



KGen Power Corporation Fiscal Fourth Quarter & Annual 2011 Earnings Results

September 27, 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 annual report to shareholders for the period ended June 30, 2011, 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 annual report to shareholders for the period ended June 30, 2011

KGen Summary:

- Results and Market Factors
- Hinds & Hot Spring Divestiture Update
- Energy Management Changes
- Fiscal 2011 Accomplishments

Comparison Discussion – All Operations, 12 Months

	Twelve Months Ended	Twelve Months Ended	Favorable/ (Unfavorable)	
	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Change</u>	<u>% Change</u>
<u>(In thousands)</u>				
Merchant energy margin	\$ 27,556	\$ 24,076	\$ 3,480	14%
Merchant capacity sales	<u>4,999</u>	<u>1,932</u>	<u>3,067</u>	159%
Merchant margin	32,555	26,008	6,547	25%
Adjusted contracted energy margin	4,103	7,527	(3,424)	(45%)
Adjusted contracted capacity sales	<u>38,268</u>	<u>50,295</u>	<u>(12,027)</u>	(24%)
Adjusted contracted margin	42,371	57,822	(15,451)	(27%)
Total adjusted margin	74,926	83,830	(8,904)	(11%)
Adjusted plant expenses	<u>56,746</u>	<u>55,213</u>	<u>(1,533)</u>	(3%)
Adjusted plant EBITDA	18,180	28,617	(10,437)	(36%)
Adjusted corporate expenses	<u>10,213</u>	<u>10,181</u>	<u>(32)</u>	(0%)
Adjusted EBITDA	\$ 7,967	\$ 18,436	\$ (10,469)	(57)%

	Three Months Ended	Three Months Ended	Favorable/ (Unfavorable)	
	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Change</u>	<u>% Change</u>
<u>(In thousands)</u>				
Merchant energy margin	\$ 5,995	\$ 3,697	\$ 2,298	62%
Merchant capacity sales	<u>883</u>	<u>994</u>	<u>(112)</u>	(11%)
Merchant margin	6,878	4,691	2,186	47%
Adjusted contracted energy margin	-	-	-	0%
Adjusted contracted capacity sales	<u>-</u>	<u>-</u>	<u>-</u>	0%
Adjusted contracted margin	-	-	-	0%
Total adjusted margin	6,878	4,691	2,186	47%
Adjusted plant expenses	<u>7,717</u>	<u>6,174</u>	<u>(1,543)</u>	(25%)
Adjusted plant EBITDA	\$ (839)	\$ (1,482)	\$ 643	43%

	Twelve Months Ended	Twelve Months Ended	Favorable/ (Unfavorable)	
	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Change</u>	<u>% Change</u>
<u>(In thousands)</u>				
Merchant energy margin	\$ 16,579	\$ 10,860	\$ 5,719	53%
Merchant capacity sales	<u>4,999</u>	<u>1,932</u>	<u>3,067</u>	159%
Merchant margin	21,578	12,792	8,786	69%
Adjusted contracted energy margin	-	-	-	0%
Adjusted contracted capacity sales	<u>-</u>	<u>-</u>	<u>-</u>	0%
Adjusted contracted margin	-	-	-	0%
Total adjusted margin	21,578	12,792	8,786	69%
Adjusted plant expenses	<u>29,519</u>	<u>22,090</u>	<u>(7,429)</u>	(34%)
Adjusted plant EBITDA	\$ (7,941)	\$ (9,298)	\$ 1,357	15%

Cash & liquidity as of 06/30/11

- Total cash and cash equivalents of \$132.8 million
 - Unrestricted cash and cash equivalents of \$89.4 million
 - Restricted cash and cash equivalents of \$43.4 million
- \$4 million CD within other current assets will be returned by the end of the year
- Restricted Murray Escrow of \$79.7

Selected Balance Sheet Items June 30, 2011 (in millions)

Assets	
Current assets:	
Cash and cash equivalents	\$89.4
Restricted cash and cash equivalents	43.4
Assets held for sale	254.9
Other current assets	<u>11.8</u>
Total current assets	399.5
Net property, plant, and equipment	1.0
Restricted cash in escrow	79.7
Other noncurrent assets	<u>0.7</u>
Total assets	\$480.8
Liabilities and stockholders' equity	
Current liabilities:	
Accounts payable and accrued liabilities	\$2.6
Liabilities associated with assets held for sale	<u>20.2</u>
Total current liabilities	22.8
Other noncurrent liabilities	0.0
Total stockholders' equity	<u>458.0</u>
Total liabilities and stockholders' equity	\$480.8

Q&A