

Dear XX team,

Despite the current situation, I hope you are all feeling well and that you have been able to make the most of the time in isolation/social distancing.

The first quarter of 2020 comes to an end today. The quarter got off to an excellent start, and our sales projections were 30% higher than budgeted. However, in the past few weeks, the Coronavirus has led to a dramatic drop in sales, first in China and in APAC, and then in the rest of Europe. In countries like France and Germany, which were our strongest, hundreds of thousands of dollars of orders have been cancelled or postponed.

Despite the crisis, we are still closing the quarter approximately \$11 million above budget. This is the first time we have surpassed \$10 million in sales during the first quarter of the year. I am happy to say that, despite the situation, all employees who are eligible for a bonus and received notification from their managers regarding payment of the 2019 bonus, will receive the bonus in their March paycheck.

During a company discussion that took place last week, it also became clear that the situation is becoming increasingly challenging. Although there is a great deal of uncertainty regarding both the mid and long-term picture, we are already seeing a significant drop in orders as well as cancellations and postponements of existing orders. Based on data received from the field, we expect that the drop in sales in the second quarter of 2020 (April, May and June), will amount to more than 50% of total expected sales.

Although XX entered the crisis strong, no company can absorb a 50% decrease in sales without making accommodations in business activity and in expenditures, especially given the uncertainty regarding the coming quarters.

Since we have no way to evaluate or predict how long our routine activity will be disrupted, we are continuing to relate to all three of the scenarios that I presented in the last company meeting. In parallel, we made the decision to focus on the second quarter of the year (April, May and June) and to create detailed plans and adjustments during this quarter.

The objective of all action we have decided to take is to prevent the company from incurring unsurmountable financial losses during the second quarter.

I want to emphasize that we hope to get through this crisis together and we will do everything possible to prevent actions that will hurt our workers.

The decisions we have made to date are as follows:

1. **35% reduction of operational expenses**
2. **Reducing hours and salary:** We made the decision to reduce work hours to 80% (a 20% reduction from full-time) for all employees, in Israel and abroad, with salaries adjusted

accordingly. The reduction in hours will be daily as long as we are still working from home and will translate into a 4-day work week when we go back to working from the office.

At this point in time, the decrease in hours is planned only for the second quarter. It is important to note that management will always be available and will continue to work full time although management salaries will also be reduced to 80%.

3. **Passover vacation shutdown:** The company will close for a holiday shutdown during the Passover holiday. The office will be closed between April 8-16, and the time off will be calculated as 4 vacation days.
4. **Cibus cancellation:** Meals through Cibus will not be funded by the company during the second quarter.

Dear workers, I know that these decisions have ramifications that are not easy for any of you. They were made after extensive discussion and after we looked at all the alternatives. This is the bare minimum needed to keep XX afloat during this challenging period.

As I reported in the past, we are following the rapid developments in the situation closely, and if it becomes possible to ease the modifications in any of these areas during the second quarter, we will not hesitate to do so.

In conclusion:

I want to thank you all for your professional and committed work during the excellent first quarter of 2020. I would also like to thank each and every one of you in advance, personally, for your understanding and for your contribution to the team effort that is helping us get through this crisis in the best way possible.

Together with the company management and with your help, I will continue to take action to maintain and develop whatever is necessary to emerge from this crisis stronger than ever.

We are doing everything possible to ensure that when this crisis ends, which I hope will be soon, we will be able to return to the prosperity and success with which we ended 2019 and which we demonstrated in the first quarter of 2020.

Keep up your health and your spirits,