

BRIEF ON KEY BUSINESS ISSUES

№8/2016 08.04.2016 Kyiv

Coal stocks at DTEK and other power plants, k/mts

As of 7th April 2016, the levels of both G-grade and A-grade stocks are slightly over 100% of the required minimal essential level of stocks*.

	01.04.2015	07.04.2016	2016/2015, % increase	min. essential level of stocks*	2016/min stocks, %	Work without supply, days
DTEK TPPs	671	1 665	148%	1 614	103%	31
G+DG grade	509	1 346	164%	1 283	105%	31
<i>Zaporiz'ka</i>	91	214	135%	190	113%	34
<i>Ladyzhins'ka</i>	51	189	268%	161	118%	35
<i>Burs'ka</i>	167	263	58%	392	67%	20
<i>Dobrotvirs'ka</i>	79	103	30%	89	116%	35
<i>Zuyivs'ka</i>	16	107	568%	150	71%	21
<i>Kurahivs'ka</i>	105	470	349%	301	156%	47
A+T grade	162	319	97%	331	97%	29
<i>Krivoriz'ka</i>	19	126	567%	118	107%	32
<i>Prydniprovs'ka</i>	8	108	1318%	80	135%	41
<i>Luhans'ka</i>	136	86	-37%	133	64%	19
Other Ukrainian	134	818	508%	684	120%	36
G+DG grade	26	280	989%	184	152%	46
A+T grade	109	538	395%	500	108%	32
All Ukrainian	805	2 483	208%	2 298	108%	32
G+DG grade	535	1 626	204%	1 467	111%	33
A+T grade	271	857	217%	831	103%	31

* on the basis of coal reserves for 1 month of work in the mode of the ministerial forecast balance on April 2016

**including TPPs situated in the non-controlled areas

A-grade coal supplies out of temporarily occupied territories of Donbas

Shipment of coal from NCT to CT was resumed on 29th March, 2016 (after 7 days of suspension). On 23rd March, 2016 ORLO¹ stopped coal shipment due to the issue with Donbass Railway split and forthcoming termination of financing for the part of the Donetsk Railways located on the NCT. If coal supplies stop, current level of stocks could be emptied on the average in 31-36 days of TPPs' work (please see last column in the table above).

From 1st January to 6th April 1613 k/mts of coal were supplied to our TPPs through the temporarily occupied territories of Donbas (Luhanska, Prydniprovska and Kryvorizka TPPs).

Electricity tariff for GenCos TPPs increased in March

The Regulator increased the average GenCos TPPs tariff for March 2016 up to UAH 1062,46/MWh (+14.2% compared to February 2016). The *SE Centrenergo* enjoys the highest tariff - UAH 1142/MWh (15.8% increase).

¹ Separate regions of Luhansk oblast

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The tariffs for private power plants are the following: *Donbasenergo* - UAH 1119/MWh (+ 10.4%), *DTEK Vostokenergo* - UAH 1023/MWh (+ 1%), *DTEK Dniproenergo* - UAH 1114/MWh (+24.9), *DTEK Zakhidenergo* - UAH 986/MWh (+ 16%).

In Q1 2016 DTEK TPPs' production cost reached UAH 1085/MWh. With average DTEK TPPs tariff in March at the level of UAH 1033/MWh, production cost exceeds tariff for 4%, or UAH 0.05 per kWh. According to the newly approved methodology of target wholesale market price calculation, the planned tariff for GenCos TPPs is UAH 1180-1200/MWh. If tariff is set at this planned level, DTEK TPPs would reach break-even point this year. However, the planned tariff increase wouldn't allow covering losses caused by unprofitable tariff in 2015.

Antimonopoly Committee's research on alleged monopoly position in the electricity and thermal coal markets

In September 2015 the Antimonopoly Committee of Ukraine (AMCU) launched a research on possible monopolies in the electricity and thermal coal markets. The AMCU intended to conduct a public Committee meeting to review preliminary results of this study on 5 April, 2016. However, the meeting was rescheduled without any suggestion for an alternative date.

Restructuring of DTEK Energo debt (cont., see Briefs #6/2016, 30/2015)

DTEK proposed a moratorium till end 2016 to the holders of its outstanding 2013 Notes and 2015 Notes. The purpose is to enable the Company to create a stable platform during the period in which it seeks to negotiate with its creditors and finalise a full-scale restructuring of its capital structure. Further details in relation to the Scheme are contained in the [Practice Statement Letter](#).

New Memorandum of Understanding between the EU and Ukraine in the field of energy (cont., see Brief #4/2016)

Private GenCos of Ukraine (DTEK and Donbasenergo) have agreed on a joint vision of the future Strategic Memorandum of Understanding on co-operation in the field of energy between EU and Ukraine. To our view, this policy document should take a balanced approach to thermal generation and coal sectors. Thermal generation is indispensable as it provides reserve and maneuvering capacities for stable operation of the Ukrainian energy system. It is also intended to cover imbalances of renewables while their share in the energy mix will be increasing.