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Fridman Preps Bid for German Utility Subsidiary

By The Moscow Times

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FRANKFURT — Billionaire Mikhail Fridman has teamed up with other investors to bid for German utility RWE's oil and gas unit DEA, three sources familiar with the deal said.

"A Fridman-led consortium is preparing to hand in a bid for DEA by the Christmas deadline," one of the sources said.

Fridman is acting through his investment vehicle L1 Energy, another of the sources said.

RWE, suffering from loss-making power plants, a boom in renewable power and 30.8 billion euros ($41.5 billion) in net debt, said in March it planned to sell DEA to save billions of euros that it would otherwise have to invest in exploration and production.

Fridman, flush with cash after the sale of British-Russian oil venture TNK-BP to state-controlled Rosneft, has set up a new investment vehicle that plans to pump as much as $20

billion into energy investments over the next three to five years.

The energy fund, called L1 Energy, run by Fridman's partner German Khan, is still in its early stages and has yet to make any investments.

DEA could make a good strategic fit for L1 Energy as it would enable large-scale diversification away from Russia. Fridman has a track record of buying assets cheaply and seeking to add value.

U.S. private equity firm KKR has teamed up with the international arm of Kuwait Petroleum Corp to jointly bid for DEA, which could reap a valuation of up to 5 billion euros, sources familiar with the matter said earlier this month.

BASF's Wintershall has said in the past that it is interested in the asset. It will not tie up with its Russian partner Gazprom in the bidding, two people familiar with the company's plans said.

Separately, investors such as Blackstone and utilities like Britain's Centrica are seen as potential bidders.

By contrast, Qatar Petroleum International's, or QPI, interest in DEA has cooled as Qatar backed overthrown Egyptian President Mursi and many of DEA's assets are in Egypt.

RWE declined to comment, as did Stan Polovets, lead director of L1 Energy and CEO of AAR.

AAR is the investment vehicle through which a quartet of Soviet-born tycoons used to own half of TNK-BP, the oil company that was sold this year to Russian state oil major Rosneft for $55 billion.

With operations in 14 countries including Germany, Britain and Norway as well as Egypt, DEA employs nearly 1,400 staff and accounted for about 11 percent of RWE's operating profit in 2012.

It has stakes in about 190 oil and gas licenses or concessions in Europe, the Middle East and North Africa, some of which are nonproducing and in need of large investments.

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