


**How can an airline finance the purchase of the next generation of planes in order to execute its business strategy?**





**“We found a way to solve a problem for three big constituents — and in a way that had never been tried outside the United States.”**

**Radha Tilton**

Investment Banking Division, New York



**Watch video**

Radha Tilton and Greg Lee (both New York), Ali Al-Ali (Dubai) and Elena Paitra (London), all Investment Banking Division, talk about their experiences working on the Doric transaction. Go to: [goldmansachs.com/annual-report/doric](http://goldmansachs.com/annual-report/doric)

**With bank loans more difficult to obtain, Goldman Sachs helps Emirates and Doric break new ground.**

In 2012, Emirates, one of the world’s preeminent airlines, sought to continue the expansion of its fleet of Airbus A380s, the largest passenger plane in the world. The challenge, despite the company’s stature, was how to lease the planes, since banks, which once stood ready to lend, were now more constrained in their ability to back long-term aircraft leases. Doric, a leasing company, worked with Goldman Sachs to find a solution. The most likely alternative was the capital markets, but access to them was limited by the fact that neither Doric nor Emirates had raised funds in the U.S. capital markets before and that the legal structure required to do so would be new and untested.

Working closely with Doric, Emirates and Airbus, Goldman Sachs developed a solution based on a financing concept used in the United States. Under the plan, the transaction would involve an offering of dollar-denominated securities known as Enhanced Equipment Trust Certificates, or EETCs. These securities, which use the aircraft as collateral, are commonly employed by American carriers and are traditionally sold in the U.S. bond markets. A recent international treaty had enabled the same kind of collateral arrangement outside the United States; given this development, the Goldman Sachs team saw an opportunity to use EETCs in countries that had signed the treaty.

In June, the \$587.5 million transaction was quickly oversubscribed, as global institutional investors seized the opportunity to acquire long-term, dollar-denominated assets. The deal attracted investors from Europe and Asia, a first for an EETC offering. The success has not only enabled Emirates to achieve its immediate business objective, but it also enabled us to introduce a new way to bring companies from growth markets into the global capital markets.

## Opening the door to global capital

A roundtable discussion  
with Goldman Sachs  
investment bankers

**Radha Tilton,**  
Vice President, New York

**Greg Lee,**  
Managing Director, New York

**Ali Al-Ali,**  
Managing Director, Dubai



Doric and Emirates' historic financing was more than a standard bond offering. It was a landmark deal that continues to help connect growth market airlines and global investors, according to three investment bankers who worked on the deal.

**Q: With whom was the firm working?**

**Tilton:** Three constituents: Doric, the leasing company; Emirates, the airline; and Airbus, the manufacturer.

**Q: What was the mission?**

**Al-Ali:** To find a way for Doric to purchase planes, now that traditional lenders — European banks — were increasingly difficult to tap. For Doric and Emirates, capital markets were obviously the next step — particularly the U.S. market, the world's largest and most liquid.

**Q: What made this unique?**

**Tilton:** The fact that we were dealing with so many firsts. The A380, the world's largest commercial aircraft, had never been financed in the United States before, and Doric, a relatively new company, was an unknown there. Emirates, the ultimate user and credit, had never raised money in the United States either, and the transaction would rely on protections given by a special treaty in the United Arab Emirates that U.S. investors had not relied on before. So we needed a solution that would overcome all the challenges.



### Q: What was the biggest challenge?

**Tilton:** For investors, perceived risk. “What if something goes wrong? Can I retrieve the plane and sell it to get my money back?” That required laws that specifically gave investors this right — laws that exist in the United States and make collateralized instruments like EETCs common for United States-based carriers.

**Lee:** The thing is, we now had that framework because of the Cape Town Convention, a treaty that bound countries that signed to a similar set of rules. Because the United Arab Emirates had signed, there was no reason we couldn’t use EETCs — or that investors wouldn’t be interested. But that was yet to be tested.

### Q: How did you start?

**Lee:** By mapping out everything that had to go right, from positioning the A380 as an asset to creating an instrument for a leasing company many investors were not aware of. Doric didn’t just want a deal, they wanted to set a benchmark — a transaction that would pave the way for many others.

**Al-Ali:** We knew we were doing something new, but we also knew it could be done — and that, if anyone could do it, it was probably Goldman Sachs. Our biggest advantage is a global culture based on collaboration and teamwork — the kind of thing where, if you have to solve a problem, people jump in, no questions asked.

**Tilton:** We had a team in Dubai covering Emirates, a team in London working with Doric, and sales teams around the world who could educate and work with investors. We also had a structuring team in New York with a lot of experience in the transport sector — and all of these people were extremely used to working well together.

### Q: How did you successfully market the deal?

**Lee:** By focusing on the concerns of investors in each market — in Europe, it was the structure; in Asia, the Emirates brand and its business strategy; in the United States, the quality of the plane as an asset, because most Americans are unfamiliar with the A380.

**Tilton:** We even flew potential investors around New York airspace in an Emirates A380 so they could experience the plane and Emirates’ level of service. For most investors, this was the first time they were able to experience the quality of the Emirates brand.

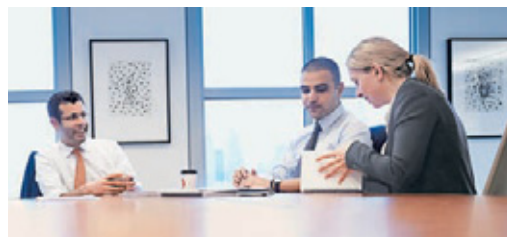
### Q: What was the impact of our success?

**Lee:** The transaction was a landmark — for our clients, for other airlines, and for Airbus, which wants to promote EETCs as a way to finance planes.

**Al-Ali:** Also, it was especially important for companies from the growth markets — and not just airlines. Others now see this as a creative new way to access the capital markets.

## As traditional sources pull back, capital markets step up

With a fall-off of lending from commercial banks, the traditional sources of corporate capital worldwide, more companies have turned to capital market instruments, such as bonds and convertibles, to meet their needs. While this trend is global, nowhere is it more pronounced than among corporate borrowers in Europe, where bank loans have traditionally accounted for the bulk of corporate financing, in contrast to the United States, where funding streams are typically more diverse. For investors, rising interest among companies in tapping capital markets is a plus. This is particularly true of institutional investors like pension funds and insurers, which seek long-dated assets for their portfolios to balance forecasted long-term demands.



**From top:** Michael Fox, Nader Al Salim and Elena Paitra (all London), Radha Tilton, Greg Lee (both New York); all Investment Banking Division

**In a complex investment world, how does a pension fund balance its short-term cash flow needs with long-term liabilities?**



**Craig Russell**

Investment Management  
Division, New York



**Watch video**

Craig Russell, Chris Kojima and Suzanne Gauron (all New York), Investment Management Division, talk about the Verizon client relationship and the mandate. Go to: [goldmansachs.com/annual-report/vimco](http://goldmansachs.com/annual-report/vimco)



**“For the client, the time had come to reshape a large piece of its portfolio. It was a complex issue, and we were able to deliver a very clear solution.”**

**Clockwise from top left:**  
Chris Kojima, Michael Moran  
and Alec Stais, Suzanne  
Gauron, Craig Russell  
(all New York), Investment  
Management Division



## **Verizon focuses on a key part of their pension portfolio, with help from Goldman Sachs.**

As the Verizon Investment Management Corp. (VIMCO) focused on a key part of Verizon's pension portfolio, it turned to the Alternative Investments & Manager Selection (AIMS) Group within the Investment Management business of Goldman Sachs to execute its long-term asset allocation strategy. At VIMCO, an almost \$11 billion private equity and real estate portfolio represented a significant portion of the pension plan's total assets. Goldman Sachs AIMS professionals helped Verizon evaluate the investments in their portfolio, forecast cash flows and shape the program for the long-term benefit of the pension plan.

Goldman Sachs has been an investment manager for Verizon's pension plans for many years, including corporate relationships with predecessor companies GTE and Bell Atlantic. Our new mandate involves not only managing assets, but also extends to active portfolio management responsibility across hundreds of private equity investments. Through this engagement, Goldman Sachs will assist VIMCO in reshaping its private equity and real estate portfolio, by leveraging Goldman Sachs' expertise in structuring complex portfolios and helping clients find the right avenues to achieve liquidity.

Because of the depth and breadth of the Goldman Sachs AIMS team, the firm has become a strategic advisor in the private equity space — not just finding and recommending investment opportunities, but helping to reshape private portfolios to meet specific, and sometimes very complex, needs.



# How can a company increase focus on its core business if it can't shed non-core investments?

## With Goldman Sachs' assistance, Daimler AG sells a big stake in EADS, the European aerospace giant.

After more than a decade as a major shareholder in EADS, a global leader in aerospace and defense services, Daimler's management wanted to further increase focus on its core business of making some of the world's finest cars and trucks. Relinquishing parts of its stake in EADS would require collaboration on both financial and political fronts.

The challenge, above all, was maintaining the delicate balance that made EADS possible from the beginning. A transnational conglomerate, the company was based primarily on a partnership between France, Germany and Spain. The Spanish component was represented by the Spanish government; the French component was represented by the French government and the media group Lagardère; and the German component was represented by Daimler.

To facilitate a reduction of Daimler's stake in EADS, any transaction would have to ensure the "balance" between French and German interests. As a prerequisite, the German government agreed to become a shareholder of record through its Kreditanstalt für Wiederaufbau (KfW), the state-owned lender, while all three governments at the same time agreed to limit their overall ownership in EADS.

In December 2012, all involved parties came to an agreement that enabled all of the above — including a final ownership structure that envisions a balanced interest between the German and French sides, enables Daimler to sell approximately 61.1 million shares and helps to significantly increase EADS free float. As joint bookrunner, Goldman Sachs executed an accelerated bookbuild offering to which investors across Europe, the United States and Asia quickly signed on.



**"Daimler still had a significant ownership stake in the business, but their strategy had evolved. It was on their agenda for some time to further reduce that stake, but the question was, how?"**



## Axel Höfer

Investment Banking Division, Frankfurt



### Watch video

Axel Höfer and Wolfgang Fink (both Frankfurt) and Christoph Stanger (London), all Investment Banking Division, talk about the Daimler transaction. Go to: [goldmansachs.com/annual-report/daimler](http://goldmansachs.com/annual-report/daimler)



## An automaker navigates a complex course

# Unlocking value

A complex transaction succeeds — and helps Daimler to focus on its core business.

**From left:**  
Arne Uekötter  
and Axel Höfer  
(both Frankfurt),  
Investment  
Banking Division



- GERMAN GROUP
- FRENCH GROUP
- SPAIN
- OUTSIDE INVESTORS



## THE CHALLENGE

For Daimler to sell half its economic stake in the European aerospace company EADS, investors must feel confident about the long-term value of EADS stock. Issues include a complex governance structure and the continued interest of the French, German and Spanish governments.

## THE AGREEMENT

To enable the sale, France, Germany and Spain agree to a new ownership structure that maintains the balance of interests but reduces the overall stake the governments hold in the company.

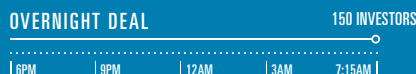
## THE DEAL

# 61.1M

in shares

Following the agreement of all relevant parties on the new governance structure for EADS, Goldman Sachs, as joint bookrunner, helps to structure and execute the deal — a block trade of EADS stock known as an “accelerated bookbuild offering” (ABO).

## THE EXECUTION



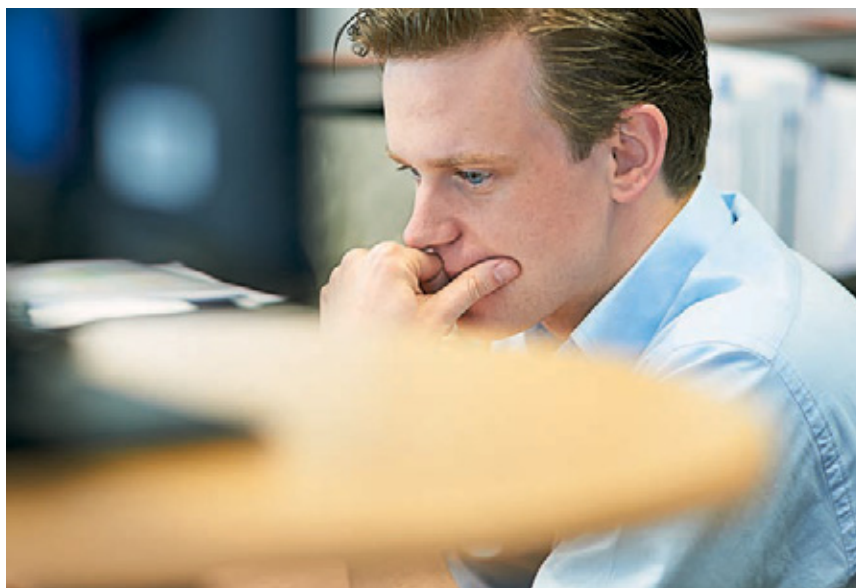
Goldman Sachs helps Daimler place 61.1 million shares with investors after the preparation of the transaction, which requires the coordination of numerous different public and private institutions. Though the placement of Daimler’s EADS shares appears to be structured as a straightforward ABO transaction, it requires an intricate series of steps tying complex components together to make the deal a success. Quickly oversubscribed, the offering closes in less than an hour, with demand especially heavy in the U.S., Germany and the U.K.

## THE SUCCESS

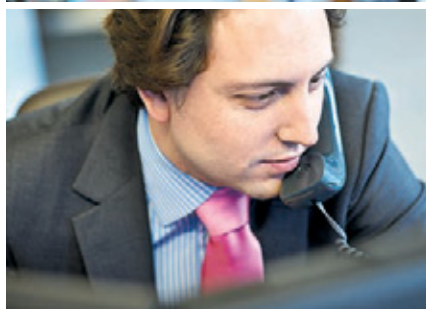
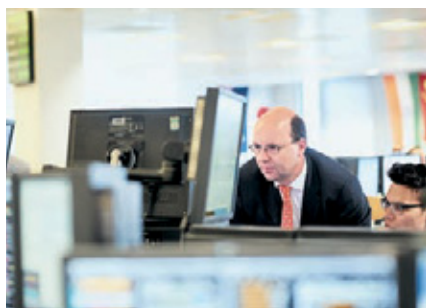
Through Goldman Sachs’ efforts, Daimler receives proceeds of over \$2.1 billion from the ABO. This cash infusion improves the company’s ability to focus on its core business — including, in a very competitive industry, investment in research and development.

# \$2.1B

MONETIZED



**Clockwise from top:** Arne Uekötter, Ansgar Wimber, Wolfgang Fink (all Frankfurt); Antoine Noblot, Christoph Stanger (both London); all Investment Banking Division



## Raising capital through common stock offerings

Despite challenging conditions in 2012, Goldman Sachs' EMEA team led 32 common stock offerings, including major block trades of clients' shares like Daimler's EADS accelerated bookbuild. This made the firm the number one bookrunner in the region, as well as number one in Germany. This is a testament to the firm's ability to structure especially complex transactions, execute multinational deals seamlessly, and leverage strong relationships with major institutional investors worldwide.

### #1 bookrunner for common stock offerings

#### Germany



#### Europe, Middle East and Africa



Source: Thomson Reuters

# How can an iconic company complete its turnaround and repay taxpayer assistance?

## **AIG repays U.S. government assistance “with a significant profit for taxpayers.”**

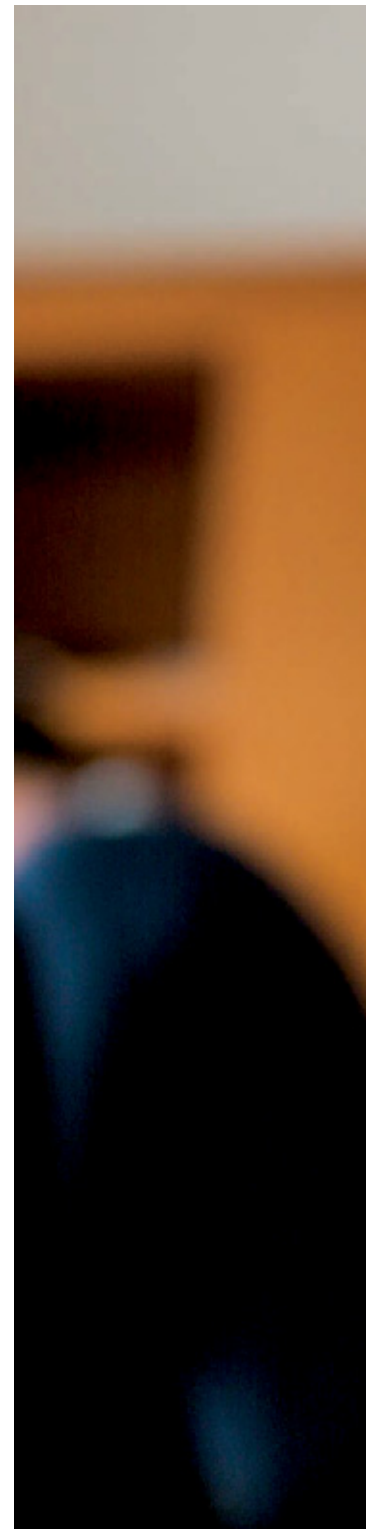
In 2012, American International Group (AIG) completed a series of major transactions that enabled the U.S. Treasury to monetize its stake at a profit to U.S. taxpayers. Together with the company's re-IPO the year before, these transactions represented a full sell-down of the U.S. Treasury's 92 percent ownership. Goldman Sachs was the Lead Joint Global Coordinator for the re-IPO in 2011 and Joint Global Coordinator for four of the five follow-on offerings in 2012. Through innovative and efficient execution, Goldman Sachs contributed to accomplishing the plan developed by AIG and the U.S. Treasury to sell shares at an expeditious pace. The transactions occurred at successively higher prices and each above the U.S. Treasury's "breakeven" price. In September 2012, the Goldman Sachs-led \$20.7 billion transaction became the largest-ever U.S. common equity offering.

This monetization was facilitated in part by a series of block trades through which AIG divested AIA Group Limited of Hong Kong. These offerings followed the successful 2010 IPO of AIA in which Goldman Sachs helped raise approximately \$20.5 billion for AIG. In 2012, the firm led three block trades, enabling AIG to sell its remaining 33 percent stake in AIA and raise, in total, over \$14 billion. With the final sale of AIA shares in December 2012, AIG was able to complete the divestiture of one of its largest non-core assets and complete yet another step in its restructuring.

Using proceeds from the AIA share sales and its own internal resources, AIG participated as an investor in the U.S. Treasury's offerings of AIG stock in the U.S. and bought back some of its own shares, alongside outside investors drawn by the company's restructuring and improving prospects. On December 11, 2012, the U.S. Treasury sold the last of its AIG shares, with Goldman Sachs helping convert strong investor interest into a significantly oversubscribed transaction. At year's end, according to AIG's calculations, the U.S. taxpayer had realized a profit of nearly \$23 billion from the U.S. Treasury's AIG investment — and AIG, once dependent on government support, was a strong enterprise once again.

**“At a time when many in D.C. thought the government was going to lose substantial money on AIG, Goldman worked closely with Treasury and the company itself on implementing a restructuring plan that ended up netting billions of dollars in profit for taxpayers.”**

**James Millstein**, Chief Restructuring Officer, U.S. Treasury Department, 2009-2011







**“We worked closely with AIG and the U.S. Treasury to help execute their monetization plan through a complex series of trades in Hong Kong and New York. This enabled AIG to repay the U.S. government — and at a profit for the public.”**

**Devanshu Dhyani**

Investment Banking Division, New York



**Watch video**

Devanshu Dhyani and Andrea Vittorelli (both New York), Investment Banking Division, discuss their experience working on the AIG transactions. Go to: [goldmansachs.com/annual-report/aig](http://goldmansachs.com/annual-report/aig)



**From top:** Michael Tesser and Terence Lim (both New York), Chris Cole (New York), Dan Dees (Hong Kong); all Investment Banking Division



How can a company in a dynamic growth market attract the attention of world-class investors?

**“They didn’t just want to expand their capital. They wanted strategic investors who would become an important part of their shareholder base.”**







## Jian Mei Gan

Investment Banking Division, Hong Kong

### Watch video

Jian Mei Gan (Hong Kong) and Xi Pei (Beijing), both Investment Banking Division, talk about their experiences working on the China Pacific Insurance transaction.

Go to: [goldmansachs.com/annual-report/cpig](http://goldmansachs.com/annual-report/cpig)

## Goldman Sachs manages a successful private placement for one of China's largest insurance companies.

Driven by a burgeoning middle class, insurance companies in China are growing fast. This growth makes them unique, and often desirable, opportunities for investors. But for the China Pacific Insurance Group, the question was, which investors? Specifically, how could they attract investors who were willing to make a substantial investment in the company, with a long-term view.

To achieve this, the company turned to Goldman Sachs, as sole bookrunner and placement agent, to find a group of international investors to purchase 462 million shares.

With strong relationships around the world, the Goldman Sachs team soon focused on three leading sovereign wealth funds: the Government of Singapore Investment Corporation, Norges Bank (the central bank of Norway) and the Abu Dhabi Investment Authority. For the funds — all of them Goldman Sachs clients — it was among the largest investments they ever made in China. For China Pacific, it meant the addition of three very well-known and well-respected investors to the company's shareholder base.

The \$1.3 billion deal, executed in September 2012, was a substantial win for all parties. While China Pacific strengthened its capital base to support future business growth, the investors themselves got precisely what they were looking for: a significant stake in a high-growth business in the largest and most dynamic growth market in the world.



## Opportunity

### An insurance company strengthens its shareholder base



**Clockwise from top left:**  
Emma Wang (Hong Kong),  
Jian Mei Gan (Hong Kong),  
Xi Pei (Beijing), Chito  
Jeyarajah and Jian Mei Gan  
(both Hong Kong), Wei Wang  
(Hong Kong); all Investment  
Banking Division

## A global quest to match capital with the right opportunity

A discussion with the team from the Investment Banking Division

**Jian Mei Gan**, Managing Director, Hong Kong

**Xi Pei**, Vice President, Beijing

**Bernard Teo**, Managing Director, Hong Kong

China Pacific's recent sale of stock — fully managed by Goldman Sachs — stands out as an example of client trust and strong connections to global investors.

**Q: Tell us about the firm's relationship with China Pacific. How did we become the sole bookrunner and placing agent for this transaction?**

**BT:** China Pacific has been a key client of the firm for years. We led their IPO in 2009 and have worked on a number of transactions since.

**Q: So there was already a level of confidence?**

**JM:** Oh yes — confidence — it facilitated collaboration. So, early last year, we began to contemplate a transaction that would meet their current objectives: first, to raise capital that would help continue to expand their business throughout China and, second, to add high-quality, strategic global investors to their shareholder base.

**Q: What made Goldman Sachs particularly well suited to this endeavor?**

**XP:** Among other things, our strong relationships with exactly the kind of investors they were looking for. They also trusted our global team and its ability to work across geographies and divisions to deliver a solution that would be right for the company and potential shareholders alike.

**Q: From the perspective of the investors, what made this opportunity important?**

**JMG:** Clearly, the potential growth of the insurance industry here. China is the world's most populous country and insurance penetration is only about two percent of GDP — very low by Western standards.

**BT:** Another thing is that just a few top companies, including China Pacific, control a very big market share. So these companies offer major investment opportunities, but those opportunities, given the small number of top players, are also fairly rare.

**Q: So this really was a case of matching needs and opportunities?**

**XP:** It was, absolutely. A big advantage to working with Goldman Sachs is our role as intermediary between companies and investors. We deeply understand the needs of both, and we have the ability to bring those needs and interests together. For China Pacific, these were investors who could provide the capital they needed to grow. For the investors, this was a great opportunity to strengthen their portfolios, and for each of them it was one of the largest investments they had made in China to date.

**Q: How is China Pacific putting that capital to work?**

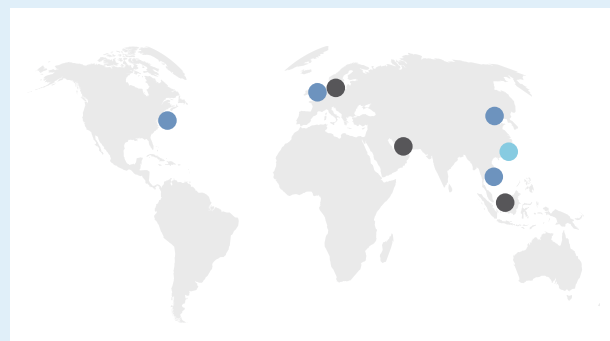
**JMG:** This is one of the most satisfying things about the work we do — not just presenting ideas for transactions, but ideas that solve problems and create opportunities. Our ability to do that doesn't evolve overnight, or over a couple of days, but over years. It takes getting to know our clients and their businesses, and understanding their goals. It means not just thinking from a financial perspective, but from a business perspective — what clients need to make their businesses better, stronger and more valuable.

**BT:** They will use it to finance expansion — even into deep pockets in the countryside. This will enhance their ability, throughout China, to meet people's basic insurance needs.



Evan Xu (Hong Kong),  
Investment Banking Division

## A global solution



● Client	● Investors	● GS Locations
Shanghai	Abu Dhabi	Beijing
	Oslo	Hong Kong
	Singapore	London
		New York



Chito Jeyarajah (Hong Kong),  
Investment Banking Division

## Where can governments find more capital to address endemic societal challenges?



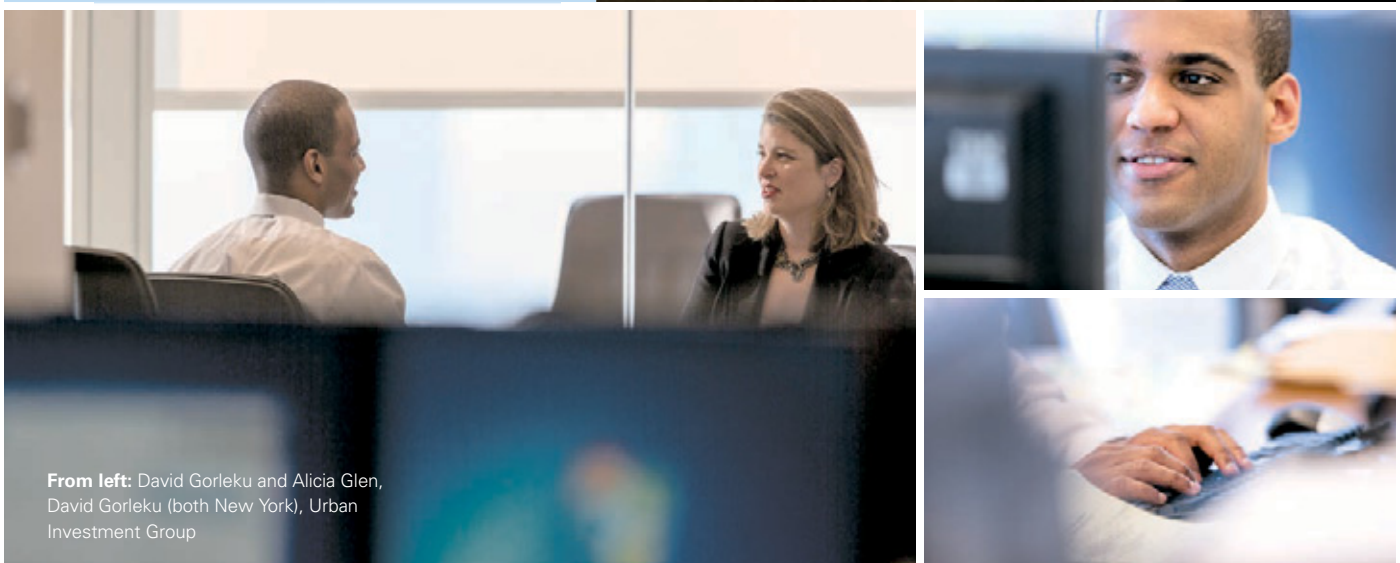
**Andrea Phillips**

Urban Investment Group, New York



**Watch video**

Andrea Phillips, Alicia Glen and Margaret Anadu (all New York), Urban Investment Group, talk about Social Impact Investing. Go to: [goldmansachs.com/annual-report/social-impact](http://goldmansachs.com/annual-report/social-impact)



**From left:** David Gorleku and Alicia Glen, David Gorleku (both New York), Urban Investment Group



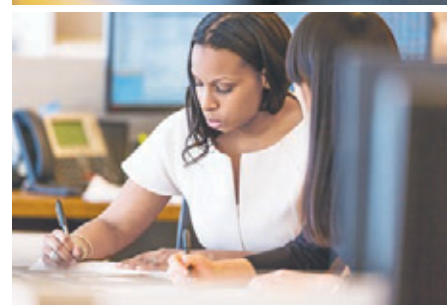
**“We realized that an investment that offers returns while delivering crucial social services was a potential game changer.”**

**As city budgets decline, an innovative effort suggests a new way to leverage private capital.**

The tendency of juvenile offenders to return to jail is a major issue — so much so that in New York City, the mayor, Michael Bloomberg, focused on it squarely in 2012. To help address the problem, Goldman Sachs, along with Bloomberg Philanthropies, worked with nonprofits and the City of New York to structure an innovative funding mechanism whose return depends entirely on the effectiveness of the program it supports. Known as a social impact bond, this financial instrument can become a model for driving positive change.

In this case, Goldman Sachs has invested approximately \$10 million in a program that fights recidivism by delivering education, training and intensive counseling to incarcerated youths. The greater the success of the program, the greater the return to the investor. If the intervention isn’t successful, the City pays nothing, but if the recidivism rate drops by 20 percent, the City itself would save as much as \$20 million in incarceration costs after repaying the loan with a return.

The New York City program is intended to show how such instruments can be designed: with clear goals, metrics, and risk/reward profiles that can draw investors. It is a demonstration of Goldman Sachs’ strong commitment to the idea of social impact investing — of leveraging private capital to generate returns that are both financially and socially desirable.



**From top:** Sherry Wang, Margaret Anadu, Margaret Anadu (both New York), Urban Investment Group

