

# PITTSBURGH TRIBUNE-REVIEW

## Toshiba to increase Westinghouse stake

By Thomas Olson  
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Toshiba Corp. will acquire from Shaw Group Inc. an additional 20 percent ownership stake in Cranberry-based Westinghouse Electric Co. in a deal announced on Tuesday.

The \$1.6 billion transaction will transfer complete ownership of Westinghouse to foreign corporations for the second time, and Baton Rouge, La.-based Shaw likely will realize a gain of more than \$500 million as a result. Westinghouse was founded in Pittsburgh in 1886.

Tokyo-based Toshiba owns 67 percent of Westinghouse. That will increase to 87 percent after the transaction with Shaw is completed.

Toshiba acquired control of Westinghouse in 2006 from British Nuclear Fuels plc in a \$4.2 billion deal. BNFL acquired Westinghouse in 1999 for \$1.2 billion from CBS Corp.

"We will continue as a U.S.-based company, where more than one-half of our 15,000 global employees are located, with a total of well over 6,000 here in Western Pennsylvania," said spokesman Vaughn Gilbert.

"We will continue to operate under the laws and regulations of the U.S. government as we always have," he said.

Experts do not view Toshiba's increased stake in the nation's largest nuclear power company as a national concern.

"Japan is a friendly power with a lot of experience in the nuclear industry," said Daniel Griswold, director of the Herbert E. Stiefel Center for Trade Policy Studies at the Cato Institute. "This won't make us vulnerable in any way to a foreign source. Japan is as good a U.S. ally as can be."

About 10 percent of Westinghouse is owned by Kazatamprom, a state-owned uranium company in Kazakhstan, which acquired its stake from Toshiba in 2007. Another Japanese company, Ishikawajima-Harima Heavy Industries Co., a heavy-machine maker, owns a 3 percent share of Westinghouse, which it acquired for about \$160 million in 2006.

Shaw is exercising an option to sell the stake to Toshiba after a rise in the value of the yen helped to boost its Westinghouse debt by more than 50 percent during the past five years, according to a statement yesterday. The option to

sell was part of the companies' 2006 purchase of Westinghouse.

Shaw said it will use the \$1.6 billion it's getting by exercising options with Toshiba to pay off the debt. The options enable Shaw to sell its shares at a set price to Toshiba by 2013.

Shaw paid \$1.08 billion for its share of Westinghouse in 2006. As part of that acquisition, Toshiba is obligated to pay Shaw at least 96.7 percent of its share of the Westinghouse debt, according to the statement from the engineering and construction company. Based on Aug. 31 exchange rates, Shaw said it would have recorded a pretax gain of \$545 million on the sale. Actual gain or loss will be set at time of sale, it said.

"It's something we've been considering for quite some time," Shaw Chief Financial Officer Brian Ferraioli said on a conference call yesterday. "The continued appreciation of the yen against dollar has been relentless five quarters in a row."

The Japanese currency has surged 35 percent against the U.S. dollar since Shaw sold bonds to buy its Westinghouse stake in October 2006, according to Bloomberg News data. It has risen 4.9 percent this year.

Shaw's sale of its stake in Westinghouse is not an indication the sun is setting on the nuclear power industry, one analyst said.

"This is really more of a financial (decision) than it is a long-term call about Shaw's commitment to the nuclear power industry," said Andrew Wittmann, an analyst at Robert W. Baird & Co., Milwaukee.

"Shaw is deeply ingrained in the nuclear industry," Wittman said. "They have dedicated a lot of human capital and machines to it."

Shaw said it will continue to provide technical services to Westinghouse, including on the company's billion-dollar projects under way to install four AP1000 nuclear reactors at power plants in China. Another six AP1000 reactors are slated to be installed in the United States under agreements with utilities in the Southeast.

Shaw, however, will lose exclusive rights to build the reactors, the company said.

"Westinghouse continues to believe that the future of the nuclear energy industry is robust, and that a significant number of additional new construction projects around the world will be announced over the next few years," said Westinghouse CEO Aris Candris in a statement.

The catastrophe at Japan's Fukushima Daiichi plant after an earthquake and tsunami in March led to public concern about nuclear power, noted Wittmann.

"But the AP1000 has safety features to it that make it better positioned for the

kind of quake or tsunami that happened at Fukushima," he said.

"Energy consumption will continue to grow at a high rate around the world, especially in China," said the analyst. "Energy sources of all kinds will be in demand, and one of them will be nuclear."

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