

Video speech Daniel Pitschmann – CEO Possehl Electronics Group July 2020



Dear all,

I contacted you by video message for the first time at the end of March. These last three months have been a challenge for all of us. And the tasks have not become any smaller. We all want to avoid a second wave of infection and get through the emerging economic crisis well.

Before we start: I would like to thank all employees of the Possehl Electronics Group. For their accuracy, their care for other people, for taking all necessary measures, whether mandatory or not. In order to fight this pandemic, we must stick together and above all stand up for the weaker members of our society. I am very proud to be part of this team.

We have been through all these restrictions, we have seen empty streets, empty trains, closed shops and factories. We have felt this incredible impact of the measures on our economic life. Unfortunately, it will drag many individual companies, micro-enterprises, but also medium-sized and even larger companies into crises. So far, much has been covered up by emergency aid measures. But this will not be enough in the long run. It is to be expected that many companies will either have to close or be sold.

Our mother company L. POSSEHL, and Possehl Electronics do not belong to it. L. POSSEHL, has done many things right through the diversification approach. L. Possehl is very healthy and remains so. Possehl Electronics, is also on this path. Our markets, the automotive industry and the semiconductor industry show different trends. The automotive industry is clearly going through an intensified crisis overall, and the semiconductor industry will benefit in the short and medium run from the accelerated digitalization of all areas of life.

What does this mean for Possehl Electronics, and what is to come?

The month of May has shown very poor sales in Europe and in USA/Mexico. Due to official instructions, we had to close our plant in Mexico. Wherever possible, we used the tool of short-time working. Moreover, at the same time, we must not lose sight of a responsible process for new projects. This required a certain flexibility on the side of everyone involved. Here, too, I would like to thank everyone who had to cope with sometimes difficult situations. The month of June was slightly better for our German locations. Our locations in the Czech Republic and Mexico reported significantly better sales than in May, but still at a low level. Our colleagues in the Netherlands are also affected by the crisis, as are our colleagues in the USA. Overall, the results were not good. There was nothing else to be expected. But we have focused our special attention on the three targets below. This is of particular concern to us and also corresponds to the direction we defined at the beginning of the crisis:

- To protect our cash. We have achieved this by controlling our spending, our customers has paying their bills and gradually reducing our inventories. The latter will be even more important in the coming months.
- Ensure smooth progress in the development of new projects, as this is part of our future business
- To protect the value of our businesses, and first and foremost all of us

Video speech Daniel Pitschmann – CEO Possehl Electronics Group July 2020



How do the coming months look like?

The order volume is not yet satisfactory at all locations. However, an upward trend is becoming apparent. This is particularly perceptible in the Czech Republic and Mexico in July. For Wackersdorf, this month will still be painful, but then it will slowly increase. For Niefern, July seems to be less severe, after that it is also slowly improving. Nothing to cheer about, but we can say that we have overcome the low point. Short-time work remains the tool of the hour. However, we are renouncing to it to the extent to which our order books continue to develop. Our goal remains to secure the value of our companies.

The second half of the year will therefore show a moderate improvement to the second quarter. Nothing exciting, but at least. The market situation in China will probably help us in this context.

In Asia, we had to close plants temporarily or produce with a considerably reduced workforce due to official orders. This is the case in our plants in Malaysia and Singapore. Now these two plants are operating almost as normal again. The order volume is currently still somewhat restrained - partly due to the weak market situation in the western world - but here, too, the trend is upwards. There is no short-time working in the Asian region; instead, plants are closed on a daily basis. In Asia, however, the fourth quarter is expected to be much better than the previous quarters.

A situation that is therefore not homogeneous. But the different regions have one thing in common; the people there are faced with the pandemic every day. All employees of the Possehl Electronics Group stick to the necessary safety rules, such as wearing masks, washing their hands regularly, keeping their distance and respecting others. Every employee fights in his or her own way every day to ensure that his or her location gets through this crisis. Together we ensure that the value of the companies and activities that have been entrusted to us is preserved. So far we have been successful. We will continue to do so in the future!

I will contact you again later this year through this channel.

Everyone stay alert, take care of yourselves and stay healthy.

Daniel Pitschmann

CEO Possehl Electronics Group