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## Summary

### Demand
- Global airfreight demand continues to recover and in Sep 2020
- Upcoming traditionally large e-commerce events—Single’s Day, Black Friday, Christmas to further increase demand
- Lack of space and delay in vessel schedule prompting OFR shipment switch to air
- WTO revised their 2020 trade forecast from -13% annual contraction to -9.2% fall

### Capacity
- Capacity continues to remain severely affected and down by -35% YoY in Oct 2020.
- PAX capacity recovers very slowly and remains low at -50% YoY in Oct

### Rates
- Compared against 2019 baseline, freight rates are +54% higher in Sep 2020
- Rates continue to increase across trade-lanes driven by strong peak season demand as well continued PPE shipments

### Carriers
- Return of pre-COVID passenger traffic expected not prior to 2026; carriers using mostly narrow-body PAX aircraft
- Airlines are expected to continue to burn cash until 2022
- CX, CI, UA, EK among airlines actively deploying cargo only PAX aircrafts (“preighters”)
- Delays being experienced at hubs for EK, QR and TK

### Jet Fuel
- Jet fuel reduces to 41 USD in Oct 2020
- OPEC and partnering countries plan to reduce production to balance steep oil inventories

### Regulation/News
- Countries in Europe experiencing varied lockdown measures amidst second wave of COVID
- Brexit threatens to strip UK pilots of right to fly EU planes
- Customs fees to become applicable on UK/EU shipments from 1st Jan, 2021
- In case of a no deal Brexit, companies exporting from the EU to the UK (and vice versa), will need to have UK and EU EORI numbers www.gov.uk/eori
- RT PCR tests for COVID now made available at most airports to encourage and ensure safe air travel for passengers

Market Developments

Economic Outlook

GDP Growth by Region

<table>
<thead>
<tr>
<th>Region</th>
<th>2019</th>
<th>2020F</th>
<th>2021F</th>
<th>2022F</th>
<th>2023F</th>
<th>CAGR (2020-2023)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EURO</td>
<td>1.51%</td>
<td>-7.76%</td>
<td>4.00%</td>
<td>3.34%</td>
<td>2.09%</td>
<td>3.10%</td>
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<tr>
<td>MEA</td>
<td>1.65%</td>
<td>-6.61%</td>
<td>3.22%</td>
<td>3.58%</td>
<td>3.33%</td>
<td>3.40%</td>
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<tr>
<td>AMNO</td>
<td>2.12%</td>
<td>-3.73%</td>
<td>3.69%</td>
<td>3.22%</td>
<td>2.72%</td>
<td>3.20%</td>
</tr>
<tr>
<td>AMLA</td>
<td>0.82%</td>
<td>-7.62%</td>
<td>3.83%</td>
<td>2.61%</td>
<td>2.37%</td>
<td>2.90%</td>
</tr>
<tr>
<td>ASPA</td>
<td>4.14%</td>
<td>-2.12%</td>
<td>5.52%</td>
<td>4.48%</td>
<td>4.44%</td>
<td>4.80%</td>
</tr>
<tr>
<td>World</td>
<td>2.56%</td>
<td>-4.61%</td>
<td>4.41%</td>
<td>3.70%</td>
<td>3.22%</td>
<td>3.80%</td>
</tr>
</tbody>
</table>

Demand Development in Tons (% change YoY)

Supply Development (000 Tons)

Jet Fuel

Crude Oil vs. Jet Fuel Price (USD per bbl)

Demand

Demand Development in Tons (% change YoY)

- Industry-wide YoY decrease in demand by -10% in Aug 2020 but shows steady recovery since May 2020
- Lack of cargo capacity remains a key obstacle for faster recovery in demand
- Overall scheduled capacity decreased YoY by -35% in Oct 2020.
- Jet fuel price at 41 USD/bbl in Oct 2020. EIA still estimates Q4 prices to average around the 42 USD mark.

Source: IHS Markit Group 2019, IATA Market Analysis, Seabury Capacity Data, IATA Jet Fuel Price Analysis
The pace of recovery in air cargo volumes accelerated in Sep 2020.

Intra-US e-commerce and ASPA to AMNO cargo movements leading the recovery.

AFRICA volumes mostly driven by perishables season inbound EURO.

Best performing routes for ASPA:
- ASPA-AMNO
- ASPA-MIDEAST

Source: IATA Market Analysis
Supply

**Global Capacity Development**

- Total scheduled capacity decreased by -35% YoY in Oct 2020
- Resumption of passenger air travel continues to show slow signs of improvement in PAX capacity but still at -50% YoY in Oct 2020
- Freighter capacity remains stable in Oct with no major change
- In Oct 2020 PAX and FRT capacity shares are 53% and 47% compared to 70% and 30% in Oct 2019
- Carriers resuming cargo only PAX aircrafts to cope with high demand

**Trade Lane Capacity Development**

Source: Seabury Capacity Data
Utilization

Global Freight Load Factor Development

Utilization % - Change FTK and AFTK

Regional Freight Load Factor Development

FLF in % (FLF = FTK/AFTK)

Source: IATA Market Analysis

- Freight Load Factor is an indicator of how tight is the demand-supply balance.
- Recovery in capacity lagged the rebound in cargo demand, industry-wide FLF remains a record-high +11 percentage points YoY in Sep 2020
- At the regional level, the highest load factors were posted by airlines in the Asia Pacific and Europe regions

DHL | Airfreight State of the Industry | Bonn | October 2020
• Rates are +54% higher in Sep 2020 than 2019 baseline. Expected to remain high with peak season demand

• CN/HK rates to US/EU remain high; CN to middle east rates increased

• ex-KR to US rates increased

• ex-SG to EU rates increased

• ex-EU/US into middle east rates increased

• ex-MIDEAST rates increased due to perishable peak season

Source: IATA Cargo MF Reports/ CASS: average freight rate excluding other charges (e.g. FSC, SSC) across airline products
Graph cannot be compared to last SOTI; rates included with other charges

DHL | Airfreight State of the Industry | Bonn | October 2020
Jet fuel price reduces to 41 USD/bbl in Oct 2020.

EIA forecasts that OPEC members will earn lowest revenue in 18 years. Lower crude oil prices and lower export volumes drive this expected decrease in export revenues.

EIA expects inventories to continue declining in the current period of 2020 and during most of 2021, resulting in a relatively balanced market by the end of next year.

Price forecast from EIA remains at 42 USD/bbl in Q4 2020.

Source: Reuters, U.S. Energy Information Administration, IATA, S&P Platts, OPEC - Organization of the Petroleum Exporting Countries
Global Capacity Development

Capacity Development by Aircraft Configuration January 2019 – October 2020

In tons

Source: Seabury Capacity Data (Total Capacity includes marginal Combi aircraft contribution)

WHO declares a global pandemic

DHL | Airfreight State of the Industry | Bonn | October 2020
## Abbreviations

### Explanation of Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>AFTK</td>
<td>Available Freight Ton Kilometers</td>
</tr>
<tr>
<td>AMLA</td>
<td>Latin America</td>
</tr>
<tr>
<td>AMNO</td>
<td>North America</td>
</tr>
<tr>
<td>ASPA</td>
<td>Asia Pacific</td>
</tr>
<tr>
<td>ATK</td>
<td>Available Ton Kilometers</td>
</tr>
<tr>
<td>Bbl</td>
<td>Barrel</td>
</tr>
<tr>
<td>bn</td>
<td>Billions</td>
</tr>
<tr>
<td>CAGR</td>
<td>Compound Annual Growth Rate</td>
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<tr>
<td>FLF</td>
<td>Freight Load Factor</td>
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<td>FRT</td>
<td>Freighters (in the airline industry)</td>
</tr>
<tr>
<td>FSC</td>
<td>Fuel surcharge</td>
</tr>
<tr>
<td>FTK</td>
<td>Freight Ton Kilometers (also referred to as Cargo Ton Kilometers or CTK)</td>
</tr>
<tr>
<td>IATA</td>
<td>International Air Transport Association</td>
</tr>
<tr>
<td>ICAO</td>
<td>International Civil Aviation Organization</td>
</tr>
<tr>
<td>LY</td>
<td>Last Year</td>
</tr>
<tr>
<td>mn</td>
<td>Millions</td>
</tr>
<tr>
<td>MoM</td>
<td>Month-on-Month</td>
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<tr>
<td>PAX</td>
<td>Passengers (in the airline industry)</td>
</tr>
<tr>
<td>PPE</td>
<td>Personal Protective Equipment</td>
</tr>
<tr>
<td>Pts</td>
<td>Percentage points</td>
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<tr>
<td>RPK</td>
<td>Revenue-Passenger-Kilometers</td>
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<tr>
<td>SSC</td>
<td>Security surcharge</td>
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<tr>
<td>T</td>
<td>Thousands</td>
</tr>
<tr>
<td>YoY</td>
<td>Year-on-Year</td>
</tr>
<tr>
<td>YTD</td>
<td>Year-to-Date</td>
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