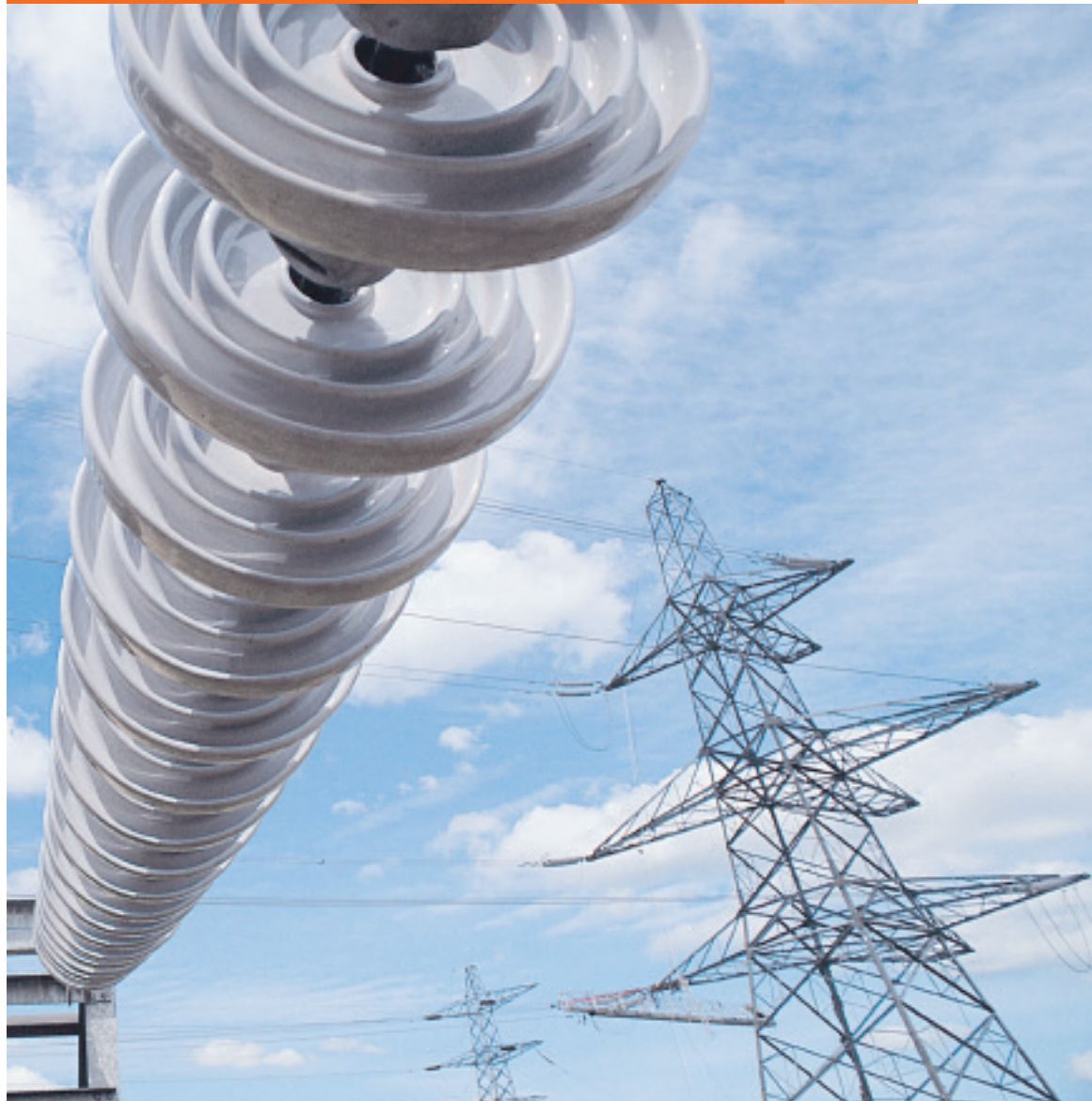


# *Power Deals* 2010 Annual Review

*Mergers and acquisitions  
activity within the  
global power and gas  
utility market*



# Contents

<i>Introduction</i>	2
<i>Report highlights</i>	3
<i>Deal totals: values pick up</i>	5
<i>Deal makers: the 2010 power players</i>	9
<i>Deal places: a focus on markets worldwide</i>	13
<i>North America</i>	15
<i>Europe</i>	17
<i>Asia Pacific</i>	19
<i>Looking ahead</i>	21
<i>Contacts</i>	22

## *Methodology and terminology*

*Power Deals* includes analysis of all global cross-border and domestic power and gas utility deal activity. It is the latest in our *Power Deals* annual series. We include deals involving power generation, transmission and distribution; natural gas transmission, distribution and storage; and energy retail. Deals involving operations upstream of these activities, including upstream gas exploration and production, are excluded. Renewable deals are covered in our sister publication, *Renewables Deals* and therefore excluded. The analysis is based on published transactions from the Dealogic 'M&A Global database' for all power and gas utility deals. It encompasses announced deals, including those pending financial and legal closure, and those which are completed. Deal values are the consideration value announced or reported including any assumption of debt and liabilities. Throughout the report, the Russian Federation is treated as a geographic entity in its own right. We have considered Asia Pacific as a region including Australasia, except where otherwise explicitly stated. All presented numbers of deals are inclusive of those deals with no reported value, unless specified.

# Introduction

*The deal doldrums of 2009 and early 2010 were gradually replaced by a modest deal uplift during the course of the year. While European companies mostly lowered their acquisition sights, focusing on smaller deals than in previous years, deal values were boosted by a bounce-back in US deal activity. In last year's Power Deals we predicted the ending of the deal stalemate in the US and we have seen that translated into a renewed US deal flow that looks set to continue into 2011.*

*Power Deals 2010* reviews deal activity in the power and gas utilities sectors. The report is the latest review in our annual series on deal-making. It examines activity in all parts of the sector except for renewables.

In our companion report, *Renewables Deals 2010*, we separately look at the trends and dynamics in the renewable sector. Together the two reports provide a comprehensive global analysis of M&A activity across the entire power and gas utilities sector.

This report examines the rationale behind the overall trends and the key individual deals. We take a look back at 2010 and look ahead into 2011. In a series of '2011 views' we consider some of the main developments that will influence power deals in the year ahead. We also highlight, in a series of deal dialogues throughout the report, some of the critical issues for

companies engaging in deal activity within the sector, drawing on our global experience as an adviser to players in major deals in all key power and gas utility markets.

Looking ahead, we anticipate that the revival in power deal values will continue. The reaction to date of US regulators to the 2010 announced deals suggests that the door is now more open to a greater flow of regulated utility deals in the US as companies scale up to deliver renewal and expansion programmes.

In Europe, network asset divestments will continue for similar balance sheet reasons. Leading European companies will also be weighing up moves to step up their international presence in growth markets. We also expect to see a continuation of outbound Chinese and Asia Pacific investment in Europe, the US and other regions in 2011.



**Manfred Wiegand**  
Global Utilities Leader

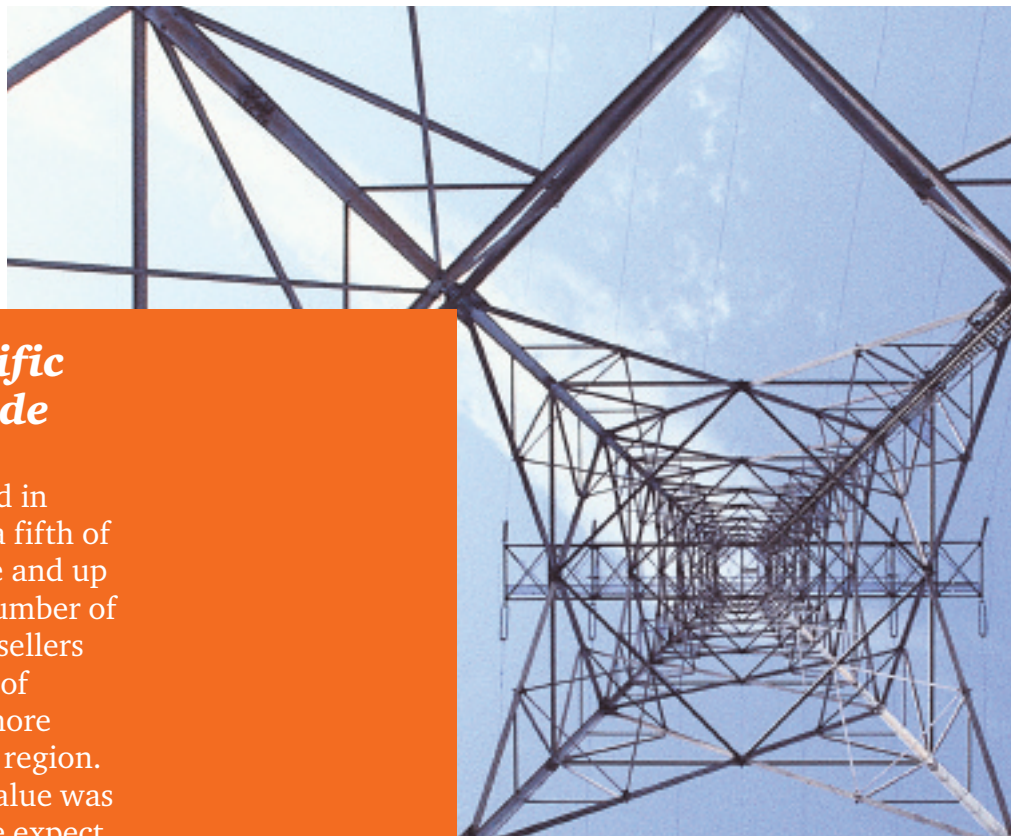
# Report highlights

## *Deal values pick up off the floor*

Deal values appear set on an upward trajectory from the lows reached in 2009. Total deal value in the power and gas utility sectors, excluding renewables, was up 19% year-on-year, from US\$98bn in 2009 to US\$116bn in 2010. Forward deal momentum, as evidenced by rising quarterly value totals for deal announcements, has risen from around US\$20bn per quarter in late 2009/early 2010 to around US\$40bn as we move into 2011. This compares with quarterly volume that was typically in the US\$60-80bn range in 2007 and US\$30-50bn in 2008.

## *The dam bursts on US pent-up deal demand*

Deal activity in North America, almost entirely in the US, bounced back in 2010 after an exceptionally subdued previous year. Total power deal value in the region more than trebled. The average deal value for North American targets was up 76% from US\$246m in 2009 to US\$432m. The vast majority of purchases were made by North American buyers – US\$32bn of the US\$34bn total – and most of this activity came from corporate buyers from within the power sector. After a period when some blockbuster announced deals were unable to clear regulatory hurdles, a more favourable market, funding and regulatory environment is encouraging the release of pent-up deal demand.



## ***Chinese and Asia Pacific buyers move worldwide***

Asia Pacific bidders were involved in US\$25bn worth of deals, nearly a fifth of all power deal activity worldwide and up 35% on the previous year. The number of deals with Asia Pacific buyers or sellers was little changed. But the focus of activity switched to encompass more investment in targets outside the region. US\$10bn of Asia Pacific bidder value was for targets outside the region. We expect this trend to continue to assert itself strongly in 2011.

## ***Scaling foothills rather than new peaks in 2011***

Power deals remain in the lowlands compared with the heady mountains of deal value that were transacted in the 2005-2008 period. But the conditions are in place for a return at least towards the foothills of those peaks. Globalisation of the power sector is moving forward on a number of fronts with companies looking at gaining greater presence in growth markets, strong international interest in infrastructure assets and signs of greater Chinese involvement, not just from grid companies but also generators. The US deal environment looks much more positive. And, while privatisation has been taken off the agenda in Australia, the second round of state sell-offs in Turkey look set to boost 2011 deal totals.

## Deal totals: values pick up

Deal-making is picking up from the low reached in 2009. Total deal value in the power and gas utilities sector (excluding renewables) was up 19% year-on-year, from US\$97.6bn in 2009 to US\$116.0bn in 2010 (figure 1). Deal numbers showed a similar lift with the total rising from 596 to 670. But average deal value was little changed with the bulk of deal activity continuing to focus on smaller deals.

In contrast, total deal numbers are relatively buoyant. The total of 670 electricity and gas deals in 2010 is in a similar bracket to the 623 and 768 recorded in the peak M&A years of 2006 and 2007. The difference, of course, is the absence of the huge mega deals that characterised those years when big consolidation in Europe, European acquisitions in the US and restructuring in Russia delivered a series of deals with values of tens of billions of dollars. In 2007, for example, US\$182bn of the all-time record US\$373bn was accounted for by the ten largest deals alone.

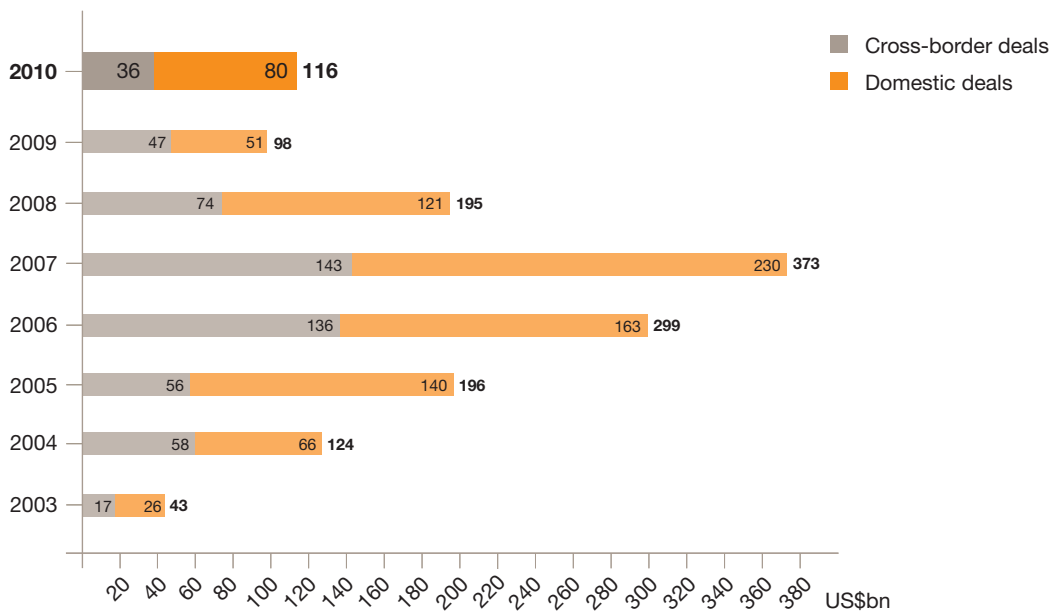
There was a much stronger focus on domestic deal activity in 2010. Domestic deals, boosted by a flow of US consolidations (see Deal Makers and North America sections), accounted for 80% of all power deals and 69% of total value in 2010. This continued a trend already evident the previous year when the number of cross-border deals had declined significantly.

Figure 1: Total sector deal activity – 2009 and 2010

	2009		2010		Change in 2010	
	Number	Value	Number	Value	% number	% value
<b>Power</b>	<b>596</b>	<b>US\$97.6bn</b>	<b>670</b>	<b>US\$116.0bn</b>	<b>12%</b>	<b>19%</b>
of which: Electricity	497	US\$88.9bn	573	US\$103.7bn	15%	17%
Gas	99	US\$8.7bn	97	US\$12.3bn	(2%)	43%

Source: PwC, Power Deals 2010 Annual Review

**Figure 2: All electricity and gas deals by value (US\$bn)**



Source: PwC, Power Deals 2010 Annual Review

### 2010 review...

...After seeing quarterly deal flow fall to a low of around US\$20bn, volume picked up in the second half of 2010 to around US\$40bn...

### 2011 view...

...We believe the conditions are in place for this revival to continue in 2011 and the trend to remain upward. A flow of further US consolidations, network divestments in Europe and continued outbound and inbound Asia Pacific deal appetite are set to keep totals buoyant in 2011 although stopping short of the acceleration needed to begin to revisit the totals of the mid-part of the last decade.

In 2010, total cross-border deal value fell 24% year-on-year from US\$47bn to US\$36bn with deal numbers broadly level – 133 compared with 128 in 2009. Significantly, the largest cross-border deals were exits as companies, including EDF and E.ON, sold off parts of their international portfolios (see ps 9-10).

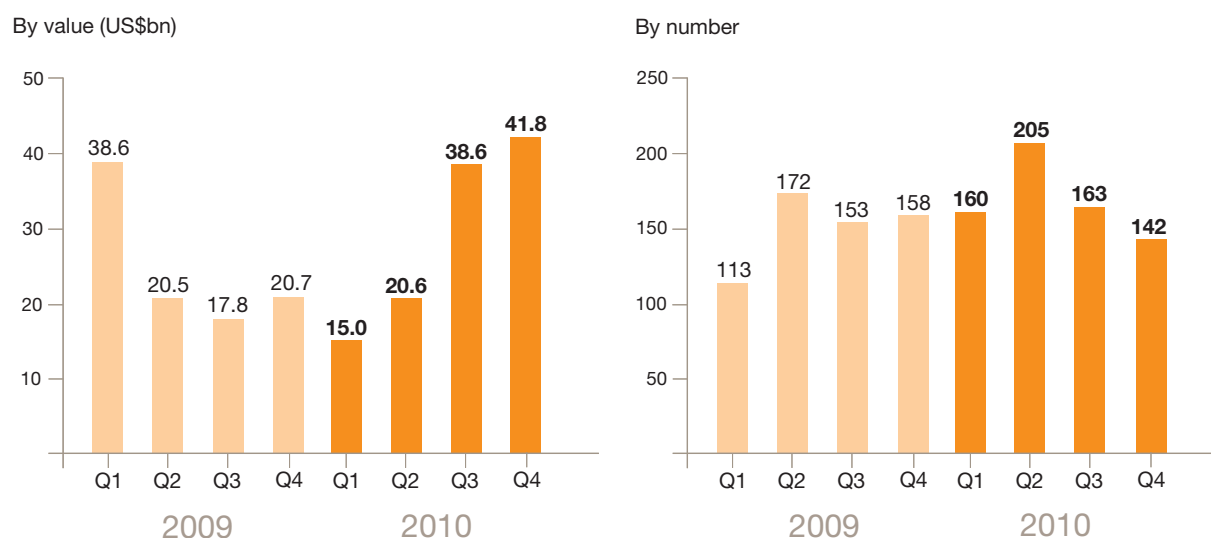
Our quarterly analysis of power deal activity during 2010 shows a rebound in deal value as announcements of larger deals begin to gather pace. Deal value had dipped to a trend line around US\$20bn per quarter for much of 2009 and the first half of 2010. But the second half of 2010 saw quarterly value rise significantly to around the US\$40bn mark. This compares with quarterly volume that was typically in the US\$60-80bn range in 2007 and US\$30-50bn in 2008.

**Figure 3: Cross-border and domestic deals – 2009 and 2010**

	2009				2010			
	Number	Value	% number	% value	Number	Value	% number	% value
Domestic	468	US\$50.6bn	79%	52%	537	US\$80.1bn	80%	69%
Cross-border	128	US\$47.0bn	21%	48%	133	US\$35.9bn	20%	31%
<b>Total</b>	<b>596</b>	<b>US\$97.6bn</b>	<b>100%</b>	<b>100%</b>	<b>670</b>	<b>US\$116.0bn</b>	<b>100%</b>	<b>100%</b>

Source: PwC, *Power Deals 2010 Annual Review*

**Figure 4: Quarterly tracking of deals – 2009 and 2010**



Source: PwC, *Power Deals 2010 Annual Review*

# Maximising network asset deal value

*The flow of network asset divestments is increasing. The value that vendors get from such deals can be boosted by early detailed planning and preparation work. Separation of networks is potentially highly complex. By preparing a credible and deliverable separation plan, the sale is made more attractive to buyers and deal value is maximised.*

Deals for network assets are valued relative to the regulated asset base. Sellers can gain the maximum regulated asset base (RAB) multiple by removing risk and uncertainty that could have a negative impact on deal value.

PwC can help utility companies understand and model the impact of separation scenarios. Once a decision to divest is made, we can work with management to develop and implement detailed separation plans across all functional areas.

By offering robust planning for the parties to a transaction, deals can require minimal due diligence – enabling the process to be quick, with no surprises and no value erosion during negotiations.

## Enhancing value

**PwC recently helped a vendor to achieve a 130% RAB multiple. We assisted management to:**

- prepare a clear set of bidder deliverables, which quantified the financial and addressed the operational impacts of different separation scenarios
- prepare a robust and transparent separation plan, which gave confidence to bidders and enhanced deal value
- identify transitional and long term service agreements required on both sides
- identify and quantify the stranded costs arising on separation for the seller
- develop a structured, fact based approach to employment issues, which took the emotion out of a complex process
- maintain a low risk approach – where possible transfer of existing assets and people rather than build or recruit
- establish a robust governance structure with clearly defined separation principles.

## Delivering value

From our experience of working on transactions involving major separation programmes, management teams need to focus on the following areas to minimise disruption and maximise value:

- challenge the assumption that nothing needed to change – rigorous assessment of transitional services highlighted a significant number of detailed changes required pre-day 1
- agree the detailed transition plan with the buyer and deliver against joint plans – getting the buyer up to speed quickly with the level of planning undertaken and their responsibilities
- maintain a rigorous change control process based on statements of fact not negotiation
- address the culture change early – communications reinforced that staff continued to be employed by the seller until completion
- adopt a robust approach to identifying and obtaining consent from third-party suppliers
- complete joint post-completion plans with the buyer within 40 days post-completion to drive the full standalone state
- ensure a balance of separation activity and business as usual – protecting the core business while maximising deal proceeds
- use separation as the driver of optimisation in the seller's retained business – mitigation strategies for stranded costs developed and implemented on a timely basis
- ensure migration and transition services agreement (TSA) readiness plans are embedded pre-completion to deliver a smooth transition.

---

## ***Deal makers: the 2010 power players***

***Positioning for expansion in growth markets, selling assets to fund power generation and infrastructure investments, international investor interest in steady regulated utility returns, and power privatisation in Australia and Turkey were all part of the backdrop behind the largest deals of 2010. But the big story behind the top deals was the arrival of a long-predicted wave of consolidation deals in the United States.***

No fewer than five of the top ten 2010 power deals were US combinations. For some time, the power sector in the US has appeared ripe for consolidation with a large number of medium-size power and utilities companies. There had been pent-up demand for deals and 2010 saw the dam burst. With companies facing major capital investment challenges, the need for greater scale and balance sheet strength had become pressing. These factors will continue to provide momentum behind further similar US consolidation moves in 2011.

Some of the 2010 deals – Allegheny Energy/FirstEnergy, E.ON/PPL and Dynegy's pursuit by Blackstone and then by Icahn – had their own distinctive contexts that did not necessarily indicate the trend that was to come. But the combination of two merchant independent power producers, Mirant Corporation and RRI Energy to form GenOn Energy, followed later in the year by the agreements between NSTAR/Northeast Utilities and Nicor/AGL, provided a trio of deals with consolidation for mutual efficiency and scale at their heart. Then, in the first few weeks of 2011, came the blockbuster with the announcement of a US\$13.7bn merger between Duke Energy and Progress Energy.

Relatively low premiums characterised many of these deals, reflecting their 'merger of equals' nature. They are motivated by a mutual interest of both parties to merge contiguous core operations and gain greater scale and balance sheet strength for investment. We look in more detail at the various US deals and related developments in the US power market in the North America section.

The E.ON auction of Louisville Gas and Electric and Kentucky Utilities marked the German company's exit from the US regulated power supply sector. It retains its focus on growth in renewables in the US. E.ON is engaged in a series of asset sales as it plans to refocus its international footprint towards faster growth markets. Expansion outside Europe was also the motivation behind the merger between International Power (IP) and GDF-Suez, which at US\$13.5bn was the largest announced deal in 2010. The two companies have complementary global independent power businesses and the deal strengthens IP's credit rating giving it improved access to capital. Announcing completion of the deal in February 2011, the merged group says it is "ideally positioned in the regions where 80% of tomorrow's new production capacities needs will occur."

The third largest deal in 2010 was a move away from international ownership when the southern German state of Baden-Wuerttemberg bought EDF's 45% stake in Energie Baden-Wuerttemberg (EnBW). A degree of energy nationalism lay behind the public takeover with the state premier stating that the purchase had prevented foreign buyers from possibly acquiring a majority stake in the company. The state intends to sell all or part of its share again at a future date. The US\$6.4bn divestment by EDF added to the US\$9.1bn from the sale of its UK networks business to Cheung Kong Infrastructure of Hong Kong.

These asset sales have helped EDF cut debt and free up funds for substantial nuclear power and other infrastructure expansion.

We look further at the dynamics behind these European and US deals in the Europe and North America sections later in the report. The remaining top ten deals of 2010 came with energy privatisation in Australia. In addition, there were the privatisation auctions in Turkey of 11 of the country's 20 regional electricity distribution companies. We discuss these deals in the Asia Pacific and Europe sections.

**Figure 5: Top ten – cross-border and domestic deals 2010**

No.	Value of transaction (US\$bn)	Date announced	Target name	Target description	Target nation	Acquirer name	Acquirer nation
1	13.5	10 Aug 10	International Power plc	Global independent power producer, headquartered in the UK	United Kingdom	GDF Suez SA	France
2	9.1	30 Jul 10	EDF Energy plc	UK electricity distribution business	United Kingdom	Cheung Kong Infrastructure Holdings Ltd (40%) Hongkong Electric Holdings Ltd (40%) Li Ka-Shing Foundation (20%)	Hong Kong
3	6.4	06 Dec 10	Energie Baden-Wuerttemberg AG - EnBW	Local energy conglomerate	Germany	Federal State of Baden-Wuerttemberg	Germany
4	5.5	11 Feb 10	Allegheny Energy Inc	Diversified domestic utility holding company	United States	FirstEnergy Corp	United States
5	5.0	28 Apr 10	E.ON US LLC	E.ON's US power generation business	United States	PPL Corp	United States
6	4.3	18 Oct 10	Nstar	Investor-owned domestic electricity and gas utility	United States	Northeast Utilities	United States
7	3.2	14 Dec 10	Country Energy; Integral Energy Australia	Portfolio of domestic electricity & gas retail businesses and generation trading rights	Australia	Origin Energy Ltd	Australia
8	2.9	15 Dec 10	Dynegy Inc	Domestic independent power producer	United States	Icahn Enterprises LP	United States
9	2.0	14 Dec 10	Energy Australia	Domestic electricity & gas retail business and generation trading rights	Australia	CLP Holdings Ltd	Hong Kong
10	2.0	11 Apr 10	Mirant Corp	Domestic independent power producer	United States	RRI Energy Inc	United States

Deal values for numbers 2, 3, 7 and 9 are sourced from Capital IQ

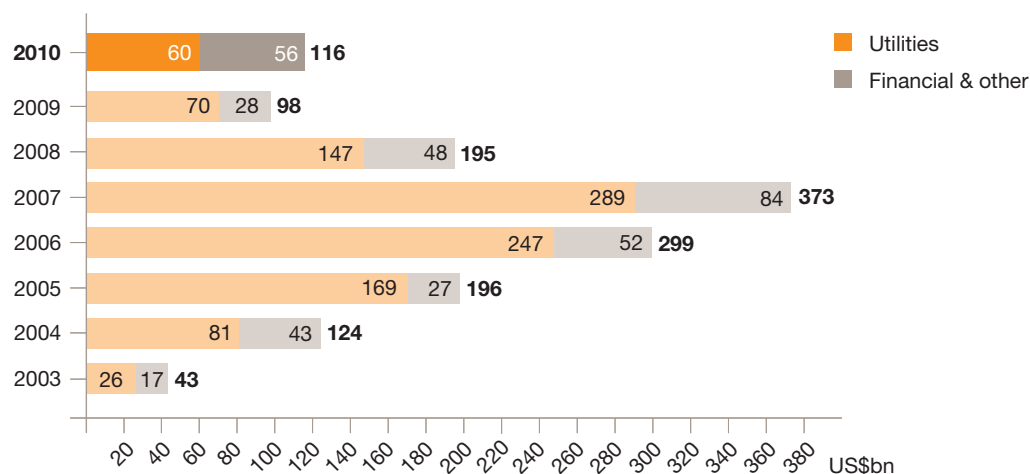
Source: PwC, *Power Deals 2010 Annual Review*

### Corporate vs financial buyers

Corporate activity by trade players accounted for just half of all power deal value in 2010. Financial and other buyers accounted for US\$56bn of deal value, although US\$6.4bn of this is represented by the inclusion of the state of Baden-Wuerttemberg's deal with EDF in the 'other' category.

The Cheung Kong/EDF UK networks, Icahn/Dynegy and the Turkish investor privatisations together accounted for another US\$15bn of 'financial and other' bid activity. This category also includes purchases by energy companies with oil and gas exploration activities who are moving into power distribution, such as the US\$3.2bn purchase by Australia's Origin Energy of electricity and gas supply businesses in the first round of New South Wales electricity privatisation (see Asia Pacific section).

**Figure 6: Utility deal activity vs financial & other deal activity by value (US\$bn)**



Source: PwC, *Power Deals 2010 Annual Review*

**Figure 7: Utility deals activity vs financial and other deal activity (% share)**

	2003	2004	2005	2006	2007	2008	2009	2010
Utilities	60%	65%	86%	83%	78%	76%	71%	52%
Financial and other	40%	35%	14%	17%	22%	24%	29%	48%

Source: PwC, *Power Deals 2010 Annual Review*

The remaining US\$1bn plus deal involving financial buyers stemmed from the restructuring of Alinta Energy in Australia with a debt for equity swap required to avoid voluntary administration. The group of lenders included private equity company TPG Capital. Other significant financial buyer deals included a US\$843m open market purchase of a 3% stake in Iberdrola by Blackrock.

### Most active bidders

The relatively subdued buyer activity of utilities companies in the major western developed markets is reflected in their absence from the most active bidders table. Instead, Donalink, a Cyprus-registered company controlled by Russian billionaires Andrey Melnichenko and Sergei Popov, was the most active in 2010 with a string of acquisitions of largely minority stakes in local Russian electricity generation and distribution companies, totalling US\$349m. The largest Russian transaction was metals group Norilsk Nickel's US\$1.5bn divestment of a controlling stake in power generation plants to Russian electricity export and import company Inter RAO. The deal remained subject to completion at the end of 2010.

**Figure 8: The five most active bidders 2010**

Rank	Bidder	Number of deals	Total value US\$m
1	Donalink Ltd	8	349.4
2	Gazprom OAO	6	n/a
3	Inter RAO UES OAO	5	1,996.5
4	Huadian Energy Co Ltd	5	217.1
5	RusHydro	5	97.5

Source: PwC, *Power Deals 2010 Annual Review*

### 2010 review...

...Transaction values for regulated assets have generally remained fairly robust during the recent downturn, an example of this being the 130% RAB multiples achieved by EDF in the disposal of their network business during the year. By contrast, prices for assets exposed to underlying commodity and demand side risk remain somewhat depressed. In addition, further trends seen in 2010 include evidence of further globalisation of the power sector with the growth of the independent power producer business model, purchases by Cheung Kong Infrastructure (CKI) and State Grid Corporation of China of network assets in the UK and Brazil respectively, and E.ON's outline of its growth plans outside Europe...

### 2011 view...

...We expect these trends to intensify in 2011, especially the trend of divestment of network assets. The stable source of return on invested capital is attractive to specialised infrastructure investors such as CKI and investment funds such as those linked with global investment banks. There is likely to be a string of deals for such assets in Europe. Press reports, for example, indicate that CKI is expected to make a bid for E.ON's UK networks.

## Deal places: a focus on markets worldwide

*Europe continues to provide the main power deals focus – delivering the majority (51%) of the target value of worldwide power deals. But the European bidder focus shifted in 2010. Although the number of European deals (both bidder and target) maintained its share of world deals, European bidder value declined by 14% year-on-year and Europe’s bidder share of worldwide deal value fell from 60% to 44%.*

US activity took up the slack. Coming off a low base of very subdued activity in 2009, the number of bids by North American entities rose 40% in 2010 with total bidder value more than trebling, up to US\$34bn from US\$10bn. North American targets accounted for 28% of total worldwide deal value – nearly three times their 13% share of 2009. But the US\$33bn target value for 2010 is still significantly short of North American power deal totals in the mid-part of the last decade which ranged from US\$58bn in 2004 to a high of US\$95bn in 2007 and then down to US\$42bn in 2008.

A big fall-off in deal value came in South America where both target and bidder value returned back to levels comparable with 2008 after a big rise in 2009. US\$1.2bn of the US\$3.4bn South American target value came from the takeover of seven Brazilian power transmission companies by the State Grid Corporation of China (see later Asia Pacific section). Elsewhere, deal value rose in the Russian Federation after a big fall in 2009. Much of this came from buyer activity by Donalink and Inter RAO (see p 12).

**Figure 9: Deals by continent**

North America	2009	2010	% change
<b>By target</b> value of deals (US\$bn)	12.3	32.8	167%
<b>By bidder</b> value of deals (US\$bn)	10.0	34.0	240%
<b>Number of deals</b>			
<b>By target</b>	96	110	15%
<b>By bidder</b>	84	118	40%

South & Central America	2009	2010	% change
<b>By target</b> value of deals (US\$bn)	8.6	3.4	(60%)
<b>By bidder</b> value of deals (US\$bn)	7.8	1.5	(81%)
<b>Number of deals</b>			
<b>By target</b>	32	39	22%
<b>By bidder</b>	28	30	7%

Europe	2009	2010	% change
By target value of deals (US\$bn)	58.6	59.5	2%
By bidder value of deals (US\$bn)	58.9	50.7	(14%)
<b>Number of deals</b>			
By target	167	190	14%
By bidder	174	190	9%

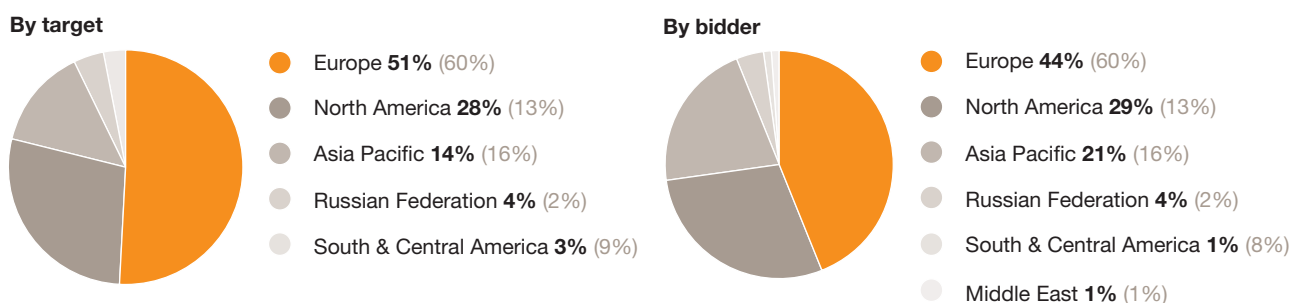
Russian Federation	2009	2010	% change
By target value of deals (US\$bn)	1.7	4.5	164%
By bidder value of deals (US\$bn)	1.7	4.2	150%
<b>Number of deals</b>			
By target	131	158	21%
By bidder	133	153	15%

Asia Pacific	2009	2010	% change
By target value of deals (US\$bn)	16.0	15.7	(2%)
By bidder value of deals (US\$bn)	18.5	24.9	35%
<b>Number of deals</b>			
By target	163	160	(2%)
By bidder	171	170	(1%)

The total value of Asia Pacific targets stayed broadly level year-on-year, buoyed by the Australian privatisation sales. But while Asia Pacific target value was little changed, the total value targeted by Asia Pacific bidders was up 35%, from US\$19bn in 2009 to US\$25bn in 2010. Between a third and a half (US\$10bn) of this was for targets outside the Asia Pacific region, predominantly in North America and Europe.

Source: PwC, *Power Deals 2010 Annual Review*

**Figure 10: 2010 deal percentages by continent**  
(2009 percentages shown in parenthesis)



Source: PwC, *Power Deals 2010 Annual Review*

## North America

*Deal activity in North America bounced back in 2010 after an exceptionally subdued previous year. The region's target and bidder value both more than trebled. The number of bidders from within the region rose by 40% and the average deal value for North American targets was up 76% from US\$246m in 2009 to US\$432m. Nearly all deals were for US targets – 100 of the 110 deals. The ten deals for Canadian targets were relatively small, accounting for US\$127m of the total US\$33bn total target value.*

The vast majority of purchases were made by North American buyers – US\$32bn of the US\$34bn total – and most of this activity came from corporate buyers from within the power sector. There had been a lot of pent-up pressure with uncertainties around energy legislation and difficulties in regulatory approvals among the factors holding deals back. The economic situation and negative demand growth for many utility companies had also dampened companies' appetite for deals.

In 2010, these inhibiting factors became outweighed by the greater certainty that, whatever the exact form of energy reform and economic recovery, major generation and infrastructure investment would be required and companies needed to start doing deals to gain scale, strengthen balance sheets and improve capital ratings.

The largest deal announced in 2010 was FirstEnergy Corporation's US\$5.5bn all-stock takeover of Allegheny Energy. The two companies, based in neighbouring Ohio and Pennsylvania, have operational footprints with more than six million customers across seven states and a lot of opportunities for synergies. Reflecting this, the deal carried a 32% premium to Allegheny's closing share price before the announcement.

Previous years had seen a string of proposed deals that have ended up being blocked by state regulators. These included, for example, FPL's abandoned takeover of Constellation which fell on the uncertainty around approval by the Maryland Public Service Commission (MPSC). But, early in 2011 the Allegheny deal was on course for clearance with MPSC becoming the third of four states to approve the combination. The deal has also gained federal regulatory approval.

Pennsylvania-based PPL with its US\$5.0bn auction win for Louisville Gas and Electric and Kentucky Utilities from E.ON. The German company had decided to sell its non-renewable US assets in favour of refocusing its international ambition on faster growth markets elsewhere. The deal completed before the end of 2010.

Also announced and completed in 2010 was the US\$2.0bn merger of independent power producers, Mirant Corporation and RRI Energy, to form GenOn. Like their public utility cousins, combinations of merchant power companies are a development that has been waiting to happen in the US market and, indeed, the two companies had been in discussions for some time.

Figure 11: North America deals by target

	Value	Number	% change in 2010	
			Value	Number
<b>Power</b>	US\$32.8bn	110	167%	15%
of which: Electricity	US\$26.4bn	89	116%	(3%)
Gas	US\$6.5bn	21	6350%	425%

Source: PwC, Power Deals 2010 Annual Review

Another merchant power company, Dynegy, provided many of the 2010 power deal headlines in the US. Its market price had slumped and the Blackstone Group pursued a buy-out that would have enabled them to break up and resell some of the generation assets. The bid fell in the face of shareholder activism led by hedge fund Seneca Capital and Icahn then tabling a higher priced proposal. With no alternative bids having been received by the company at the closing of its 'open strategic alternatives process' on 24 January 2011, the US\$2.9bn Icahn offer has been recommended by Dynegy's board.

With the deal-making momentum in the US power sector already beginning to revive, the second half of 2010 and the first month of 2011 heralded a trio of mergers in the regulated utility sector to more than match the Mirant/RRR and Dynegy activity in the unregulated arena. Northeast Utilities' US\$4.3bn merger with Nstar and AGL Resources US\$2.0bn merger with Nicor were followed by the announcement of a US\$13.7bn agreement between Duke Energy and Progress Energy.

The Duke Energy deal is set to create the largest power utility in the US. The two companies have contiguous footprints serving seven million electric customers in six regulated service territories North Carolina, South Carolina, Florida, Indiana, Kentucky and Ohio. The AGL/Nicor merger, if approved, will create the largest system of affiliated natural gas-only distribution companies in the US, serving around five million customers.

All three deals are subject to regulatory clearance which, as we have noted, has been an obstacle to US deals in the past. However, the outlook appears more positive and the logic of greater scale to be able to undertake the significant capital investment needed in the sector will be a factor in regulators' minds. Northeast Utilities and Nstar, for example, have plans to invest US\$9bn in energy infrastructure in their New England service territory over the next five years. The merger is designed to make investment more cost effective, spread it over a larger customer base and allow investments on a scale that might not be possible for the companies on a stand-alone basis.

Against a background of the gas glut and low wholesale gas prices, there was a revival of gas deals as acquirers saw buying opportunities. But the biggest gas deals came with the AGL/Nicor merger and Iberdrola USA's US\$897m sale of three gas utilities to diversified energy company UIL Holdings. The sale forms part of Iberdrola's non-core asset divestment programme as the Spanish-led group focuses on investment in and expansion of renewable electricity.

### **2010 review...**

...The state regulatory reaction to proposed deals has proved a deal breaker to many US deals in the past. But the prospects for completion of the 2010 announcements are looking good as companies take a 'merger of equals' approach...

### **2011 view...**

...2011 began with a bang with Duke's acquisition of Progress, suggesting M&A may be returning to levels last seen before 2008. Regulatory approvals for deals announced in 2010 will be a key influence on buyer appetite for an increased flow of regulated transactions. The trend toward lower premiums suggests that 'mergers of equals' may be an avenue for utilities to secure cost reduction opportunities, balance fuel risk in light of continued uncertainty around the carbon regime and gain scale for oncoming capital requirements. There is also strong interest in the US market from financial buyers including sovereign wealth, pension and infrastructure funds.

## Deal places: a focus on markets worldwide

# Europe

*The number of European power deals rose in 2010 with bids up by 9% and deals for European targets up 14%. But activity was largely confined to much smaller deal sizes than in previous years. There were three exceptions – the International Power/GDF Suez merger, the EnBW sale and the EDF sale of UK network assets. Together they accounted for US\$28bn of the US\$48bn total target value and US\$56bn bidder total. But, even with the contribution of these three deals, European bidder value was down 14% year-on-year.*

The big consolidation moves to gain a strong European footprint that characterised deal-making in the mid-part of the last decade have given way to a review of portfolios and a number of deals to raise cash for capital investment. International expansion outside Europe remains strongly on the agenda for a number of European companies.

The declared ambition of International Power (IP) and GDF Suez in their US\$13.5bn deal is to create a global leader in independent power generation with presence in all major regions. The deal reinforces the group's strength in leading fast growing markets in Asia and the Middle East and adds access to Latin America for IP and to Australia for GDF Suez.

The development of a stronger footprint in higher growth markets is also a key priority for E.ON. The German utility company set out its market strategy in late 2010 stating that it intended to focus on two additional growth regions outside Europe. No specific regions were mentioned but Asia and the Middle East are likely to be high on the company's priorities. But this is for the future. In 2010, E.ON's focus was on exits from positions that did not fit with its strategy. This included non-renewable electricity in the US where it raised US\$5bn from the sale of utility companies that it had inherited from its takeover of UK company Powergen in 2002.

EDF is another company with major expansion plans, particularly in nuclear power. The company is playing a major role in nuclear expansion following a disagreement with Constellation Energy. This led to EDF buying out the US company's stake in their Unistar nuclear joint venture in a US\$162m deal. The fact that this was the largest acquisition by a European company outside the continent indicates the extent to which actual outbound deal flow was put on hold in 2010 while companies reviewed their positions.

Low gas prices in the US market are further complicating EDF's US plans by undermining the economics of nuclear. For its UK plans alone, major investment will be required and US\$12bn was raised from two sales in 2010 – the sale of EDF's 45% stake in EnBW to the state of Baden-Wuerttemberg and the divestment of its UK electricity distribution networks to Cheung Kong Infrastructure and Hong Kong Electric. Iberdrola was another company that was shuffling its portfolio in 2010 with its US\$897m sale of three US gas utilities (see North America).

**Figure 12: Europe deals by target**

	Value	Number	% change in 2010	
			Value	Number
<b>Power</b>	US\$59.5bn	190	2%	14%
of which: Electricity	US\$55.9bn	156	6%	24%
Gas	US\$3.6bn	34	(37%)	(17%)

**Note:** Excluding Russian Federation  
**Source:** PwC, *Power Deals 2010 Annual Review*

Network divestments are set to gather pace in 2011 with heavy buyer interest from infrastructure funds and other financial investors. The unbundling and legal separation of power transmission and gas transportation networks required by EU regulation is often leads to the divestment of these separated entities. Activity is also taking place at the distribution system operator (DSO) network level.

There is also a trend to 'recommunalisation' in Germany with a reinvigoration of the role of the municipality-owned Stadtwerke multi-utility units and companies. The 2009 US\$4.1bn sale of Thüga by E.ON to a municipal consortium, followed by the 2010 EnBW purchase by the state of Baden-Wuerttemberg and the sale of Evonik Steag GmbH - Germany's fifth largest electricity producer to the Rhein-Ruhr Stadtwerke Consortium (will be effective on 31 March 2011), are indicative of this trend.

US\$10bn of the US\$60bn European target power deal value in 2010 came from Turkey where the privatisation auctions took place of 11 of Turkey's 20 regional electricity distribution companies. The largest deal was the US\$1.9bn acquisition of the Bogazici power distribution grid, serving the European half of Istanbul, by the Is-Kaya Insaat-MMEKA investment consortium. MMEKA, one of the companies in the consortium, was also successful in other deals, raising concerns about market dominance. The Competition Authority has blocked the way for completion of all the deals, unless potential legal action overturns this decision.

### 2010 review...

...International expansion outside Europe was confined to the boardroom planning table rather than the deal table of European power companies in 2010...

### 2011 view...

...But this could change in 2011. IP and GDF Suez have indicated that their merger is likely to result in some initial rationalization of their combined portfolio followed by expansion in key markets. Their combined firepower will also strengthen their ability to acquire assets worldwide. At the same time, E.ON could make the first moves in its growth market strategy. Spanish utility Iberdrola may have set the tone for 2011 with its January 2011 US\$2.4bn purchase of Brazilian electricity distribution company Elektro.

## Deal dialogues: Electricity market reform in Europe

***Security and affordability of supply have been the watchwords for electricity market design across Europe. Now decarbonisation has added a third important objective. There is a growing awareness that current market structures cannot effectively deliver EU 2020 carbon emissions reduction targets. Reform of electricity markets is needed to address the objective of decarbonising the power sector while preserving the original objectives of security of supply and affordability.***

The UK government is examining options for electricity market reform in 2011. There are four policy instruments in the government's proposed package:

- carbon price support;
- feed in Tariffs (FITs) with a contract for difference (CfD);
- an emissions performance standard;
- a targeted capacity mechanism.

The new policies will lead to a significant change in the functioning of the UK power market, and it is likely that much of Europe will introduce their own reform policies as they also seek to decarbonise their electricity sectors.

The aim is to improve the financial incentives for low carbon generation while also ensuring that there is sufficient provision of flexibility to 'keep the lights on' as old fossil fuel plant is decommissioned. It is recognised that interconnection and demand side response also have key roles.

With significant change comes a certain level of uncertainty over how future electricity markets will truly function in the wake of reform. An increase in government intervention is an unavoidable by-product of these policies, which may lead to unintended and unforeseeable consequences.

One of the key aims of the market reforms proposed in the UK is to attract new investors such as financial investors with the prospect of lower risk revenues. In the short term, though, there is a real risk of an investment hiatus as investors navigate through this transitional period.

Companies and investors will need to carefully consider how these market reform policies will impact their strategic objectives and direction. They will need to consider what it means both for their strategy and for the way in which they manage their business. The best prepared companies will not only respond effectively but will be on the front foot to pro-actively help shape the significant remaining gaps in the design of the reforms.

PwC has a deep-rooted understanding of the power sector across Europe and of the issues driving the current reforms. We can advise companies to understand the implications of market reform and assist in optimising the response required, both on a strategic and operational level.

## Deal places: a focus on markets worldwide

# Asia Pacific

*The Asia Pacific region delivered over a fifth (22%) of worldwide power deal value in 2010. Bidders from the region were involved in US\$25bn worth of deals, up 35% on the previous year. The number of deals with Asia Pacific buyers or sellers was little changed. But the focus of activity switched to encompass more investment in targets outside the region. US\$10bn of Asia Pacific bidder value was for targets outside the region. In contrast, despite the Australian privatisation deals, the total value of targets inside the region remained relatively unchanged at approximately US\$16bn.*

The swelling of deal volumes outside the region was accounted for by the US\$9.1bn Cheung Kong Infrastructure purchase of UK network assets (see earlier sections). A second significant international networks acquisition saw State Grid Corporation of China (SGCC) acquire majority stakes in seven power transmission companies in Brazil in a US\$1.2bn deal.

The Brazilian purchase is the biggest overseas investment by SGCC since it took over the Philippines National Transmission Corporation (TransCo) in January 2009. The deal gives it a platform for its international operations in Latin America and is indicative of the company's strategy of being a specialist operator of network assets worldwide. Elsewhere, China Huaneng Group announced the purchase of Indian company GMR Infrastructure's 50% share of Dutch power generator Intergen for US\$790m, with the deal pending Chinese Government approval.

Inside the region, the long-awaited first round of New South Wales (NSW) electricity privatisation in Australia accounted for the largest deals. Two deals featured in the first round, announced in December 2010. In the first, Origin Energy paid US\$3.2bn for Integral Energy and Country Energy's retail businesses and the Eraring Energy GenTrader arrangements. The deal will increase Origin's customer base by more than 50%, making the company Australia's largest energy retailer with around five million customer accounts and more than 5.8 GW of capacity, through either owned generation or contracted rights.

The second of the NSW privatisation deals was a US\$2.0bn purchase by TRUenergy (the Australian subsidiary of Hong Kong-based CLP Holdings) of EnergyAustralia's retail business, the Delta Western gentrader bundle for the Mount Piper (1.4 GW) and Wallerawang (1.0 GW) coal-fired power stations, and three power station development sites. Both the privatisation deals are subject to completion. The deal doubles TRU's energy retail business from 1.3 million to approximately 2.8 million customers. Since the deals were announced, eight directors of state-owned electricity companies quit in protest, triggering a Parliamentary inquiry into the sale. The inquiry remains ongoing. A state election will take place in March 2011. Both TRU and Origin refute the ability of any new government to reverse the sales.

The other major deal in 2010 came with the need by Australia's Alinta Energy to deleverage in the face of unmanageable debt obligations. All the Alinta Group operating assets, other than Redbank and Oakey1 generation plants, will be acquired by a new company wholly owned by a syndicate of lenders. After the divestment, the syndicate loan will be partly discharged. The total deal value is US\$1.3bn but is subject to a shareholder vote in March 2011.

Figure 13: Asia Pacific deals by target

	Value	Number	% change in 2010	
			Value	Number
<b>Power</b>	US\$15.7bn	160	4%	7%
of which: Electricity	US\$13.8bn	136	(4%)	10%
Gas	US\$1.9bn	24	170%	(4%)

Source: PwC, Power Deals 2010 Annual Review

## 2010 review...

...The New South Wales (NSW) privatisations boosted the Australian power deal flow in 2010. But in early 2011 the privatisation programme was stopped in its tracks...

Looking ahead to 2011, the NSW privatisations and the Alinta deleveraging are likely to have implications for further deal activity. If their deals complete, both privatisation buyers will need to contemplate a revised capital structure as a consequence of the increased size of each business. This will likely see debt or equity issues at a future date. If approved, the group of lenders seeking to acquire Alinta includes a private equity company who may seek to strategically divest some of the portfolio of assets.

## 2011 view...

... The privatisations have been the subject of considerable controversy. In early 2011, the NSW government abandoned any further privatisation of the state's electricity sector, after the second tranche of a planned sale failed to attract a suitable bid amid the political wrangling. But with both debt and equity markets 'open for business' again, the outlook for other corporate deal flow in the sector looks positive, especially with some companies perhaps needing to divest stakes to finance extensive network capex requirements over the next few years.

## Deal dialogues: Debt markets

*The boom in global power deals during the mid-2000s was fueled to a significant degree by high liquidity in the debt markets and favourable lending terms. The credit crunch resulted in a significant debt market tightening with lending multiples falling, margins increasing and covenants becoming more restrictive, directly impacting the prices that acquirers of these assets have been able to pay. Despite the debt markets showing some signs of improvement they remain challenging as we move into 2011.*

These market dynamics have a number of implications for corporates. There is a significant volume of deals, completed in the mid to late part of the last decade, which have debt facilities with maturity dates fast approaching. Tighter debt market conditions, combined with any business plan underperformance, means a significant number of companies will be forced to enter restructuring negotiations with their lending banks ahead of these maturity dates.

A further tension is expected to come as corporates and financial investors seek to increase their level of M&A activity. This will compete for attention from the same lending banks and debt markets, thereby adding a further pressure on companies looking to refinance.

Despite this, there are some encouraging developments. Leveraged finance is recovering after the crisis of confidence in 2009. Loan volumes grew in 2010 and are expected to continue to grow in 2011 as lenders strengthen their balance sheets. But borrowers should plan to tackle their upcoming maturities early to ensure the best outcome is achieved.

More highly leveraged companies need to consider how they can reduce their debt to levels capable of being refinanced in the current market. In general, companies will have to look forward and plan towards upcoming refinancing rounds.

Combining our industry expertise with deep debt market capability, PwC can advise on refinancing strategies and options and assist with arranging and implementing refinancings to ensure value is maximised for our clients.

## Looking ahead

Power deal making remains in the lowlands compared with the heady mountains of deal value that were transacted in the 2005-2008 period. But the conditions are in place for a return at least towards the foothills. Much will depend on the extent to which demand returns in the main developed markets to give companies confidence in their capital expenditure renewal and new build programmes.

If it does then we can expect promising conditions for the divestment opportunities that some companies will be seeking to bolster their balance sheet strength. In Europe the flow of network divestments is likely to accelerate, as companies seek to free up capital. These are likely to continue to attract interest from sovereign wealth, infrastructure and pension funds.

For example, the UK Government has created a new class of asset in offshore transmission operators with up to US\$3.2bn of transactions expected to close in 2011, with more to follow in subsequent years. By and large these deals allow infrastructure funds to invest in such assets returning the capital to their previous generator developers. On the east coast of the US, there is the possibility that transmission investment for offshore wind could come from unusual sources. Google has announced that it intends to team up with Japan's Marubeni Corporation and Good Energy to finance a 350 mile stretch of underwater cable to connect 6 GW of offshore wind turbines with the coast. But whether this translates into reality remains uncertain.

Government clean energy policies will play an important role in shaping the background to deal activity. This will increase the extent to which the price of power assets and, in turn, M&A valuations are determined by regulatory frameworks. The major capital expenditure and operational priorities faced by companies will reduce the scope for big acquisitions but, in turn, also spur smaller scale restructuring.

Deal flow in the US will hinge on the extent to which state regulators place hurdles in the way of completion. The reaction of regulators to the 2010 US deals suggests that the door is now more open to a greater flow of regulated utility deals as companies scale up to deliver the renewal and expansion programmes that will be required. However, this will remain a case-by-case, deal-by-deal factor which will influence who merges with whom and in which states.

US generation asset transactions continue to reflect the pent up demand that exists to secure investments in the US from Asian investors, while other investors are trying to capitalise on potentially undervalued assets due to regulatory uncertainty, particularly in the environmental area. We expect an increase in generation activity as legislative and regulatory uncertainty continues, particularly around the price of carbon, driving opportunistic buying and fuel diversification.

It remains, for the most part, much more economic for companies in the US to buy rather than build generation. But there is also still considerable uncertainty about optimal generation mix.

The recent discovery and exploitation of US shale gas formations has depressed gas prices compared to historical trends and decoupled it from oil. In certain markets, this has changed the marginal fuels and adversely affected the economics for renewable generation (both development and acquisitions).

Regulatory policy around drilling and extraction techniques are in their formative stages, creating uncertainty over the near to mid-term. However as shale gas continues to build momentum, its impact on the global power markets is set to increase.

The central and eastern European deal marketplace has been particularly hit by the economic downturn but 2011 looks more likely to herald a deal growth story. In Turkey the long-awaited privatisation of the state electricity generation portfolios is on course to begin in 2011 and proceed until 2014. These transactions will switch 16 GW to private portfolios, pushing their current share of the installed capacity in the country from around 20% to some 50% in the coming years.

Foreign bidders stayed away from the recent Turkish distribution tenders but greater foreign interest is expected in the generation privatisations. But the opaque regulatory scene does pose a question mark for outside investors. There is also the coming privatisation of IGDAS, which serves around five million customers in Istanbul. Here there is foreign interest alongside fierce domestic competition.

The trend towards global power deals, with cross continental acquisitions, will possibly step up a gear in 2011. A number of trends are evident – the development of independent power producer footprints, acquisitions of global network asset portfolios, outbound moves by Chinese power companies and the expansionist plans of European utilities.

We expect to see a continuation of outbound Asia Pacific investment in Europe, the US and other regions in 2011, with greater involvement of Chinese power companies, possibly from among the generation companies as well as the two grid companies. 2011 could also be a year of significant outbound activity by European utility companies. But, as we say, the emphasis is likely to be on scaling foothills rather than moving mountains.

## Global Power Deals Team

### Manfred Wiegand

Global Utilities Leader  
Telephone: +49 201 438 1517  
Email: manfred.wiegand@de.pwc.com

### Mark Hughes

European Energy & Utilities Leader  
Telephone: +44 20 7804 5767  
Email: mark.v.hughes@uk.pwc.com

### Ross Hunter

Partner, Energy & Utilities  
Telephone: +44 20 7804 4326  
Email: mark.v.hughes@uk.pwc.com

### John Gibbs

Partner, Energy & Utilities  
Telephone: +44 20 7213 3800  
Email: john.gibbs@uk.pwc.com

### Rob McCeney

Partner, Energy and Utilities  
Telephone: +1 917 968 6227  
Email: rob.mcceney@us.pwc.com

### Charlie Garrood

Director, Energy & Utilities  
Telephone: +44 20 7803 5980  
Email: charlie.garrood@uk.pwc.com

### Ronan O'Regan

Director, Energy & Utilities  
Telephone: +44 20 7804 4259  
Email: ronan.oregan@uk.pwc.com

### Stefan Gebski

Energy & Utilities  
Telephone: +44 20 7804 8061  
Email: stefan.a.gebski@uk.pwc.com

### Olesya Hatop

Global Energy & Utilities Marketing  
Telephone: +49 201 438 1431  
Email: olesya.hatop@de.pwc.com

## Territory Contacts

### Africa

Stanley Subramoney  
Telephone: +27 11 797 4380  
Email: stanley.subramoney@za.pwc.com

### Australasia

Jock O'Callaghan  
Telephone: +61 3 8603 6137  
Email: jock.ocallaghan@au.pwc.com

### Austria

Gerhard Prachner  
Telephone: +43 1 501 88 1800  
Email: Gerhard.prachner@at.pwc.com

### Michael Sponring

Telephone: +43 1 501 88 2935  
Email: michael.sponring@at.pwc.com

### Canada

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

### Alistair Bryden

Telephone: +1 403 509 7354  
Email: alistair.e.bryden@ca.pwc.com

### China

Gavin Chui  
Telephone: +86 10 6533 2188  
Email: gavin.chui@cn.pwc.com

### Denmark

Per Timmermann  
Telephone: +45 3945 3945  
Email: per.timmermann@dk.pwc.com

### Finland

Mauri Hätönen  
Telephone: +358 9 2280 1946  
Email: mauri.hatonen@fi.pwc.com

### France

Philippe Girault  
Telephone: +33 1 5657 8897  
Email: philippe.girault@fr.pwc.com

### Germany

Jörg Bredy  
Telephone: +49 211 981 2852  
Email: jorg.bredy@de.pwc.com

### Greece

Socrates Leptis-Bourgi  
Telephone: +30 210 687 4693  
Email: socrates.leptos.-bourgi@gr.pwc.com

### India

Kameswara Rao  
Telephone: +9140 6624 6688  
Email: kameswara.rao@in.pwc.com

### Ireland

Ann O'Connell  
Telephone: +353 1 792 8512  
Email: ann.oconnell@ir.pwc.com

### Italy

Giovanni Poggio  
Telephone: +39 06 570252588  
Email: giovanni.poggio@it.pwc.com

### Latin America

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

### Middle East

Paul Navratil  
Telephone: +973 1754 0554  
Email: paul.navratil@bh.pwc.com

### Netherlands

Jeroen van Hoof  
Telephone: +31 88 792 1328  
Email: jeroen.van.hoof@nl.pwc.com

### New Zealand

Craig Rice  
Telephone: +64 9 355 8641  
Email: craig.rice@nz.pwc.com

### Norway

Ståle Johansen  
Telephone: +47 9526 0476  
Email: stale.johansen@no.pwc.com

### Poland

Mirosław Soltysiak  
Telephone: +48 22 523 4710  
Email: miroslaw.soltysiak@pl.pwc.com

### Russia & Central and Eastern Europe

David Gray  
Telephone: +7 495 967 6311  
Email: dave.gray@ru.pwc.com

### Alexander Chmel

Telephone: +7 495 967 6334  
Email: alexander.chmel@ru.pwc.com

### Singapore

Paul Cornelius  
Telephone: +65 6236 3718  
Email: paul.cornelius@sg.pwc.com

### Spain

Gonzalo Sanchez Martinez  
Telephone: +34 946 022 534  
Email: gonzalo.sanchez@es.pwc.com

### Sweden

Martin Gavelius  
Telephone: +46 8 5553 3529  
Email: martin.gavelius@se.pwc.com

### Switzerland

Ralf Schlaepfer  
Telephone: +41 58 792 1620  
Email: ralf.schlaepfer@ch.pwc.com

### United Kingdom

Steve Jennings  
Telephone: +44 20 7802 1449  
Email: steven.m.jennings@uk.pwc.com

### United States

John McConomy  
Telephone: +1 267 330 2184  
Email: john.mcconomy@us.pwc.com

PwC firms provide industry-focused assurance, tax and advisory services to enhance value for their clients. More than 161,000 people in 154 countries in firms across the PwC network share their thinking, experience and solutions to develop fresh perspectives and practical advice.

The Global Energy, Utilities and Mining group ([www.pwc.com/energy](http://www.pwc.com/energy)) is the professional services leader in the international energy, utilities and mining community, advising clients through a global network of fully dedicated specialists.

For further information, please visit:  
[www.pwc.com/powerdeals](http://www.pwc.com/powerdeals)



This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PricewaterhouseCoopers does not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.

© 2011 PwC. All rights reserved. Not for further distribution without the permission of PwC. "PwC" refers to the network of member firms of PricewaterhouseCoopers International Limited (PwCIL), or, as the context requires, individual member firms of the PwC network. Each member firm is a separate legal entity and does not act as agent of PwCIL or any other member firm. PwCIL does not provide any services to clients. PwCIL is not responsible or liable for the acts or omissions of any of its member firms nor can it control the exercise of their professional judgment or bind them in any way. No member firm is responsible or liable for the acts or omissions of any other member firm nor can it control the exercise of another member firm's professional judgment or bind another member firm or PwCIL in any way.