

**Centrenergo completing conversion of first burning unit from anthracite**

**Bus./Industry**

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**Analyst: &ldquo;We retain our view that Centrenergo is the top pick in the local equity universe and an attractive dividend play.&rdquo;**

KYIV, Aug 9, 2017 - Power unit #2 of Centrenergo's (CEEN UK) Zmiyivska Power Plant has been fully converted to burn hard steam coal instead of anthracite, Concorde Capital informed clients based on an Aug 7 report by the Kharkiv Regional Administration. Preparations are currently being made to launch the unit; meanwhile conversion work at the plant's unit #5 is ongoing, the administration's press release stated. Centrenergo report nothing on that. The Zmiyivska thermal power plant operates six power units of 175 MW each (#1 - #6) designed to burn anthracite and four units of 300 MW each designed to burn lean coal. Both types of coal are not available in Ukraine beyond occupied Donbas. Among Centrenergo's other power plants, Trypilska is also designed to burn anthracite, while Vuhlehirska burns hard steam coal that is easily available in Ukraine. Recall in early 2017, Ukraine's Energy Minister Ihor Nasalyk announced that Zmiyivska plant's units #2 and #5 would be converted to burn hard steam coal in March and May 2017, respectively. Concorde analyst Alexander Paraschii added: &ldquo;The conversion of Zmiyivska's two units to hard steam coal is occurring with delays, at a total cost of conversion that is unknown (earlier we heard a range of UAH 110-175 mln). So far, we have not heard of any explicit plans to convert the other units of the Zmiyivska or Trypilska plants to other types of coal, but we expect that some of the four other 175 MW-sized Zmiyivska units will be converted next year. It may take much more time and money to convert bigger anthracite-burning power units (of 300 MW installed capacity at Zmiyivska and Trypilska), so we do not expect those will be converted in the next two years. &ldquo;The conversion of two power units at the Zmiyivska plant to hard coal, and the recently secured supplies of anthracite for the Trypilska plant from the U.S., will enable Centrenergo's power plants to get through smoothly the upcoming winter season. We retain our view that Centrenergo is the top pick in the local equity universe and an attractive dividend play.&rdquo;

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