulf Insurance Company and Sicli Holdings' acquisition of UAE-based electronics company Zener Electronics Services. Thus the region enjoys a healthy balance between inward regional investment and outbound investment by its SWFs, and with the possibility of further state institutions entering the market, we believe increased M&A activity is likely in the future.

Middle East and North Africa deal summary

	Demerger		Asset/subsidiary disposals		Joint Venture		Merger		Other private M&A		Public hostile acquisition		Public recommen-ded acquisition		Take Private		TOTAL	
	Volume of deals	Value of deals (US$m)	Volume of deals	Value of deals (US$m)	Volume of deals	Value of deals (US$m)	Volume of deals	Value of deals (US$m)	Volume of deals	Value of deals (US$m)	Volume of deals	Value of deals (US$m)	Volume of deals	Value of deals (US$m)	Volume of deals	Value of deals (US$m)	Volume of deals	Value of deals (US$m)
Q1 2007	-	-	8	5,223	-	-	-	-	6	2,615	-	-	2	549	-	-	16	8,387
Q2 2007	-	-	9	2,406	-	-	-	-	5	2,476	-	-	3	759	-	-	17	5,641
Q3 2007	-	-	5	1,453	2	2,392	-	-	6	2,456	-	-	4	4,056	1	1,004	18	11,361
Q4 2007	-	-	9	17,977	1	600	-	-	7	3,242	-	-	2	295	-	-	19	22,114
2007 TOTAL	-	-	31	27,059	3	2,992	-	-	24	10,789	-	-	11	5,659	1	1,004	70	47,503
Q1 2008	-	-	5	3,407	-	-	-	-	7	2,251	-	-	2	2,889	-	-	14	8,547
Q2 2008	-	-	4	1,835	-	-	-	-	8	1,562	1	227	1	187	-	-	14	3,811
Q3 2008	-	-	4	1,113	-	-	-	-	3	366	-	-	-	-	-	-	7	1,479
Q4 2008	-	-	6	2,569	1	1,361	1	282	3	645	-	-	-	-	-	-	11	4,857
2008 TOTAL	-	-	19	8,924	1	1,361	1	282	21	4,824	1	227	3	3,076	-	-	46	18,694
Q1 2009	-	-	3	483	-	-	-	-	5	1,165	-	-	1	129	-	-	9	1,777
Q2 2009	-	-	2	829	-	-	-	-	2	244	-	-	2	647	-	-	6	1,720
Q3 2009	-	-	5	3,435	-	-	-	-	2	537	-	-	2	8,050	-	-	9	12,022
Q4 2009	-	-	5	1,177	-	-	-	-	8	4,161	-	-	-	-	-	-	13	5,338
2009 TOTAL	-	-	15	5,924	-	-	-	-	17	6,107	-	-	5	8,826	-	-	37	20,857
Q1 2010	-	-	2	750	-	-	-	-	1	100	-	-	4	2,354	-	-	7	3,204
Q2 2010	-	-	4	860	-	-	-	-	1	160	-	-	1	455	-	-	6	1,475
Q3 2010	-	-	5	1,633	-	-	-	-	1	230	-	-	2	762	-	-	8	2,625
2010 TOTAL	-	-	11	3,243	-	-	-	-	3	490	-	-	7	3,571	-	-	21	7,304
TOTAL	-	-	76	45,150	4	4,353	1	282	65	22,210	1	227	26	21,132	1	1,004	174	94,358

United States

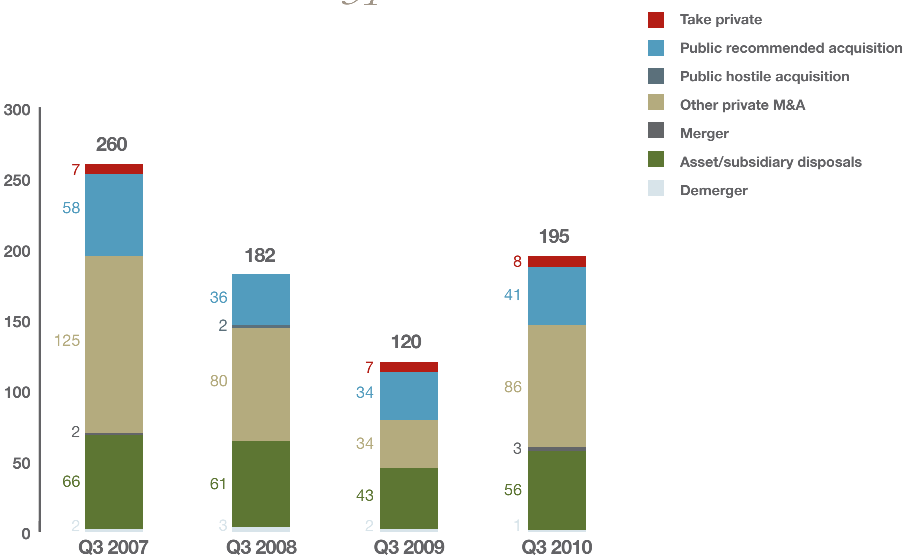
The gradual recovery in the U.S. M&A market that began in late 2009 extended through the third quarter of this year. Continued confidence among corporate CEOs that conditions are right to undertake transformative transactions has spurred a search for strategic acquisition targets. With ready access to cash – whether on corporate balance sheets or through access to low cost borrowings – trade buyers are now taking advantage of modest target valuations to make strategic acquisitions that will better position their businesses for the future.

In the third quarter of 2010 we saw a significant return to hostile takeover activity and a willingness among strategic buyers to submit topping bids to attempt to break up negotiated acquisitions by competitors in the same industry. In contrast to the situation prevailing prior to the financial crisis, where high valuations supported by the liquidity in the market made sellers plentiful, lower target valuations have created an unbalanced situation where buyers are chasing a limited number of assets for sale. Thus we saw bidding wars break out between Hertz and Avis for the Dollar Thrifty Automotive Group, and between Hewlett-Packard and Dell for 3PAR.

The third quarter of 2010 also saw increased activity in the pharmaceutical industry – with both Cypress Bioscience and Genzyme Corp. currently fending off hostile bids – as well as continued strategic positioning in the airline industry with Southwest's announcement that it will acquire AirTran and the completion of the Continental-United merger.

...TRADE BUYERS ARE NOW TAKING ADVANTAGE OF MODEST TARGET VALUATIONS TO MAKE STRATEGIC ACQUISITIONS THAT WILL BETTER POSITION THEIR BUSINESSES FOR THE FUTURE.

United States deal types



The increased willingness of buyers to go hostile – at a time when many corporates had taken down takeover defences like poison pills and staggered boards in response to pressure from the corporate governance community – is forcing target companies to dust off strategies not seen in years. For example, Casey's General Stores took aggressive steps in response to Alimentation Couche-Tard's hostile bid, borrowing to undertake a leveraged recapitalisation and issuing bonds that included a 'poison put' that would require Casey's to pay a redemption premium in the event of a change of control. The effectiveness of these and other takeover defences will ultimately lie with the courts, which we expect to be the final arbiters of what is – or is not – a reasonable protective measure in the months ahead.

A WILLINGNESS AMONG STRATEGIC BUYERS TO SUBMIT TOPPING BIDS TO ATTEMPT TO BREAK UP NEGOTIATED ACQUISITIONS BY COMPETITORS IN THE SAME INDUSTRY.

United States deal summary

	Demerger		Asset/subsidiary disposals		Joint Venture		Merger		Other private M&A		Public hostile acquisition		Public recommended acquisition		Take Private		TOTAL	
	Volume of deals	Value of deals (US$m)	Volume of deals	Value of deals (US$m)	Volume of deals	Value of deals (US$m)	Volume of deals	Value of deals (US$m)	Volume of deals	Value of deals (US$m)	Volume of deals	Value of deals (US$m)	Volume of deals	Value of deals (US$m)	Volume of deals	Value of deals (US$m)	Volume of deals	Value of deals (US$m)
Q1 2007	4	62,472	78	46,178	-	-	3	8,674	92	44,406	-	-	69	98,466	20	87,136	266	347,332
Q2 2007	2	17,395	88	130,706	1	250	1	5,471	127	69,525	2	5,013	76	111,411	22	123,677	319	463,448
Q3 2007	2	3,587	66	50,412	-	-	2	393	125	44,128	-	-	58	105,340	7	37,810	260	241,670
Q4 2007	7	14,533	91	62,297	-	-	1	257	108	40,816	1	111	50	91,643	5	4,692	263	214,349
2007 TOTAL	15	97,987	323	289,593	1	250	7	14,795	452	198,875	3	5,124	253	406,860	54	253,315	1,108	1,266,799
Q1 2008	3	4,003	55	30,197	-	-	-	-	92	44,814	-	-	36	39,096	6	5,056	192	123,166
Q2 2008	6	31,848	56	34,298	-	-	2	3,447	82	70,199	1	1,180	51	109,839	5	3,632	203	254,443
Q3 2008	3	7,260	61	31,582	-	-	-	-	80	33,302	2	59,807	36	118,157	-	-	182	250,108
Q4 2008	-	-	21	16,940	1	150	-	-	25	8,793	-	-	15	45,240	1	115	63	71,238
2008 TOTAL	12	43,111	193	113,017	1	150	2	3,447	279	157,108	3	60,987	138	312,332	12	8,803	640	698,955
Q1 2009	-	-	34	10,155	-	-	1	661	20	19,948	2	44,564	11	119,007	1	155	69	194,490
Q2 2009	1	2,405	44	93,807	1	128	2	7,775	21	15,473	-	-	30	66,875	1	117	100	186,580
Q3 2009	2	1,610	43	24,139	-	-	-	-	34	10,223	-	-	34	52,465	7	3,381	120	91,818
Q4 2009	2	6,711	43	20,685	1	13,794	1	463	66	39,009	-	-	34	108,816	5	6,558	152	196,036
2009 TOTAL	5	10,726	164	148,786	2	13,922	4	8,899	141	84,653	2	44,564	109	347,163	14	10,211	441	668,924
Q1 2010	-	-	42	66,073	3	10,095	-	-	50	19,764	2	8,098	30	47,057	2	1,468	129	152,555
Q2 2010	2	6,586	49	31,741	-	-	3	9,981	83	39,173	-	-	48	67,434	9	9,755	194	164,670
Q3 2010	1	3,020	56	30,206	-	-	3	3,962	86	35,608	-	-	41	65,926	8	14,152	195	152,874
2010 TOTAL	3	9,606	147	128,020	3	10,095	6	13,943	219	94,545	2	8,098	119	180,417	19	25,375	518	470,099
TOTAL	35	161,430	827	679,416	7	24,417	19	41,084	1,091	535,181	10	118,773	619	,246,772	99	297,704	2,707	3,104,777

Western Europe

Deal activity remained slow in Western Europe in Q3, though an increase in deal values, to USD131bn against USD85bn the previous quarter, illustrated the return to the market of larger transactions. A number of ice-breaking transactions in the major economies should strengthen confidence, such as the French group Suez's EUR18.5bn offer for UK energy group International Power, and the sale of Cognis to BASF in Germany for EUR3.1bn.

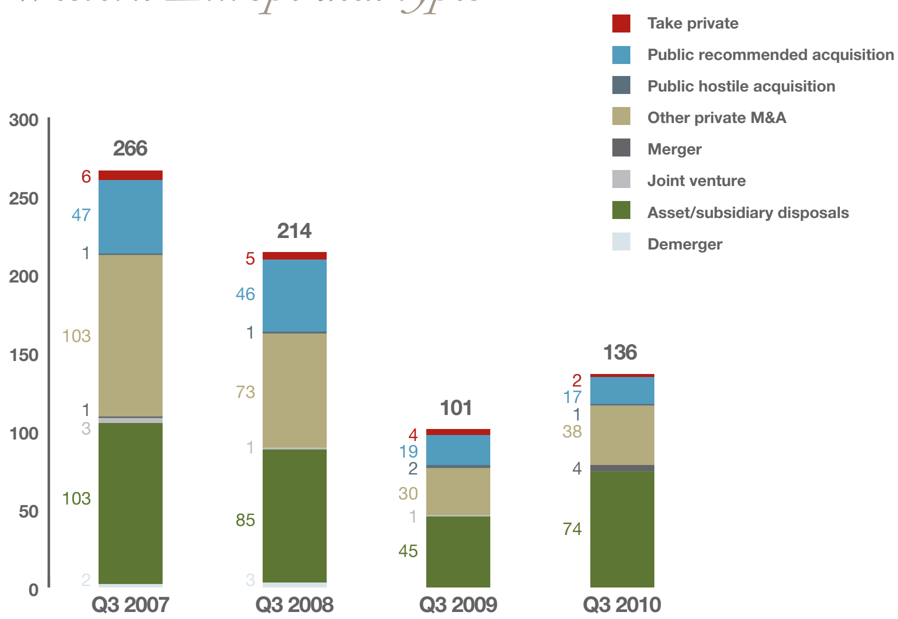
Many of these deals have been driven by consolidation, while there is also a trend towards diversifying geographical spread as investors look to the emerging markets for acquisitons. French group Vivendi acquired the Brazilian telephone company GVT, for example, while Heineken of the Netherlands bought Mexican brewer Femsa. Elsewhere it has been inbound investors that have been driving the market, with the UK seeing its first hostile bid by a major state-owned bidder when KNOC, the Korean oil company, successfully acquired Dana. In the Netherlands, inbound deals saw Akzo Nobel's starch business sold to U.S.-based Corn Product International, and Japanese imaging group Canon's acquisition of publicly listed technology company Océ.

Public M&A has shown signs of recovery across the region, albeit in limited volumes. Nearly all the UK public deals have been for cash, with the use of securities as bid currency still yet to re-emerge. The bid for Dana was the first example of a 'virtual' bid, where the persuasion of shareholders occurred before the bid terms were formally announced. That holders of nearly 50% of Dana's shares were willing to declare their intent to accept the offer before hearing the arguments made by the board was very unusual.

There have been more bids in the UK than elsewhere, raising a question as to whether some UK companies are cheaper than their equivalents abroad. With the legacy of the Cadbury takeover looming, there is speculation that the government may intervene to make corporate UK less vulnerable to takeover, and the Takeover Panel is consulting on possible areas of change. We think it unlikely that the Panel will implement political objectives or make changes that would be at odds with prevailing company law. It may, however, look at areas where the playing field has become tipped in favour of bidders, like the length of time permitted for virtual bids, which currently allows bidders to 'bear hug' a target for a long period before even being committed to make an offer.

ACROSS WESTERN EUROPE WE SEE CONFIDENCE RETURNING AND THE RE-EMERGENCE OF BIG TRANSACTIONS.

Western Europe deal types



The IPO market in Western Europe remains tepid, though in Paris two reported IPOs are planned for the last quarter, one of which is the medical technology company Stentys. An IPO of the television group Canal+ is also expected, which would be an exit by media group Lagardère of its 20% stake.

Private equity deal levels continued to improve, particularly in the UK and France, though Germany remains slow. In France large deals over the summer included the bids for frozen food group Picard Surgelés, MW Brands, B&B Hotels and electronics business Eurofarad. The Picard Surgelés LBO by Lion Capital, for EUR1.5bn, was the first buyout of a French company for more than EUR1bn since 2008, and it was the retail sector, as well as energy, that dominated interest across the region.

Across Western Europe we see confidence returning and the re-emergence of big transactions, while the volume of mid and small-cap deals is also increasing and remains the home of the majority of activity. Though private M&A remains pedestrian, the return of private equity bidders to the market is a good sign for the months ahead, even though transactions continue to take a long time to agree.

NEARLY ALL THE UK PUBLIC DEALS HAVE BEEN FOR CASH, WITH THE USE OF SECURITIES AS BID CURRENCY STILL YET TO RE-EMERGE.

Western Europe deal summary

	Demerger		Asset/subsidiary disposals		Joint Venture		Merger		Other private M&A		Public hostile acquisition		Public recommended acquisition		Take Private		TOTAL	
	Volume of deals	Value of deals (US$m)	Volume of deals	Value of deals (US$m)	Volume of deals	Value of deals (US$m)	Volume of deals	Value of deals (US$m)	Volume of deals	Value of deals (US$m)	Volume of deals	Value of deals (US$m)	Volume of deals	Value of deals (US$m)	Volume of deals	Value of deals (US$m)	Volume of deals	Value of deals (US$m)
Q1 2007	1	108	96	64,827	-	-	3	14,627	87	57,497	1	214	52	80,101	6	7,033	246	224,407
Q2 2007	3	5,478	121	113,856	1	1,331	2	19,323	126	69,245	-	-	56	259,660	12	45,291	321	514,184
Q3 2007	2	16,133	103	69,014	3	1,400	1	353	103	56,067	1	284	47	185,956	6	5,836	266	335,043
Q4 2007	1	1,525	109	75,229	-	-	-	-	93	46,873	3	1,838	51	69,927	6	20,816	263	216,208
2007 TOTAL	7	23,244	429	322,926	4	2,731	6	34,303	409	229,682	5	2,336	206	595,644	30	78,976	1,096	1,289,842
Q1 2008	1	106,884	82	44,898	-	-	-	-	92	49,057	1	173	31	40,661	5	6,971	212	248,644
Q2 2008	-	-	88	54,860	3	1,615	-	-	102	52,520	1	1,796	42	40,106	4	6,334	240	157,231
Q3 2008	3	20,970	85	69,345	1	286	-	-	73	47,790	1	3,025	46	152,621	5	1,589	214	295,626
Q4 2008	-	-	58	76,870	-	-	-	-	50	70,106	1	730	25	53,393	-	-	134	201,099
2008 TOTAL	4	127,854	313	245,973	4	1,901	-	-	317	219,473	4	5,724	144	286,781	14	14,894	800	902,600
Q1 2009	-	-	35	26,927	-	-	1	280	30	54,877	-	-	14	20,439	1	408	81	102,931
Q2 2009	2	7,522	53	22,779	-	-	-	-	18	8,794	1	2,128	22	14,595	-	-	96	55,818
Q3 2009	-	-	45	23,358	1	771	-	-	30	10,294	2	2,257	19	22,050	4	904	101	59,634
Q4 2009	1	3,923	61	37,584	-	-	1	2,029	41	76,215	2	23,246	28	17,372	1	106	135	160,475
2009 TOTAL	3	11,445	194	110,648	1	771	2	2,309	119	150,180	5	27,631	83	74,456	6	1,418	413	378,858
Q1 2010	3	7,508	52	60,709	1	1,043	1	144	55	32,187	-	-	12	4,389	3	2,013	127	107,993
Q2 2010	1	291	64	38,225	1	383	3	7,759	52	21,602	1	417	23	15,559	3	864	148	85,100
Q3 2010	-	-	74	76,884	-	-	4	12,181	38	17,886	1	2,905	17	16,460	2	5,180	136	131,496
2010 TOT	4	7,799	190	175,818	2	1,426	8	20,084	145	71,675	2	3,322	52	36,408	8	8,057	411	324,589
TOTAL	18	170,342	1,126	855,365	11	6,829	16	56,696	990	671,010	16	39,013	485	993,289	58	103,345	2,720	2,895,889

Definitions

Asset/subsidiary disposals
A disposal where the seller is a corporate selling a controlling interest (>30%) in one or more of its businesses. This excludes private equity exits and disposals made by high net worth private individuals and families. Includes government-related sales and disposals made by non-private equity financial investors, such as investment holding companies.

Cross-border
A transaction that is conducted across national boundaries. The deal involves parties from at least two different countries.

Demerger
A transaction where a company spins off one of its subsidiaries, resulting in the creation of a separate listed business independent from the activities or influence of the former parent. The shareholders ultimately hold shares in each company and neither the former parent company nor shareholders receive any cash as a result of the deal (as opposed to a flotation/IPO).

Domestic
A transaction conducted within a national boundary. The deal involves parties that are incumbent nationals of that country.

Insolvency-related
A transaction where a company has filed for bankruptcy or is subject to another insolvency process or procedure, and sells off part or all of its assets to generate the cash necessary pay creditors.

Joint venture
A transaction that involves the pooling of assets between different companies, whereby the ownership of the new joint venture is shared between the parent companies involved. Does not include so-called joint ventures where a company's sole contribution is cash rather than assets.

Merger
A transaction that involves the combination of two or more separate businesses into one, with broadly equal holding and governance rights assigned to the respective shareholders of each company.

Other private M&A
Acquisitions or disposals not covered by the other classifications. Includes PE exits and disposals made by high net worth individuals and families.

Public recommended acquisition (excl. PE-related take privates)
A friendly acquisition where the parties involved reach agreement over the terms of the deal, normally prior to the acquisition being formally announced. The transaction requires approval from either the bidder, target or vendor shareholders in a public forum.

Public hostile acquisition (excl. PE-related take privates)
An acquisition of a publicly quoted target where the target management does not recommend the offer within two weeks.

Take privates (hostile and recommended)
An acquisition of a publicly quoted company, by financial investors such as private equity houses or venture capital firms (as opposed to a trade buyer). The target company is subsequently delisted.

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