SHIFTING CHALLENGES & FUTURE IMPACT ON GERMAN BUSINESS

Flash Survey 2.0 Results | Beijing, 4/02/2020
METHODOLOGY & DEMOGRAPHICS

Regional Location

Industry

- Machinery/Industrial Equipment: 27%
- Automotive: 20%
- Business Services: 13%
- Consumer Products/Services: 10%
- Electronics: 9%

~300 respondents
March 18-24

Shanghai: 30%
Hong Kong SAR: 15%
Jiangsu: 14%
Beijing: 12%
Guangdong: 9%
Liaoning: 6%
Tianjin: 6%
Other/please specify: 3%
BUSINESSES ON TRACK TO RECOVERY – BUT STILL FAR AWAY FROM NORMAL

STAFFING RATE & PRODUCTION CAPABILITIES

By when do you expect your company’s business operations to return to normal?
(n=292, per row, only one answer possible)

**Staffing rate**
- Already returned to normal: 69%
- End of Q2: 16%
- End of Q3: 3%
- Too early to state: 6%
- Not applicable: 6%

**Production & Manufacturing capabilities**
- Already returned to normal: 57%
- End of Q2: 30%
- End of Q3: 8%
- Too early to state: 5%

*n/a: 22% (non-manufacturing companies)*
BUSINESSES ON TRACK TO RECOVERY – BUT STILL FAR AWAY FROM NORMAL
BIGGEST CHALLENGES ALONG THE WAY

Please specify how your business in China is currently affected by the COVID-19 epidemic.
(n=293, multiple answers possible, per frequency)

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Travel restrictions (e.g. quarantine measures, domestic and international travel disruptions)</td>
<td>245</td>
</tr>
<tr>
<td>Decreased demand for products/services</td>
<td>211</td>
</tr>
<tr>
<td>Disruptions to global supply chains</td>
<td>137</td>
</tr>
<tr>
<td>Uncertainty and inability to make business and investment decisions</td>
<td>112</td>
</tr>
<tr>
<td>Manufacturing delays due to shortage of supplies</td>
<td>109</td>
</tr>
<tr>
<td>Cash flow challenges</td>
<td>109</td>
</tr>
<tr>
<td>Inability to meet contractual delivery deadlines due to disruptions to domestic logistics</td>
<td>62</td>
</tr>
<tr>
<td>Staff shortages</td>
<td>48</td>
</tr>
<tr>
<td>Costs of HR compliance</td>
<td>43</td>
</tr>
<tr>
<td>Increased demand for products/services</td>
<td>26</td>
</tr>
<tr>
<td>Lay-offs</td>
<td>14</td>
</tr>
</tbody>
</table>

- New item in March poll
- Unchanged from February poll
- Down from February poll
SUMMER 2020 MIGHT BRING A RAY OF HOPE
DEMAND & SALES REMAIN MAJOR CONCERN

By when do you expect your company's business operations to return to normal?
(n=292, per row, only one answer possible)

**Demand**
- End of Q2: 31%
- End of Q3: 20%
- Too early to state: 29%
- Already returned to normal: 17%
- Not applicable: 3%

**Sales**
- End of Q2: 31%
- End of Q3: 19%
- Too early to state: 33%
- Already returned to normal: 19%
- Not applicable: 4%
ECONOMIC IMPACT IS STILL SEVERE
EXPECTED IMPACTS ON REVENUE

To what extent will the COVID-19 epidemic and the resulting prevention-and-control measures impact your company’s revenue in the first half of 2020? (n=294, only one answer possible)

<table>
<thead>
<tr>
<th>Expected Impact on Revenue in H1 2020 (in February)</th>
<th>Expected Impact on Revenue in H1 2020 (in March)</th>
</tr>
</thead>
<tbody>
<tr>
<td>No impact</td>
<td>No impact</td>
</tr>
<tr>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Decrease of less than 10%</td>
<td>Decrease of less than 10%</td>
</tr>
<tr>
<td>21%</td>
<td>14%</td>
</tr>
<tr>
<td>Decrease of up to &amp; more than 20%</td>
<td>Decrease of up to and more than 20 %</td>
</tr>
<tr>
<td>48%</td>
<td>68%</td>
</tr>
<tr>
<td>Too early to state</td>
<td>Too early to state</td>
</tr>
<tr>
<td>24%</td>
<td>12%</td>
</tr>
</tbody>
</table>

+20%
Do you plan to adjust your company’s 2020 business performance target? (n=293, only one answer possible)

Business Outlook 2020 (in February)
- I don’t know: 3%
- Too early to say: 28%
- Raise the target (moderately/significantly): 46%
- Maintain the target: 22%
- Lower the target (moderately/significantly): 1%

Business Outlook 2020 (in March)
- I don’t know: 3%
- Too early to say: 15%
- Raise the target moderately/significantly: 24%
- Maintain the target: 57%
- Lower the target moderately/significantly: 1%
ECONOMIC IMPACT IS STILL SEVERE
EFFECTS ON BUSINESS STRATEGY

How is the COVID-19 epidemic impacting your business strategy?
(n=294, multiple answers possible, per frequency)

- We are considering delaying or canceling investment decisions: 122
- No changes to existing strategy: 89
- Too early to state: 67
- Adjusting/Diversifying supply chain by seeking to source components and/or assembly outside China: 36
- We are considering increasing investments: 12
- Considering relocation of some or all manufacturing out of China/Moving capacity out of China: 12
FINANCIAL SUPPORT AND MARKET STIMULUS ARE KEY TO GET BACK ON TRACK
SUPPORT MEASURES

What kind of governmental support measures would you need for your specific business in China at the moment?
(n=294, multiple answers possible; per frequency)

1. Corporate tax reductions/deferment
2. Overall market stimulus
3. Release of transportation and commuting restrictions

Top 3 per sector

<table>
<thead>
<tr>
<th>Support Measures</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial support to reduce operational costs (e.g. rent reduction, wage compensation, bank loan)</td>
<td>181</td>
</tr>
<tr>
<td>Corporate tax reductions/deferment</td>
<td>176</td>
</tr>
<tr>
<td>Overall market stimulus (e.g. consumption incentives, investment incentives)</td>
<td>154</td>
</tr>
<tr>
<td>Release of transportation and commuting restrictions</td>
<td>134</td>
</tr>
<tr>
<td>Unified regulations to resume business (less bureaucracy)</td>
<td>100</td>
</tr>
<tr>
<td>Fast, transparent and accessible communication from government authorities</td>
<td>94</td>
</tr>
<tr>
<td>Provision of health protection equipment (e.g. face masks)</td>
<td>48</td>
</tr>
<tr>
<td>None</td>
<td>12</td>
</tr>
</tbody>
</table>