

S+P Status report – Energy crisis and supply chains

Kissing, 16 September 2022

Energy supply - operational reliability for the 2022/2023 heating period

S+P uses two main resources for its energy supply, electricity as the basis for the operation of machinery and equipment and gas for heating the production and warehouse facilities. For both resources, usage is just under 1 million kWh each (based on 2022).

With regard to reliability of supply, natural gas currently poses the greatest risk. This is why we started looking at alternatives during the summer. In the short term, only container solutions based on the energy sources of pellets and heating oil were available. A heating system based on heating oil will be installed at the end of September 2022. There are no plans to put the gas heating back into operation. The heating oil supply is to be considered as secure. In spite of the rental charges for the mobile heating system, costs are roughly the same. Electricity is the major energy source of the future. Since the start of the project for its new office building S+P has been pursuing a strategy to reduce/eliminate the use of fossil fuels. The air conditioning system of the building is based on water-to-water heat pumps since it was put into operation in 2013. As the next step, we started planning a new heating system for the manufacturing and warehouse areas in November 2021.

Measurements and calculations have shown that an extension of the existing heat pump technology is a logical step. We are currently running another extraction trial for the required volume of ground water and have also applied for the corresponding planning permission. A positive decision is expected for the 3rd quarter. Realisation is planned for the first six months of 2023.

This consistent focus on electricity requires that we consider issues such as dependency, availability and the development of our cost structure. S+P has therefore been focusing on producing its own electricity using a solar power (photovoltaic) system since 2021. The system (270 kWp) which was put into operation last year covers approx. 30% of our electricity requirements. Putting an extension of this capacity into operation in 2023 will enable us to increase the percentage of our own electricity production to approx. 50% (100% in the summer / 10% in the winter). A significantly higher degree of self-sufficiency is currently not feasible, neither from an economical nor from a technical (required space) point of view.

The significantly higher challenges for companies due to the disruption of supply chains and transport routes in recent years only had a moderate impact on S+P's ability to supply. It mainly affected the procurement of goods from China. We have now built up a safety stock to counter any disruptions to the supply chain. The necessity to substitute raw materials and components was of greater significance. However, we were able to implement this well thanks to a close coordination with suppliers and customers. Stock levels have now been increased overall and, the budget required to cover these measures has been extended significantly.

This is designed as an "antidote" to offset the explosion in the cost of some semi-finished goods and services. Unfortunately, with the general increase in prices this just represents a drop in the ocean. We anticipate that costs will continue to increase as energy costs remain at very high levels.

signed
Karl Tochtermann
CEO