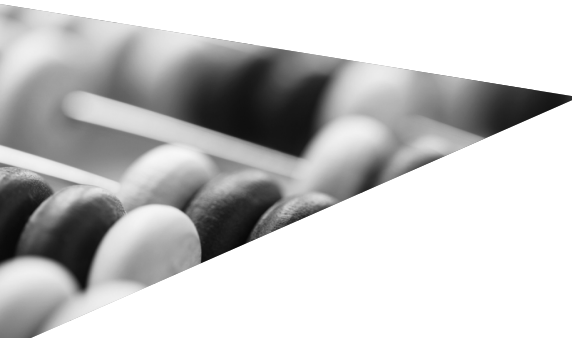


Transaction Trends

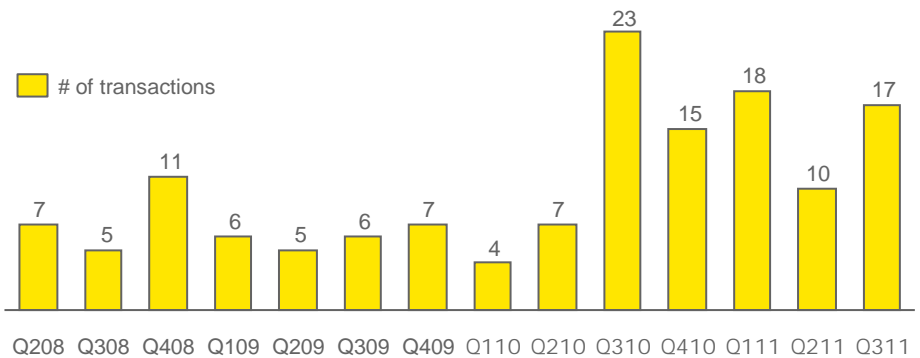
Norwegian public transactions



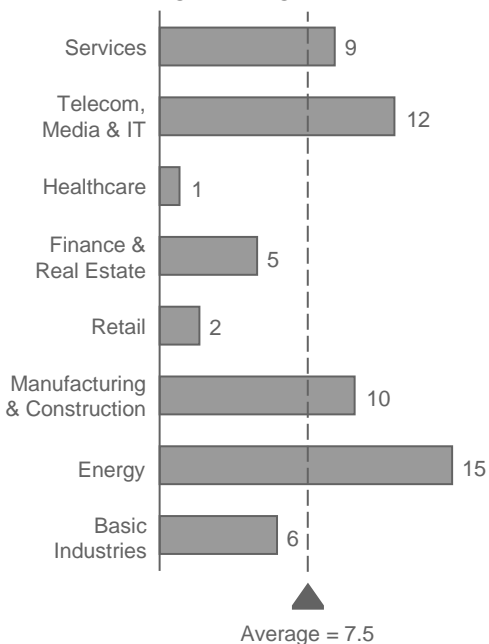
Transactions market remains resilient

Also in this edition:

- ▶ Capital Confidence Barometer



Last Twelve Months Number of Transactions by Industry



- ▶ Transaction Trends, published by Ernst & Young Transaction Advisory Services, is a quarterly publication that aims to identify trends in the Norwegian public transactions market.
- ▶ During Q3 2011 Norwegian companies announced 17 public transactions, which is a 70% increase from the somewhat weak Q2 level. The Q3 figure of 17 transactions equals the average transaction volume in the 5 preceding quarters.
- ▶ While deal activity remains strong in the telecom, media and IT sectors, 35% of announced transactions in Q3 were seen within the energy sector. This corresponds to a 25% share of energy sector deals in the last twelve months.
- ▶ Nordic bidder companies have a continued strong presence in the Norwegian public transactions market, taking part in 77% of announced transactions during the last twelve months. However, an increasing share of transactions are cross border, 65% in Q3 2011 compared to 49% in the years 2008 to 2010, indicating increased bidder activity in our neighboring countries.
- ▶ In this edition we also present a summary of the Global Capital Confidence Barometer, which predicts a new paradigm where corporate M&A activity and extreme market volatility coexist. There is a surprisingly stable appetite to do deals over the next 12 months as top global corporates remain resilient to the market turbulence.

Executive summary and outlook

- On 15th August 2011 Transocean Services AS, a wholly owned subsidiary of Transocean Ltd, a Swiss listed offshore drilling company, announced a mandatory offer for 100% of the shares of Aker Drilling ASA, a Norwegian listed offshore drilling company. Aker Drilling ASA shareholders received NOK 26.50 per share held, which represents a premium of 98.4% to Aker Drilling's closing price of NOK 13.35 as of 12th August, the last trading day prior to the offer announcement. The mandatory offer was completed on 26th September with 80.5% acceptances achieved and 94.2% shares held.
- Orkla ASA, on 31th August 2011, announced the acquisition of a 21.1% stake in Jotun AS, the Norway based company engaged in the development, production, marketing, and sale of various paint systems and products for surface treatment, for a total consideration of NOK 5.04 billion. Orkla already owns 42.5% of the share capital in Jotun, and a condition for the offer was that an acceptance threshold of 50% of the votes in Jotun was met. Orkla announced on 3rd October that the threshold had not been fulfilled, thus the offer was not completed. In September, Orkla also announced a plan to divest investments in its share portfolio that are outside Orkla's future growth scope. This includes investments in REC, Borregaard and Sapa.
- Norrkopings Tidnings Media AB, Nya Wermlands-Tidningens Aktiebolag, Helsingborgs Dagblad AB and Franklin Enterprises Inc, on 29th September 2011 agreed to acquire a 36.3% stake in Polaris Media ASA, from Schibsted ASA. Polaris Media is a listed Norway based media company headquartered in Trondheim, which is engaged in publishing newspapers and also provides digital services. This acquisition will enable Polaris Media to enhance its media business. Post acquisition, Schibsted will own 7.1% of the shares in Polaris Media.
- July and August has marked a return to intense volatility not observed since the early days of the economic crisis in 2008. The US credit rating downgrade, debt crisis in the Eurozone and weakening economic data from around the world have sparked dramatic stock market activity and ultimately the global re-pricing of risk. However, as presented in our last Capital Confidence Barometer, 67% of the 1,000 respondents said that they felt the global economy was at least stable, if not modestly improving.

Last Quarter Largest Transactions (Ranked by Deal Value)

Ann. Date	Target	Vendor	Bidder	Deal Type	Deal Value (USDm)	Target Turnover (USDm)
Aug-11	Aker Drilling ASA	-	Transocean Ltd	Acquisition	2,262	331
Sep-11	NORAK Holding AS	RAK Petroleum PCL	DNO International ASA	Acquisition	265	n/a
Aug-11	Odfjell Terminals BV; 49% stakes in Houston and Rotterdam tank terminals, and greenfield project	Odfjell SE	Lindsay Goldberg LLC	Acquisition	247	n/a

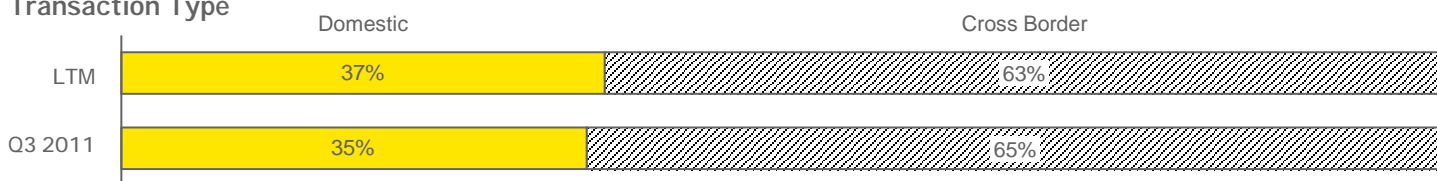
July and August has marked a return to intense volatility not seen since the early days of the economic crisis in 2008.

Transaction Statistics

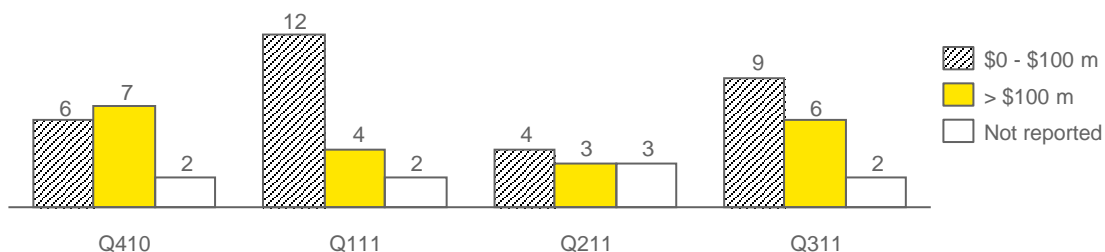
All statistics are for last twelve months (LTM), unless otherwise is explicitly stated.

Industry	Deal Value	Number of Transactions		
		Q3 2011	Q4 2010 - Q3 2011	2008 - 2010
Services	\$0 - \$100 m	1	4	6
	> \$100 m	2	5	3
TMT (Telecom, Media & IT)	\$0 - \$100 m	2	9	15
	> \$100 m	1	3	11
Healthcare	\$0 - \$100 m			3
	> \$100 m		1	2
Finance & Real Estate	\$0 - \$100 m			3
	> \$100 m	1	5	3
Retail & Consumer Goods	\$0 - \$100 m		2	3
	> \$100 m			3
Manufacturing & Construction	\$0 - \$100 m	1	5	7
	> \$100 m	1	5	6
Energy	\$0 - \$100 m	3	7	8
	> \$100 m	3	8	18
Basic Industries	\$0 - \$100 m	2	4	5
	> \$100 m		2	4
Total		17	60	100

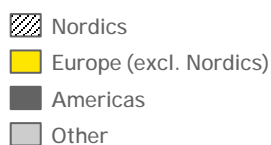
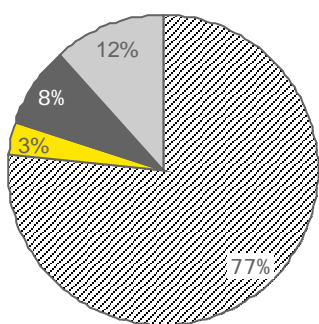
Transaction Type



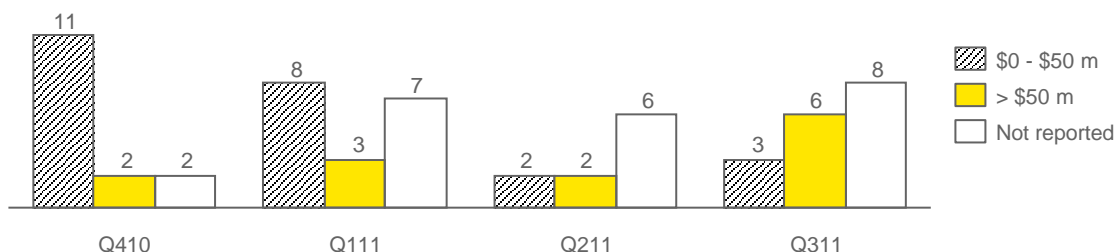
Number of Transactions by Deal Value



Bidder Region



Number of Transactions by Target Turnover



Global Capital Confidence Barometer

A new paradigm?

The Global Capital Confidence Barometer is a regular survey of senior executives from large companies around the world conducted by the Economist Intelligence Unit (EIU). Our panel, the “Ernst & Young 1,000” is comprised of selected Ernst & Young clients and contacts and regular EIU contributors. This snapshot of our findings gauges corporate confidence in the economic outlook and identifies boardroom trends and practices in the way companies manage their capital agenda.

Our fifth [Capital Confidence Barometer](#) (click for complete version) predicts a new paradigm: Corporate M&A activity and extreme market volatility coexisting. There is a surprisingly stable appetite to do deals over the next 12 months as top global corporates remain resilient to the market turbulence.

But why is that the case when we are in the midst of market upheaval and weakening global growth? Because this is not 2008 all over again. Leading corporates have spent three years focusing on reducing financial risk, operational fitness and learning to live with volatility:

- ▶ Balance sheets are stronger with less leverage.
- ▶ Companies have re-financed to improve their capital structures, reduced interest costs and extended maturities.
- ▶ Many companies can draw upon cash war chests.
- ▶ Earnings growth outlook is positive.

Consequently, the focus is now clearly on growth, with the fewest number of respondents since 2009 focusing on survival. We also see an increased consensus around asset values, resulting in a 30% rise in potential sellers coming to the table globally.

All of this is fostering a favorable environment for M&A – but some barriers do remain. Mounting regulatory pressures could potentially impede growth, and there is the fundamental question of the economy. While our respondents’ M&A attitudes are remarkably robust given the current environment, a slump into a double-dip global recession or another banking crisis would mean all bets are off.

However, for the time being, our respondents have learned how to manage in volatility: they have the capability – and ambition – to do strategic deals in the current climate.

Economic outlook

When asked their perspective on the state of their local economies, 71% cited a stable or improving environment, compared with 66% in April 2011 and 64% in October 2010. Surprisingly, in the face of significant volatility beyond local borders, confidence is rising. This improvement is underpinned by expected corporate earnings growth, increased cash piles and reduced debt.

Despite some high-profile announced layoffs, 85% of the Ernst & Young 1,000 expect to maintain or increase their workforce over the next 12 months. While there are clearly some workforce reductions related to new and long-standing cost reduction programs, companies are starting to reinvest for growth.

Access to capital

The Ernst & Young 1,000 believes credit markets are strong enough to support growth plans, with two-thirds (68%) of our mainly larger cap respondents saying credit availability is stable, positive or very positive.

There is a surprisingly stable appetite to do deals over the next 12 months as top global corporates remain resilient to the market turbulence.

Global Capital Confidence Barometer (cont.)

Strong corporate earnings and improved liquidity have enabled companies to reduce indebtedness levels. Balance sheet leverage has reduced slightly since April 2011 – 61% now have a debt to capital ratio of less than 25%, compared to 58% in April 2011. This debt reduction theme that was first observed in November 2009, is expected to continue as 78% plan to maintain or reduce their debt to capital ratio in the next 12 months.

Companies are focused on strengthening their balance sheets by refinancing. Twenty-nine percent plan to refinance loans or other debt obligations in October 2011 compared with 20% in April 2011. Better availability of lower-cost debt will enable them to improve their capital structures, reduce interest costs and extend maturities. Capital markets are particularly accommodating to larger cap, financially stable organizations, and the investment-grade corporate bond markets are rebounding.

With high cash balances and a growing aversion to leverage, 67% plan to use cash or non-cash equity as their primary funding source for deals, compared with 59% in April 2011. This trend further reinforces the debt reduction theme. Furthermore, those planning to use debt for acquisitions are more likely to use less than in previous years.

Shift from survival to growth continues

Despite market turbulence, this is not 2008. Companies have strengthened their balance sheets, cut costs and reduced overall financial risk. Our research builds a picture of corporate confidence amid market turmoil. Growth tops the corporate agenda as half of the respondents are making it their top priority in the next 12 months. Only 7% cite survival as an imperative – the lowest level since the Barometer was first published in 2009.

Eighty-five percent of respondents are concerned that mounting regulatory pressures across a number of areas could potentially impede growth. Banking and financial reform are viewed to have the broadest potential impact across all sectors. Tax and environmental regulatory frameworks are of next highest concern.

Mergers and acquisitions outlook

In an unprecedented departure from the historical norm, the outlook for deal volumes is stable against a backdrop of significant short-term volatility. In fact, deal makers' appetite to acquire has increased marginally, with 41% of respondents expecting to make acquisitions in the next 12 months compared with 38% in April 2011. Many companies have learned to adapt and operate in a new and uncertain world. They are well-positioned to seize opportunities and plan to do so, as many have reduced their financial risk and have the ability to take on more business risk.

The Ernst & Young 1,000 are broadly comfortable with the deal environment in terms of quantity and quality of deals, as well as likelihood of closing deals. Just as acquirers expect continued earnings growth, confidence in the earnings profile and quality of targets has risen. Deal makers also see improvement in the quality of assets coming to market.

A further indicator of an encouraging deal market is the outlook for asset valuations. With 57% expecting asset prices to remain at current levels over the next 12 months, corporates may be inclined to deploy their cash reserves toward acquisitions.

The willingness of companies to divest assets is also an important element in the deal market. Twenty-six percent of respondents see divestments as likely or highly likely in their organization over the next 12 months, an increase of 30% since April 2011.

Despite market turbulence, this is not 2008. Companies have strengthened their balance sheets, cut costs and reduced overall financial risk.

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About Transaction Advisory Services

Our Transaction Advisory Services team works with some of the world's largest organizations, fastest growing companies and private equity firms on some of the biggest and most complex cross-border deals in the global market. We can help you achieve the growth, performance improvement and returns your stakeholders expect.

We offer integrated, objective advisory services that are designed to help you evaluate opportunities, make your transactions more efficient and achieve your strategic goals. We have an extensive global reach, with 8,700 transaction professionals worldwide, and the experience of thousands of transactions across all markets and industry sectors. We can bring together the people you need, wherever you need them, to focus on helping you achieve success throughout the transaction lifecycle – and beyond. Whether it's a merger, acquisition, strategic alliance, divestment, equity offering or restructuring, we offer you the advice you need to help you make the right deal at the right price at the right time. It's how Ernst & Young makes a difference.

About this publication

Transaction Trends is a quarterly publication that aims to identify trends in the Norwegian transactions market. Transactions covered in this publication are Norwegian public transactions, defined as a transaction where either the bidder, target or vendor company is a Norwegian based listed company. All analyses are based on mergermarket/Ernst & Young data.

Transaction Trends is published by Ernst & Young Transaction Advisory Services.

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