



KGen Power Corporation Fiscal Second Quarter 2011 Earnings Results

February 11, 2011

Agenda

- Introduction
- KGen Update and CEO Comments
- Financial Review
- Q&A

Executives

- Tom White – President, Chief Executive Officer and Director
- Kevin Redmond – Chief Accounting Officer & Controller
- Steven McDowell – Vice President of M&A and Finance

Forward-Looking Statements

Certain items in this presentation may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 including, but not necessarily limited to, statements relating to future operations. Words such as “expect(s)” and similar expressions are intended to identify such forward-looking statements. These statements are based on management’s current expectations and beliefs and are subject to a number of factors that could lead to actual results materially different from those described in the forward-looking statements. KGen’s expectations may not be attained. There are important factors that could cause actual results, level of activity, performance or achievements to differ from the results, level of activity, performance or achievements expressed or implied in the forward-looking statements. Many of these factors are described in our quarterly report to shareholders for the period ended December 31, 2010, which is available on our website, www.kgenpower.com. In light of these risks, uncertainties and assumptions, the future performance or events described in the forward-looking statements in this press release may not occur. Accordingly, you should not rely upon forward-looking statements as a prediction of actual results and we do not assume any responsibility for the accuracy or completeness of any of these forward-looking statements. Such forward-looking statements speak only as of the date of this release. KGen expressly disclaims any obligation to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company’s expectations with regard thereto or change in events, conditions or circumstances on which any statement is based.

Reconciliation to GAAP Financial Information

The following presentation contains certain non-GAAP financial measures including adjusted EBITDA, adjusted plant EBITDA, merchant energy margin, merchant capacity sales, adjusted contracted energy margin, adjusted contracted capacity sales, adjusted plant expenses, and adjusted corporate expenses. Reconciliations of these measures to the most directly comparable GAAP measures can be found in our quarterly report to shareholders for the period ended December 31, 2010

KGen Summary:

- Sale of the Murray Facility
- Quarterly Results
- Market Update
- KGen Strategies

Comparison Discussion - 3 Months

	Three Months Ended	Three Months Ended	Favorable/ (Unfavorable)	
	December 31, 2010	December 31, 2009	Change	% Change
<u>(In thousands)</u>				
Merchant energy margin	\$ 2,139	\$ 3,008	\$ (869)	(29%)
Merchant capacity sales	<u>609</u>	<u>190</u>	<u>419</u>	221%
Merchant margin	2,748	3,198	(450)	(14%)
Adjusted contracted energy margin	(235)	402	(637)	(158%)
Adjusted contracted capacity sales	<u>5,231</u>	<u>5,618</u>	<u>(387)</u>	(7%)
Adjusted contracted margin	4,996	6,020	(1,024)	(17%)
Total adjusted margin	7,744	9,218	(1,474)	(16%)
Adjusted plant expenses	<u>15,367</u>	<u>14,676</u>	<u>(691)</u>	(5%)
Adjusted plant EBITDA	(7,623)	(5,458)	(2,165)	(40%)
Adjusted corporate expenses	<u>2,781</u>	<u>2,648</u>	<u>(133)</u>	(5%)
Adjusted EBITDA	\$ (10,404)	\$ (8,106)	\$ (2,298)	(28%)

Comparison Discussion - 6 Months

	Six Months Ended	Six Months Ended	Favorable/ (Unfavorable)	
	December 31, 2010	December 31, 2009	Change	% Change
<u>(In thousands)</u>				
Merchant energy margin	\$ 20,099	\$ 14,191	\$5,908	42%
Merchant capacity sales	<u>3,409</u>	<u>496</u>	<u>2,913</u>	587%
Merchant margin	23,508	14,687	8,821	60%
Adjusted contracted energy margin	3,275	4,111	(836)	(20%)
Adjusted contracted capacity sales	<u>31,970</u>	<u>31,833</u>	<u>137</u>	0%
Adjusted contracted margin	35,245	35,944	(699)	(2%)
Total adjusted margin	58,753	50,631	8,122	16%
Adjusted plant expenses	<u>30,051</u>	<u>27,755</u>	<u>(2,296)</u>	(8%)
Adjusted plant EBITDA	28,702	22,876	(5,826)	25%
Adjusted corporate expenses	<u>5,715</u>	<u>5,281</u>	<u>(434)</u>	(8%)
Adjusted EBITDA	\$ 22,987	\$ 17,595	\$5,392	31%

Capital & Liquidity as of 12/31/10

- Total cash and cash equivalents of \$137.7 million
 - Unrestricted cash and cash equivalents of \$130.3 million
 - \$42.3 million at KPC
 - \$88.0 million at KGen LLC
 - Restricted cash and cash equivalents of \$7.4 million
 - Debt service reserve of \$4.3 million
 - Major maintenance reserve of \$3.1 million
- Total liquidity of \$207.3 million
- Net debt of \$(4.0) million ⁽¹⁾
- Long term debt to total capitalization ratio of 18%

(1) Net debt defined as (a) long-term debt plus (b) current portion of long-term debt less (c) total cash and cash equivalents.

Selected Balance Sheet Items December 31, 2010 (in millions)

Assets	
Current assets:	
Cash and cash equivalents	\$130.3
Restricted cash and cash equivalents	7.4
Other current assets	<u>22.3</u>
Total current assets	160.0
Net property, plant, and equipment	553.9
Contract-based intangibles (net of amortization)	42.1
Other noncurrent assets	<u>5.1</u>
Total assets	\$761.1
Liabilities and stockholders' equity	
Current liabilities:	
Accounts payable and accrued liabilities	\$18.0
Current portion of long-term debt	<u>1.4</u>
Total current liabilities	19.4
Long-term debt	132.4
Contract-based intangibles (net of amortization)	14.5
Other noncurrent liabilities	1.7
Total stockholders' equity	<u>593.1</u>
Total liabilities and stockholders' equity	\$761.1

Q&A