

InterRao May Sell Foreigners 3%

By [The Moscow Times](#)

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InterRao head Boris Kovalchuk **Denis Grishkin**

State electricity group InterRao is in talks to sell a 2 percent to 3 percent stake in the firm to foreign investors, a move that could raise cash for overseas expansion and boost the group's profile ahead of a planned share placement.

Ilmar Mirsiyapov, an InterRao board member and head of strategy, said the group had already received interest from funds, banks and energy companies for the stake, which would be sold at a premium to the \$330 million it is worth at current prices.

"Talks are now under way. There is a number of global market participants who are interested in 2 percent to 3 percent of the capital of InterRao," Mirsiyapov told reporters.

He added that the group would not sell for less than 0.0535 rubles (\$0.002), the price of a share placement last year, which is sharply higher than Friday's closing price of 0.0336 rubles.

A successful sale would add to a war chest topped up earlier Friday by the completion of the

sale of a minority stake in Italian-controlled power group Enel OGK -5 to a private equity consortium for up to \$750 million.

The \$11 billion group, set up last May as a holding company for the Russian government 's myriad power assets, has said it is in talks to buy unwanted assets from indebted German utility giant RWE and is also considering other markets.

The presence of foreign investors may also boost the group's profile ahead of a planned secondary share offering on an overseas exchange by 2013. InterRao has not said where it wants to issue the shares, but secured a technical listing in London last November.

But one analyst said the stake offered may not be sizable enough to make a material difference to the process.

"Arrival of a new financial investor with a minority [2 percent to 3 percent] stake would not make a huge difference to the profile of the company, even if the investor itself has a strong profile," ING analyst Igor Goncharov said.

Mirsiyapov's comments came as InterRao offered to buy out minority shareholders in its biggest power generators OGK -1 and OGK -3, sending shares higher in both companies as investors reacted positively to the terms.

InterRao , which was handed 75 percent of OGK -1 and nearly 82 percent of OGK -3 in the share swap deal that transformed the firm into a state powerhouse last year, offered 24 InterRao shares for one OGK -1 share and 40 InterRao shares for one share in OGK -3 — formerly owned by Norilsk Nickel.

For those shareholders who do not want to convert, InterRao offered 0.68 rubles per one OGK -1 share and 1.13 rubles for OGK -3 stock.

Shares in OGK -1 rose 4.34 percent to 0.7499 rubles by 3:55 p.m. Moscow time, while OGK -3 stock gained 1.43 percent to 1.238 rubles — both above the offer price. Shares in both companies have risen sharply since news of the swap was first reported earlier this month.

Analysts and investors have said InterRao hopes absorbing the two companies will improve its market valuation, which now sits at a discount to the sum of its parts. The group received the stakes from the government and Norilsk in exchange for its own shares last year, meaning that the state or state-owned groups own nearly 60 percent of the stock.

"The purpose of this whole thing is to transfer value from subsidiaries to InterRao . Transferring assets under InterRao would also allow for elimination of a holding discount at which the company now trades to the sum of the parts," said Sergei Yezimov, portfolio manager of Wermuth Asset Management 's Go East For Value utilities fund.

The OGKs are expected to benefit from post-election reform of Russia 's electricity sector, with an anticipated hike in tariffs and higher demand as the economy grows.

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