

# Report on development of the procurement market situation III

Einsiedeln, June 22nd, 2021

Dear customers

In the past months, we have kept you informed about the development of the procurement market with situation reports. Thanks to the active cooperation of our customers with early orders, framework contracts, etc. - and thanks to the acceptance of targeted special measures such as special costs - we have been able to steer well through the "storm on the procurement market" up to now, with a few exceptions. We would like to take this opportunity to thank you for the trust you have placed in us to date, for acting in accordance with our recommendations and for the good cooperation.

Our intention with this new letter is to draw your attention to the risk that the difficult and unstable supply situation could have a considerably longer impact than previously assumed. The reason for this could be, among other things, the latest events on the world market, namely another **major fire at a silicon manufacturer** and a **corona outbreak in the port of Shenzhen**.

## What is the initial situation?

After the first glimmers of hope and a slight easing of the situation on the procurement market, two significant events have taken place in the past few days that could lead to a renewed deterioration in the market situation. STEINEL assumes that the effects of these two events will become really noticeable from late summer 2021 onwards.

### Congestion in the port of Yantian

An even bigger bottleneck is looming than after the Suez Canal shutdown. Half of the traffic in the container port of Yantian in Shenzhen is paralysed. The reason for this is tightened corona measures, which considerably slow down all handling processes. The Yantian Container Terminal is number four on the list of the world's busiest container ports; after Shanghai, Singapore and Ningbo.

### Major fire at Chinese polysilicon plant

Polysilicon is used in the solar PV industry as well as in the semiconductor industry. This event could cause prices and delivery times to rise again in the coming weeks and months. We cannot judge the exact impact on semiconductor manufacturers at this time, but the accumulation of events increases the risk.

Read and hear more about this under Attachments/ References.

## What measures is STEINEL taking?

In order to ensure capacity, several measures have already been implemented or are in the implementation phase. We have provided corresponding explanations in the "Report on the development of the procurement market situation II" (April 2021).

### What is the recommended course of action for our clients?

In order for us to secure the supply chain and thus you your sales markets in the best possible way, it is essential that we analyse and intensify long-term planning even further. In concrete terms, this means:

1. Provide us with framework contracts, purchase orders and/or binding forecasts until at least the end of 2022.
2. Store an average replenishment time in electronics of at least 40 weeks plus in your ERP/MRP! Specialities can have up to 50 weeks plus.
3. Start the procurement of all materials for new product developments at an early stage or almost in parallel. In the case of a planned "ramp-up" of products for the year 2022, it is important to materialise now (procurement approvals). This is the only way to achieve an SOP and an error-free market launch.

We are convinced that together and in partnership we can manage the loss prevention in the best possible way. In case of uncertainty, it is a matter of course for us to discuss the market situation and the necessary steps with you in a meeting in order to facilitate a deeper understanding and to be able to specifically address your questions. If you would like this, please contact our sales team.

If you have any questions, please do not hesitate to contact us.

STEINEL Solutions AG

Your Sales Team

### Attachments/ References

- SRF News: «Corona-Ausbruch in Asien - Stau im Hafen von Yantian bedroht die Weltwirtschaft / [Corona eruption in Asia - Congestion in the port of Yantian threatens the global economy]»: [Link to article \(DE\)](#) (18.06.2021)
- Evertiq News: «UPDATED: Großbrand in chinesischer Polysiliziumanlage / [UPDATED: Major fire at Chinese polysilicon plant]»: [Link to article \(DE\)](#) (18.06.2021)
- Frankfurter Allgemeine (FAZ): «HAFEN VON YANTIAN: Mega-Stau lähmt den Welthandel / [PORT OF YANTIAN: Mega traffic jam paralyses world trade]»: [Link to article \(DE\)](#) (17.06.2021)
- Mercom News: «Explosion at Hoshine Silicon's Polysilicon Plant in China Threatens Supply»: [Link to article](#) (EN, 11.06.2021)

Upon request, we will provide you with a dossier of various letters from our suppliers.

## Previous references

- Elektronikpraxis:
  - «Großbrand bei Renesas, Feuer in Fab: Chipmangel bei Autoherstellern verschärft sich / [Major fire at Renesas, fire at Fab: Chip shortage at carmakers worsens]»: [Link to article \(DE\)](#) (25.03.2021)
  - «Winterstürme in Texas, Stromausfälle beeinträchtigen Chipproduktion bei NXP und Infineon / [Winter storms in Texas, power outages affect chip production at NXP and Infineon]»: [Link to article \(DE\)](#) (24.02.2021)
- Bloomberg: «How a Chip Shortage Snarled Everything From Phones to Cars»: [Link to article](#) (EN, 29.03.2021)
- CNBC: «How the global computer chip shortage happened»: [Link to article](#) (EN, 02.03.2021)
- Fusion Worldwide:
  - «Wafer Shortage to Continue in Q1 2021 as IC Market Impact Grows»: [Link to article](#) (EN, 16.12.2020)
  - «The Greensheet»: [Link to current edition](#) (EN)
- Technical article: "The Outlook for the Electronic Component Supply Chain in 2021" (Michael Knight, President, TTI Semiconductor Group): [Link to article](#)
- Technical article: "Why does the current container shortage happen?" (Kuehne+Nagel): [Link to article](#)
- Preliminary information from STEINEL as of November 06, 2020: [Link to PDF](#)
- Preliminary information from STEINEL as of December 18, 2020: [Link to PDF](#)
- Preliminary information from STEINEL as of January 29, 2021: [Link to PDF](#)
- Preliminary information from STEINEL as of April 27, 2021: [Link to PDF](#)