



Inter RAO UES is selling 26.43% of shares of EnelOGK-5 to Rusenergo Fund

19 March 2012

AK&M (Russia)

Inter RAO UES OJSC is selling 26.43% of shares of OJSC Enel**OGK-5** to a consortium of investors including Xenon Capital Partners' Rusenergo Fund, the Russian Direct Investment Fund and the infrastructural fund Macquarie Renaissance, Inter RAO UES informed.

According to the deal structure Inter RAO UES will receive a fixed amount of \$625 million at closing of the sale and will also participate in future proceeds of the Consortium exceeding 18% of the base level of return from the investment. Inter RAO UES will receive the full amount of such excess proceeds up to \$125 million as well as a 20% share in proceeds further above. The transaction will be completed after accomplishing relevant corporative procedures and receiving approvals of regulatory authorities.

Inter RAO UES plans to spend the proceeds from the transaction on funding its investment program, which if focused on building power generating facilities in Russia in order to perform its power delivery contracts.

This deal is one of the largest private equity transactions in the history of the Russian energy sector. The investment consortium will become a partner of Italian corporation Enel S.p.A., the majority shareholder of Enel**OGK-5**.

"Inter RAO strictly follows its development strategy 2015, and the sale of its blocking stake in Enel**OGK-5** is fully in line with the strategy's approach to dispose of assets," said Inter RAO Chairman of the Management Board Boris Kovalchuk as quoted in the message. "We are confident that the withdrawal of Inter RAO from the shareholder's structure of Enel**OGK-5** will not affect our partner relations with Enel Group and we will continue our cooperation on a wide range of issues."

OJSC Inter RAO UES (tax number: 2320109650) was established in May 1997 following the decision of the founder, OJSC RAO UES Rossii. It is the largest electric power export and import operator in Russia which manages numerous power assets in the Russian Federation and abroad.

The authorized capital of Inter RAO UES reached 272.997 billion Rub. (the par value of one common share being 0.02809767 Rub.). The principal shareholders of OJSC of Inter RAO UES are: CJSC INTER RAO Capital, a subsidiary of Inter RAO UES (30%), FSK EES Group (15.12%), Rosimushchestvo (14.8%), OJSC MMC Norilsk Nickel (11.147%), Rosatom Group (7.3%), Vnesheconombank (5.4%), RusHydro Group (5.3%).

Net profit (IFRS) of Inter RAO UES Group for H1 2011 adjusted for the income obtained by the group through the acquisition of assets in follow-up of the additional issue of shares in the amount of 40.6 billion Rub., was 14 billion Rub., growing by 72% year-on-year. The group's revenue for H1 2011 was 254 billion Rub. increasing by 23% (48 billion Rub.) year-on-year. Net profit (RAS) of Inter RAO UES for 9 months 2011 was 3.23 billion Rub. increasing 2.94-fold year-on-year. Inter RAO UES's revenue was 56.38 billion Rub. growing by 14.29 billion Rubles (33.93%) year-on-year.

OJSC Enel**OGK-5** (tax number: 6671156423) was registered in Yekaterinburg on October 27, 2004. The company's production facilities include Konakovskaya, Nevinnomysskaya, Sredneuralskaya and

Reftinskaya state district power stations (GRES). The total installed electric power of the power stations is 8,672 MW, the total installed heat power is 2,242 Gcal.

The company's authorized capital is 35.372 billion Rub. represented by 35,371,898,370 common shares at par value of 1 Rub. The share of the Federal Agency for State Property Management (Rosimushchestvo) in the company's authorized capital is 26.43%, the share of Enel Investment Holding B.V. is 55.86% while minority shareholders hold 17.71%.

According to the information and retrieval system DataCapital, net profit (IFRS) of Enel**OGK-5** for 2010 was 3.695 billion Rub., 495 million Rub. up from the 2009 result (+15%). Operating revenue was 52.561 billion Rub. increasing by 26% as compared with year 2009 result. 2010 EBITDA was 9.246 billion Rub., 1.419 billion Rub. above the previous year's result (+18%).

Revenue (IFRS) of Enel**OGK-5** for Q1 2011 grew by 15% to 15.548 billion Rub. from the same period in 2010. Net profit was 2.063 billion Rub., EBITDA increased by 20% to 3.726 billion Rub., EBITDA margin to 24% from 23%.

Electric energy

Russian Direct Investment Fund and consortium of co-investors sign agreement to acquire 26.43% stake in EnelOGK-5

19 March 2012

SKRIN Newswire

MOSCOW, March 16, 2012 A consortium of investors including the Russian Direct Investment Fund (RDIF), Xenon Capital Partners' Rusenergo Fund and the Macquarie Renaissance Infrastructure Fund (MRIF) have signed an agreement to acquire a 26.43% stake in EnelOGK-5 from Inter RAO UES.

The deal was approved at a meeting of the board of directors of Inter RAO UES on 15 March 2012.

The Russian Direct Investment Fund will invest USD 137.5 mln in the deal and the other members of the consortium will contribute USD 487.5 mln. The RDIF has thus attracted more than 3.5 dollars of co-investment for each dollar of its own invested capital.

The acquiring consortium will pay Inter RAO UES a fixed consideration of USD 625 mln as well as a potential additional payment of up to USD 125 mln. This additional sum will be paid to the seller if the consortium exceeds a base level of 18% annual return on the investment.

The deal will be concluded pending approval from the Federal Antimonopoly Service of the Russian Federation, which is expected within 30 days.

The deal represents the largest direct investment in the Russian power sector. The consortium of investors will become a partner of the Italian energy company Enel, which is the controlling shareholder in EnelOGK-5.

Kirill Dmitriev, CEO of the Russian Direct Investment Fund, noted that the deal is proof of significant growth in international interest toward investments in the Russian economy, especially following the presidential elections.

Kirill Dmitriev said, "The deal is mutually beneficial for all participants. Inter RAO will receive a significant amount of capital to direct toward its investment program. RDIF and the consortium of co-investors will acquire a share in the premium asset of the Russian power sector, allowing the investors to receive an attractive return on their investments."

Russian Direct Investment Fund (RDIF)

The Russian Direct Investment Fund was established in June 2011. The RDIF is expected to be capitalized with USD 10 billion in Russian government funds over the next five years and is charged with making equity investments that generate strong returns, primarily in Russia. In each investment it makes, the RDIF is required to secure co-investment that at minimum matches its commitment, thus acting as a catalyst for direct investment into the Russian economy.

OJSC EnelOGK-5 is a leading Russian wholesale producer of electric power and heat and has four production branches across Russia. The company's total installed capacity is 9,562 MWt. / RDIF



RDIF pays \$137.5 mln for EnelOGK-5 stake

16 March 2012

Interfax: Russia & CIS Business and Financial Newswire

MOSCOW. March 16 (Interfax) - The Russian Direct Investment Fund (RDIF), part of a consortium of investors that have bought 26.43% of power generation company Enel**OGK-5** (RTS: OGKE) shares, paid \$137.5 million, the fund said in a press release.

The total cost of the deal consists of fixed payment of \$625 million and an additional amount of \$125 million. Based on that, the RDIF effective share in the power company's charter capital is around 5.8%.

RDIF General Director Kirill Dmitriev said earlier that the fund would have a quarter share in the consortium.

The contribution of the other consortium members - Xenon Capital Partners' Rusenergo Fund and Macquarie Renaissance Infrastructure Fund - is \$487.5 million "which enabled RDIF to raise over 3.5 dollars in investment for each dollar of its investment," the release said. The investment of each of these consortium members has not been separately disclosed.

The deal was approved at a Inter RAO UES (RTS: IRAO) board meeting on March 15 2012. The purchase agreement was signed Friday.

The deal will be finalized within 30 days of receiving Federal Antimonopoly Service approval.

The investment consortium will partner up with Italian company Enel, the controlling shareholder of Enel**OGK-5**.

Inter RAO plans to put the proceeds into investment programs "focused on constructing power generating facilities in Russia for implementation of power supply contracts."

The Russian Direct Investment Fund was registered in mid-2011. It is a wholly owned subsidiary of Vnesheconombank. The Russian government plans to invest \$10 billion in the fund over five years.

Enel**OGK-5** is registered in Yekaterinburg and includes the Nevinnomysskaya, Konakovskaya, Sredneuralskaya and Reftinskaya power stations, located mostly in the Urals and also in the center and southern Russia. Consolidated capacity is 9,562 megawatts. Enel owns 56.43% of the generating company.

InterRao clears sale of EnelOGK-5 stake to funds

16 March 2012
M&A Navigator

16 March 2012 - State fund Russian Direct Investment Fund (RDIF), part of the group buying InterRAO's (MCX:IRAO) stake in Enel**OGK-5**, said in a statement on Friday that the energy trader had cleared the divestment of its 26.43% stake in the wholesale power generator.

The buyers, also including private equity investors Xenon Capital Partners' Rusenergo Fund and the Macquarie Renaissance Infrastructure Fund, will pay up to USD750m (EUR576m) for InterRAO's stake, comprising an initial payment of USD625m and a further up to USD125m consideration if a rate of return of more than 18% is achieved on the investment, RDIF said.

Italian utility group Enel SpA (BIT:ENEL) owns 56.4% in **OGK-5**, which is not part of the deal.

InterRAO will use the cash to build power generating facilities in Russia to back its power delivery contracts, it said in a statement on 1 March announcing the divestment.

Buyer: Macquarie Renaissance Infrastructure Fund Buyer: Xenon Capital Partners' Rusenergo Fund
Buyer: Russian Direct Investment Fund (RDIF)

Comment: Deal size is potential.

Country: Russia

Deal size (USD): 750m

Sector: Utilities

Target: Enel**OGK-5**

Vendor: InterRAO UES

Russia's InterRao approves sale of stake in OGK-5

16 March 2012

Reuters News

MOSCOW, March 16 (Reuters) - Russian power group InterRao has approved the sale of its minority stake in Italian-controlled power generator Enel **OGK-5** to a private-equity group in a deal worth up to \$750 million, one of the investors said on Friday.

The buyer group comprises Xenon Capital Partners's Rusenergo Fund, the Macquarie Renaissance Infrastructure Fund and the state-backed Russian Direct Investment Fund, co-investing in its second deal since its creation last year.

In a statement, the RDIF said the buyers would pay \$625 million up front, plus a potential additional payment of up to \$125 million if the consortium achieves a rate of return of over 18 percent on its investment.

Italy's Enel, which acquired a 56.4 percent stake in **OGK-5** as part of reforms to break up Russia's Soviet-era power monopoly, was not a party to the transaction.

Reuters reported the deal on March 1



Inter RAO selling blocking stake in EnelOGK-5 for \$625 mln

2 March 2012

Interfax: Russia & CIS Energy Newswire

MOSCOW. March 2 (Interfax) - OJSC Inter RAO UES (RTS: IRAO) is selling its 26.43% stake in wholesale generating company OJSC Enel**OGK-5** (RTS: OGKE) to a consortium of investors consisting of Xenon Capital Partners' Rusenergo Fund, Macquarie Renaissance Infrastructure Fund and the Russian Direct Investment Fund (RDIF), the state company said in a press release.

Under the structure of the deal, Inter RAO will receive a fixed amount of \$625 million at the closing of the sale, and will also get a share in future proceeds of the consortium exceeding 18% of the base level of return from the investment. Inter RAO will receive the full amount of such excess proceeds up to \$125 million as well as 20% of proceeds further above.

The market price of the blocking stake in **OGK-5** at closing on MICEX-RTS on March 1 was almost \$690 million.

"The transaction will be completed after accomplishing relevant corporate procedures and receiving approvals of regulatory authorities," the company said.

Inter RAO plans to use the proceeds from the deal to finance its investment program, focused on construction of generating facilities in Russia in line with capacity delivery agreements.

RDIF head Kirill Dmitriyev told Interfax that the fund's participation in the consortium amounts to a quarter interest. "It is very important that we managed to attract a number of investors to this project, including Macquarie Renaissance," he said.

Dmitriyev said RDIF intends to hold on to its investment in **OGK-5** for five to seven years. He did not disclose any other details of the deal, including the maximum amount that Inter RAO might earn.

"Enel**OGK-5** is a superior asset, with low leverage, strong fundamentals and a world-class partner in Enel," Natasha Tsukanova, founder and managing director of Xenon Capital Partners was quoted as saying in the press release. "Hence, we were delighted to act as investor in this transaction, which highlights our capabilities to facilitate and attract high quality institutional investors with longer term investment horizons."

The CEO of Macquarie Renaissance, Damian Secen concurred, saying that "MRIF is delighted to have acquired a major stake in Enel**OGK-5**" as it "represents an excellent opportunity for MRIF to participate in this fundamental sector of the Russian economy."

Inter RAO chief executive Boris Kovalchuk said the company is strictly following its development strategy through 2015, "and the sale of its blocking stake in Enel**OGK-5** is fully in line with the strategy's approach to dispose of assets." Inter RAO's strategy calls for the sale of all minority stakes it acquired in the course of the consolidation of energy assets, including the stake in **OGK-5**.

Inter RAO initially considered swapping the stake in **OGK-5** for the Maritsa Vostok-3 power plant in Bulgaria, which was owned at the time by Italy's Enel, **OGK-5**'s controlling shareholder. But the deal did not take place and this asset was sold to a third party. Subsequently, Inter RAO expected to sell the stake to Enel, but Kovalchuk later said the company was not happy with the price. He also spoke of the possibility of selling the stake to investment funds, but did not specify which investors he had in mind.

Macquarie Renaissance Infrastructure Fund is focused on investment in infrastructure assets in Russia and other CIS countries. It has \$630 million in assets under management. MRIF's principal investors include Vnesheconombank (VEB), the IFC, EBRD, Eurasian Development Bank, Kazakhstan's Kazyna Capital Management, Macquarie Group and Renaissance Group.

RDIF, which was registered in mid-2011, is a wholly owned subsidiary of Vnesheconombank (VEB). The government plans to invest \$10 billion in the fund over five years.

Xenon Capital Partners, founded in 2009, manages \$2 billion in assets.

Enel**OGK-5**, which is registered in Yekaterinburg and 56.43% owned by Italy's Enel, operates the Nevinnomyssk, Konakovo, Sredneuralsk and Reftinsky power plants, located in the Urals, Central and Southern Russia. Enel**OGK-5** has installed capacity of 9,562 MW.

INTER RAO UES to sell 26.43% of EnelOGK-5 to Rusenergo Fund, RDIF and MRIF

2 March 2012
SKRIN Newswire

INTER RAO UES has reached an agreement to sell its 26.43% stake in Enel**OGK-5** to a consortium of investors consisting of Xenon Capital Partners' Rusenergo Fund, the Russian Direct Investment Fund (RDIF) and the Macquarie Renaissance Infrastructure Fund (MRIF).

According to the deal structure INTER RAO UES will receive a fixed amount of USD 625M at closing of the sale and will also participate in future proceeds of the Consortium exceeding 18% of the base level of return from the investment. INTER RAO UES will receive the full amount of such excess proceeds up to USD 125M as well as a 20% share in proceeds further above. The transaction will be completed after accomplishing relevant corporative procedures and receiving approvals of regulatory authorities.

INTER RAO UES plans to spend the proceeds from the transaction on funding its investment program, which is focused on building power generating facilities in Russia in order to perform its power delivery contracts.

This deal is one of the largest private equity transactions in the history of the Russian energy sector. The investment consortium will become a partner of Italian corporation Enel S.p.A., the majority shareholder of Enel**OGK-5**.

"Inter RAO strictly follows its development strategy 2015, and the sale of its blocking stake in Enel **OGK-5** is fully in line with the strategy's approach to dispose of assets," said Inter RAO Chairman of the Management Board Boris KOVALCHUK. "We are confident that the withdrawal of Inter RAO from the shareholder's structure of Enel**OGK-5** will not affect our partner relations with Enel Group and we will continue our cooperation on a wide range of issues".

"The RDIF is partnering with some of the most sophisticated international and Russian investors to acquire a material interest in the premium asset on the Russian power market," said Kirill DMITRIEV, Chief Executive Officer of the Russian Direct Investment Fund. "This investment is a robust endorsement of investor sentiment toward the Russian utilities industry and further demonstration of the appeal of Russia's growing economy to international investors."

"Enel**OGK-5** is a superior asset, with low leverage, strong fundamentals and a world-class partner in Enel," said Natasha TSUKANOVA, Founder and Managing Director of Xenon Capital Partners. "Hence, we were delighted to act as investor in this transaction, which highlights our capabilities to facilitate and attract high quality institutional investors with longer term investment horizons."

Chief Executive Officer of the Macquarie Renaissance Infrastructure Fund, Damian SECEN, said: "MRIF is delighted to have acquired a major stake in Enel**OGK-5**. This is a high quality infrastructure asset with a capable and professional management team in place, and represents an excellent opportunity for MRIF to participate in this fundamental sector of the Russian economy." / Inter RAO UES



Macquarie Russia continues deal spree with \$625m energy buy

2 March 2012

Infrastructure Investor

The Macquarie Renaissance Infrastructure fund – together with Xenon Capital Partners and the Russian Direct Investment Fund – has bought 26.4% of wholesale Russian power generator Enel **OGK-5** for \$625m. The seller was Russian energy firm Inter RAO.

Macquarie's Russian infrastructure fund – a joint venture with emerging markets-focused investment bank Renaissance Capital known as the Macquarie Renaissance Infrastructure Fund (MRIF) – is on a roll, announcing its fourth acquisition hot on the heels of this week's \$50 million purchase of telecommunications infrastructure company Russian Towers. MRIF's most recent deal sees it acquire a 26.43 percent stake in Enel **OGK-5** – a wholesale power generator in Russia with an installed capacity of 9,576 megawatts – together with Xenon Capital Partners' Rusenergo Fund and the Russian Direct Investment Fund (RDIF). The seller is Russian energy firm Inter RAO, which said it will receive an upfront payment of \$625 million from the consortium for the stake. Inter RAO may also get an additional amount of up to \$125 million from the buying consortium, based on future proceeds from Enel **OGK-5** exceeding a benchmark internal rate of return of 18 percent. If gains creep above the \$125 million mark, then Inter RAO will be entitled to a 20 percent cut of the additional sum. In an interview with Reuters, Kirill Dmitriev, RDIF's head, said that "of the whole consortium, we provided only one-quarter of the money going in". MRIF and Rusenergo could not be reached for comment in time for publication regarding the size of their investments. MRIF's chief executive, Damian Secen, said the fund "is delighted to have acquired a major stake in Enel **OGK-5**," which he dubbed "a high quality infrastructure asset with a capable and professional management team in place". RDIF's Dmitriev added that the deal "is a robust endorsement of investor sentiment toward the Russian utilities industry and further demonstration of the appeal of Russia's growing economy to international investors". Enel **OGK-5**'s majority shareholder is Italian energy giant Enel. It's been a busy week for MRIF. Two days ago, the \$630 million fund, which targets Russia and the Commonwealth of Independent States (CIS) countries, announced it had clinched its third investment with the acquisition of Russian Towers. It also said the fund was close to being halfway invested with over \$250 million of capital already deployed. In addition to this week's deals, MRIF has invested in Brunswick Rail, in December 2010, and GSR Energy, late last year. MRIF spent three years on the fundraising trail, closing last June below its original, \$1 billion target.

Inter-RAO UES Sells Minority Stake in Russian Genco, Clinches Power-Supply Deal with China

2 March 2012

IHS Global Insight Daily Analysis

Russian state-run power firm Inter-RAO UES said yesterday it has agreed to sell its 26.4% stake in domestic wholesale power generating company Enel **OGK-5** to a private equity investor group. Reuters reported that the deal between Inter-RAO UES and a consortium comprised of Xenon Capital Partners' Rusenergo Fund, the Macquarie Renaissance Infrastructure Fund and the state-backed Russian Direct Investment Fund was worth approximately USD750 million. The divestiture by Inter-RAO UES comes after the Russian power firm acquired the stake in Enel **OGK-5** last year as part of a wider ranging swap deal with FSK, Russia's state-run power-transmission operator (see Russia: 30 March 2011:).

Inter-RAO UES gained a controlling stake in **OGK-1**, another wholesale Russian generation company (genco), as part of that swap deal, but with Italy's Enel controlling a 56.4% stake in Enel **OGK-5**, Inter-RAO UES has been looking to sell its blocking stake in that genco, which company chief executive officer Boris Kovalchuk said was in line with the company's strategy to 2015. Separately, Inter-RAO UES said yesterday (1 March) it signed a 25-year contract to supply 100 billion kilowatt-hours (kWh) of electricity to China, according to an RIA Novosti report. Inter-RAO UES said it plans to export 2.6 billion kWh of electricity to China this year, up from 1.2 billion kWh last year.

Significance: Inter-RAO UES will raise the volume of electricity it exports from Russia to China substantially under the new supply contract, which should prove lucrative to the Russian firm since Chinese electricity prices are higher than those in Russia. The company's divestiture of its Enel**OGK-5** stake was not unexpected, given Inter-RAO UES's stated intention to rationalise its asset portfolio and sell off non-core assets, such as this genco minority stake. The willingness of the consortium of private equity funds to buy into Enel OGK5 signals their greater confidence that Russia will follow through with promised reforms to make the electricity sector profitable by raising end-user prices. The slow process of liberalisation in the Russian power market has stunted investment in new generation capacity and raised concerns over the government's willingness to see through needed price reforms.



Inter RAO UES to divest blocking stake in EnelOGK-5

2 March 2012

RosBusinessConsulting

Russian energy holding Inter RAO UES intends to offload its entire 26.43% stake in electric power generating company Enel**OGK-5** to a consortium of investors which includes Rusenergo Fund, Xenon Capital Partners, Russian Direct Investment Fund, and Macquarie Renaissance Infrastructure Fund for \$625m, Russian Direct Investment Fund and Inter RAO UES said in a joint statement. Inter RAO UES will have a share in the consortium's future proceeds if the return on investments in Enel**OGK-5** exceeds the baseline level of 18%. The energy holding will be entitled to the full amount of such windfall returns up to \$125m as well as a 20% share in any proceeds above and beyond that level. The transaction is pending relevant corporate procedures and regulatory approvals. The proceeds from the transaction will go towards Inter RAO UES' investment program to build generating facilities. Enel Investment Holding B.V., a subsidiary of Italian power company Enel, owns a 56.36% interest in Enel**OGK-5**.

Inter RAO strikes deal for EnelOGK-5 stake

2 March 2012
M&A Navigator

2 March 2012 – Russian energy group Inter RAO UES has agreed the sale of its 26.43% interest in local wholesale power generator Enel**OGK-5** to a private equity consortium made up of Xenon Capital Partners, the Russian Direct Investment Fund and the Macquarie Renaissance Infrastructure Fund.

With a value of up to USD750m (EUR564m), the deal ranks among the biggest buy-out transactions involving a Russian energy company, Inter RAO said in a statement. The consortium will make a payment of USD625m at the time of closing, with up to USD125m contributed later subject to pre-agreed performance criteria. Inter RAO intends to use the proceeds to fund its investment programme and believes that the divestment will not affect its cooperation with Italian energy group Enel SpA (BIT:ENEL), the majority owner of Enel**OGK-5**.

Completion of the deal is subject to obtaining regulatory approvals, as well as the conclusion of relevant corporate procedures, Inter RAO added.

Buyer: Xenon Capital Partners

Buyer: Macquarie Renaissance Infrastructure Fund

Buyer: Russian Direct Investment Fund

Country group:

Country: Russia

Deal size (USD) group:

Deal size (USD): 750m

Sector group:

Sector: Utilities

Target group:

Target: Enel**OGK-5**

Vendor group:

Vendor: Inter RAO UES

Consortium of investors to acquire 26.43% stake in EnelOGK-5

1 March 2012

Datamonitor's Financial Deals Tracker

Deal In Brief

A consortium of investors has agreed to acquire a 26.43% stake in OJSC EnelOGK-5, engaged in the generation of electricity and heat energy, from INTER RAO UES OJSC, an energy company engaged in electricity trading, for approximately \$750 million. All the entities are based in Russia.

The consortium of investors includes Xenon Capital Partners' Rusenergo Fund, Russian Direct Investment Fund (RDIF) and Macquarie Renaissance Infrastructure Fund (MRIF).

Under the terms of agreement, INTER RAO will receive a fixed amount of \$625 million at closing of the transaction and will also participate in future proceeds of the Consortium exceeding 18% of the base level of return from the investment. INTER RAO will receive the full amount of such excess proceeds up to \$125 million as well as a 20% share in proceeds further above.

Pursuant to the transaction, the consortium will become a partner of Italian corporation Enel S.p.A., the majority shareholder of EnelOGK-5.

Deal Value (US\$ Million) 750

Deal Type Private Equity

Sub-Category None

Deal Status Announced: 2012-03-01

Deal Participants

Target (Company) OJSC EnelOGK-5

Vendor (Company) INTER RAO UES OJSC

Deal Rationale

INTER RAO plans to spend the proceeds from the transaction on funding its investment program, which if focused on building power generating facilities in Russia.

% Acquisition 26.43%

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UPDATE 2-Russia's InterRao sells OGK-5 stake for up to \$750 mln

1 March 2012

Reuters News

* InterRao had signaled sale of stake in Enel-controlled utility

* Private equity group includes Russian state-backed fund

* Deal comprises \$625 mln cash, \$125 mln performance component

(Updates with confirmation, RDIF comments)

By Douglas Busvine and Anastasia Lyrchikova

MOSCOW, March 1 (Reuters) - Russian power group InterRao has agreed to sell its minority stake in Italian-controlled power generator Enel**OGK-5** to a private-equity investor group in a deal worth up to \$750 million, the parties said on Thursday.

The buyer group comprises Xenon Capital Partners's Rusenergo Fund, the Macquarie Renaissance Infrastructure Fund and the state-backed Russian Direct Investment Fund, co-investing in its second deal since its creation last year.

The sale would rid state-controlled InterRao of the unwanted 26.4 percent stake in **OGK-5** it received from the Russian state via a capital hike last year and raise cash for investment in its Russian generating assets.

"InterRao is strictly following its strategy to 2015, and the deal to sell the blocking stake in Enel**OGK-5** is in line with our asset management plans," Chief Executive Boris Kovalchuk said in a joint statement.

The transaction comprises a payment of \$625 million on closing, with further potential upside of up to \$125 million if a target for internal rates of return of 18 percent were exceeded, according to a joint statement.

InterRao will also receive a carried interest of 20 percent of the profits earned by the investment consortium.

Italy's Enel, which acquired a 56.4 percent stake in **OGK-5** as part of reforms to break up Russia's Soviet-era power monopoly, was not a party to the transaction.

"Enel**OGK-5** is a quality asset with low debts and a world-class partner in the form of Enel," said Natasha Tsukanova, previously JP Morgan's top investment banker in Russia, who founded energy investment boutique Xenon in 2009.

PRIVATE EQUITY COUP

The deal marks something of a coup for the RDIF, which will co-invest up to \$10 billion over the next five years in a bid to promote private-equity deals and lift investment rates in Russia that are around half of faster-growing China's.

The **OGK-5** transaction is the RDIF's second deal after it, together with the European Bank for Reconstruction and Development, bought a 7.5 percent stake in Moscow's MICEX-RTS bourse for

\$300 million

"Of the whole consortium we provided only one-quarter of the money going in," RDIF head Kirill Dmitriev told Reuters, referring to the fund's requirement for its partners to at least match it on investments, dollar for dollar.

"We are entering at a very attractive valuation, with good downside protection," he added. "We believe the sector will grow and more people will come to appreciate its potential."

Power-sector stocks in Russia have been hit by regulatory changes and delays in hikes in power tariffs widely seen as a sop to voters ahead of a presidential election this Sunday that Prime Minister Vladimir Putin is poised to win.

Investors who are bullish on the sector argue that market forces must eventually prevail if Russia's economic development is not to be constrained by shortages of power generating capacity.

InterRao signaled last August that it wanted to dispose of the non-core stake in **OGK-5**, while its most senior director said in November it would seek a deal with investment funds.

Although the deal values the stake at an 8 percent premium to the market, InterRao will take a paper loss on the transaction compared with the valuation at which it received the **OGK-5** stake.

"It's positive that the holding company is fulfilling its promises and disposing of assets," said VTB Capital sector analyst Mikhail Rasstrigin.

"For InterRao it's good that they sold the shares at a premium to the market, but not so good that the price was below the book value at which it received the stake from the state."

The deal is subject to regulatory approval. **OGK-5** shares closed down 0.5 percent on Thursday at 2.145 roubles. The stock has gained 15.5 percent this year.

(Reporting by Douglas Busvine and Anastasia Lyrchikova, Editing by John Bowker and Gerald E. McCormick)

Russia's Inter RAO Sells EnelOGK-5 Stake To Private Equity Firms

1 March 2012

Dow Jones International News

LONDON (Dow Jones)--Russian electricity monopoly OAO Inter RAO (IRAO.RS) has sold its 26.43% stake in utility in Enel**OGK-5** (OGKE.RS) to a consortium of private equity investors for \$625 million, the companies said Thursday.

Xenon Capital Partners' Rusenergo Fund, the Russian Direct Investment Fund and the Macquarie Renaissance Infrastructure Fund have teamed together to buy the stake in the power company, which is majority controlled by Italian utility SpA (ENEL.MI).

"This investment is a robust endorsement of investor sentiment toward the Russian utilities industry and further demonstration of the appeal of Russia's growing economy to international investors," said RDIF Chief Executive Kirill Dmitriev.

The transaction is subject to corporate and regulatory approvals. A further \$125 million could be paid depending on agreed returns accruing to the consortium, meaning the total value of the deal may rise to \$750 million.

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