

Date: 2020-05-27

Q&As on the supply chain situation

Current situation

Our volume / off shore factories are now running at normal operational capacity with regards to available resource supporting production. Looking at utilisation rates within the factories, we can see that most of our factories, across our approved supply base, continue to operate at very high capacity utilisation as 5G product ramps up in China and this is now the main factor that is impacting both utilisation and performance.

NCABs local companies, in China, US and Europe continue to follow local province recommendations and requirements on what measures to take to prevent the spread of virus and protection of employees when back in the office.

Air: Still a high number of cancelled passenger flights to/from mainland China and Hong Kong. Airline flight schedules may change at short notice to comply with regulatory directives or operational requirements. Less cargo capacity available and airlines announced PSS (Peak Season Surcharge), causing increased freight cost and affecting lead-times. We are working closely with our global and local logistics partners to book and utilize shipping capacity.

Sea: Shipping lines have earlier announced extensive blank sailing programs (cancellations) for their vessels, which continues in May. This reduces ocean freight capacity out of China. We might see congestions problems at ports and a tight situation as cargo volume increases. NCAB goods are going out of Hong Kong, which is less affected at the moment.

Rail: Rail services continue normal operations. More and more European countries introduce border controls, which might cause delays in transit times.

Express: Longer transit times from China and Hong Kong. Cost increases; from April the Express service companies apply Emergency Situations Surcharges/Peak Surcharges.

What is the operational status of our factories?

Our volume / off shore factories are now running at normal operational capacity with regards to available resource supporting production. Looking at utilisation rates within the factories, we can see that most of our factories, across our approved supply base, continue to operate at very high capacity utilisation as 5G product ramps up in China and this is now the main factor that is impacting both utilisation and performance.

The vast majority of our main factories are re-opened to visitors, and our factory management team are back into the routines of onsite quality control along with regular onsite follow up meetings by both quality and logistics teams. We continue to monitor and adhere to local recommendations as part of our cautious approach.

Our supply chains based in Europe and the United States of America, typically for prototype orders, have seen capacity utilisation return towards normality following the recent period of high demand. Some local government restrictions remain which causes factories to continue experiencing challenges in maintaining work force levels across all shifts, however this is improving week by week due to improved planning.

What is the impact for PCB deliveries?

Factory lead times continue to improve step by step across most of our main factories, both off shore and with our European and North American supply chains, following recent negotiations on lead time prioritisation and booking of extra capacity, for NCAB orders.

Whilst we are happy to see these improved lead times for new orders, NCAB continues to push for continued improvements in terms of both delivery performance and lead times. NCAB continues with daily follow up with the factory production teams and prioritisation along with regular on site visits to follow up on activities which are aimed at delivering the continued recovery in term of the performance we wish for.

Those factories based in European and United States of America are generally more flexible and with some factories we are seeing a return to guaranteed lead times with some of our partners, yet with others we continue to work with adjusted lead times for some orders as they manage utilisation and output.

What does NCAB do to assure I will get my deliveries?

Production:

Our Factory Management team in China remain in close contact with our factories both on operational and management level, negotiating and booking capacity to gain production priority – some of these activities are explained below:

- Following up on booked capacity vs. reserved capacity at our main factories.
- Negotiations with our main factories so that we have increased our reserved capacity where needed and also achieved lead time improvements for new orders.

- Evaluating lead times and capacity based upon varying technology levels to ensure that we considered a more balanced approach to lead times and delivery performance based upon manufacturing complexity.
- NCAB order lists continue to be updated and provided to the factory dedicated production teams - these are continuously reviewed / followed up daily along with general factory production schedules to ensure prioritization for NCAB orders.
- Following up on rules and statements from Safety Supervision Bureau.
- NCAB Factory Management meeting with senior management / owners within the factories to ensure continued support and prioritization.
- Weekly delivery performance follow up at factories to evaluate performance.

Logistics:

We are working closely with our global and local logistics partners to book and utilize shipping capacity and to obtain a more accurate forecast with regards to order books. As products are ready and shipping capacity available we will ship as soon as possible.

How can NCAB secure supply chain security for future orders?

Working closely with our factories to get priority support, we will do all we can to get competitive yet realistic lead times for future orders. Customers can help by placing orders up to June so we can get those orders in the production plans.

In the event of customers are forced to temporarily close down operations, we are prepared to work proactively and support in any way possible when operations resume to secure deliveries and production planning. We encourage an open and close communication.

Who do I contact to get more information about my deliveries?

If you have any questions or concerns, please contact your local contact person at NCAB.

<https://www.ncabgroup.com/contact/>

What are the risk of transmission from shipments?

According to: World Health Organization (WHO)

Is it safe to receive a package from any area where the COVID-19 has been reported?

“Yes. The likelihood of an infected person contaminating commercial goods is low and the risk of catching the virus that causes COVID-19 from a package that has been moved, travelled, and exposed to different conditions and temperature is also low.”

Source: <https://www.who.int/news-room/q-a-detail/q-a-coronaviruses>

How does NCAB monitor the COVID 19 to lessen potential impacts?

NCABs Corona virus task force, led by the CEO comprising the Group management team continue regular communication as the situation requires. The Group discusses and approves actions, addresses risk scenarios and planning, ensures employee safety procedures are in place etc.

What does NCAB do to contribute to protection of employees and population against the virus?

NCABs local companies, in China, US and Europe follow local province recommendations and requirements on what measures to take to prevent the spread of virus and protection of employees.

Visitors in local offices

When visitors visit our offices we secure that they do not have a cold or any symptoms of a cold or have not been in an infected area. If they have, they cannot enter the office.

Employees working environment/conditions

If the situation in the local area/office and/or recommendations/directives from local authorities requires, employees are working remotely for a temporary period. IT solutions are secured so that the service level to customers will be kept. Digital meeting tools such as WebEx, Teams and Skype are used to communicate effectively with customers and suppliers.

We are proactively planning for a secure and safe environment for when employees return to work/office. Actions, preparations and routines shall be in place for employees to feel safe returning.

China – Factory management

NCABs Chinas dedicated team, continue daily actions to prevent the virus from spreading. Examples of actions are keeping staff body temperature records and assure masks are worn by all NCAB employees at all times both in the office, in our factories and traveling to and from work. Continuous disinfection of surfaces, office space, work stations, phones, and other public areas. Instructions to all employees regarding guidelines for travel / hygiene.

Sources:

World Health Organization: <https://www.who.int/news-room/q-a-detail/q-a-coronaviruses>

Center for disease Control and Prevention: <https://www.cdc.gov/coronavirus/2019-ncov/faq.html>

European Center for disease prevention and control: <https://www.ecdc.europa.eu/en/home>