

China Outbound Investments Q4 2013

Q4 2013 Overview

Q4 saw aggregate value of USD 90.6bn which was down 11% from the USD 101.8bn value in Q3, but, as shown in the table to the right, was still well above value over the prior 3 quarters.

There were significant shifts within each of the 3 different components including a 36.7% increase in M&A aggregate value and a 375% increase in Government Related Loan Agreements, both of which were offset by a 38.8% decrease in Government Agreements.

M&A / Equity Transactions increased significantly in aggregate value while volume nearly doubled. M&A aggregate value of USD 27.2bn was up 36.7% from last quarter and was the highest of the past 5 quarters. This increase was driven by 8 M&A transactions over USD 1.0bn. For the first time, Europe led both in volume and aggregate value, followed by North America and Asia.

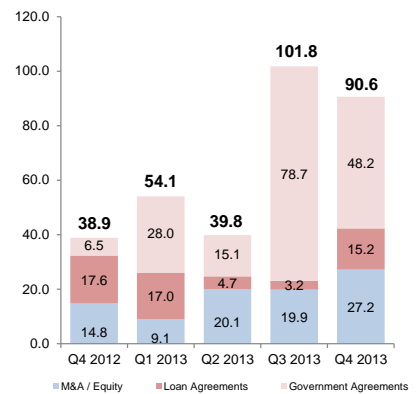
There were 20 Government Related Loan Agreements - unrelated to more comprehensive Government Agreements - with aggregate value of USD 15.2bn, up 375% qoq. Like prior quarters, these were focused on energy and infrastructure in emerging markets. This quarter saw a number of CEE based loans.

There were 6 Government Agreements with aggregate value of USD 48.2bn, down 38.8% qoq. The three largest agreements were USD 28.2bn to Indonesia in mining and infrastructure, USD 10.9bn to Romania in nuclear power and infrastructure and USD 8.0bn to Ukraine in infrastructure and ports.

Key Statistics (yoy Growth)	
Q3 '13 GDP Forecast ¹	+7.6%
<i>(versus +7.4% in Q4'12)</i>	
M2 (December '13)	+13.9%
CPI (December'13)	+2.7%

¹Bloomberg median forecast

Aggregate Value (USD bn)
Breakdown by Quarters



Key highlights:

We select below the largest announced transactions among each component:

M&A / Equity Transactions

↑ 36.7%

In Q4 2013, there were 55 outbound M&A / Equity transactions announced with an aggregate value of USD 27.2bn.

- Overall, there were 35 investments involving takeovers / controlling interests, 16 investments involving minority stakes and 4 involving JVs.
- Financials led this quarter in transaction volume with 13 transactions (led by 7 in Real Estate) totalling USD 7.4b. Financials thus represented 23.6% of the total volume and 27.2% of total value. Industrials and Oil & Gas followed Financials with 12 and 10 transactions respectively, totalling USD 6.4bn.
- Utilities led this quarter in sector aggregate value with USD 10.6bn, accounting for 39.0% of aggregate value. The largest announced transaction was the CGN / CNNC's USD 9.1bn agreed investment in UK's Hinkley Point C nuclear power plant. Europe led this quarter in volume with 18 transactions, an 80.0% increase from 10 in Q3 2013, representing 33.3% of total volume this quarter. Approximately 55.6% of the European transactions involved a German or UK target (5

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transactions in each country). North America and Asia followed Europe with 12 in each region.

- In terms of aggregate value, Europe led with USD 11.1bn, a 68.2% increase from USD 6.6bn in Q3 2013. North America, led by Chinese investments in Real Estate, ranked second in aggregate value with USD 5.3bn, a significant increase from USD 0.1bn in Q3 2013.

- **Government Related Loan Agreements**

↑ 375.0%

There were 20 Government Related Loan Agreements (outside of Government Agreements) in Q4 2013 which represented an aggregate value of USD 15.2bn. This was up 375% from USD 3.2bn in Q3 2013. The three loan agreements over USD 1.0bn this quarter, representing 61.8% or USD 9.4bn, were with Cambodia, Niger and Pakistan. The remaining value include loans and grants to 8 African countries (Nigeria, Gabon, Zimbabwe, Cameroon, Liberia, Mozambique, Ethiopia and Côte d'Ivoire) totalling USD 2.6bn, as well as two loans to corporates (Volvo and Vnesheconombank) from CDB totalling 1.6bn.

- **Government Agreements**

↓ 38.8%

There were 6 Government agreements announced in this quarter which represented an aggregate value of USD 48.2bn. This value represented a decrease of 38.8% from USD 78.7bn in Q3 2013, during which China invested USD 50bn in the New Silk Road. The largest components were 3 major Government Agreements with Indonesia (USD 28.2bn) Romania (USD 10.9bn) and Ukraine (USD 8.0bn).