Indian Subcontinent and Middle east Market Update

October 2021

* Due to volatility in volumes due to COVID-19 in the year 2020, the numbers are compared to 2019 volumes to portray a more accurate reading of the market

Market Update

Global container demand growth continues to be driven by North America imports, while overall demand growth remains within the 3-5% compared to 2019* based on August data from Container Trade Statistics (CTS). Unconstrained demand remains strong driven by Asia Pacific, but also reflected within West & Central Asia. While demand growth remains stable in our region, data from CTS shows that imports continue to contract around 5% compared to 2019*.

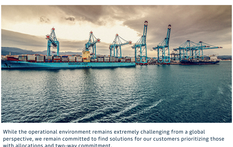
The Purchase Manager Index (PMI) for September confirms the healthy market conditions for the major economies in the region with Saudi Arabia (58.6), India (53.7) and UAE (53.3) all indicating expansion in overall business conditions across sectors.

The challenging operational landscape continues, and according to industry experts as much as 10-25% of global capacity can be absorbed due to increased waiting time outside ports, idling of vessels with COVID-19 cases and other factors etc. This is despite all vessel capacity being deployed, and hence effective vessel capacity is severely limited and causing missed sailings. At the same time, we are entering winter season in Northern hemisphere which as usual will cause operational challenges, but in current circumstances add more pressure on the supply-chain network.

Key ports across our global network remain stressed due to infrastructure bottlenecks, shortage of labour (COVID) and surge in volumes with main bottlenecks being in North Europe, Los Angeles/Long Beach and Savannah. Please refer to below table for current estimated waiting times:

Area	Less than 2 days	3-5 days	>5 days
West Central Asia	Colombo, Chittagong, Salalah, Jebel Ali, Nhava Sheva, Mundra, Jeddah & Port Qasim.		
Rest of the World	Charleston, New Orleans, Antwerp, Algeciras, Xiamen, Qingdao, Singapore, Sydney	Houston, Busan, Bremerhaven, Hamburg, Rotterdam, Port Klang, Shanghai, Ningbo, Yantian	Savannah, Long Beach, Los Angeles, Oakland, Vancouver, Seattle, Felixstowe, London Gateway, Durban, Port Sudan

Ocean Update



While the operational environment remains extremely challenging from a global perspective, we remain committed to find solutions for our customers prioritizing those with allocations and two-way commitment.

What are we doing?

Global Top 14 carrier ranking – Sep 2021

Source: Sea Intelligence – GLP Report – Oct 2021

Schedule reliability has fallen dramatically in 2021 driven by various factors, particularly by stronger-than-expected demand, operational disruptions, and continued port congestions. Maersk has continued to maintain its industry leading position for schedule reliability, according to the latest Sea-Intelligence Global Liner Performance Report in September, however schedule reliability for the industry remains much lower than we expect. We fully acknowledge that we are still far away from achieving the reliability levels that our customers expect from us and we have been continuously working to add vessels to already delays, rationalize service coverages and collaborate with terminals to minimize the impact

To safeguard schedule integrity of our services in the region, we are frequently reviewing potential changes required to achieve the best possible outcome for our customers. The ongoing supply-chain bottlenecks in the United Kingdom continues to negatively affect our customers as well as Maersk's service network. The ongoing situation prolongs the time our vessels are operated on and significantly disrupts their normal schedules. To mitigate further disruptions to our customer's supply-chains and preserve the operational integrity of our network we are diverting our ME7 westbound calls from Felixstowe to London Gateway.

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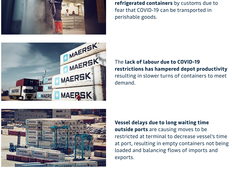
We continue seeing strong demand for our contract products and stay committed to support customers we are partnering with for the future. We see long-term partnerships as the best way to help our customers build resilience, agility and flexibility into their supply chain and create most value for their customers, and hence we will continue to prioritize allocation and equipment for them.

Equipment



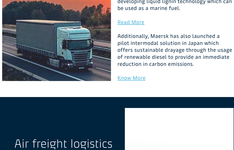
Equipment shortage is expected across many locations throughout the region in November and December as the number of factors impacting our ability to reposition them continues to rise e.g. imports remaining subdued, but also driven by that empty containers are not being recirculated due to increased inspections, labour shortage, and port congestions:

There is an **increase in inspections of refrigerated containers** by customs due to fear that COVID-19 can be transported in perishable goods.

The **lack of labour due to COVID-19 restriction has hampered depot productivity** resulting in slower turns of containers to meet demand.

Vessel delays due to long waiting time outside ports are causing moves to be restricted at terminal to decrease vessel's time at port, resulting in empty containers not being loaded and balancing flows of imports and exports.

Landside transportation update



Inland volumes grew for the 6th consecutive Quarter with Q3 witnessing highest inland traffic since Q3 2019*. Inland growth continued to be led by Exports which represented 54% of all traffic, significantly higher than their 40% contribution in 2019*. September saw stable inland volumes in New Delhi Region, Punjab while volumes grew in Rajasthan, Gujarat, Goa, and Odisha with minor volume drops in Central & South India inland depots. Sri Lanka saw growth while Bangladesh volumes dipped on account of strike challenges towards end September.

Exports continue unabated despite high equipment imbalance in the market led by increased demand of Retail & Lifestyle in North America and Europe and post monsoon demand for Agriculture produce. India's CONCOR levied an imbalance surcharge to overcome equipment challenges in the Indian hinterland and pockets such as Kanpur, Ludhiana, Nagpur will see equipment linked challenges in Q4. Maersk's retail block train for an American key customer ran its 250th journey from NCR. Overall rail transit times continued to see improvements thanks to improvements on the DFC.

On Road, customers continue to seek more reliability and are making a slow shift towards 3PLs as uncertainties on Road operations impacted cargo deliveries over the last 6 weeks due to fuel rate increases, increasing e commerce demand and long traffic hours near key port areas.

To ensure uninterrupted cargo flows, Maersk has deployed 100+ trailers in high density corridors near JNPT, Chennai and Hazira and invested in refrigerated truck capacity at Mangalore and Visakhapatnam to ensure faster turn around and seamless flow of cargo.

Multimodal options continue to be explored in the market. September saw the highest Road to Rail switch from markets such as Aurangabad, Kakinada, Morbi and Goa while Bangalore and Kolkata based customers explored alternate gateway ports to meet increasing demand. In Nepal, Maersk has launched CY acceptance at Biratnagar to offer an alternate import gateway and improve speed to market.

Maersk's path to decarbonisation

At Maersk, with our size and industry reach, we have the opportunity to be a driving force in decarbonising shipping and logistics. We are both able and willing to take that role upon us. Our current ambition is to have net-zero CO2 emissions from our own operations by 2050, with zero emission vessels in operation by 2023, and to reduce our relative CO2 emissions by 60% in 2030 compared to 2008.

We see it as our obligation – as an industry leader and with the resources available to us – to do all we can to get to a carbon neutral fleet as fast as possible and to help our customers decarbonise their global supply chains end to end. Our efforts on decarbonisation have been anchored in a dedicated function counting more than 50 people, tasked with ensuring collaboration across commercial, operational, technological, and corporate entities, and making decarbonisation an even stronger strategic priority across the business.

We see it as our responsibility to offer end-to-end solutions to support our customers' ambitions to decarbonise their supply chains. While we are actively working to further extending our product offerings with solutions tackling CO2 reductions, solutions to track, report, as well as reduce emissions are already available today.

In the last month, we took two more steps in the direction of decarbonization: Maersk Growth, the corporate venture arm of A.P. Moller – Maersk, announced the investment in Hertonx – a Dutch start-up focused on developing liquid lignin technology which can be used as a marine fuel.

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Additionally, Maersk has also launched a pilot intermodal solution in Japan which offers sustainable drayage through the usage of renewable diesel to provide an immediate reduction in carbon emissions.

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