# Trading Update

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BURFORD CAPITAL REPORTS SIGNIFICANT PROGRESS IN 2012

*Record Year For Investment Recoveries*

Burford Capital Limited ("Burford" or the "Company") is pleased to provide the following update on 2012 activity in advance of the release of its audited financial statements. The information in this IMS is as of 31 December 2012 and covers the fiscal year 2012.[1]

Summary

Burford demonstrated strong performance in 2012 with significant investment progress and a real maturation of the business. Neither Burford nor litigation finance is nascent any longer: Burford has evolved into a full-fledged, internally managed finance and investment business with multiple lines of business, multi-jurisdictional operations and compelling returns.

In 2012:

- Burford generated investment recoveries of $47 million on a gross basis and $18 million net of invested capital - a 61% net return on invested

capital

- At year-end, a further $53 million in gross investment recoveries and $19 million in net investment recoveries were pending - a 55% net return on invested capital
- Firstassist also performed strongly and contributed $11 million of EBITDA for its ten months in 2012 under Burford's ownership; Firstassist's overall 2012 performance was more than 35% ahead of the prior year
- Burford also generated a further $9 million in net income from its portfolio financing and cash management activities
- Burford continued active investing in 2012 based on its strong pipeline, making $72 million in new commitments to nine new investments

Since inception:

- Burford has generated investment recoveries of $93 million on a gross basis and $35 million net of invested capital - a 61% net return on invested capital
- Including pending matters, Burford stands at $147 million in gross investment recoveries and $54 million in net investment recoveries - a 59% net return on invested capital
- Burford has committed $373 million to investments

Investment portfolio performance

Burford experienced material portfolio activity in 2012 that demonstrated the quality of its investment decisions and the vibrancy of its investment model. While the majority of Burford's investments have yet to reach maturity and contribute to performance, a significant minority of investments has now shown results and Burford has achieved consistent returns on invested capital of approximately 60%, net of losses and before operating expenses. Burford looks forward to 2013, when it expects further substantial portfolio activity.

Since inception, 18 investments have generated $93 million in gross investment recoveries [2] and $35 million net of invested capital, producing a 61% net return on invested capital.

In 2012 alone, 12 investments produced $47 million in gross investment recoveries and $18 million net of invested capital - likewise a 61% net return on invested capital. The acceleration in portfolio activity in 2012 is noteworthy: 2012 alone produced as much in investment recoveries as the *two* preceding years combined.

In addition to those investment recoveries, Burford has seven investments where trial or some initial adjudication has been completed but further proceedings remain, such as an appeal. If all such investments produce investment recoveries at the level awarded following trial or initial adjudication, Burford would have received at 31 December 2012 an additional $53 million in gross investment recoveries and $19 million net of invested capital - a 55% net return on invested capital.

All of the foregoing figures are net of investment losses and before operating expenses, including, in the case of the immediately preceding paragraph, losses that remain subject to appeal or further proceedings. As Burford has commented before, losses are an expected and inevitable aspect of our portfolio approach to litigation investing.

We make special mention of the Arizona real estate matter first announced in 2010. Matters have now progressed and, in short, Burford expects to generate a net return on invested capital in this matter of close to 250%. The matter enjoyed a large favorable jury verdict in 2010 (along with a settlement with a secondary defendant in 2010 on account of which Burford received a $4 million cash payment) and a settlement in 2011 which caused assets to be conveyed to the plaintiff and Burford's recognition of further income in 2011. In 2012, Burford's interest in the land in issue was converted to a secured debt instrument with a current face value of a further $15.5 million; that mortgage bears interest running at a blended rate of 23% and has an ultimate face value of $50 million at maturity in 2016, although earlier payment is expected.

Burford will provide further commentary on the investment portfolio in its annual report but it remains very pleased with the performance of the portfolio and its future prospects.

Firstassist performance [3]

Since Burford completed the acquisition of Firstassist on 29 February 2012, it has performed above budget and generated more than $11 million in EBITDA. Indeed, for the full fiscal year, Firstassist generated more than $14 million in EBITDA, an increase of more than 35% over the prior year. In addition to growing its leading litigation expenses insurance business, Firstassist launched a UK litigation funding business in 2012 and embarked on a series of initiatives to prepare itself and its clients for the implementation of the Jackson reforms in April 2013.

The strength of Firstassist's performance to date and the size of its pool of pending cases made it likely that the earn-out provided for at the time of Burford's acquisition of Firstassist would be payable. Thus, Burford negotiated an early payment of the earn-out in exchange for a substantial discount - more than $2 million - and therefore now owns Firstassist outright with no contingent future payments and no minority shareholders.

Burford is soon to receive a dividend from the cash generated by Firstassist's operations to date in an amount in excess of $11 million.

Clearly, the Firstassist acquisition has been an unqualified financial success in addition to the substantial strategic benefits it has brought to Burford.

Other income performance

Burford's cash management and litigation portfolio advances activities produced income of approximately $9 million in 2012. That income covered a significant

part of Burford's operating expenses.

Capital commitment and deployment

Since inception, Burford has committed $373 million of capital to 46 investments:

| | **Commitment Amount ($mm)** | **Number of Investments** |
|---|---|---|
| Short duration portfolio | 64 | 13 |
| Core portfolio | 223 | 28 |
| Special situations portfolio | 27 | 3 |
| Other investments | 59 | 2 |
| Total | 373 | 46 |

At 31 December 2012, Burford's outstanding commitments were as follows:

| | **Commitment Amount ($mm)** | **Number of Investments** |
|---|---|---|
| Short duration portfolio | 27 | 5 |
| Core portfolio | 195 | 21 |
| Special situations portfolio | 9 | 2 |
| Other investments | 59 | 2 |
| Total | 289 | 30 |

During 2012, Burford continued actively to make new investments, and committed $72 million to nine new investments. Burford expects to continue actively investing in 2013. Burford is experiencing regular turnover in the portfolio as well as meaningful earnings from non-portfolio sources, freeing up previous commitments to reinvest.

Stand-by capital

As we informed shareholders in November, Burford is presently exploring an innovative stand-by capital arrangement. The Company does not intend to draw on such a facility as a source of operating leverage but views it as a conservative precaution to address the potential for uncertainty in the timing and funding of investments. Burford continues to consult shareholders on both the structure and ultimate adoption of such a facility, and there can be no guarantee that one

will be finalised.

1 This information has not been audited or otherwise reviewed by the Company's auditors and is presented using non-IFRS measures. The Company disclaims any obligation to update, amend or correct this information.

2 Burford is beginning here the use of the term "investment recoveries". We use that term to encompass: (i) entirely concluded investments where Burford has received all proceeds to which it is entitled (net of any entirely concluded investment losses); (ii) investments where Burford has received some proceeds (for example, from a settlement with one party in a multi-party case) but where the investment is continuing with the possibility of receiving additional proceeds; and (iii) investments where the underlying litigation has been resolved and there is a promise to pay proceeds in the future (for example, in a settlement that is to be paid over time) and there is no longer any litigation risk involved in the investment. When we express returns, we do so assuming all investment recoveries are paid currently, discounting back future payments as appropriate. We do not include wins or other successes where there remains litigation risk in the definition of "investment recoveries"; we report those separately as pending matters.

3 Financial results provided here for Firstassist are based on unaudited management reporting prepared shortly after yearend and remain subject to further change and adjustment.

Release of annual results

Burford plans to release its audited financial statements and accompanying report and commentary on 11 April 2013. We will provide further details about the investment portfolio's performance and composition at that time.

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**About Burford**

Burford is the world's largest provider of investment capital and risk solutions for litigation with more than $300 million in capital and the largest and most experienced dedicated team in the industry. Burford is publicly traded on the London Stock Exchange's AIM market under the ticker symbol BUR. Burford provides a broad range of corporate finance and insurance solutions to lawyers

and clients engaged in significant litigation and arbitration around the world.

For more information about Burford: www.burfordcapital.com.

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