

STEAG achieves a good recovery

After a difficult year in 2020, key figures for 2021 show initial transformation successes

Essen. STEAG presents encouraging key figures at the end of the third quarter of the current business year. Both sales and group EBIT are above the previous year's level. In 2020, the Essen-based energy company still had to cope with a difficult year owing to extraordinary burdens from the phasing out of coal and a process of transformation initiated within STEAG itself.

The current business figures confirm the favorable development of the long-established energy company in several respects, following a challenging phase of realignment. In addition to the general economic upheavals caused by the coronavirus pandemic, STEAG had in particular to cope with the effects of the phase-out of energy generation from coal in Germany, which was set down in law in 2020, as well as the costs of a far-reaching restructuring program. Overall, this will result in the loss of around 1,000 skilled jobs in Germany over the next few years.

At the end of 2019, STEAG had already begun to fundamentally realign itself and orient itself towards the growth and focal markets of tomorrow's energy world: "We have focussed on our traditional strengths in energy technology and energy management," says Joachim Rumstadt, Chairman of the Board of Management of STEAG GmbH. In the future, the company will focus primarily on solutions for industrial customers in the design, implementation and operation of complex plant technology, renewable energies, decarbonization, and on hydrogen as well as digital energy services.

STEAG investing in hydrogen

STEAG has recently joined an international cooperation network that is endeavoring to ramp up a hydrogen economy in the "Grande Region Hydrogen" in Saarland, Luxembourg and the neighboring French region of Lorraine. "The sub-projects that the partners are jointly tackling there in the field of hydrogen are aimed at cutting environmentally harmful CO₂ emissions by around 980,000 metric tons per year by 2030," explains Dr. Ralf Schiele, who, as a director of STEAG GmbH is responsible for Market and Technology. The cooperation partners will invest around 600 million euros in hydrogen production and the associated transport infrastructure, including around 74 million euros for the construction of the "Fenne HydroHub" in Völklingen, Saarland.

Successfully started phasing out coal

That STEAG site with its long tradition is therefore a glowing example of the far-reaching transformation of the Essen-based energy group. While hydrogen production will open a new chapter for the energy sector and industry in Saarland in the middle of the decade, STEAG's coal story is likely to come to an end next autumn. "By the end of October 2022 at the latest, there will be only one coal-fired STEAG power plant left on the market in Germany, that being Walsum 10 in Duisburg, North Rhine-Westphalia. This means that we will complete our own coal phase-out far more quickly than many people thought we would," says Joachim Rumstadt. In this respect, STEAG would not be affected by a possible bringing forward of the coal phase-out to 2030, as is currently being considered by the future German government.

This is because STEAG has successfully participated in several decommissioning auctions since the end of 2020 in accordance with the Coal-fired Power Generation Termination Act (KVBG). The bids were accepted for a total of four of the company's power plant units. In addition, STEAG is examining technical and commercial options for a fuel switch from hard coal to biomass or natural gas at the last remaining power plant unit, Walsum 10.

Furthermore, STEAG's imminent departure from hard coal over and above the power plant closures is also reflected in the sale of the former subsidiary Power Minerals, which specializes in the marketing of power plant by-products. In spring 2021, STEAG sold the previous Group subsidiary to the Czech EPH group. "That was not only another important step in STEAG's strategic realignment, but the new owner also offers our former colleagues excellent career prospects," says Dr. Andreas Reichel, STEAG's Human Resources and Industrial Relations director, expressing his satisfaction. Here, as foremost in the case of the jobs to be lost at the power plant sites in the future, it has been possible to find the best possible solutions for the departing employees by reconciling individual interests in cooperation with the employees' representatives and the trade union. "So far, we have been able to avoid redundancies," Reichel emphasizes.

Future projects

This, too, contributes to providing STEAG with new scope for future investments. In addition to the option of switching the type of fuel at the only remaining hard coal unit, Walsum 10, a water electrolysis plant with a capacity of up to 500 megawatts (MW) is also planned at the same site, and should make a significant contribution to the decarbonization of Europe's largest steel site in Duisburg. A few kilometers further east, in Herne, one of the world's most modern combined cycle gas turbine (CCGT) power plants will come on stream in 2022. "Based on the principle of combined heat and power, this plant will generate not only electricity but also heat and will secure the district heating supply in the central Ruhr region for decades to come," says Ralf Schiele.

In addition, at the Herne power plant site, the switch from the previous energy source of hard coal to natural gas is also associated with a significant reduction in CO₂ emissions by more than half. "This reduction in emissions may be even greater in the future because the new CCGT plant is already technically capable of burning a certain proportion of hydrogen," says Ralf Schiele. In the long term, a

technical upgrade of the plant is also conceivable, enabling it to operate on hydrogen alone. Furthermore, STEAG is converting the Herne 4 hard coal unit, which will be decommissioned in 2022, into a natural gas-fired boiler that will serve to secure district heating in the future.

Finance agreement concluded

All these forward-looking projects contribute to making STEAG economically viable for the future. After all, the future prospects associated with the current projects also played their part in making STEAG able a few weeks ago to arrange follow-up financing with its creditors until the end of 2023 thanks to a clear transformation strategy. “This provides us with the necessary financial leeway to continue resolutely along the transformation path we have successfully embarked on,” says Ralf Schmitz, Chief Transformation Officer at STEAG and in that function also responsible for the company’s finance division. The complex financing negotiations are also the reason why the 2020 annual financial statement can only be published now.

Positive trend in key economic figures

The favorable business development in the current year is also reflected in the relevant key figures. STEAG GmbH's equity was kept stable at 478.3 million euros even in the difficult 2020 financial year. Consolidated equity in accordance with IFRS, which was still at a level of minus 108.9 million euros in the 2020 financial year, will be positive again at the end of the 2021 financial year. One-off effects are primarily responsible for this favorable development, but in contrast to 2020, they have had a positive impact in the present financial year. These effects include the contractual agreement with the Austrian energy group EVN on the exit from the operating company of the hard coal fired power plant Walsum 10 and the successful participation in the decommissioning auctions for hard coal fired power plants under the terms of the Coal-fired Power Generation Termination Act (KVBG). These positive one-off effects made it possible to reduce the STEAG Group's financial debt by more than 300 million euros, or more than one fifth, by the end of the third quarter of 2021.

The first rapid successes from the strategy adopted are also evident in Group sales. After the first nine months of the current business year, this is 12.9 percent up on the previous year at 1.6 billion euros. At 137.9 million euros, the STEAG Group's EBIT in accordance with IFRS is also seven percent up on the same period last year. It is also well above expectations at the beginning of the current business year. In the light of favorable background conditions, the positive earnings development is expected to continue in the fourth quarter of 2021.

“In principle, we can be satisfied with STEAG’s current development,” Ralf Schmitz sums up. For example, the transformation of the company that has been initiated has borne fruit much earlier than expected a year ago: “We want to build on this and continue on our path with determination and growing success in the coming years.”

About STEAG

For over 80 years, STEAG has stood for efficient and reliable power generation, both in Germany and abroad. As an experienced partner, we support our customers comprehensively in all phases of power supply. We design, develop, implement, operate and market highly efficient energy solutions – from distributed generation facilities and those based on renewable sources to large central power plants. Together with customized solutions in the field of electricity and heat supply, we also provide a wide range of energy services – increasingly on the basis of renewables. Successfully so: Since 1990, STEAG has permanently reduced its own CO₂ emissions in Germany by approximately 85 percent.

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