

STEAG significantly improves Group earnings

- STEAG 2022 transformation program systematically implemented
- EBIT rises by 60 percent to 197 million euros
- Consolidated result well in the black at 59 million euros
- 45 million euros in profits transferred to the municipal shareholder KSBG
- Investments in new growth areas pay off

Essen. STEAG exceeds its earnings forecast: in a challenging market environment, the Essen-based energy company generated consolidated earnings after taxes of 58.6 million euros in the 2017 business year and is transferring 45 million euros to its local authority shareholder KSBG Kommunale Beteiligungsgesellschaft. “In 2017, we did everything we had set out to do,” said Joachim Rumstadt, Chairman of the Board of Management of STEAG GmbH, during the presentation of the annual financial statements at the company headquarters in Essen.

In the 2017 business year, the STEAG Group generated sales of 3.6 billion euros, an increase of almost eight percent compared to 2016, mainly as a result of STEAG’s expanded electricity trading activities and higher electricity prices.

Group earnings before interest and taxes (EBIT) of 197.3 million euros exceeded the previous year’s figure (122.7 million euros) by more than 60 percent. The various measures from the STEAG 2022 project launched in 2016, with which the company is preparing itself for the challenges of the energy transition, resulted in a total improvement in earnings of around 100 million euros. “With our STEAG 2022 transformation program, we are making the company more profitable and fit for the future,” said Joachim Rumstadt. Group earnings after taxes improved by almost 280 million euros. STEAG reports a net profit of 58.6 million euros for 2017 – after a consolidated loss of 220.8 million euros in the previous year.

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Contact

Florian Adamek
Press Officer
Tel. +49 201 801-4262
Fax +49 201 801-4250

Florian.Adamek@steag.com
www.steag.com

STEAG GmbH

Rüttenscheider Strasse 1–3
45128 Essen
www.steag.com

Registered office in Essen
Registered at Essen Local Court
under number B 19649

Supervisory Board

Guntram Pehlke, Chairman

Board of Management

Joachim Rumstadt, Chairman
Michael Baumgärtner
Dr.-Ing. Wolfgang Cieslik
Alfred Geißler

45 million euros profit transfer to KSBG

STEAG will pay a dividend (profit transfer including taxes) of 45 million euros to its shareholder, KSBG Kommunale Beteiligungsgesellschaft GmbH & Co. KG, for the 2017 business year. This means that the dividend will this year once again achieve the agreed objective of enabling the municipal shareholders to service their debts (interest and repayment).

“We know that there are still three tough years ahead of STEAG. The shareholders in KSBG therefore agreed a year ago to waive, for a period of three years, a dividend in excess of the amount necessary for servicing their debt. This is KSBG’s contribution to the STEAG 2022 transformation project,” said Guntram Pehlke, Chairman of the Supervisory Board of STEAG GmbH. Pehlke is also CEO of Dortmunder Stadtwerke AG (DSW21), which holds a 36 percent stake in STEAG via KSBG.

KSBG is responding to the difficult situation in the industry by waiving the dividend. Even the positive consolidated financial statement for 2017 cannot hide the fact that the high feed-in of wind energy in Germany last year led to enormous economic pressure on the domestic power plant portfolio and reduced overall operating times for STEAG power plants in the Ruhr area and the Saarland. On its own economic responsibility, without receiving any subsidies for decommissioning, the Essen-based energy company took one large power plant and one power plant unit off line in 2017. The decommissioning of the power plants is a consequence of the STEAG 2022 project, which was launched in 2016. At that time, STEAG decided to continue operating only those power plants which make a sustained positive contribution to the Group’s earnings.

Through these entrepreneurial measures, STEAG reduced its CO2 emissions by more than half in just one year to 8.9 million metric tons in 2017, which means that STEAG contributed two thirds of the total CO2 savings in the national electricity sector during this period. Nationwide, CO2 emissions in the energy industry fell by 14 million metric tons to 292 million metric tons last year. The contribution of lignite is modest by comparison. CO2 emissions from lignite fired plants fell by only 1.3 percent to 151 million metric tons in 2017 and were more than twice as high as those from hard coal (73 million metric tons).

Investments pay off

The efficiency measures will be offset by targeted growth investments in the 2017 business year – for example strategic entry into the waste to energy market. STEAG completely took over two heat recovery waste incineration plants from the Vattenfall Group. The post-merger integration process has now been successfully completed and both plants are making a stable contribution to earnings.

Another growth project realized in 2017 was the acquisition of Krantz, a specialist for high-quality solutions in ventilation technology, by STEAG Energy Services (SES). With the long-established Krantz brand, SES is further expanding its market position as an engineering service provider and supplier in the nuclear dismantling segment. SES already has a broad customer base in this field in Germany and Switzerland, and is now gaining access to additional markets in countries such as Japan and the UK.

Prospects for 2018

STEAG expects a decline in sales for the 2018 business year. The main reasons are lower revenues from the operation and marketing of the domestic power plant portfolio as a result of lower volumes and prices, as well as contractually and balance sheet-related declines in earnings at the foreign power plants. The EBIT of the STEAG Group in 2018 is expected to be 30 percent below that of the past business year.

Thanks to the great commitment and high level of expertise of the approximately 6,500 employees in Germany and at the Group's foreign subsidiaries, STEAG can successfully face national and international competition. The planned investments in growth areas in particular create new opportunities. "We are confident that the various measures of the STEAG 2022 transformation program will take effect. We will achieve our goal of permanently improving annual EBIT by 120 million euros," said Joachim Rumstadt.

Note on sales volume

Since the 2017 business year, sales and cost of materials for certain types of energy-related trading transactions have been netted. The corresponding figures for the previous year have been adjusted for better comparability. The previous year's adjustment for sales amounts to 497.1 million euros.

About STEAG

STEAG GmbH has stood for efficient and secure energy supply for more than 80 years, both in Germany and abroad. As an experienced partner, we support our customers comprehensively during all phases of energy supply. We design, develop, implement and operate highly efficient power plants and market their energy and by-products. In addition to customized electricity and heat supply solutions, we offer a wide range of energy-related services.