

Report on the development of the procurement market situation

Einsiedeln, January 29, 2021

Dear customers

Regrettably, it is becoming apparent that our advance announcements from the months of November and December 2020 are turning into bitter reality - one can almost speak of the «Perfect Storm». The basis for this «storm» is a chain of various events. Namely, the pandemic itself, shortages of raw materials, dramatic conditions in sea freight from Asia, and extremely strong growth in sectors such as automotive and telecommunications.

Our intention with this letter is to:

1. Create understanding for what is happening in the market today and may already have an impact on your products and customers tomorrow.
2. To show that and how we can manage the damage defense in partnership with you in the best possible way.

What are we confronted with?

- Replenishment times are steadily increasing, currently >30 weeks is «normal»
- There are individual suppliers/ manufacturers who no longer accept orders in the short-term range (until summer 21)
- Standard prices at manufacturers increase by 5-20%, here we are talking about regular price increases on the part of manufacturers across their entire product range
- Confirmed orders are postponed by several weeks shortly before the delivery date
- Due to allocation, there is an increasing tendency that delivery dates are no longer confirmed
- Information about delivery times is no longer reliable or is no longer given at all
- Multiplication of freight costs due to shortage of shipping capacities

What is STEINEL doing?

- Bindingly ordered all raw materials from our suppliers by the end of 2021
- Actively checking 2nd source components and their delivery times with our development department
- Daily communication with our national and international suppliers
- Securing of freight capacities
- Transparent & factual customer orientation
- Resource building

What can you do to minimize risks?

- Place call-off orders or binding planning figures - if not already done - until at least the end of 2021.
- Place new framework contracts early. Assume a replenishment time of at least 35 weeks when calculating them.
- Indicative as well as non-binding forecasts without legal acceptance obligation are not given priority.
- You should give the highest possible priority to the examination of a 2nd source request on our part in the event of occurrence.

Where can we assist you?

If you have new projects or new products in the pipeline or if your current supplier is facing major challenges, involve us in your considerations at an early stage.

- We take over or support you in product development or re-design (electronics, mechanics, plastics).
- We support in the evaluation of 2nd source components .
- We take over the industrialization and scaling of your new development.
- As a system supplier, we have the strategic advantage of being able to identify risks early and react more quickly to changes.

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

STEINEL Solutions AG

Your Sales-Team

Attachments/ References

- 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](#)
- Information letter from our suppliers: Upon request, we will provide you with a dossier of various letters from our suppliers.