Market and business update

April 2023

Commodity prices dropping marginally, but still remain highly elevated

Oil prices, freight rates and transit times continued dropping in February and March 2023, but remain considerably higher than average pre-inflationary levels. Also, prices of agricultural commodities are still highly influenced by lower agricultural supplies and extreme weather in certain parts of the world, still maintaining the prices of certain commodities on a high level.

This market and business update intends to give you an indication of the expected price development of the most important commodities, freight rates, supply chain challenges, the additional effects of labor shortages, and challenges in major ports.

Transit times	Freight rates	Oil prices	Commodity prices
Elevated	Down	Down	Elevated

Status quo in transit times

According to [Ocean Timeliness Indicator (flexport.com)](flexport.com), TPEB transit times remained at 67 days – unchanged from January 2023, matching the fastest transit time since December 2020. FEWB increased slightly to 80 days compared to 72 days in January 2023. The status quo situation reflects the lessening of pressure along the supply chain, however levels are still well above pre-pandemic level.

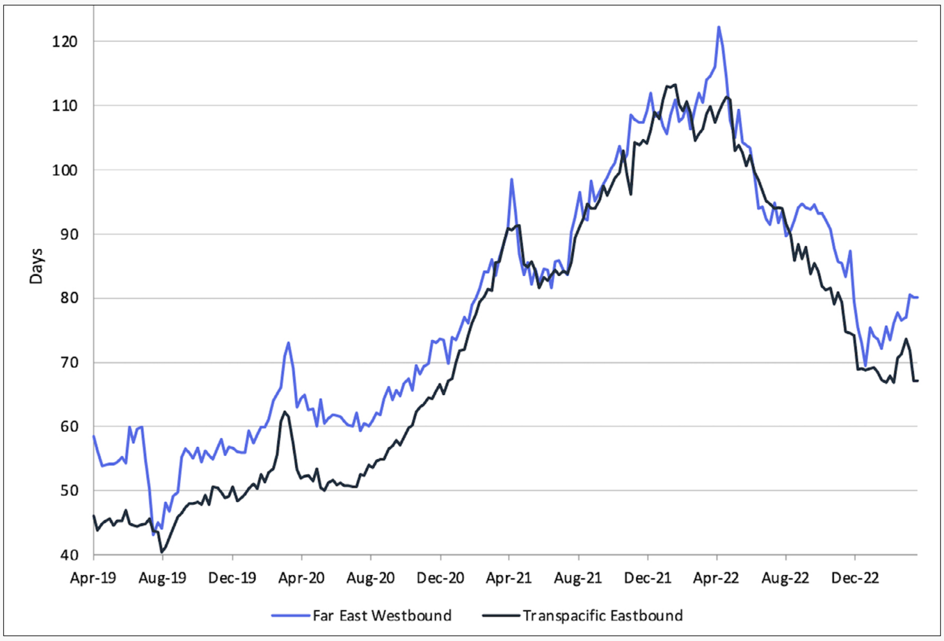
The Flexport Ocean Timeliness Indicator (OTI)

Transpacific Eastbound (TPEB)

- October 2021: 102 days
- October 2022: 82 days
- January 2023: 67 days
- March 2023: 67 days

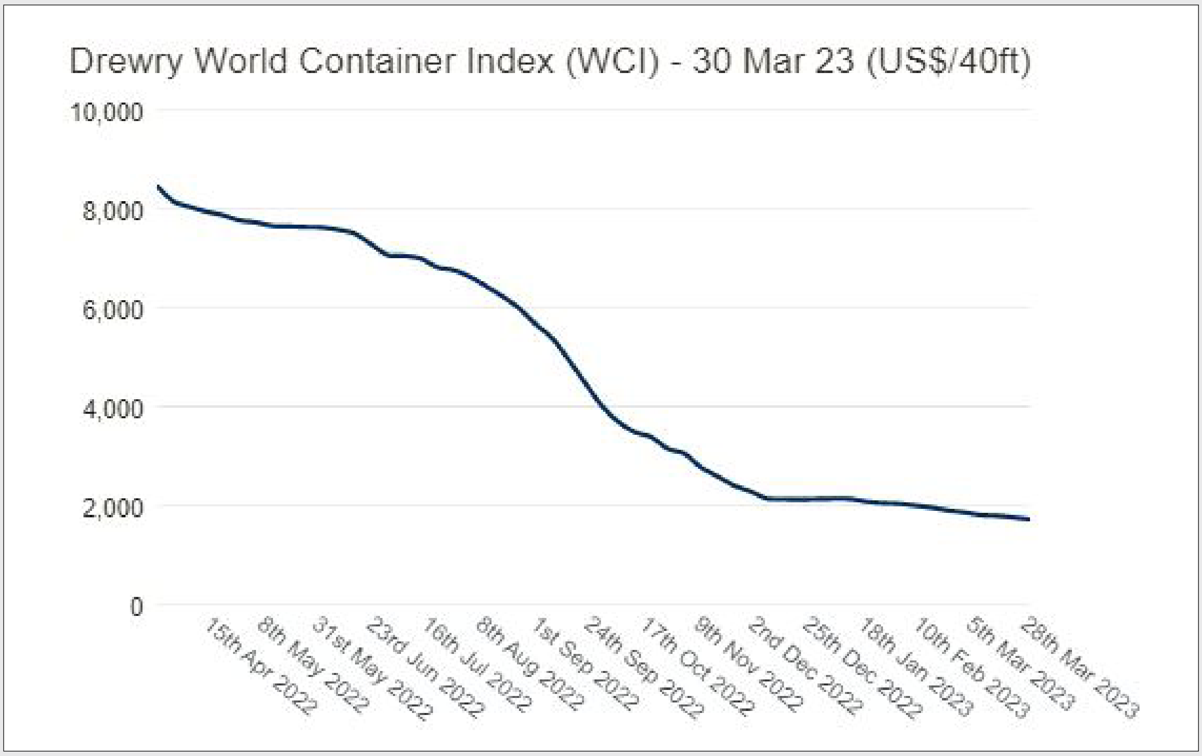
Far East Westbound (FEWB)

- October 2021: 103 days
- October 2022: 89 days
- January 2023: 72 days
- March 2023: 80 days



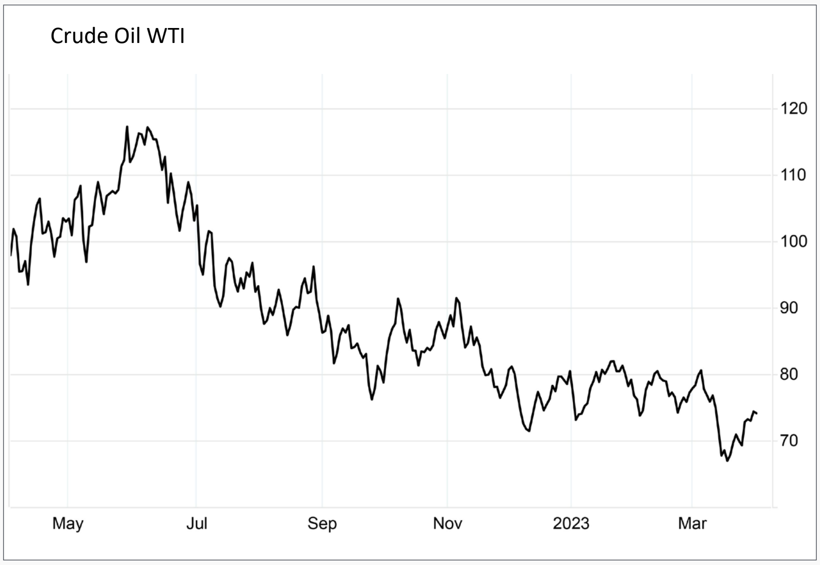
Freight rates dropped 79% compared to the same week last year

According to the [Drewry World Container Index](), a 40-feet container has dropped 79% compared to the same week last year and 83% since the peak reached in September 2021, indicating a return to more normal price levels. However, the container index still remains 21% higher than average pre-pandemic rates in 2019. According to [Freightwaves](), trans-Atlantic spot-rates are still double pre-pandemic level driven by building materials. The Drewry World Container Index (DWCI) Rotterdam-New York spot-rates assessment was 2.7 times higher than the Shanghai-Los Angeles last week.



Oil prices dropped for the ninth month in a row, but estimated to increase slightly next 12 months

Driven by signs of a lower demand and expectations of an economic slowdown, the crude oil prices saw the ninth consecutive monthly decline, reaching its lowest level in March 2023 at around USD 67 per barrel. However, crude oil is expected to trade at around USD 88.47 per barrel in 12 months' time due to an expected tighter global supply (Source: Trading Economics)

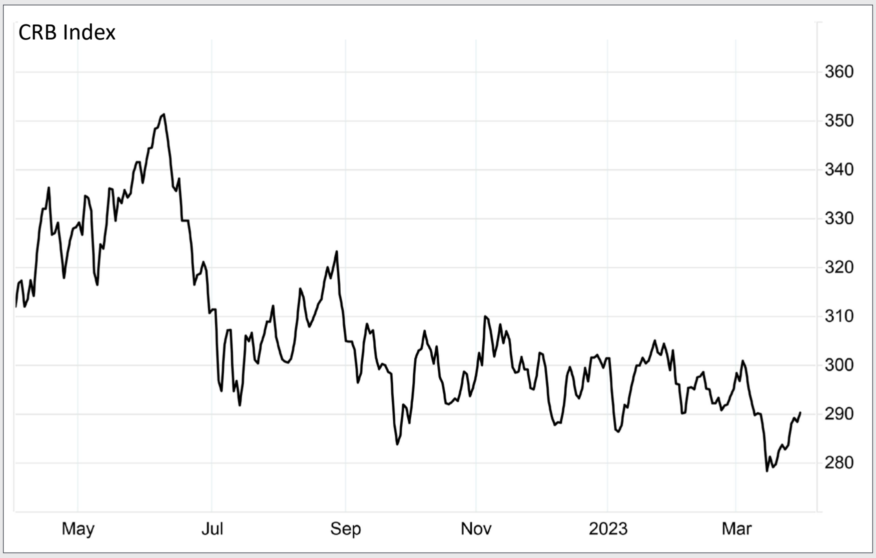


Commodities decreased by 4.3% since the beginning of 2023

According to the CRB Index, the commodity prices decreased 13.02 points or 4.3% since the beginning of 2023, decreasing also the price level of certain provisions and stores. However, commodity prices still remain on an elevated level compared to pre-pandemic commodity prices. Due to the intermediate downturn of the commodity index from July 2022 to March this year, some provisions and stores have decreased slightly whereas others have stabilized or increased. Also, other factors, including high energy prices, shortages in agricultural supplies related to the Russia-Ukraine war, and adverse weather patterns, will maintain the high commodity price level in 2023.

Due to high increases in coal production, putting UN climate-goals at risk, energy prices are expected to decline by 11% in 2023, after a 60% increase in 2022 (Source: World Bank), however energy markets are expected to remain high throughout 2023.

Global rice production is expected to decline by 5% due to, among others, the drought in China causing lower crops, and the flooding in Pakistan and India bringing destruction to rice crops (Source: The Worldbank Commodity Markets Outlook, October 2022). Especially, the price of Indian rice has increased significantly over the last month because of low supplies due to flooding.



Inflationary impact on provisions on short and medium term

On short term, we do not foresee any major shortages on provisions as our existing contracts are still honored by our suppliers, giving high priority to large customers. However, this situation might change any time due to volatility, forcing us to substitute certain products with comparable products.

According to the FAO Food Price Index, food prices averaged 129.8 points in February and dropped marginally compared to January 2023, continuing the downward trend since its peak of 160 points in March 2022. Still, the FAO Food Price Index is significantly higher than pre-pandemic food price levels.

Inflationary impact on provisions on short and long term

Due to the inflationary effects, we expect certain price increases within the provision categories on short and long term. The list is not exhaustive.

Category	Name	Price expectation - short term	Price expectation - long term
Meat	Beef	Increase	Decrease
Meat	Pork	Increase	Decrease
Poultry	Chicken	Decrease	Decrease
Seafood	Salmon	Increase	Increase
Dairy and eggs	UHT milk	Decrease	Decrease
Dairy and eggs	Cheese	Decrease	Decrease
Dairy and eggs	Eggs North America	Increase	Increase
Dairy and eggs	Eggs rest of the world	Increase	Increase
Butter, Margarine & Oil	Butter	Decrease	Decrease
Butter, Margarine & Oil	Sunflower oil	Decrease	Decrease
Butter, Margarine & Oil	Canola/rapeseed oil	Decrease	Decrease
Butter, Margarine & Oil	Soyabean oil	Decrease	Decrease
Butter, Margarine & Oil	Olive oil	Increase	Increase
Juice	Juice	Increase	Increase
Rice and Oats	Rice	Increase	Increase
Sugar	Sugar	Increase	Increase
Pasta and Noodles	Pasta	Stable	Stable
Flour	White all-purpose flour	Decrease	Decrease
Potato product	Potato product	Increase	Increase
Bread	Bread	Increase	Decrease
Cakes and Cookies	Cakes and cookies	Stable	Stable
Cereals	Corn-based	Stable	Stable
Cereals	Wheat-based	Stable	Stable
Coffee and Tea	Coffee	Decrease	Decrease

Inflationary impact on stores on short and medium term

On short and medium term, we do not foresee any shortages on technical consumables and stores. However, this situation might change any time due to volatility.

The raw material of several commodities has been decreasing during recent months, for which reason we expect the prices of the following stores categories to decrease or stabilize on short and medium term. The list is not exhaustive.

Category	Name	Price expectation - short and medium term
Tableware and Galley Utensils	Paper- Plastic and Bags	Stable/slight decrease
Tableware and Galley Utensils	Paper Pulp	Stable/slight decrease
Rigging and General Deck	Lifting Equipment	Stable
Rigging and General Deck	Oil Funnels and Oil Sample Cans	Stable
Rigging and General Deck	Waste and Rags	Stable/slight decrease
Petroleum Products	Aerosol Lubricants	Stable
Petroleum Products	Charcoal	Stable
Petroleum Products	Grease	Stable
Petroleum Products	Molybdenum disulfide lubricant	Stable
Petroleum Products	Silicone Grease and Compounds	Stable
Petroleum Products	Misc. Petroleum Products	Stable
Metals	Aluminum Materials	Stable
Metals	Brass and Bronze Materials	Stable
Metals	Copper Materials	Stable
Metals	Gratings	Stable
Metals	Lead and Zinc Materials	Stable
Metals	Stainless Steel Materials	Stable
Metals	Steel Materials	Stable
Metals	Misc. Metal Sheets- Bars- Etc.	Stable
Pipes and Tubes	Pipes	Stable
Pipes and Tubes	Tubes	Stable
Pipes and Tubes	Misc. Pipes and Tubes	Stable
Pipe and Tube Fittings	Ermeto High Press. Steel Coupl.	Slight decrease
Pipe and Tube Fittings	Fittings	Slight decrease
Pipe and Tube Fittings	Flanges	Slight decrease
Pipe and Tube Fittings	Flexible Pipe Couplings	Stable
Pipe and Tube Fittings	HP pipes and fittings	Slight decrease
Pipe and Tube Fittings	Misc. Pipe and Tube Fittings	Slight decrease

Inflationary and other macro impacts on major ports

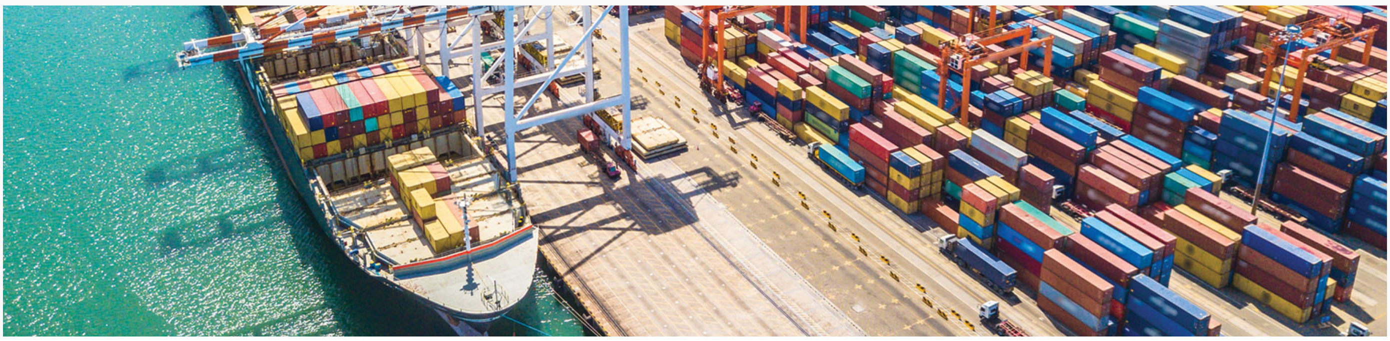
HOUSTON	› The Port of Houston and Container Freight Stations are backlogged, seeing anywhere from two to three week delays on inbound containers, experiencing similar congestion that has plagued Southern California. With that said, container rates continue to decline out of China. Steamship lines continue to reserve the right to cancel voyages due to congestion in the East Coast and US Gulf ports. We have also seen increased holds and document reviews from the FDA on inbound cargo, exacerbating further delays on inbound items. These compounded issues have led to unexpected and fluid increases in lead time, forcing us to bridge buy items at higher prices and/or short orders. Conversely, we continue to see domestic trucking rates decline and project them to stay relatively depressed until mid to late Q2 of 2023. The airlines are still under the same hours restrictions that were put in place during COVID-19 for all air cargo pick-ups, which can cause longer transit times, especially for Spares › There are new requirements on hazardous items (such as oxalic acid, washing detergent, and other chemicals) that no longer are allowed to be consolidated on the same container. These items must be purchased and shipped on separate containers. Additionally, all aerosols are no longer allowed to be shipped out of Europe on the containers › Due to various supply chain issues, several large manufacturers (such as Kellogg's, Coca Cola, and WD-40) have started to short us product once again. Other manufacturers, such as Kikkoman, are still on allocation only due to labor shortages, COVID-19, and raw material shortages. For these manufacturers, inventory is typically on allocation only with the lion share reserved for retailers. Wholesalers are not given much distinction nor priority, often times leading to either no available product or being short product that was ordered. Again, these issues are causing us to bridge buy items at higher prices from retailers and/or short customers' orders. There is a select group of products, including Atta flour and sawdust, that are currently not available on the market due to production and raw material disruptions › Packing material costs have started to stabilize. Additionally, the cost and availability of pallets have stabilized; even seeing a slight decrease in cost. All of these costs are still dramatically higher than pre-COVID-19, but we feel that we are past the peak from a cost and availability perspective › The Houston branch recently transitioned into a much larger, state-of-the-art facility and started operating out of the new facility on March 27th. This larger location will allow for more items to be stocked and shorter lead time on stock to all locations throughout WNA as Houston is now both a Distribution Center and an Order Fulfillment Center

Inflationary and other macro impacts on major ports

HOUSTON (Continued)	› In Corpus Christi, TX; Phase Four of the Port Expansion Project has come to a halt due to the inclement weather and is projected to start working again in the middle of April. Once complete, large vessels will be allowed into the port. In the interim, it will cause delays (particularly in Ingleside) but has huge benefits once completed. There is more information on the project available at Harbor Bridge Project › The US Gulf continues to be plagued with severe and inclement weather. This has led to continued channel closures, delays in traffic, and additional congestion. The inclement weather started earlier and has gone on longer than what we have historically seen in the Western Gulf
NEW ORLEANS	› Mississippi river water levels have returned to normal, however bulk vessel traffic is down due to low demand for grain in USA
LONG BEACH	› The Port of Los Angeles processed 487,846 twenty-foot equivalent units (TEUs) in February, a 43% decrease from the previous February's all-time record (Port of Los Angeles) › The Port of Long Beach Dockworkers and terminal operators moved 543,675 twenty-foot equivalent units (TEUs) last month, down 31.7% from February 2022, which was the Port's busiest February on record (Port of Long Beach) › In February, the Port of Oakland container volume declined year-to-date and total cargo volume drops 14.1% (Port of Oakland) › The Cruise line business is expected to have a very strong 2023 (Travel Weekly) › The calm before the storm (Freightwaves) › California had an unprecedented winter storm that impacted all our ports in the month of February through March. We had a record-breaking rainfall with severe flooding and swelling on the sea border/ports › We are fully staffed in Sales, Purchasing and Operations teams. We are fully operational, and there are no issues with our normal day-to-day business operations
NEW YORK/ NEW JERSEY	› East coast ports, including New York, are winning domestic trade. Several factors accounted for the shift. Memories of supply-chain bottlenecks during the pan-demic, business were diversifying their supply chains to reduce their reliance on "one country and one port" › Labor issues are the immediate reasons behind the eastward push. Dock workers at the LA port have worked without contracts since July

NEW YORK/ NEW JERSEY (Continued)	› East Coast Container Imports continue to exceed pre-pandemic levels. Combined imports for the Los Angeles and Long Beach ports dropped 15% in December, compared with December 2019, while the Port of Oakland dropped 19% and Seattle/Tacoma dropped 20% across the same period. On the East Coast, however, the Port of Charleston's imports were up 28% compared to December 2019, with Savannah up 26% and Virginia 21% › Trans-Pacific schedule reliability to continue improving through the first half of 2023 › Port of New York-New Jersey begins sharing operational data with truckers to improve empty container return processes and port efficiency › Easing of rates into the US East Coast so far in 2023, which is consistent with the reduced buildup of vessels at anchorages
JACKSONVILLE	› Our Global Procurement teams continue to evaluate our internal purchasing cost to the key benchmarks in each category using the USDA and FDA indices › We are continuing to implement mitigation strategies in our Procurement process to reduce the net increase to customers › We are experiencing an exponential increase in our Operating Cost due to the fuel, insurance, and maintenance fees going up › The cost for new assets continues to increase and the availability remains bleak › The labor market continues to be the most challenging that we have seen. We continue to face driver shortages and we have been forced to increase wages. We continue to face warehouse associate shortage, and we have been forced to increase wages to retain the people we have. We still struggle to find people that want to work, and the hiring is still very difficult › Port congestion in the South East continues in certain ports (Savannah and Charleston the highest) › Port of Savannah is the largest and fastest growing container port in America › MSC brings new European container service to JAXPORT › Cost of drivers having to stay overnight continues to see high rates at hotels › Steel prices continue to remain high and we don't see that changing anytime soon › This time of season has caused our production prices to increase up to 30% based on availability and the vendor having to source from other areas in the US as well as foreign markets › Airfreight is experiencing delays due to lack of labor and equipment which is impacting Spares. Customers need to understand they need to send spares well before the berthing schedule. It can land here on Monday but with the shortage of staff at the airports, they may not clear the package until Friday of that week. They are in no hurry and will let you know that as well

MONTREAL	› Diesel prices in Montreal have reduced slightly from January to February and into March. The link here shows that the prices in February decreased in Montreal by about 10% from January, however they are still much higher than prices in 2021. Monthly average retail prices for gasoline and fuel oil, by geography (statcan.gc.ca) › Congestion in the port of Montreal is running smooth with very limited time at anchorage and trucks getting through the port timely. Here is a congestion report from March 12 – 18 Weekly operation reports (port-montreal.com)
VANCOUVER	› Product delays remain an issue – Coal/Grain/potash causing long wait times at anchor (2-3 weeks in some cases) › Improved weather driving a faster vessel loading/turn around and currently container congestions at terminals › Fuel prices have now stabilized witch is stabilizing delivery prices to Prince Rupert and Kitimat
PORTLAND	› Normal conditions
SEATTLE	› Normal conditions
PANAMA	› Normal conditions
DUBAI	› Currently we have seen a decrease in prices for chicken, but we are also going into the slow season now with temperatures rising and Ramadan
SINGAPORE	› N/A
DALIAN, SHANGHAI & SHENZHEN	› Continuous foggy weather forecast in Shanghai, Zhoushan and Dalian cause delay for vessels' scheduled departure times, affecting our scheduled deliveries. › Normal conditions in Shenzhen
ROTTERDAM	› Labor shortage continues › We opened our new marine logistics warehouse
ALGECIRAS	› Normal conditions
AALBORG	› FCL cost level almost on pre-covid state, enabling lower logistics cost on overseas imports › Road logistics cost still high in Europe due to new EU regulations and high fuel/ labor cost, not expected to decrease in the near future › Inflation still high in Europe and still visible on cost development › Supply of certain areas of consumables is challenged e.g. poultry, eggs and vegetables, whereas many other areas are stabilizing



What our main supplier continuously does to reduce and mitigate price increases and other inflationary impacts:

Analysis and commodity index reporting

› We do in-depth analysis of the raw material cost impact on our products/categories.
› We link products/categories to official commodity index reports to evaluate if our prices are within fair correlation.

Long-term vendor relationships and network extensions

› We extend our agreements with existing suppliers when possible.
› We fend-off price increases or delay price increases, utilizing our long-term vendor relationships.
› We continuously search the markets to investigate better options, also extending our supplier network.

Consolidation and large volumes

› We consolidate volumes into our Global Assortment to utilize our purchasing power
› We source in full loads in LCC (eg. China, India, Pakistan, Vietnam, Egypt, Germany, Cyprus, Poland, Czech etc.), increasing our inventories and consolidating in our sourcing offices from where we distribute to branches
› We forecast, secure, and contract large volumes to avoid shortages of products

Warehouse capabilities

› We combine and optimize our global warehouse capabilities to leverage scale and store the right products

Supply chain shortening

› We shorten our supply chain where possible by shifting from whole sellers to manufacturers.

Inhouse specialization and market intelligence

› We leverage our global and local network of procurement specialists to optimize purchases and contracts.
› We utilize our market intelligence and purchasing power as well as expertise in negotiations.

Alternative product offerings

› We actively propose lower quality products to customers who cannot work with quality products impacted by price increases.