BGI Shenzhen’s Acquisition of Complete Genomics – Insights On Acquiring A U.S. Public Company
The Parties to the Transaction

• **Complete Genomics, Inc. ("CGI")**
  - U.S. publicly traded company headquartered in Mountain View, California USA
  - CGI provides whole human genome sequencing, used by research centers to conduct medical research
  - In 2009, CGI announced that it had sequenced its first human genome

• **BGI-Shenzen ("BGI")**
  - Privately held Chinese company headquartered in Shenzen, China
  - Founded in 1999 as the Beijing Genomics Institute, initially as the Chinese representative in the “Human Genome Project”
  - BGI operates international genome sequencing centers supporting genetic research into agriculture, animals and humans, and serving researchers around the world
Transaction Details

- First acquisition of a U.S.-based publicly traded company by a Chinese buyer
- Transaction announced on September 17, 2012
- Expected to be completed in early 2013
- BGI agreed to provide CGI with up to US$30 million in bridge financing to fund CGI’s operations prior to the completion of the transaction
- Aggregate transaction value = US$117.6 million (approx.)
- Completion of transaction subject to US antitrust and CFIUS clearance as well as Chinese currency approvals
Key Considerations in Acquiring a U.S. Public Company

- Price!
- Importance of Due Diligence
- Timing; Transaction Structure
- Conditionality; Regulatory Approvals
- Fiduciary Duties of Target Board
- Stockholder Litigation
Due Diligence Investigation

• In the typical public company acquisition, the target will push for a speedy due diligence investigation to minimize the likelihood of leaks regarding the process
• Buyer must rely heavily on due diligence investigation because of (i) limited ability to terminate merger agreement following signing and (ii) no remedies for problems that arise/are discovered following the closing
• Due diligence investigation will involve not only a review of publicly available materials, but also a review of confidential non-public information
  • Target company will typically require potential bidders to sign a confidentiality agreement containing “standstill” provisions and employee “no-poach” provisions
  • Buyer will typically seek access to senior executives and other key employees as part of due diligence investigation
Timing Generally

- Pre-Signing Phase (typically confidential process)
  - Due Diligence Investigation
  - Preliminary Negotiations Over Price and Structure
  - Negotiations Over Merger Agreement

- Post-Signing Phase (public disclosure of material events)
  - Seek Regulatory Clearance
  - Obtain Required Acquisition Financing
Transaction Structure

- Two Common Forms of Public Company Acquisition:
  - One-step merger structure (stockholder meeting)
  - Two-step tender offer structure (stockholders tender shares)

- Two-Step Structure Typically Faster and Favored By Both Parties
  - Less Risk to Target of Material Adverse Change
  - Less Risk to Buyer of Topping Bid
Transaction Structure and Timing

**One Step Merger**
- Sign Merger Agreement
- Issue Press Release
- File Tender Offer Materials with SEC and Mail to Target Stockholders
- Submit antitrust notice
- Receive US Antitrust Clearance (or 2nd Request)

**Two Step Tender Offer**
- Sign Merger Agreement
- Issue Press Release
- Prepare and File Proxy Materials
- Receive US Antitrust Clearance (or 2nd Request)
- Tender Offer Terminates (20 Business Days Following Commencement)
- Bidder Gains Control of Target
- SEC Review and Comment Responses Completed
- Print and Mail Proxy Materials to Target Stockholders

**Timing**
- Consummate Short Form Merger (If Available)

**Target Stockholder Meeting**
- Close Merger

**Week 0**
- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12

Timing may be substantially delayed by receipt of a second request from U.S. antitrust authorities, or delays in receipt of foreign antitrust clearance.
Conditionality Generally

- Most acquisitions of U.S. public companies provide very limited rights for a buyer to terminate the transaction once the merger agreement is signed.
- Buyers seeking greater than typical conditionality to their obligation to consummate the transaction will face significant resistance from the target company.
  - Regulatory Approvals
  - Financing
  - Employee Retention
Regulatory Approvals in the BGI/CGI Transaction

- U.S. Approvals
  - Antitrust Clearance under the HSR Act
  - Committee on Foreign Investment in the U.S. (“CFIUS”)
- Chinese Approvals
  - Antitrust Clearance
  - Overseas Acquisitions
U.S. Regulatory Approvals

- **Antitrust Clearance Under the HSR Act**
  - Merger parties submit filings to trigger 15/30-day review period
  - If no “second request” made by regulators prior to expiration of 15/30-day period, transaction has cleared antitrust

- **CFIUS Clearance**
  - CFIUS has broad discretion to block transactions involving foreign investment in U.S.
  - CFIUS filing is voluntary, but President can block transaction that has not received CFIUS clearance
  - Initial 30-day review period, followed by possible additional 45-day review period
Chinese Regulatory Approvals

- Chinese Merger Control
- Chinese Approvals for Foreign Acquisitions
  - Acquisitions outside of the PRC requires either provincial-level (under US$100 million) or central-level (US$100 million or above) approval
  - Three separate approvals must be obtained:
    - National Development and Reform Commission ("NDRC")
    - Ministry of Commerce ("MOFCOM")
    - State Administration of Foreign Exchange ("SAFE")
  - Process typically takes 3 to 4 months
Fiduciary Duties of Target Board

- Generally speaking, a Target’s board is legally obligated to seek the highest price reasonably available for the outstanding shares of the Target.
  - Target board’s focus is on outcome for stockholders not on potential benefits to employees or other constituencies.
  - Target board must retain some ability to consider competing offers.
- Buyer will seek to limit the ability of Target to terminate merger agreement and accept a competing offer.
  - “No-Shop” Provisions
  - “Break-Up” Fees
  - Matching Rights
Stockholder Litigation

- Litigation associated with US public deals is inevitable
- “Failing to satisfy fiduciary duties” is most common complaint
- Buyer may also be named as a defendant
- These lawsuits are usually settled for less than US$1 million, although settlement costs in some instances can be higher
Lessons Learned

- Chinese buyers will likely face challenges to consummating an acquisition of a US public company that would not be faced by a US buyer.
- These challenges can put a Chinese bidder at a relative disadvantage to a U.S. bidder.
- Minimizing the impact of such challenges may involve:
  - Consider creative strategies, such as providing bridge financing or use of offshore subsidiaries/financing, to compensate for delays in deal timing caused by Chinese regulatory approval requirements.
  - Proactively and creatively resolving Chinese and US regulatory issues, including through use of lobbying efforts.
  - Providing assurance of acquisition financing, whether through internal cash resources, definitively committed financing or more traditional U.S.-style commitment papers.
Alan C. Mendelson
Partner, Silicon Valley

• Co-chair of the firm’s Emerging Companies Practice and Life Sciences Industry Groups.

• Significant experience with venture capital financings, private placements, public offerings, mergers and acquisitions, joint ventures, strategic collaborations and commercial transactions.

• Serves as the corporate secretary for many public and private companies.

• As counsel to Amgen from its inception in 1980 through 2006, handled numerous transactions, including its initial public offering in 1983; its joint venture with Kirin; a number of major research and development partnerships; its European convertible debt deal; and its co-promotion agreement for Europe with F. Hoffman-La Roche. He also served as Amgen’s Secretary and Acting General Counsel.

• Currently serves as principal outside or general counsel to numerous life sciences companies including Coherus BioSciences, Corcept Therapeutics, Intuitive Surgical, Kythera Biopharmaceuticals, OncoMed Pharmaceuticals, Prothena Biosciences, Sarepta Therapeutics, Singulex, Transcept Pharmaceuticals and Ulthera.

• Counsel to a number of investment banks in the public offering arena, including Citibank, CSFB, DeutschBank, Goldman Sachs, Jefferies & Co., Morgan Stanley and Leerink Swan.

• As company counsel, has handled public offerings for such notable life sciences companies as Amgen, Axys Pharmaceuticals, Aviron, Complete Genomics, Corcept Therapeutics, CV Therapeutics, Geron Corporation, Intuitive Surgical, InterMune, Kythera Biopharmaceuticals, Novacea, Pharmacyclics, Renovis, Sarepta Therapeutics and Transcept Pharmaceuticals.

Recognition Highlights
• The Best Lawyers in America
• IPO Vital Signs
• Daily Journal - Top 25 Biotech Attorneys
• National Law Journal - America’s 100 Most Influential Lawyers
• Chambers Global and Chambers US - World's Leading Lawyers

Education
• JD, Harvard Law School, 1973
• AB, University of California, Berkeley, 1969

Bar Qualifications
• California
Highlights of A123/Wanxiang Transaction
Background

- **A123 Systems, Inc.** is a manufacturer of lithium-ion batteries and battery systems for the transportation, electric grid and commercial markets
- Approximately 1,800 employees
- Headquarters in Waltham, Massachusetts
- Recipient of US$250 million grant from United States Department of Energy
- September 2009, the company raised US$380 million after going public on the NASDAQ stock exchange; this was the largest IPO of 2009
- In December 2009, A123 formed a joint venture with Shanghai Automotive Industry Corporation (1st JV between a Chinese automaker and a non-Chinese battery supplier)
May 2012 Process to Consider Strategic Alternatives

• To address liquidity and other concerns, in May 2012 Lazard launched a process to investigate strategic alternatives for A123.
• All transactions structures considered; All partners considered
• A123 decided to proceed with the proposed Wanxiang Transaction:
  • Wanxiang agreed to invest up to US$465 million to acquire as much as 80% of A123 Systems (including through direct debt and convertible notes and warrants);
  • Wanxiang agreed to provide A123 with US$75 million in initial debt (initial credit extension of US$25 million and US$50 million to be funded after the satisfaction of certain closing conditions); and
  • Upon satisfaction of certain closing conditions, Wanxiang would purchase US$200 million aggregate principal amount of A123's Senior Secured Convertible Notes.
May-August 2012: A123/Wanxiang Transaction

- August 2012, Wanxiang made initial US$25 million secured loan
- However, A123 required additional capital for operations before the Wanxiang Transaction was fully consummated
- A123 again explored other strategic alternatives
- Best remaining option was for A123 to file for bankruptcy and consummate a transaction (with Wanxiang or someone else) in bankruptcy
A123 Bankruptcy

- October 16, 2012, A123 and its US subsidiaries filed for bankruptcy in the Bankruptcy Court for the District of Delaware
  - A123’s Chinese subsidiaries did not file for bankruptcy
- A123 focused on maximizing value for all creditors
- Bankruptcy is a “fair and transparent” process
- Johnson Controls initially provided US$72.5 million “DIP Loan” and was the “Stalking Horse Bidder” for A123 assets with a bid of $125 million
- Wanxiang replaced the Johnson Controls DIP Loan with its own US$50 million “DIP Loan”
A123 Auction in Bankruptcy

- Auction held in December 2012 for A123’s assets
- 8 bidders from 5 countries participated to buy some or all of A123’s assets
- Wanxiang’s US$257 million bid was selected as the highest/best bid for substantially all of A123’s assets
  - Navitas purchased US “government” assets for US$2 million
- Bankruptcy Court approved the sale to Wanxiang
- CFIUS approval received in January 2013
  - Sale consummated immediately thereafter
Lessons Learned:
Tips for Chinese Acquirers

• Willingness to act and transact in an open and transparent manner
• Embrace benefits of bankruptcy process
• Flexibility to address liquidity and long-term strategic needs
• Ability to act quickly and decisively in sale and auction process
• Cash and closing certainty are critical
• Professional assistance navigating US media and politics
US law empowers the President to:

- Review mergers and takeovers which could result in foreign control of US businesses
- Suspend, prohibit, or order divestiture where deals would threaten US national security
- Parties can arrange for review/obtain clearance by submitting a voluntary notice to the Committee on Foreign Investment in the United States ("CFIUS")
- CFIUS includes representatives of the Departments of Treasury (chair), Homeland Security, Justice, Defense, State and others (including intelligence agencies)
- CFIUS has significant discretion to determine when a foreign entity has sufficient control to confer jurisdiction
Achieving Closing

- CFIUS Clearance considerations
  - Degree of control
  - Market sector/industry compliance history and systems of target
  - Track record and staying power of foreign investor
  - Communications strategy/security message
- Avoiding CFIUS review through investment structure
  - Contracts/leases
  - Lending
  - Passive/minority ownership (<10% safe harbor; other)
  - Bifurcation of business lines
- “Mitigation Agreements” to constrain foreign control and mitigate perceived risk, allowing CFIUS clearance and closing
  - US citizenship requirements for directors and senior officers
  - Restrictions on consolidating operations and information flow to foreign owner
  - Reporting or audit requirements
  - Establishment of Security Committee, and adoption of security policies
  - Implementation of industry-specific security measures
  - Establishment of proxy board or divestiture of assets
Overview of the U.S. Technology Acquisition Market for Chinese Companies
## Perception vs. Reality of China M&A into the U.S.

<table>
<thead>
<tr>
<th>PERCEPTION</th>
<th>REALITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>✗ The U.S. is closed to China for acquisitions</td>
<td>✔ Increasing activity of outbound M&amp;A to the U.S.</td>
</tr>
<tr>
<td>✗ Anti-China sentiment prevails in the U.S.</td>
<td>✔ Many U.S. local politicians, governments and company managements welcome the economic benefits of Chinese capital and job creation</td>
</tr>
<tr>
<td>✗ CFIUS is driven purely by political considerations, to prevent Chinese companies from acquiring in the U.S.</td>
<td>✔ A spate of recently completed Chinese acquisitions into the U.S. have been approved by CFIUS</td>
</tr>
<tr>
<td>✗ Most China outbound deals are assets/resources driven</td>
<td>✔ 72% of China outbound deals to the U.S. from 2008 to 2012 have a technology component</td>
</tr>
<tr>
<td>✗ Chinese buyers are only looking for majority control situations</td>
<td>✔ 42% of China outbound deals to the U.S. from 2008 to 2012 involve minority stakes</td>
</tr>
</tbody>
</table>

- PRC overseas acquisition is up by 16.2% in 2012 as compared to the previous year, while M&A deals to the U.S. tripled in 2012

- If compared to other regions such as Europe, Australia, or Canada, outbound M&A to the U.S. has significant potential to increase

### Outbound Deals to the U.S.

<table>
<thead>
<tr>
<th>Deal Value US$bn</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009-2012 CAGR</td>
<td>46.1%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1,730</td>
<td>2,779</td>
<td>1,331</td>
<td>5,398</td>
<td></td>
</tr>
</tbody>
</table>

### Outbound Deals by Target Nation

<table>
<thead>
<tr>
<th>Deal Value US$bn</th>
<th>Brazil</th>
<th>Australia</th>
<th>Canada</th>
<th>United States</th>
<th>Switzerland</th>
<th>United Kingdom</th>
<th>Argentina</th>
<th>France</th>
<th>Singapore</th>
<th>South Africa</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>20.4</td>
<td>17.2</td>
<td>15.6</td>
<td>11.2</td>
<td>7.2</td>
<td>7.1</td>
<td>6.2</td>
<td>3.9</td>
<td>3.3</td>
<td>2.4</td>
</tr>
</tbody>
</table>

Source: Data from Thomson One Banker as of Dec 31, 2012. Statistics of all completed deals (including minority stake investments) with transaction value greater than US$1 mn. Withdrawn and internal restructuring transactions excluded.
Fundamental Drivers of Sino-U.S. Technology M&A

**Strong Sino-U.S. Economic Ties**

- US$6.5bn FDI into the U.S. from China in 2012
- 2012 Sino-U.S. trade value of US$536.2bn, a further 6.5% up as compared to 2011
- Chinese companies, both private and SOEs, have now invested in over 40 U.S. states to date
- Positive economic outlook for China and the U.S. in 2013 and beyond

**Significant Opportunities in the U.S. for Chinese Capital**

- Ongoing corporate restructuring and deleveraging in the U.S.
- Certain industries in the U.S. are going through fundamental restructuring, creating opportunities for Chinese to acquire
- Chinese buyers have access to significant liquidity and often have healthy balance sheets

**China’s Economic Model Shift**

- Chinese economy is shifting from an old model fueled by cheap labor, exports and heavy investment, to scientific, stable and sustainable development, where technology is key:
  - Industry upgrade
  - Enhance efficiency
  - Meeting strong and more advanced domestic demand
  - Achieve balance between economic development and environmental protection

*Source: United States Consensus Bureau*
A Significant Portion of Deals are below US$100m and Often Involve Minority Stakes

Many Chinese buyers have elected to start from smaller transactions or minority stake situations, in order to build a track record in the U.S. and lay a solid foundation for larger transactions.

<table>
<thead>
<tr>
<th>Breakdown by Stake Acquired</th>
<th># of Deals</th>
<th>Increasing Stake</th>
</tr>
</thead>
<tbody>
<tr>
<td>Majority</td>
<td>8%</td>
<td>3%</td>
</tr>
<tr>
<td>Assets</td>
<td>19%</td>
<td>100% Equity</td>
</tr>
<tr>
<td>Minority</td>
<td>31%</td>
<td>39%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Breakdown by Transaction Size</th>
<th># of Deals</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;=100M</td>
<td>81%</td>
</tr>
<tr>
<td>100M - 500M</td>
<td>13%</td>
</tr>
<tr>
<td>&gt;500M</td>
<td>6%</td>
</tr>
</tbody>
</table>

Source: Dealogic, Mergermarket
Note: In terms of deal numbers (2008-2012)
### Increasing Technology – Driven Transactions

- 72% deals closed have a technology component (1)
- Technology driven deals are concentrated in four sectors: IT, industrials, healthcare and cleantech
  - Among technology deals in industrials sector, 37% are automotive related, and 10% involve aerospace technology

#### Total Outbound Deals to the U.S.

<table>
<thead>
<tr>
<th>Sector</th>
<th># of Deals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Others</td>
<td>13%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>5%</td>
</tr>
<tr>
<td>Consumer/Retail</td>
<td>6%</td>
</tr>
<tr>
<td>Energy</td>
<td>8%</td>
</tr>
<tr>
<td>Cleantech</td>
<td>9%</td>
</tr>
<tr>
<td>Healthcare</td>
<td>13%</td>
</tr>
<tr>
<td>Industrials</td>
<td>23%</td>
</tr>
</tbody>
</table>

#### Technology-Driven Outbound Deals to the U.S.

<table>
<thead>
<tr>
<th>Sub-sector</th>
<th># of Deals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Others</td>
<td>8%</td>
</tr>
<tr>
<td>Cleantech</td>
<td>12%</td>
</tr>
<tr>
<td>Healthcare</td>
<td>18%</td>
</tr>
<tr>
<td>IT</td>
<td>31%</td>
</tr>
<tr>
<td>Industrials</td>
<td>31%</td>
</tr>
</tbody>
</table>

**Source:** Dealogic, Mergermarket

**Note:** In terms of deal numbers (2008-2012)

(1) Referring to deals that have a strong technology or industry know-how component rather than deals primarily driven by resources, brand, product/business diversifications, or market access
Key Issues in Outbound Acquisitions into the U.S.

<table>
<thead>
<tr>
<th>Disadvantages for Chinese Bidders in an Auction Process</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Due Diligence</strong></td>
</tr>
<tr>
<td>Internal team’s less involvement in DD</td>
</tr>
<tr>
<td>Sometimes reluctant to retain 3rd party advisor</td>
</tr>
<tr>
<td>Significant language barrier</td>
</tr>
<tr>
<td>On-site DD sometimes difficult to coordinate due to long geographic distance and visa issue</td>
</tr>
<tr>
<td><strong>Approval</strong></td>
</tr>
<tr>
<td>Lack of experience in SPA negotiations</td>
</tr>
<tr>
<td>Multiple layers of internal approval</td>
</tr>
<tr>
<td><strong>Management Retention / Labors</strong></td>
</tr>
<tr>
<td>Substantial differences in management comp between bidder and target</td>
</tr>
<tr>
<td>Local concerns over job-losing</td>
</tr>
<tr>
<td><strong>Financing</strong></td>
</tr>
<tr>
<td>PRC banks reluctant to get involved in the early stage of the process</td>
</tr>
<tr>
<td>Lengthy credit committee sign-off</td>
</tr>
<tr>
<td><strong>PRC Approvals</strong></td>
</tr>
<tr>
<td>Bid conditional upon PRC regulatory approval</td>
</tr>
<tr>
<td>Lack of transparency in assessment criteria</td>
</tr>
<tr>
<td><strong>CFIUS Approvals</strong></td>
</tr>
<tr>
<td>Uncertainty of obtaining CFIUS approvals, in particular if the bidder is state-owned</td>
</tr>
</tbody>
</table>

Seller Concerns over Chinese Bidders

- Ability to Move Quickly
- Management/Labor Support
- Political Support
- Financing Certainty
- Deal Closing Certainty
Chinese Buyers Need to be Very Proactive during the U.S. Acquisition Process

**Tactics to Success**

**PRE-EMPT TO AVOID AUCTION SITUATION**
- Identify targets early
- Build relationship with sellers and targets early
- Be proactive in building a relationship
- Be explicit and clear in deal rationale

**FLEXIBLE IN DEAL STRUCTURE**
- Step by step approach to build goodwill and trust, as well as a track record
- Consider starting with smaller targets or minority stake acquisitions

**WIN SUPPORT OF THE TARGET AS WELL AS POSITIVELY INFLUENCE LOCAL & NATIONAL RELATIONSHIPS**
- Helpful to win support of various stakeholders
  - Management
  - Labor union
  - Public opinions
  - National and local politicians

**ADDRESS CFIUS ISSUE EARLY AND UPFRONT IN THE PROCESS**
- Consider CFIUS issues as early as possible
- Important to engage PR and lobbying firms
- Consider keeping management, ensuring no job cutting post acquisitions
**Important to Engage and Utilize Professional Advisors Early in the Process**

<table>
<thead>
<tr>
<th><strong>Legal Advisor</strong></th>
<th><strong>Accounting/ Tax Advisor</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Design transaction structure</td>
<td>Financial accounting due diligence</td>
</tr>
<tr>
<td>Regulatory approval filing (CFIUS, PRC)</td>
<td>Business plan validation</td>
</tr>
<tr>
<td>Legal due diligence</td>
<td>Working capital analysis</td>
</tr>
<tr>
<td>Transaction documentation &amp; negotiations</td>
<td>Tax due diligence</td>
</tr>
<tr>
<td>Anti-trust</td>
<td>Transaction tax analysis and structure design</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Financial Advisor</strong></th>
<th><strong>Public Relations &amp; Political Lobby Firm</strong></th>
<th><strong>Other Advisors (where appropriate)</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic advice to originate deals</td>
<td>Government PR &amp; lobby</td>
<td>Industry</td>
</tr>
<tr>
<td>Coordinate on transaction tactics and deal process</td>
<td>Transaction communication</td>
<td>Commercial/ Operations</td>
</tr>
<tr>
<td>Valuation support &amp; transaction negotiations</td>
<td>Public opinions management</td>
<td>HR</td>
</tr>
<tr>
<td>Interaction with various parties, including target, financing banks, and regulators</td>
<td>Crisis management, if any</td>
<td>Environmental</td>
</tr>
</tbody>
</table>
Introduction to Lazard
Lazard is a Preeminent Global Financial Services Firm

We are the largest independent investment bank – a globally recognized and trusted financial advisor over the past 160+ years

**Long Heritage**
- Founded in 1848 by the Lazard brothers in the United States and has focused solely on banking operations from 1876
- During 1960s, Lazard virtually invented modern Mergers & Acquisitions (“M&A”) as an investment banking specialty

**Simple and Focused**
- Only operates in two core businesses: financial advisory and asset management that are strictly independent but complementary
- Simple fee-based business model, free from regulatory capital intensity requirement that may otherwise restrict our capabilities

**Trusted Global Financial Advisor**
- Lazard has deep experience involving the full spectrum of transactions worldwide including M&A, strategic collaborations and restructuring, giving us a unique perspective on the challenges inherent in these transactions and, importantly, on how to solve them

**Independent Advice Free from Structural Conflicts**
- Lazard’s core financial advisory business is totally independent without any participation in principal investment, capital raising or lending activities. This means we only have one agenda for each and every transaction and we can focus solely on serving our client’s needs.

**RECENT LAZARD AWARDS**

<table>
<thead>
<tr>
<th>Award</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>BEST GLOBAL INDEPENDENT INVESTMENT BANK</td>
<td>2011</td>
</tr>
<tr>
<td>FINANCIAL ADVISOR OF THE YEAR</td>
<td>2011</td>
</tr>
<tr>
<td>US M&amp;A BANK OF THE YEAR</td>
<td>2011</td>
</tr>
<tr>
<td>UK M&amp;A BANK OF THE YEAR</td>
<td>2011</td>
</tr>
<tr>
<td>M&amp;A DEAL OF THE YEAR</td>
<td>2011</td>
</tr>
<tr>
<td>DEAL OF THE YEAR – EUROPE</td>
<td>2010</td>
</tr>
</tbody>
</table>
Only Global-Scale Independent Advisory Firm

We operate in major business capitals worldwide and provide both domestic and cross-border advisory services.

940 BANKERS WORLDWIDE

- Asia/Australia – 110 Bankers
- North/South America – 480 Bankers
- Europe – 350 Bankers

(a) Lazard also maintains a joint cooperation agreement with Raiffeisen Investment AG for M&A advisory in Russia and the Central/Eastern European region.
(b) Lazard also maintains a strategic alliance with Alfaro, Dávila, y Ríos for financial advisory in Mexico.
Financial Advisory is Lazard’s Core Business

**LAZARD CORE BUSINESS: FINANCIAL ADVISORY**

- Overall review of strategic alternatives for shareholder value creation
- Domestic and cross-border acquisitions
- Divestment of assets and/or businesses
- Joint-venture and other strategic collaborations
- Fund raising and other financing alternatives
- Financial and corporate restructuring

**GLOBAL RELATIONSHIP NETWORK**

- Unique global network of relationships with leaders of business, government and key institutions
- 42 cities across 27 countries covering all major financial and commercial centers in the world

**OPPORTUNITY & STRATEGY**

- Screen and assess opportunities including divesture, acquisition, joint-venture and business collaborations
- Advise on appropriate corporate strategies and alternatives

**EXECUTION & COORDINATION**

- Financial & valuation analysis
- Transaction structuring and execution
- Due diligence and overall project coordination
- Transaction tactics and negotiation
- Advice on financing
Unmatched Network of Global Relationships

Lazard network of managing directors and senior advisors provide unparalleled access to global business and political leaders.

**LAZARD OPERATES IN 42 OFFICES AROUND THE WORLD**

**North America**
- Boston
- Charlotte
- Chicago
- Houston
- Los Angeles
- Montreal

**Central & South America**
- Minneapolis
- New York
- San Francisco
- Toronto
- Washington DC
- Panama City
- Santiago
- Sao Paulo
- Bogota
- Buenos Aires
- Lima
- Montevideo

**Europe**
- Amsterdam
- Bordeaux
- Brussels
- Frankfurt
- Hamburg
- Lyon
- London
- Madrid
- Milan
- Paris
- Stockholm
- Zurich

**Asia**
- Manama
- Riyadh
- Seoul
- Singapore
- Tokyo
- Beijing
- Dubai
- Hong Kong
- Mumbai

**Australia**
- Melbourne
- Perth
- Sydney

**INTRODUCTION TO LAZARD**

**Bill WHITE**
- Former Mayor of Houston
- Former US Deputy Secretary of Energy

**Vernon JORDAN**
- Senior Executive Partner, Akin Gump Strauss Hauer & Feld, LLP
- President and Chief Executive Officer, National Urban League

**Henrique MEIRELLES**
- Former President, Central Bank of Brazil
- Former President, FleetBoston’s Corporate and Global Bank

**Andres VELASCO**
- Former Finance Minister, Chile
- Former Consultant, IMF
- Former Consultant, World Bank

**Lord MANDELSON**
- Member, House of Lord
- Former European Trade Commissioner

**Jean-Louis BEFFA**
- Honorary Chairman, Saint-Gobain
- Director, GDF Suez
- Member of the Supervisory Board, Siemens

**De Rong SHI**
- Former Chairman, Gansheng Corporation
- Aiji (Angela) GE
- Former Director of New Ventures, CNPC International
- Former Deputy Chief Economist, CNODC

**Hwan Eik CHO**
- Former Vice Chairman, Korean Ministry of Commerce, Industry & Energy

**Jessie BHATTAL**
- Former President and Chief Executive Officer, Nomura’s Global Wholesale Division
- Former Chairman and Chief Executive Officer, Lehman Brothers Asia

**Lindsay TANNER**
- Former Minister for Finance and Deregulation, Australia
- Former Shadow Minister for Finance, Australia

**Paul KEATING**
- Former Prime Minister, Australia
- Former Treasurer, Australia

**Carlo SALVATORI**
- Former CEO, Unipol Gruppo Finanziario
- Former Chairman, Unicredit Group

**Khalid ALYAHYA**
- Board Member, Rahji Capital
- Former President, Saudi Railways Organization
- Former Board Member, World Bank Group

**Lord MANDELSON**
- Member, House of Lord
- Former European Trade Commissioner

**Jean-Louis BEFFA**
- Honorary Chairman, Saint-Gobain
- Director, GDF Suez
- Member of the Supervisory Board, Siemens
In-depth Coverage of Key Industries

We are privileged to advise many leading companies in their respective sectors

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<th>ALTERNATIVE ENERGY</th>
<th>AUTOMOTIVE</th>
<th>CHEMICALS</th>
<th>CONSUMER, FOOD &amp; RETAIL</th>
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<tr>
<td>acciona</td>
<td>Valeo</td>
<td>BASF</td>
<td>LVMH</td>
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<td>Evergreen Solar</td>
<td>Johnson Controls</td>
<td>Chemtura</td>
<td>Nike</td>
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<td>Clean Energy</td>
<td>TRW</td>
<td>Cargill</td>
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<td>Tenneco Automotive</td>
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<td>FIG</td>
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<td>METAL &amp; MINING</td>
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<td>New York Stock Exchange</td>
<td>Pfizer</td>
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<td>KKR, Private Equity Investors</td>
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<td>Lilly</td>
<td>Bhp Billiton</td>
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<td>BARCLAYS</td>
<td>Merck</td>
<td>Siemens</td>
<td>European Goldfields</td>
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<td>Cardinal Health</td>
<td>Tyco</td>
<td>Gloucester Coal</td>
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<tr>
<th>OIL &amp; GAS</th>
<th>POWER &amp; ENERGY</th>
<th>REAL ESTATE</th>
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<tbody>
<tr>
<td>ConocoPhillips</td>
<td>Duke Energy</td>
<td>Untown Suites</td>
<td>Microsoft</td>
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<td>ExxonMobil</td>
<td>TXU</td>
<td>Ventas</td>
<td>Amazon.com</td>
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<tr>
<td>Total</td>
<td>Northeast Utilities System</td>
<td>Sorgente Power &amp; Light</td>
<td>Google</td>
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<tr>
<td>Gaz de France</td>
<td>EDF</td>
<td>Capmark</td>
<td>Apple</td>
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<td>Aria</td>
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</table>
# Lazard’s Strategic Advisory Focus: Leading Worldwide M&A Advisor

We advise on many of the most significant and industry-defining global M&A transactions

<table>
<thead>
<tr>
<th>Transaction</th>
<th>Value</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gaz de France on its merger with SUEZ</td>
<td>$61 Billion</td>
<td>2008</td>
</tr>
<tr>
<td>Progress Energy on its merger with Duke Energy</td>
<td>$32 Billion</td>
<td>2012</td>
</tr>
<tr>
<td>Tyco on its separation into three independent companies</td>
<td>$23 Billion</td>
<td>2012</td>
</tr>
<tr>
<td>Northeast Utilities System on its merger with NSTAR</td>
<td>$18 Billion</td>
<td>2012</td>
</tr>
<tr>
<td>Barclays on its sale of Barclays Global Investors to BlackRock</td>
<td>$14 Billion</td>
<td>2009</td>
</tr>
<tr>
<td>Accor on its demerger of its hotels and prepaid services businesses</td>
<td>$13 Billion</td>
<td>2010</td>
</tr>
<tr>
<td>EDF SUEZ on its acquisition of the remaining stake in GDF SUEZ</td>
<td>$13 Billion</td>
<td>2012</td>
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<tr>
<td>Acciona on its agreement with Enel in a joint management project for Endesa</td>
<td>€44 Billion</td>
<td>2007</td>
</tr>
<tr>
<td>Berkshire Hathaway Inc. on its acquisition of HBOS PLC</td>
<td>$22 Billion</td>
<td>2009</td>
</tr>
<tr>
<td>Lloyds TSB on its acquisition of Cadbury PLC</td>
<td>$22 Billion</td>
<td>2010</td>
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<tr>
<td>Kraft Foods on its merger with CenturionLink</td>
<td>$15 Billion</td>
<td>2011</td>
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<tr>
<td>Qwest on its merger with VIVO</td>
<td>$15 Billion</td>
<td>2011</td>
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<tr>
<td>Coca-Cola Enterprises on its sale of North American operations to Coca-Cola</td>
<td>$14 Billion</td>
<td>2010</td>
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<tr>
<td>Louis Dreyfus on the sale of its stake in Neuf Cegel to Trocal</td>
<td>$11 Billion</td>
<td>2008</td>
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<tr>
<td>MedcoHealth on its acquisition of Express Scripts, Inc.</td>
<td>$34 Billion</td>
<td>PENDING</td>
</tr>
<tr>
<td>Microsoft on its $2.5B loan to support the privatization of Kinetics</td>
<td>$27 Billion</td>
<td>2013</td>
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<td>$24 Billion</td>
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<td>$2.0B loan to support the privatization of vivo</td>
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<td>$1 Million</td>
<td>2012</td>
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**OVERVIEW OF U.S. TECHNOLOGY ACQUISITION MARKET**

**FOR CHINESE COMPANIES**

**INTRODUCTION TO LAZARD**
Lazard’s Presence in Greater China and Asia Pacific

Lazard has been active in the Asia Pacific region since the 1970’s and has developed a significant local presence. In Greater China, the firm is present in Beijing and Hong Kong and has been involved in a number of recent landmark transactions.

- 80 bankers in the region, of which 20 in Greater China, representing substantial M&A capabilities.
- 22 dedicated Managing Directors ensure delivery of sophisticated advice and seamless execution.
- Strong local connections and execution capabilities.

Seoul
Est. 1999
Tokyo
Est. 1989
Hong Kong
Est. 2001
Beijing
Est. 2005
Bombay
Est. 1985
Singapore
Est. 1994
Melbourne
Est. 2000
Sydney
Est. 2004
<table>
<thead>
<tr>
<th>Transaction</th>
<th>Value</th>
<th>Company/Entity</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cisco on its establishment of a JV with CETC</td>
<td>$200 m</td>
<td>PENDING</td>
<td>2011</td>
</tr>
<tr>
<td>MiaSole on its sale to Hanergy</td>
<td>Not D.</td>
<td>PENDING</td>
<td>2012</td>
</tr>
<tr>
<td>Okta on its acquisition of Cheetham Salt</td>
<td>$150 m</td>
<td>PENDING</td>
<td>2010</td>
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<tr>
<td>A123 Systems on the strategic investment by PEBEC</td>
<td>$257 m</td>
<td>PENDING</td>
<td>2013</td>
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<tr>
<td>H on its merger with VancInfo</td>
<td>$875 m</td>
<td>2012</td>
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<tr>
<td>hiSoft on its merger with VancInfo</td>
<td>$722 m</td>
<td>2012</td>
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<tr>
<td>Harbin Electric on its sale to YANG Tianfu &amp;</td>
<td>$105 m</td>
<td>2011</td>
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<tr>
<td>Sandvik on its acquisition of Shanghai Jianshe Luqiao Machinery</td>
<td>$582 m</td>
<td>2010</td>
<td></td>
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<tr>
<td>AB InBev on its sale of Sempra Energy Solutions Business Line to Noble</td>
<td>$13.5 b</td>
<td>2009</td>
<td></td>
</tr>
<tr>
<td>Telstra on its sale of SouFun</td>
<td>$1.25 b</td>
<td>2010</td>
<td></td>
</tr>
<tr>
<td>Barclays on its sale of Barclays Global Investors to BlackRock</td>
<td>$5 b</td>
<td>2007</td>
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</tr>
</tbody>
</table>

(1) Sovereign funds including China Investment Corporation, Singapore Investment Corporation and Kuwait Investment Authority backed the BGI/BlackRock Deal.
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