

Report on development of the procurement market situation IV

Einsiedeln, July 23rd, 2021

Dear customers

In the past months, you have received several reports from us on the development of the procurement market situation. Thanks to the good cooperation, for which we would like to thank you at this point, through your active participation and action in accordance with our recommendations, we have been able to handle the difficult situation up to now, with a few exceptions.

What is the current situation?

As already feared, the rays of hope and slight easing on the procurement market were only temporary and the two significant events – congestion in the port of Yantian and major fire in Chinese polysilicon plant – have brought about a renewed deterioration in the market situation, the effects of which are already being felt. Transport costs between China and Europe have increased fivefold compared to last year, with a 40' container now costing over USD 12,500. Forecasts indicate a further significant increase for the Christmas and Chinese New Year period, with speculation of >20,000 USD.

The problem of raw material shortage and increased demand (lead time of components) is now influencing prices more and more massively and unstoppable, this is the main reason why we are contacting you with this renewed letter.

At the moment we are faced with the situation that price increases from manufacturers are the order of the day. Some price increases have been announced, others have already taken effect and still others, especially for singlesource manufacturers, come almost on a monthly basis.

The worldwide increase in raw material prices also means, among other things, that elements that previously made up a rather small proportion of the cost of a product are now becoming a cost factor. To name a few examples:

- All cardboard boxes and packaging as well as various consumables
- Solder on printed circuit boards - [https://www.finanzen.net/rohstoffe/zinnpreis \(DE\)](https://www.finanzen.net/rohstoffe/zinnpreis (DE))
- Copper for PCB laminates, cables, stranded wires, relays, motors and brass stampings - [https://www.finanzen.net/rohstoffe/kupferpreis \(DE\)](https://www.finanzen.net/rohstoffe/kupferpreis (DE))
- Silver in the contact material of electronic components, relays and switches - [https://www.finanzen.net/rohstoffe/silberpreis \(DE\)](https://www.finanzen.net/rohstoffe/silberpreis (DE))

What are the effects?

Enclosed you will find an excerpt of how the portfolio prices have changed in the last months and weeks. In addition, further price increases on the part of manufacturers are to be expected; various increases have already been announced. There are no signs of cooling on the market. In the case of so-called "emergency/special purchases", exponential prices must be expected. It should be added that this is hardly possible at the moment, as there is simply no material available.

Until the beginning of July, we were able to master the situation with a partnership-based mixture of absorption of additional costs by STEINEL and targeted special measures, such as charging the special costs of individual components and parts to our customers. However, we are now facing the point where the quantity of parts and components with price increases becomes too large and we have to pass on the effects of the price increases on the affected articles in a product to our customers. Our sales department will discuss with you in which dimensions and when these adjustments will take place.

What is the recommended course of action for our clients?

In the case of high freight volumes from overseas, consider reshoring to Europe. This is particularly important for reasons of freight and logistics costs and delivery times. With its set-up exclusively in Europe, STEINEL Solutions AG is an ideal partner - a "one-stop shop" with a European footprint.

The recommendation for action that we already highlighted as essential in the last Management Report (Preliminary information from STEINEL as of June 22, 2021: [Link to PDF](#)) still applies. Plan for the long term (> 52 weeks) and above all in a binding manner in order to ensure the best possible safeguarding of the supply chain and thus of your sales markets. Neither STEINEL Solutions AG nor our suppliers give priority to non-binding planned quantities; what counts are "definite orders".

We are convinced that together 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 answer your questions in a targeted manner. Should you wish to do so, please contact our sales team.

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

STEINEL Solutions AG

Your Sales Team

Manufacturer	Price increase	Comment
ST Microelectronic	15% + further increase July 2021	Quarterly price increase + lead times of 52W+
Microchip	10%	Increase in lead times from 20 weeks to ca. 60W+ for almost all controllers
Nexperia/NXP	10-20 %	Lead times of 40W+
OnSemi	15-30%	Lead times of 40W+
Texas Instru.	5-20%	Increase in lead times from 6 weeks to 50W+
Vishay Semi.	10-50 %	Lead times between 20W - 50W (depending on type)
Crystals / Resonators / Oscillators	10-100 %	Since fire at AKM/Epson strong allocation/ hardly any goods available
Inductances	20-30%	
Printed circuit boards (material)	10-30 %	
Cardboard / Paper	10%	Lead times of 12W+ due to scarce raw materials on the market
Resistor	10-15 %	Lead times of 30W+
Capacitors	10-20 %	Lead times of 40W+

Material	Basis December 2020	Stand June 2021	Deviation	Index
Plastic, PP [EUR/t]	1'253	2'163	73%	www.kiweb.de
Copper [EUR/t]	6'478	7'997	23%	www.lme.com
Steel [EUR/t]	430	485	13%	www.meps.com
Stainless steel [EUR/t]	1'450	1'901	31%	www.meps.com
Aluminium [EUR/t]	1'694	2'076	23%	www.lme.com

Attachments/ References

- Focus.de: «Tonnenpreis nähert sich Rekord - Ist Kupfer das neue Öl? Wie Sie als Anleger von den rasenden Preisen profitieren / [Price per tonne approaches record - Is copper the new oil? How you as an investor can profit from the raging prices]»: [Link to article \(DE\)](#) (23.04.2021)

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

Previous 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 paralyzes 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)
- 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](#)
- Preliminary information from STEINEL as of June 22, 2021: [Link to PDF](#)