

February 4, 2022

Dear Customer,

The Covid-19 pandemic continues to be a significant disruption to supply chains. Despite global vaccination rates increasing, health restrictions still impact port operations, equipment availability, storage capacity and our vessels' schedules.

Due to the current tonnage imbalance, Wallenius Wilhelmsen experiences disruptions both regarding arrival times of your cargo as well as the visibility into the progress and milestones of your shipments. Unfortunately, we foresee this extremely complex situation to endure at least through the end of the year. In these demanding times, we want to assure you that we are doing everything we can to deliver in accordance with our commitments. We go to work to deliver the premium services you expect from us.

Please see "Updates from our regions" at the bottom of this letter.

**The current global trade capacity constraints are caused by four main factors: 1) Surging volumes, 2) Port congestions, 3) Labor shortage, and 4) Pandemic restrictions.**

- 1) The global demand for tonnage and cargo handling equipment remains at a record high. This is a global challenge, and an obstacle for all players in the industry. We especially see extended volumes in the Asian market. At the moment, we predict that it could take up to 12 months before we start seeing a significant improvement to the situation.
- 2) There continues to be port congestion in most of the regions that we operate, including Bremerhaven, Fremantle and other Australian ports, San Antonio, Shanghai, and the Panama Canal. Overall, delays hit new records every month. This situation is unprecedented.
- 3) Vessel delays at several ports happen as a result of reduced capacity, but also labor shortage. This affects the entire shipping industry – not only RoRo carriers – but also the container segment. Fewer vessels are expected to arrive in Asia than previously forecasted. This leads to a bigger gap between capacity demand and capacity supply - especially during the months of February and March 2022.
- 4) Pandemic restrictions still remain in effect in many countries. These Covid-related restrictions lead to a large number of employees in isolation - both at sea and on land.

As the situation continues to evolve rapidly, we will provide regular service updates on our website. Please go to <https://www.walleniuswilhelmsen.com/news-and-insights/service-updates> to get the latest information that you need.

While we recognize not all factors are under our control, our experienced staff around the world will continue to engage with our business partners and suppliers to minimize your cargo delays as much as possible. We are thankful for your trust in us handling your cargo. We promise to be there to answer any questions you may have.

For further information, and if you have questions, please do not hesitate to contact your Wallenius Wilhelmsen local sales representative or your regional customer & cargo coordination teams.

## Updates from our regions:

### **Region Americas**

The entire supply chain and transportation industry in North and South America continues to be severely affected by lack of labor and trucking capacity. These disruptions continue to compound the issues related to ports congestions and vessels delays, as moving cargo in and out of ports remains a challenge.

#### **Port of San Antonio, Chile**

The congestion situation at the Port of San Antonio continues to be a concern. It causes delays to our vessels' operations, and in turn adding extra costs that impact our ability to service the trade. The port faces significant challenges of their own including port congestion, lack of trucking capacity and the inability to clear cargo arriving at the terminal in a timely manner. Average waiting time for berthing remains at more than 20 days per vessel and it is likely to exceed 38 days in the near future. The situation has drastically deteriorated in the last couple of weeks. Regrettably, many vessels were found to be contaminated (Asian Gypsy moth) during the sanitary authorities' inspections. As a result, authorities requested vessels and their cargoes to be fumigated, further impacting storage capacity and berth availability. However, the insect contamination will ease by late February, early March.

### **Region Oceania**

Port and cargo operations are impacted due to labor shortages across the region. This leads to significant delays for vessels that are unable to be berth and discharge cargo as efficiently. We anticipate these issues to continue during 2022.

#### **Port of Melbourne and Port Kembla**

The increase in Covid-19 Omicron cases, in combination with terminal congestion, is expected to continue throughout February. Our vessel operations are negatively impacted adding delays to our schedules.

#### **Port of Brisbane**

We experience berth and yard congestions due to a high number of inbound vessel and cargo arrivals. We are observing slower than usual pick-up of inbound cargoes from the terminal, which is having a direct impact on our vessel operations due to a decrease in yard capacity to discharge cargoes.

#### **Fremantle Port**

In Western Australia, Covid-19 outbreaks have largely been minimized as borders have remained closed. However, we continue to experience significant delays due to extremely high inbound volumes that is stretching berth and yard capacities and creating labor shortages. Waiting days for ships to come alongside are on average 5-7 days.

We are observing slower than usual pick-up timeframes of inbound cargoes from the terminal which in turn negatively impacts our vessel operations as capacity remains tied up for longer. We are unable to accommodate the discharge of further inbound volumes.

It is important to mention that we are also currently inside the BMSB season, meaning that there is additional risk for delays caused by live BMSB findings on board vessels in Australia. When these occur, we see additional delays to industry, on top of existing challenges.

### Land-based operations

All our operational sites have implemented their individual Covid-safe plans and are doing all that we can to ensure we minimize any potential spread, while at the same time providing a safe working environment for all employees. Our service providers are doing the same.

We expect delays in cargoes being made available for both our EPCs and directly to customers as there is an increasing gap between supply and demand of qualified truck-drivers to collect and drop-off cargoes.

Our EPCs in close proximity to all four major discharge ports have dedicated logistics services teams that are available to offer support. Customers needing support in getting products off terminals for storage or other value add services inside our technical services facilities are encouraged to contact us.

### Region Asia

#### Japan and South Korea

No significant disruptions to port or vessel operations. Stevedores are working with little impact from Covid infections. We see limited delays related to delivering cargo to and from the ports.

#### Port of Shanghai

As consumer demands remain strong, the Port of Shanghai, the biggest port in China, is congested due to persistently high volumes. China insists on a Covid-zero policy with consequent lockdowns and strict restrictions. The combination of these measures leads to rigid conditions for workers and truckers, adding further pressure to the supply chains. The rapid spread of Omicron may further slow operations in the Port of Shanghai at any time.

#### Port of Tianjin

Currently, Tianjin Global and RoRo terminals are running normally. There is no problem with recruitment of stevedore. A Covid-19 outbreak in the Tianjin area affected both deliveries and pick-ups from the terminal. As a result, we had to re-route vessels to alternative ports for discharging imports/loading exports.

### Southeast Asia

All of the countries in the region in which we operate deem our operations as part of essential services. Consequently, we have faced little disruptions. There are also no issues with securing labor at this time. Transportation and technical services businesses remain open.

### Region Europe

**The ongoing escalation of the conflict in Ukraine/Russia is being closely monitored. It could affect operations in the Black Sea and eastern Mediterranean area.**

Average waiting time in the European ports is expected to increase to approximately 11-14 days in February. We continue to monitor yard occupancy and absenteeism ratios to best manage flows through each terminal.

#### Ports of Zeebrugge, BE; Bremerhaven, DE; and Southampton, UK

The port sees delays due to high cargo volumes, which combined with labor shortage in all terminals and vehicle processing centers due to Covid-19 and government restrictions further compounds the delays. We have started operations at Bastenaken West to add an additional berth and 10ha of land to improve cargo flows.

#### Port of Piraeus, GR

The number of cargoes coming through Piraeus has increased during the last year. This general increase has caused congestion and delays. The situation in Piraeus is deteriorating because numerous ocean carriers use Piraeus to unload their cargo to get a speedy return to Asia as the demand for tonnage is critical. There have been instances where Wallenius Wilhelmsen has had to call other ports to load and discharge the cargo bound for Piraeus.