



## Electricity deals light the way

After a period of strong activity in the global gas market in 2002, the first half of 2003 saw a resurgence in electricity deals. The power industry as a whole proved resilient in the number of deals, however values fell dramatically, according to PricewaterhouseCoopers new market report 'Power Deals\* – Merger and acquisition activity in the global electricity and gas market – Half-year Review 2003'.

The global downturn in merger and acquisition activity has caught up with the electricity and gas industries, and deal values within the sectors plummeted 72 per cent from US\$53.7bn in the first six months of 2002 to US\$15.2bn for the same period in 2003. Deal numbers also fell slightly from 215 to 207. Domestic activity within both the electricity and gas sectors no longer dominates in

value, as the value of cross-border transactions grew proportionally from 33 per cent in H1 2002 to 52 per cent in H1 2003. Leading this change are the two top deals of the period – both electricity transactions. Indeed nine of the top ten deals in the industry for the opening half of 2003 were electricity transactions, and five of these deals are cross-border.

Figure 1: Top Ten Power Deals – Half 1 2003

Cross-border and domestic electricity and gas deals – January 01 to June 30 2003						
No.	Value of Transaction (US\$m)	Date Announced	Target Name	Target Nation	Acquirer Name	Acquirer Nation
1	1,819	22 May 2003	Aquila Inc and FirstEnergy Corp (Aquila Sterling Ltd)	United States	Scottish and Southern Energy plc	United Kingdom
2	1,289	20 Feb 2003	Reliant Resources Inc (European generation assets)	United States	Nuon NV - Onderneming voor Gelderland Friesland & Flevoland NV	Netherlands
3	1,113	23 April 2003	United Energy Ltd (77%)	Australia	AlintaGas Ltd, AMP Henderson Global Investors Ltd	Australia
4	994	08 April 2003	Viterra Energy Services AG	Germany	CVC Capital Partners Ltd	United Kingdom
5	650	31 May 2003	Sithe Energies Inc (Remaining 50% stake)	United States	Exelon Corp	United States
6	646	05 June 2003	Hafslund ASA (Power Plants)	Norway	Oestfold Energi AS, Akershus Energi AS, Energiselskapet Buskerud AS	Norway
7	571	24 March 2003	Naturcorp (62%)	Spain	Hidroelectrica del Cantabrico SA	Spain
8	460	13 Feb 2003	Sithe Asia Holdings Ltd (4 mainland China power plants)	China	China Resources Group Holdings Co Ltd	China
9	437	24 March 2003	AES Corp (Meghnaghat and Haripur Plants)	Bangladesh	CDC Group Plc	United Kingdom
10	400	16 June 2003	Union Fenosa SA (Generation Assets)	Spain	Enel SpA	Italy

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*At the moment, gas deals aren't coming to the market. In the first half of 2003 there was just one gas deal in the top ten electricity and gas deals. Without the high-value transactions such as the Lattice/NGG merger, and a lot less gas M&A activity across the board, gas deal values have dropped like a stone from US\$25.6bn for the first half of 2002 to US\$10.6bn in the second half of 2002, to a meagre US\$1.4bn in the first half of 2003.*

Figure 2: Cross-border and domestic gas deals – Half 1 2003

	Number of deals				Value of deals (US\$m)			
	2002	% by number	2003	% by number	2002	% by value	2003	% by value
Cross-border	14	33	16	34	3,353.5	13	184.9	13
Domestic	29	67	31	66	22,269.1	87	1,208.3	87
<b>Total</b>	<b>43</b>	<b>100</b>	<b>47</b>	<b>100</b>	<b>25,622.7</b>	<b>100</b>	<b>1,393.1</b>	<b>100</b>

Figure 3: Cross-border and domestic electric and gas deals – Half 1 2003

	Number of deals				Value of deals (US\$m)			
	2002	% by number	2003	% by number	2002	% by value	2003	% by value
Cross-border	83	39	74	36	17,690.8	33	7,950.1	52
Domestic	132	61	133	64	36,041.4	67	7,245.7	48
<b>Total</b>	<b>215</b>	<b>100</b>	<b>207</b>	<b>100</b>	<b>53,732.3</b>	<b>100</b>	<b>15,195.8</b>	<b>100</b>

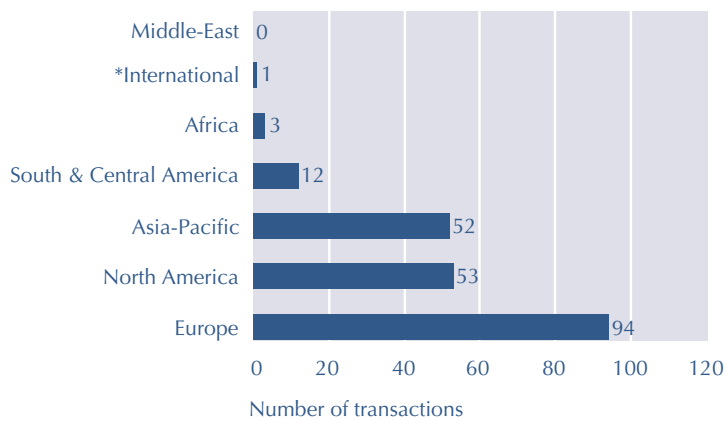
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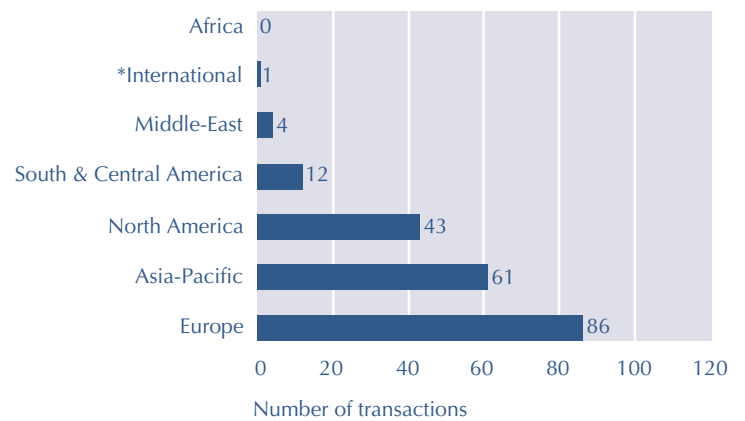
Activity within the electricity and gas sectors remains focused on Europe. European targets fell slightly from 94 to 86 (H1 2002; H1 2003), and values were also down to 35 per cent from 79 per cent (H1 2002 – US\$42.5bn; H1 2003 – US\$5.2bn). Similarly Europe continued as the most dominant bidder with deal numbers and values at 85 and US\$8.6bn respectively.

Figure 4: All transactions by target continent – Half 1 2002



Note: \*GE Power Systems purchase of manufacturing facilities and wind turbine assets from Enron.

Figure 5: All transactions by target continent – Half 1 2003



Note: \*Purchase of generation assets in Turkey and Pakistan from Scottish and Southern by International Power.

Figure 6: All transactions by target continent by value of transactions – Half 1 2002 (total US\$53.7bn)

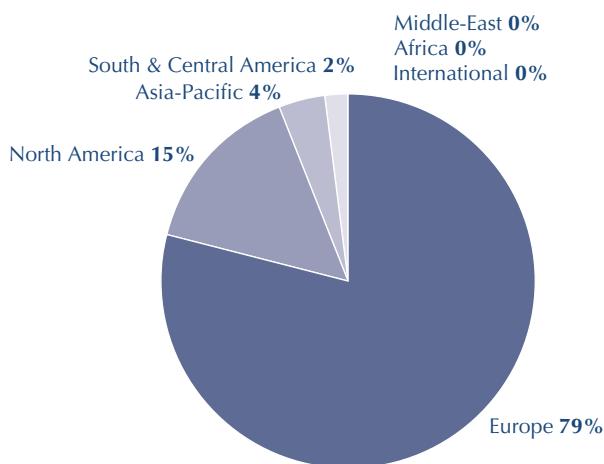
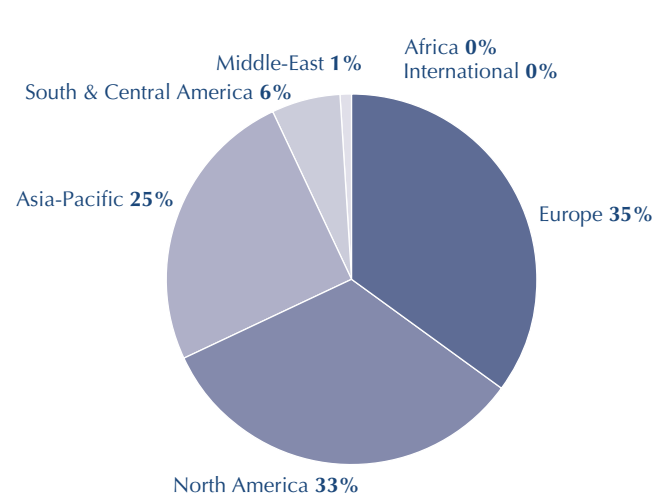


Figure 7: All transactions by target continent by value of transactions – Half 1 2003 (total US\$15.2bn)



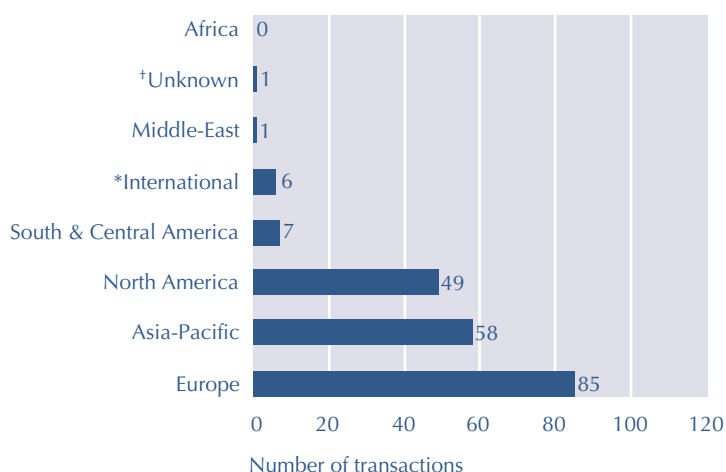
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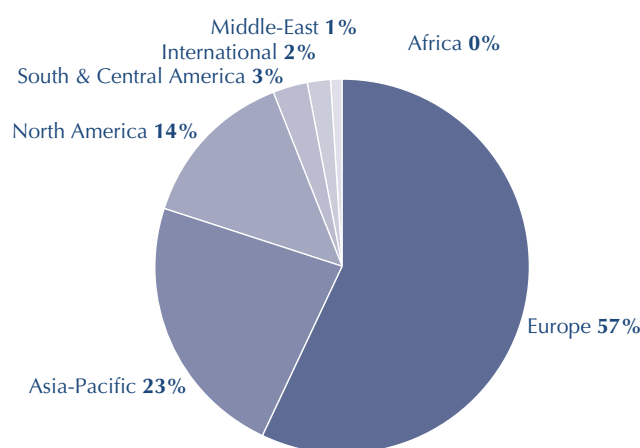
Asia-Pacific activity has now overtaken North American transactions, and ranks second behind Europe both in number and value for bidder transactions. Transactions by target continent rose 77 per cent in Asia-Pacific to US\$3.9bn, and bidding activity is also on the rise by number and value.

Figure 8: All transactions by bidder continent – Half 1 2003



Note: †Undisclosed bidder purchase of Ecopower Ltd (18.7 MW, 22 turbine windfarm in Castlebar).  
\*Various bidding entities including financial institutions and other consortia. Full details available on page 7.

Figure 9: All transactions by bidder continent by value of transactions – Half 1 2003 (total US\$15.2bn)



Half-yearly analysis indicates a steady decline in total merger and acquisition value within the electricity and gas sectors, and the first half of 2003 has witnessed the arrival of new players to the market. Joint ventures feature in the top ten deals for the period, as do a number of acquisitions by private equity houses.

Figure 10: Half-yearly trend analysis: Cross-border and domestic power deals

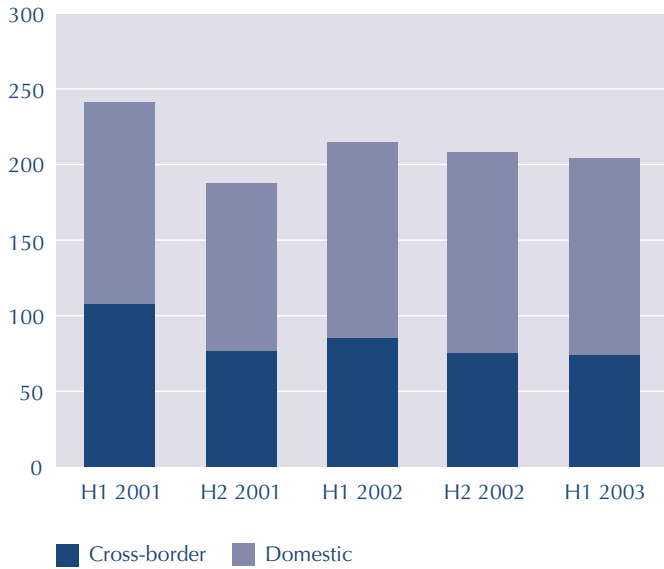
	Number of deals							Value of deals (US\$bn)						
	Half 1 2001	Half 2 2001	Total 2001	Half 1 2002	Half 2 2002	Total 2002	Half 1 2003	Half 1 2001	Half 2 2001	Total 2001	Half 1 2002	Half 2 2002	Total 2002	Half 1 2003
Cross-border	108	74	182	83	75	158	74	25.4	31.8	57.2	17.7	9	26.7	8
Domestic	137	120	257	132	134	266	133	12.2	21.6	33.8	36	22.2	58.2	7.2
<b>Total</b>	<b>245</b>	<b>194</b>	<b>439</b>	<b>215</b>	<b>209</b>	<b>424</b>	<b>207</b>	<b>37.6</b>	<b>53.4</b>	<b>91</b>	<b>53.7</b>	<b>31.2</b>	<b>84.9</b>	<b>15.2</b>

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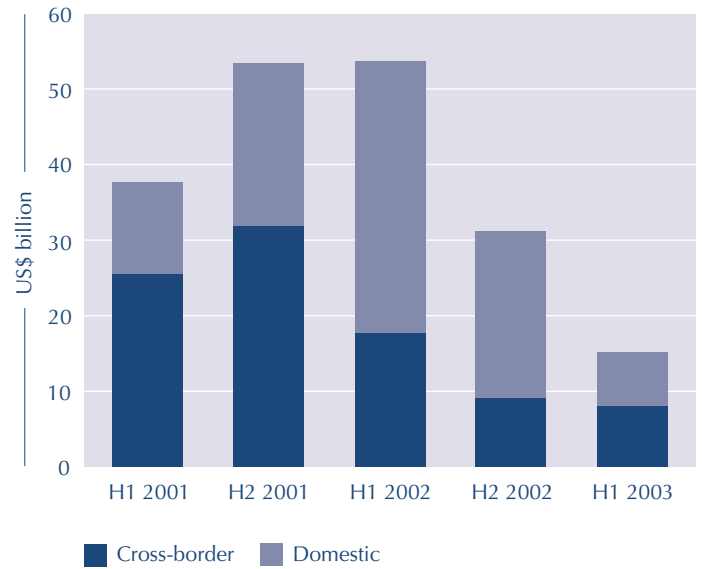
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Figure 11: Half-yearly trend analysis: Cross-border and domestic power deals by number



by value



*The market is still experiencing the aftermath of the US retreat from Europe. Major players have remained quiet whilst digesting and integrating previous acquisitions, giving way to greater opportunity for new entrants. There has been a rise in joint venture activity, and private equity houses are also entering the arena. Certainly this could be the start of a trend as the big players remain focused on consolidation, buying-out minorities and spinning off small businesses.*

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## Contacts

### Global Utilities Leader

Manfred Wiegand  
Telephone: +49 211 981 2812  
Email: manfred.wiegand@de.pwc.com

### Global contacts – Power Deals

Mark Hughes, Partner, PricewaterhouseCoopers  
Telephone: +44 20 7804 5767  
Email: mark.v.hughes@uk.pwc.com

Richard Gledhill, Partner, PricewaterhouseCoopers  
Telephone: +44 20 7804 5026  
Email: richard.gledhill@uk.pwc.com

### Territory contacts – Power Deals

#### Australia

Jonathan Hubbard, Partner, PricewaterhouseCoopers  
Telephone: +61 3 8603 6129  
Email: jonathan.hubbard@au.pwc.com

#### Canada

Scott Bolton, Partner, PricewaterhouseCoopers  
Telephone: +1 403 509 7502  
Email: scott.bolton@ca.pwc.com

#### Germany

Enrique Munoz, Partner, PricewaterhouseCoopers  
Telephone: +49 211 981 2855  
Email: enrique.munoz@de.pwc.com

Wolfgang Kohtes, Partner, PricewaterhouseCoopers  
Telephone: +49 211 981 2851  
Email: wolfgang.kohtes@de.pwc.com

#### Russia

Nicholas Hawkins, Partner, PricewaterhouseCoopers  
Telephone: +7 095 967 967 6330  
Email: nicholas.hawkins@ru.pwc.com

#### South America

Jorge Bacher, Partner, PricewaterhouseCoopers  
Telephone: +54 11 5811 6952  
Email: jorge.c.bacher@ar.pwc.com

#### United States

John McConomy, Partner, PricewaterhouseCoopers  
Telephone: +1 267 330 3001  
Email: john.mcconomy@us.pwc.com

Rick Roberge, Partner, PricewaterhouseCoopers  
Telephone: +1 713 356 8285  
Email: rick.roberge@us.pwc.com

#### Global enquiries

For more information about *Power Deals*, and related PricewaterhouseCoopers' services to the energy and utilities industries, please visit our website at:  
**[www.pwc.com/powerdeals](http://www.pwc.com/powerdeals)**

Or contact

Alison Foster, Project Manager – Power Deals  
Telephone: +44 20 7212 5301  
Email: alison.foster@uk.pwc.com

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\* Power Deals includes analysis of all global cross-border and domestic electric and gas deal activity.

Full details for Figure 8 and Figure 9

- 1 International Power Plc, Tokyo Electric Power Company Inc., Mitsui & Company Ltd bid for Abu Dhabi Electricity and Water Authority ADEWA (Umm AlNara water and power plant in Abu Dhabi)
- 2 International Finance Corporation bid for Compania Nacional de Transmision Electrica SA – TRANSELEC (11%)
- 3 Market Purchase bid for Hafslund ASA (5.36%)
- 4 Institutional Investors bid for NGC Holdings Ltd (1.5%)
- 5 Market Purchase bid for Kukdong City Gas Co Ltd (15.6%)
- 6 Investor Group bid for Empresa Distribuidora de Electricidad de Santiago del Estero (90%)

## Methodology

Power Deals is based on published transactions from the Dealogic 'M&A Global' database, June 2003. Analysis encompasses announced deals: including those pending legal and financial closure, and those that are completed. All values mentioned include assumed debt.

Global Energy, Utilities and Mining Group  
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