



Update on situation with Hanjin Shipping

5 September 2016

Dear Customer,

The full scope of Hanjin Shipping's receivership is still unfolding. Media outlets have reported that a number of vessels have been seized by creditors and that most Hanjin vessels are not allowed to dock at ports. This may not necessarily be a result of the ports refusing to let them in, but rather that vessel docking vendors are demanding payment, which Hanjin is presently not able to make. At the same time Hanjin Shipping is taking legal steps to prevent ship seizures.

As of Monday 5th September, the media reports that according to South Korea's maritime ministry, 79 Hanjin ships including 61 container ships and 18 bulk carriers have been denied port access.

Many terminals have increased fees to release cargo. Some vessels have been allowed to dock, but were immediately arrested at the port. Damco is analyzing the situation on a port by port basis. Due to the complexities, we will only pay the fees, also on behalf of customers, if we have a guarantee that the cargo will be released.

Damco teams worldwide are working to cater for individual customer needs whilst at the same time we have central and regional teams working on structural solutions based on Damco's economies of scale in order to minimize customer impact.

We have outlined below the main actions we have taken since 1 September 2016.

Booking stage

Damco immediately stopped accepting bookings on Hanjin vessels both for Damco ocean services as well as those contracted directly by our customers with Hanjin.

Pick-up stage

Damco has cancelled any Hanjin container load at our customers' vendors' premises. Damco has also cancelled any loading into a Hanjin container at our CFS facilities. All loads have been placed in other carriers' containers in close collaboration between customer, carriers and our local and account teams.

Gated in stage

Damco is working with carriers and container terminals to retrieve the Hanjin containers from ports. Once retrieved, the cargo will be safely loaded into another carrier's container/vessel for shipment to the final destination. Solutions and regulations vary from port to port and many of these shipments have already cleared export customs. A withdrawal process of these containers can take between a few days to some weeks. Damco has visibility of all the containers that have been gated-in and is now working on individual solutions for each port scenario and customer. We are in constant communication with our customers on the different options available.

**On the water**

Damco has setup a central control tower to monitor the movement of Hanjin vessels and Hanjin containers on non-Hanjin vessels. This is done in close coordination with our customers' account teams. At this stage and following satellite movements, it seems that half of Hanjin's fleet is under abnormal routing, not moving or berthed at port. From a number of carriers, we have received a confirmation that containers booked by Damco to other carriers than Hanjin, but loaded on Hanjin vessels (alliance sharing), will be on-forwarded to the final destination. The subcontracting carrier will deliver as soon as possible, but we need to consider the situation is still very fluid. Your client coordinators will, as soon as information becomes available, keep you informed.

Arrival or at terminal

Damco has worked out different payment solutions to release the containers from port against Letters of Indemnity and Letter of Guarantee, where necessary. The different options are being discussed with each customer through their account manager.

LCL shipments

Most of above information also applies to LCL shipments. We are already monitoring and identifying DAMCO LCL shipments with our suppliers for on-the-water shipments and to release the cargo upon arrival at destination. Our global LCL team is supporting the regional teams and in close contact with suppliers.

For the coming days we will continue to monitor the situation. We have reached out to Hanjin and their alliance partners to align with their contingency plans. The media reports that rival carrier Hyundai Merchant Marine will immediately go into emergency management to minimize disorder in cargo delivery and damage to shippers. It is therefore expected that the shipping market will be volatile as the situation continues to unfold.

Damco is working across the supply chain to drive speedy solutions to this unfortunate situation. We are actively engaging carriers, terminals and other parties, either directly and/or via National and International Forwarding/Logistics Associations, to minimize delays as much as possible. Even though it is difficult to estimate, we do not expect that the challenges, which are caused by Hanjin's receivership, to be resolved quickly and therefore would like to make you aware that this can potentially delay cargo delivery.

Yours sincerely,

Jeff Hammond
Chief Commercial Officer