



June 2021

Dear Valued Customer of TEN

The Energy Network (TEN) prides itself on our ability to pick, pack and ship both small and large orders within days, but the current supply and logistics environment is compromising our ability to deliver on quick turn arounds, especially for our imported products. Let us briefly explain....

Since the beginning of the COVID pandemic, global supply chains have struggled to keep up with the demand to move both raw materials and finished goods within and outside their country of origin. Unprecedented levels of imported products particularly into the U.S and Europe further challenge equipment availability, as there are not enough certified truck drivers to move imported containerised goods from ports to their inland destinations. Consequently, there is a shortage of ocean containers and truck drivers for export purposes from overseas ports. Congestion at international ports including Australia is at a 30-year high and continues to rise. Dually in Australia, we saw a backlog of containerised shipments as a result of industrial action at the ports.

As maritime shipments accumulate at the ports, more producers are shifting to airfreight to keep their goods moving to their customers. This has created a supply and demand imbalance causing airfreight rates to rise and available space in aircraft to decline (remembering there are very few passenger planes to take excess cargo).

On the cost side, there are two primary drivers forcing significant upward pressure on prices, being raw material input costs and freight costs. Globally, there has been a significant rise (anywhere from 25% to 90% in 12 months) across both ferrous and non-ferrous commodity prices. Likewise, many other common inputs, such as rubber, plastics, resins, have all experienced volatility in the past 12 months. This commodity price picture has developed from a combination of supply side constraints, and burgeoning demand for raw materials during, and as we exit the pandemic in a global trend of infrastructure spending. Coupled with substantial increases in like for like freight costs (from 60 to 90%+ increase in 12 months), the pressure for upward movement in prices has never been greater.

So what has TEN done to mitigate these supply and cost challenges?

- We have increased our safety stock levels in an effort to provide a buffer to the delays that many of our shipments have faced
- We have sought to air freight product for critical orders where possible and viable, remaining conscious to not significantly increase prices
- We are managing our freight and logistics closer than ever before and reacting on additional stock orders, fastest possible sailing routes, and seeking ports of discharge with least congestion
- We have engaged with our core suppliers to understand the challenges they are facing and how we can forecast and order to improve our fill rates
- We have and continue to work with and seek fixed prices from our suppliers for as long as possible to provide stability in our market sell pricing
- We are managing our foreign exchange hedging to deliver stability in prices, whilst balancing an appreciating Australian Dollar to partially offset supply side cost increases.

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Why are we talking about this?

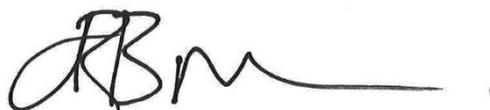
TEN needs to be proactive in keeping our customer base informed of these logistical and cost issues and what we can do together to overcome these challenges. While the pandemic and global freight congestion issues persist, there may be times when we are unable to deliver your orders as quickly as we have been able to do in the past. Likewise, it should be expected that prices are likely to increase in this current environment. If you are placing a time-sensitive order for your business, effective coordination with your TEN representative will be necessary to enable the best possible outcome. TEN will make dynamic shifts in resource allocation wherever possible to enable deliveries within the needed time frames. TEN will continue to do everything within our power to maintain the shortest turn-around times possible while we all work through these global supply challenges.

Close communication between TEN and our global partners including suppliers and freight forwarders will help to keep our customers informed of any potential delays and delivery schedule changes. In the event that some orders may be impacted beyond our internal controls that may delay delivery, together we will continue to provide a high level of service to our customers with proactive communication with the most accurate delivery information at hand. We appreciate your patience and understanding during this time, and should you have any questions, please do not hesitate to reach out to your TEN representative directly for any clarifications.

Thank you for your time and attention to this important notice.



Corey Scott
Managing Director
Ph: 0419 729 026



James Brown
General Manager – Sales & Marketing
Ph: 0407 414 544