



# **KGen Power Corporation Fiscal Fourth Quarter & Annual 2010 Earnings Results**

September 27, 2010

## Agenda

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

## Executives

- Tom White – President, Chief Executive Officer and Director
- 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 annual report to shareholders for the period ended June 30, 2010, which is available on our website, [www.kgenpower.com](http://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 annual report to shareholders for the period ended June 30, 2010

## KGen Summary:

- Results and Market Factors
- Operations Summary
- Management areas of Concentration
- Sandersville Sale
- Hot Spring Lateral
- Strategies

# Comparison Discussion - 3 Months

	Three Months Ended	Three Months Ended	Favorable/ (Unfavorable)	
	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>Change</u>	<u>% Change</u>
<b><u>(In thousands)</u></b>				
Merchant energy margin	\$ 8,610	\$ 9,156	\$(546)	(6%)
Merchant capacity sales	<u>993</u>	<u>-</u>	<u>993</u>	100%
<b>Merchant margin</b>	<b>9,603</b>	<b>9,156</b>	<b>447</b>	<b>5%</b>
Adjusted contracted energy margin	2,356	2,346	10	0%
Adjusted contracted capacity sales	<u>12,733</u>	<u>12,483</u>	<u>250</u>	2%
<b>Adjusted contracted margin</b>	<b>15,089</b>	<b>14,829</b>	<b>260</b>	<b>2%</b>
<b>Total adjusted margin</b>	<b>24,692</b>	<b>23,985</b>	<b>707</b>	<b>3%</b>
Adjusted plant expenses	<u>13,952</u>	<u>13,828</u>	<u>124</u>	1%
<b>Adjusted plant EBITDA</b>	<b>10,740</b>	<b>10,157</b>	<b>583</b>	<b>6%</b>
Adjusted corporate expenses	<u>1,736</u>	<u>1,797</u>	<u>61</u>	3%
<b>Adjusted EBITDA</b>	<b>\$ 9,004</b>	<b>\$ 8,360</b>	<b>\$644</b>	<b>8%</b>

# Comparison Discussion - 12 Months

	Twelve Months Ended	Twelve Months Ended	Favorable/ (Unfavorable)	
	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>Change</u>	<u>% Change</u>
<b><u>(In thousands)</u></b>				
Merchant energy margin	\$ 24,076	\$ 32,242	\$(8,166)	(25%)
Merchant capacity sales	<u>1,932</u>	<u>4,691</u>	<u>(2,759)</u>	(59%)
<b>Merchant margin</b>	<b>26,008</b>	<b>36,933</b>	<b>(10,925)</b>	<b>(30%)</b>
Adjusted contracted energy margin	7,527	8,152	(625)	(8%)
Adjusted contracted capacity sales	<u>50,295</u>	<u>49,307</u>	<u>988</u>	2%
<b>Adjusted contracted margin</b>	<b>57,822</b>	<b>57,459</b>	<b>363</b>	<b>1%</b>
<b>Total adjusted margin</b>	<b>83,830</b>	<b>94,392</b>	<b>(10,562)</b>	<b>(11%)</b>
Adjusted plant expenses	<u>55,213</u>	<u>52,934</u>	<u>(2,279)</u>	(4%)
<b>Adjusted plant EBITDA</b>	<b>28,617</b>	<b>41,458</b>	<b>(12,841)</b>	<b>(31%)</b>
Adjusted corporate expenses	<u>10,181</u>	<u>11,708</u>	<u>1,527</u>	13%
<b>Adjusted EBITDA</b>	<b>\$ 18,436</b>	<b>\$ 29,750</b>	<b>\$ (11,314)</b>	<b>(38)%</b>

## Capital & Liquidity as of 06/30/10

- Total cash and cash equivalents of \$55.3 million
  - Unrestricted cash and cash equivalents of \$48.2 million
    - \$27.9 million at KPC
    - \$20.3 million at KGen LLC
  - Restricted cash and cash equivalents of \$7.2 million
    - Debt service reserve of \$4.7 million
    - Major maintenance reserve of \$2.5 million
- Total liquidity of \$124.3 million
- Net debt of \$147.7 million <sup>(1)</sup>
- Long term debt to total capitalization ratio of 28%

(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 June 30, 2010 (in millions)

#### Assets

##### Current assets:

Cash and cash equivalents	\$48.2
Restricted cash and cash equivalents	7.2
Other current assets	<u>99.8</u>
Total current assets	155.2
Net property, plant, and equipment	563.5
Contract-based intangibles (net of amortization)	47.4
Other noncurrent assets	<u>6.2</u>

**Total assets** **\$772.3**

#### Liabilities and stockholders' equity

##### Current liabilities:

Accounts payable and accrued liabilities	\$21.0
Current portion of long-term debt	2.0
Other current liabilities	<u>0.8</u>
Total current liabilities	23.8
Long-term debt	201.0
Contract-based intangibles (net of amortization)	15.1
Other noncurrent liabilities	2.8
Total stockholders' equity	<u>529.6</u>

**Total liabilities and stockholders' equity** **\$772.3**

## Q&A