

October 1, 2021

Attention: To our valued partners and sales representatives:

Subject: Temporary Surcharge starting November 1, 2021

Dear Sir/Madam,

It has become fundamentally clear that we are living in a world very different from just 18 months ago. We are increasingly facing Supply Chain challenges with material shortages and delays that are unfortunately very much out of our control.

Starting from around May/June this year, this development manifested itself in two aspects:

1. Significant price increases for freight & tariffs and
2. Further rise of material cost.

The reasons for the economic challenges are manifold, but mostly based on the reopening of a strongly throttled down, global economy, and ongoing COVID restrictions, which cause inefficiencies and delays, while facing a highly active market.

Huge delays for Asian sea freight triggered companies to move material to airfreight and by June/July we saw airfreight prices increase to 2-3! times of the previous rates. The overall transportation cost for sea freight has increased by about 50-60% since the beginning of the year. So far, WE-EF USA has been absorbing those additional freight costs in anticipation of a temporary effect to change back in a month or two.

At the same time, all material costs have been rising rapidly. One extreme example might be pole prices, where since last year Aluminum prices have over doubled in cost, increasing from \$1,400/ton to near record highs of \$2,900+/ton. Just over the last two months, our pole suppliers have increased their prices by around 20%!

With the recent political unrest in New Guinea, home to 25% of the world's bauxite reserves, the price of aluminum – our main fixture material - shows no sign of tapering off, climbing another 6% in the last 3 weeks. Lastly, in China - which produces over half of the world's aluminum - energy shortage and rationing has reduced aluminum smelter capacity by 7%. While WE-EF LIGHTING does not source aluminum from China and puts a high emphasis on sustainability with using over 95% of recycled aluminum, the reduced production capacity has a global impact on aluminum supply and pricing in general.

Since the beginning of the COVID-19 pandemic in 2020, WE-EF USA has absorbed most of the outlined costs and many more in our effort to shield our customers from the increasing cost pressure. We only passed along direct material price adjustments and always hoped the economy will find its way faster back towards normal, to avoid further price adjustments.

However, since the summer of this year, we have been experiencing additional, highly volatile COVID, Supply Chain, and Material Shortage challenges and consequently significant cost increases. While we still believe that most of the current development is a temporary phenomenon, there is still no clear end on the horizon.

We regret having to inform you that we are no longer able to absorb all the additional cost while still upholding the highest level of manufacturing excellence and product quality. Thus, we are reluctantly forced to add two temporary surcharges to our world class products, starting November 1, 2021.

1. A temporary 4.4% Supply Chain & Tariff (SC&T) Surcharge and
2. A temporary 2.9% Material Shortage (MS) Surcharge.

I like to highlight that these surcharges are of temporary nature, until the global economy turns back towards normal and that we are passing on costs that are completely out of our control.

I do apologize for the bad news but can assure you that we continue to find ways to compensate these Supply Chain challenges as much as possible.

Please feel free to contact me directly at (412) 897-6897 for any question you may have.

Yours sincerely,



Juergen Boenisch
President and CEO

WE-EF LIGHTING USA, LLC

