[*DTEK power generation falls 23%, coal mining 31% in 7M15*]

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KYIV, Sep 11, 2015 (UBO) - Coal production at Ukraine’s biggest coal and power holding DTEK (DTEKUA) fell 30.6% yoy to 15.28 mmt in 7M15, Concorde Capital informed clients today in an online advisory. That information came from Concorde estimates, based on individual miner data provided by Energobiznes news agency. The decline was solely caused by a 78% yoy plunge in production of anthracite coal (to 2.14 mmt) that DTEK mines in the occupied territories of Donbas. As an encouraging trend, DTEK was able to boost anthracite production 19% m/m in August 2015 (to 0.43 mmt) by almost doubling output at its Komsomolets Donbasa mine. At the same time, the holding’s mines were able to increase mining of hard steam coal 6.4% yoy to 13.14 mmt in 7M15. DTEK’s share in Ukraine’s total production of energy coal increased to 84% in 7M15 from 65% a year before. Its share in anthracite production almost reached 100% The anthracite deficit led to a 70% yoy plunge in power generation by DTEK’s three (out of nine total) thermal power plants designed to burn anthracite. DTEK’s total power generation decreased 23.4% yoy to 22.0 TWh in 7M15. DTEK’s share in total power generated in Ukraine decreased to 26.9% in 7M15, from 30.4% in the same year-ago period. Other listed power generation companies showed even worse results for 7M15, mainly due to their higher exposure to anthracite. In particular, power production at Donbasenergo (DOEN UK), whose power plants burn only anthracite, declined 43% yoy to 2.94 TWh. Power output at Centrenergo (CEEN UK) dropped 48% yoy to 4.58 TWh, as output at two (of its three) anthracite power plants plummeted 65% yoy. Out of the 14 total thermal power plants in Ukraine, power output at the seven burning anthracite declined 62% yoy to 8.3 TWh in 7M15, while output at the seven burning hard steam coal decreased 1% yoy to 21.2 TWh. Concorde analyst Alexander Paraschiy added: “Falling production in Ukraine’s power and coal sectors is a natural consequence of the occupation of part of coal-rich Donbas. There is a high chance that DTEK’s output of anthracite will continue to improve in the coming months as its deliveries from the occupied territories have improved recently. Meanwhile, the risk of limited operation of Ukrainian thermal power plants in the upcoming winter season remains as coal stockpiles at the plants remain low not only for anthracite, but also for hard steam coal (0.76 mmt, or -45% yoy currently). For DTEK, the key issue in the upcoming winter season will be electricity rates. The holding is very likely to take advantage of the risky situation in the power system and fix a desired increase in rates for its thermal power plants (power produced at its thermal plants?) that would cover its higher fuel costs.

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