Industry Update May/June 2021

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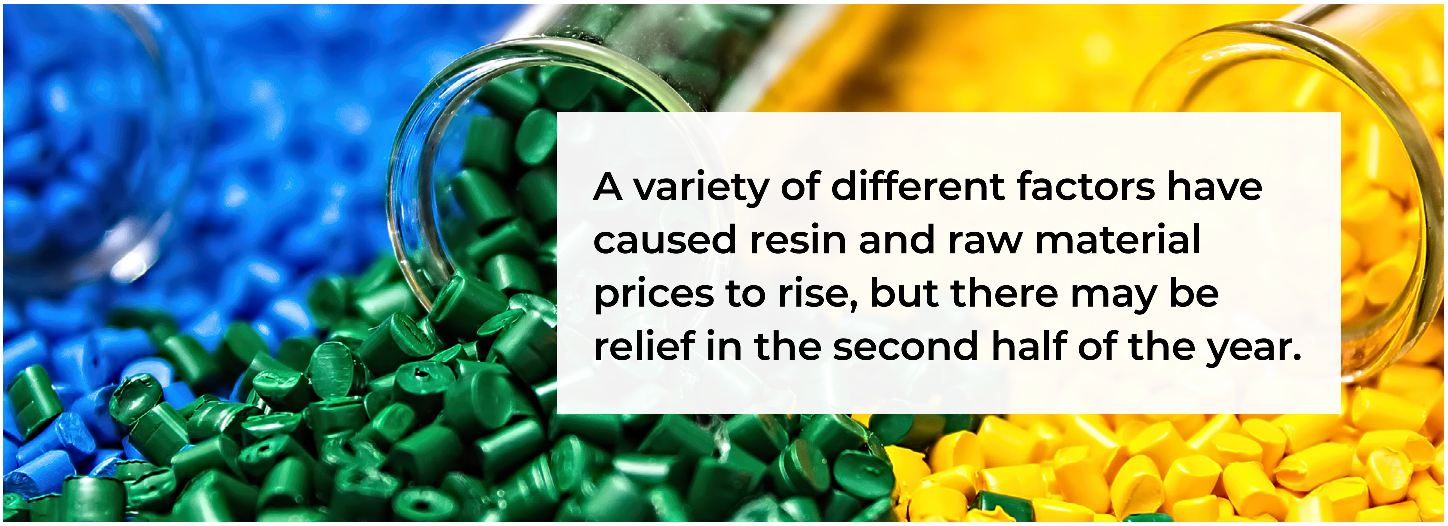
Resins & Raw Materials



Plastic resins and other packaging raw material supplies have been negatively impacted by a confluence of successive factors over the past 12 months, resulting in significant price increases for many packaging inputs. Major factors include:

- **COVID-19 pandemic** created worker shortages, higher labor costs, supply chain disruptions, increased packaging demand, global trade imbalances, premium shipping rates, and inflation.
- **Fall storms including Hurricane Laura** struck the U.S. gulf coast and disrupted major resin production operations.
- **Texas snow and ice storms** and prolonged subfreezing temperatures damaged and shuttered most resin manufacturing plants, some of which have been slow to come back online.

Berlin Packaging utilizes our network of 1700+ supplier partners to find the most cost-effective supply sources for our customers. Especially during inflationary periods, it's important to have a nimble packaging partner that has only your best interests in mind and isn't beholden to a specific manufacturing platform.

Plastic Resins

Strong demand and limited supplies have pushed up the cost of plastic resins. It's important to note that packaging is just one end market for resins. Other major uses include carpeting, building & construction and automotive (i.e., bumpers and car interiors). Over the past year, resin prices have skyrocketed. Here's a breakdown by polymer:

PP
123%
Rise

HDPE
86%
Rise

PET
47%
Rise

Prices for PS and PVC have also increased substantially since the onset of the pandemic. In some cases, resin suppliers are rationing their products to customers and are unable to fulfill their contracts. With tight supplies, converters have been forced to find alternative sources of supply, which come at a cost premium.

Overseas resin supplies can help fill the domestic gap, but they are impacted by shipping container availability and shipping costs, which are running 3–4 times higher than contracted rates on the spot market.

Resins & Raw Materials

Although Berlin Packaging cannot control the price of resins and other raw materials, we are doing everything possible to minimize the impact of rising costs. From below market financing on capital equipment to our world-class brand design services, we find ways to help our customers package more profit.

Glass

Glass containers are typically made from:

- Silica (sand)
- Soda ash
- Limestone
- Cullet (recycled glass)

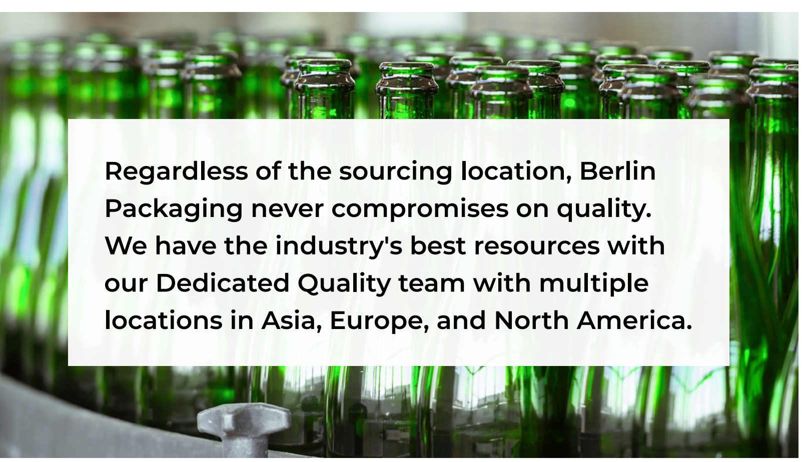
Since these raw materials have been nearly immune from recent events, glass prices have remained somewhat constant.

However, glass purchasers haven't been immune to price increases as the limited capacity for both domestic and global transportation has caused inflationary pressure.

Aluminum

With on-premise sales of beer and soft drinks collapsing due to the pandemic and subsequent closure of many restaurants and bars, breweries and fountain drink makers switched gears and began packaging their products for home consumption. The top choice was the single-serve aluminum can.

Production disruptions combined with increased demand in the packaging, automotive and construction industries have pushed aluminum rates higher. **As a result, aluminum prices—which had tumbled for two years—began to rise last May. Since that time, aluminum prices are up 50% and approaching a three-year high.**



Regardless of the sourcing location, Berlin Packaging never compromises on quality. We have the industry's best resources with our Dedicated Quality team with multiple locations in Asia, Europe, and North America.

Aluminum prices are on the rise.

Ocean Freight

Global trade lanes throughout the world continue to struggle with unprecedented North American demand due to the pandemic. As many carriers look to reset allocations for customers in May, many of the original challenges that caused the current environment still exist in addition to some new obstacles as well.

Berlin Packaging continues to negotiate with our global suppliers to offset global shipping price increases. We are not giving up on finding ways to mitigate these increases and minimize disruption.

Container Shortages & Congestion

Empty container/equipment availability remains extremely tight due to the increased pandemic-induced consumption. Compounding the issue is the continued decrease of on-time performance, reaching an all-time low of around 35% in March of 2021. Port and inland congestions still exist across North America due to limited labor to manage the freight.

Carriers have been canceling bookings to inland destinations to limit their turn time.

The recent cargo ship stuck in the Suez canal, which handles about 10% of global trade, further agitated trade creating a backlog of several hundred ships and is currently at its peak effect in the Trans-Pacific.

Carriers continue with blank (skip) sailings to both avoid the looming port congestions and make an effort to reset shipping schedules.

Inventory Fulfillment

On top of the perpetual demand from consumers, companies are trying to restock inventory following a 30 year low in February 2021.

Due to the extended lead times, retailers are importing goods for year end to counter the delays in shipping and transit that currently exist in the market.

Ocean Freight

Record Prices

Spot rates for the Trans-Pacific have been stuck in a record-high for eight straight months.

Container allocations amongst all carriers were restricted this year, allowing carriers to make more money with an increased spot market exposure.

Additional Info

Shipping capacity for the Mediterranean region is at an all-time low. Rates are up to six times higher to move cargo for some trade lanes. Carriers began to reposition containers to the Trans-Pacific where they could fetch more money in that region. Due to the limited number of carriers operating the region, the flexibility for options is much stiffer than the Trans-Pacific.

Ocean Market Demand & Capacity Index

Prepared by Expeditors Global Ocean | April 26, 2021

Destination

Origin

Week 17	N. America	LATAM	Europe	MAIR	N. Asia	S. Asia
N. America	Green	Yellow	Yellow	Yellow	Yellow	Yellow
LATAM	Red	Red	Red	Yellow	Red	Red
Europe	Red	Red	Yellow	Red	Red	Red
MAIR	Red	Red	Red	Red	Red	Red
N. Asia	Red	Red	Red	Red	Yellow	Yellow
S. Asia	Red	Red	Red	Red	Red	Red

Green - Demand and capacity at normal levels

Yellow - Demand is higher and/or capacity is limited

Red - Demand has exceeded available capacity

Ocean Freight

Resins & Raw Materials | Ocean Freight | Domestic Transportation

Impacted Trade Lanes

Prepared by Expeditors Global Ocean | April 26, 2021

Origin Region	Destination Region	Status	Specifics
N. America	All Trades	🟡	Equipment shortages at IPI locations are affecting all exports out of North America. Bookings are 3-6 weeks out.
LATAM	MAIR	🟡	Space is tight for exports out of Brazil.
LATAM	N. America, LATAM, Europe, N/S Asia	🔴	Space is tight mainly out of Brazil. Need up to 4 and 5 weeks advance notice for bookings to USEC and USWC, and up to 6 weeks advance notice for booking to Asia.
Europe	All Trades	🔴	Space and equipment continue to be a challenge, increasing difficulties in booking cargo to North America.
MAIR	All Trades	🔴	Equipment issues remain across the region, and space is very tight due to increased demand, especially for exports out of the Indian Subcontinent.
North Asia	N. America, LATAM, Europe, N/S Asia	🔴	Space and equipment continue to be a challenge due to increased demand and capacity management implemented by the carriers. Bookings are 6 to 8 weeks out on the North Asia to North America lane.
North Asia	North Asia, South Asia	🟡	Space is tight but manageable.
South Asia	All Trades	🔴	Equipment availability continues to be a concern in South Asia, in addition to the congestion in main transshipment hubs. Space remains tight.

🟢 **Green** - Demand and capacity at normal levels

🟡 **Yellow** - Demand is higher and/or capacity is limited

🔴 **Red** - Demand has exceeded available capacity

Domestic Transportation

The North American freight market has remained elevated for the past 3 quarters, seeing demand pressure continue to build amidst a struggling supply of drivers and assets. While some regions have seen ups and downs, all modes are impacted and supply networks across the country continue to feel the strain.

Berlin Packaging remains committed to managing costs to ensure our customers maintain a competitive position in their respective marketplaces. We stand ready to help our customers grow profits by leveraging Berlin's many resources to increase sales, reduce material costs and improve productivity.

Truckload

Costs per mile for dry van spot market shipments are above $2.60, and in some areas over $3. Compared with Q1 and Q2 of 2020 these are increases of 50-60% or more and the impacts are felt by shippers of all sizes.

Fuel has increased dramatically; diesel is above $3 per gallon – up 25% in less than 6 months.

Inventory to Sales ratios are at all time lows, causing retailers and other shippers to re-stock at a record pace which increases demand for transportation.

With COVID restrictions in place, travel, entertainment and restaurant sales have plummeted with spending on freight-reliant goods like furniture, lumber, electronics, and clothing skyrocketing.

Driver shortages continue to plague the transportation industry, particularly regional and long-haul carriers.

Legislation, drug testing, lifestyle and time away from home all dragged on the industry before the pandemic.

When COVID-19 hit, the first shock was a dramatic drop in business for carriers, followed by a huge upswing at the same time unemployment benefits and stimulus checks began.

Drivers who had left the industry continue to be slow to return, with driver pay increasing across the board in an effort to speed up the process.

Domestic Transportation

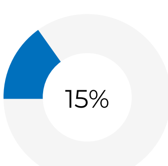
Less-Than-Truckload (LTL)

As manufacturing comes back online, the LTL industry (tied heavily to manufacturing) is getting busier by the day. Add the overheated truckload market, and many shippers are breaking down full shipments into smaller LTL loads to try and offset higher costs, further inundating carrier networks.

Companies like XPO, Old Dominion, SAIA and more have reported extreme growth in earnings and volume in Q1 2021, confirming what many shippers are seeing in the marketplace.

Parcel

E-commerce has grown even faster as a result of the pandemic.



E-commerce has accounted for nearly 15% of retail sales in 2020 – roughly doubling its proportion just 3 years earlier.

This growth has led to increased demand for services from Amazon, FedEx, UPS, and USPS all of which were able to increase prices and surcharges dramatically as a result.

Additional Info

As states re-open, consumers are likely to shift from transportation-heavy purchases like appliances, furniture and home goods, to buying services and visiting restaurants, sporting events and concert venues. **This should ease demand for transportation somewhat, at a time where new truck orders will be delivered and driver pay will likely hit all-time highs**.

However, this deflationary period is unlikely to begin until later in 2021 and may even last into 2022 pending the overall economic recovery.

Domestic Transportation

Van Rates

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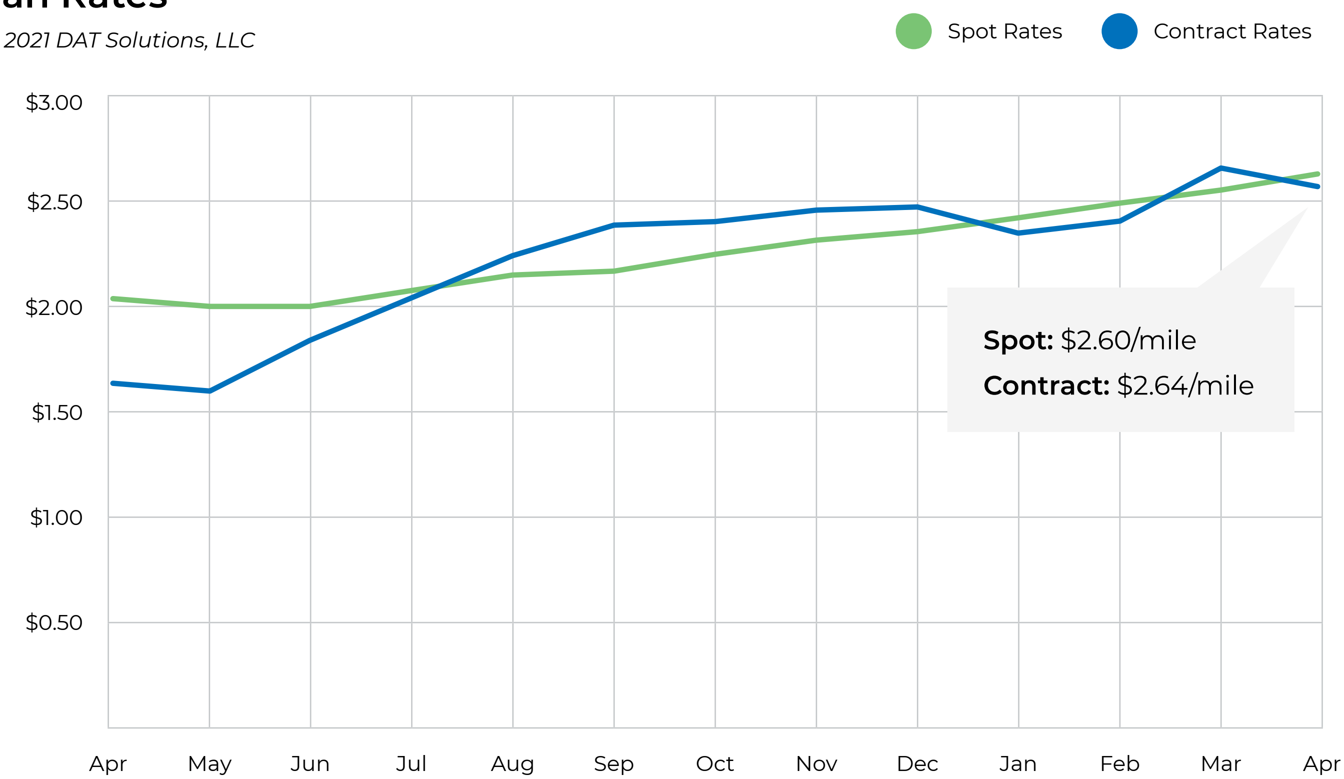
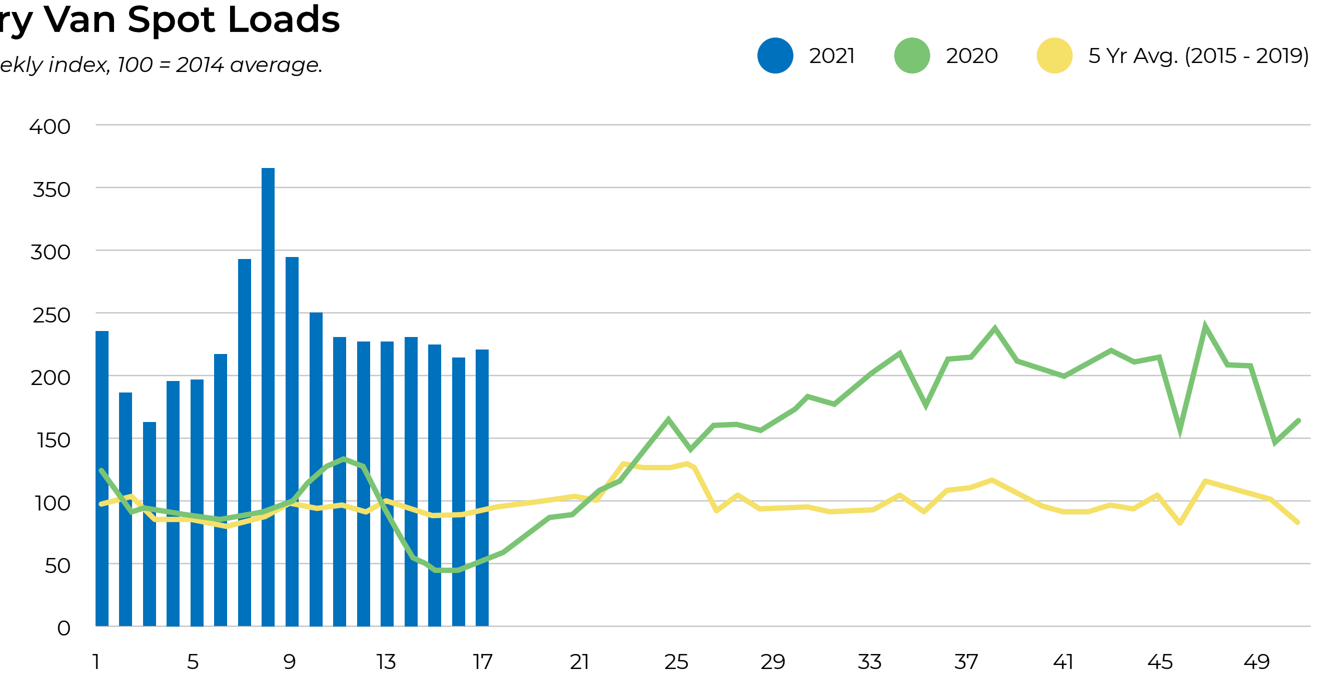


Dry Van Spot Loads

Weekly index, 100 = 2014 average.



Source: Truckstop.com, FTR - Spot Market Insights

Berlin Packaging is the world's largest Hybrid Packaging Supplier® of plastic, glass, and metal containers and closures. The company supplies billions of items annually along with package design, financing, consulting, warehousing, and logistics services for customers across all industries. Berlin Packaging brings together the best of manufacturing, distribution, and income-adding service providers.

Hybrid **Packaging** Supplier®

Best Elements of a Manufacturer + **Distribution & Logistics** + **Value-Added Specialty Services**

Best Elements of a Manufacturer

- 1700+ suppliers worldwide
- 300+ procurement and operations experts
- ISO Certified and highest quality standards

Distribution & Logistics

- 130+ global locations
- Warehousing and inventory management programs
- Demand and Supply Chain planning

Value-Added Specialty Services

- Innovation centers on two continents
- World-class brand strategy and design
- Financing and Consulting

Our Mission

Our mission is to improve our customers' net income through packaging products and services.

Specialty Service Divisions

Value-added services specialized to best address all your packaging needs.

- Brand Strategy & Design
- Quality Advocacy
- Global Sourcing
- Warehousing & Logistics
- Financing & Consulting
- Sustainability