

# Blavatnik, Vekselberg Eye Inter RAO Energy Assets

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The board of directors of energy company Inter RAO has approved selling its stakes in two major power generating companies worth a total of 22.8 billion rubles (\$700 million).

The stakes involved are 27.7 percent in TKG-6 and 41.4 percent in Volga TKG.

The assets will be bought by "international funds interested in investing in Russia's energy market," Inter RAO said in a statement released Friday without disclosing which funds were expected buyers.

Media reports said earlier that businessman Leonard Blavatnik was expected to buy stakes in power plants controlled by Inter RAO. A spokesman for Inter RAO said information was "close to the truth."

A source familiar with the details of the deal told Kommersant earlier in July that Blavatnik's

Access Industries and an affiliate of Victor Vekselberg's Renova had agreed to buy Inter RAO's stakes in TGK-6 and Volga TGK. The assets were to be bought with cash.

Vekselberg and Blavatnik are flush with money following the sale of their stakes in TNK-BP to Rosneft in March. Vekselberg, Blavatnik and their partner Mikhail Fridman — who together control the AAR consortium — sold their shares for \$28 billion. The details were not disclosed but supposedly half of the sum, \$14 billion, went to Fridman, who holds a 50 percent stake in AAR. The rest was split between Blavatnik and Vekselberg.

At a news conference following the sale of TNK-BP, President Vladimir Putin expressed hope that its former shareholders would invest their money in the Russian economy.

In March, Vekselberg said he would put \$1 billion into Renova's power subsidiary, Integrated Energy Systems, or IES, which officially owned 13 percent in TGK-6 as of 2012 and 44.2 percent of Volga TGK.

But earlier in July a spokesman for Renova told RBC Daily that it would not buy the stakes of Inter RAO in TGK-6 and Volga TGK.

Subsequently news reports said Blavatnik, an old ally of Vekselberg, could buy the assets for a possible further sale to Vekselberg or other interested parties.

Meanwhile, experts said the assets could be bought by any foreign fund that specializes in Russian investments.

"One should look for [likely investors] in Asia and the Middle East. It could be someone who has never considered Russian assets before but is now ready to invest in companies that have market potential in key sectors of the economy," said Anton Soroko, an analyst with investment company Finam.

"In my opinion, the sale of large stakes in these companies would be a positive factor for Inter RAO," he said. "The stakes in both TGK-6 and Volga TGK are being sold at more than their current value." Finam estimates that the stakes cost from 1.8 billion to 2.1 billion rubles and from 6.2 billion to 7.5 billion, respectively.

The money earned from the sale would go to patch up the holes in Inter RAO's 184 billion ruble investment program in the period from 2013 to 2017.

The company can provide 124 billion rubles of its own money for the investment program, Boris Kovalchuk, chairman of Inter RAO's board of directors was quoted by Vedomosti as saying at the end of June.

He also said that the Energy Ministry had forecast that the investment program would fall short of 24 billion rubles, while Inter RAO believes it lacks 60 billion rubles.

TGK-6 and Volga TGK are major regional electric power and heat generating companies. Volga TGK has 19 power plants and is ranked third out of 14 regional generating companies by power output. TGK-6 with 15 power plants and is ranked seventh.

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