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Cargo Developments

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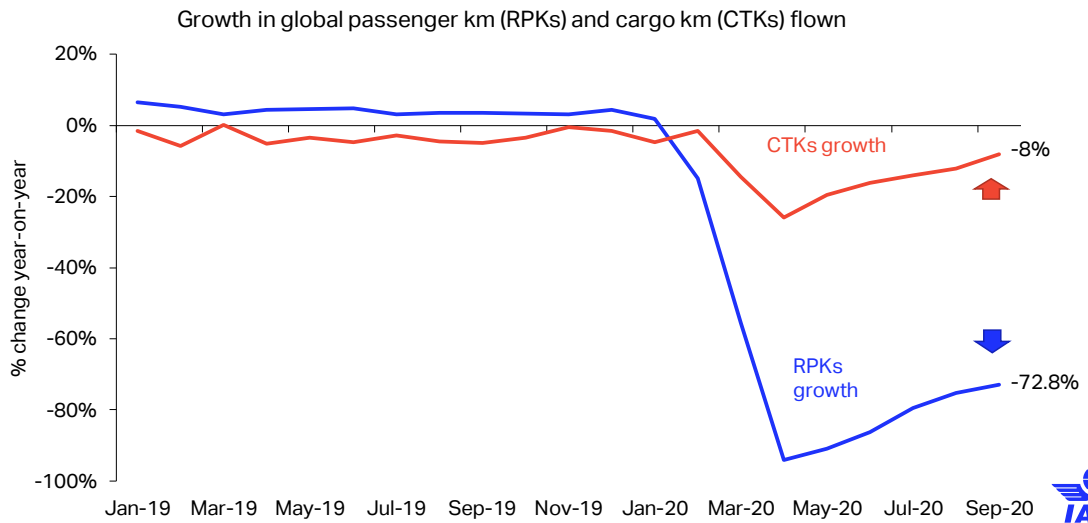
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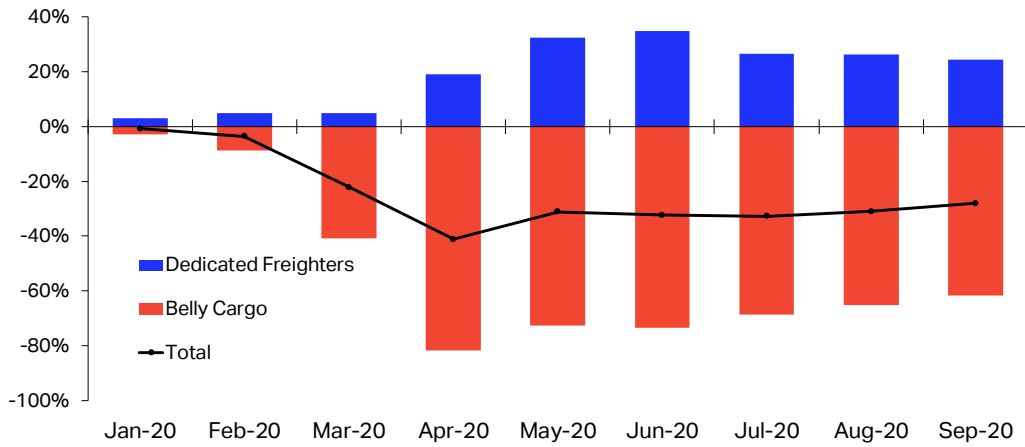


Air cargo strengthening while air travel recovery stalls Cargo less affected by COVID-19 and essential for global supply chains

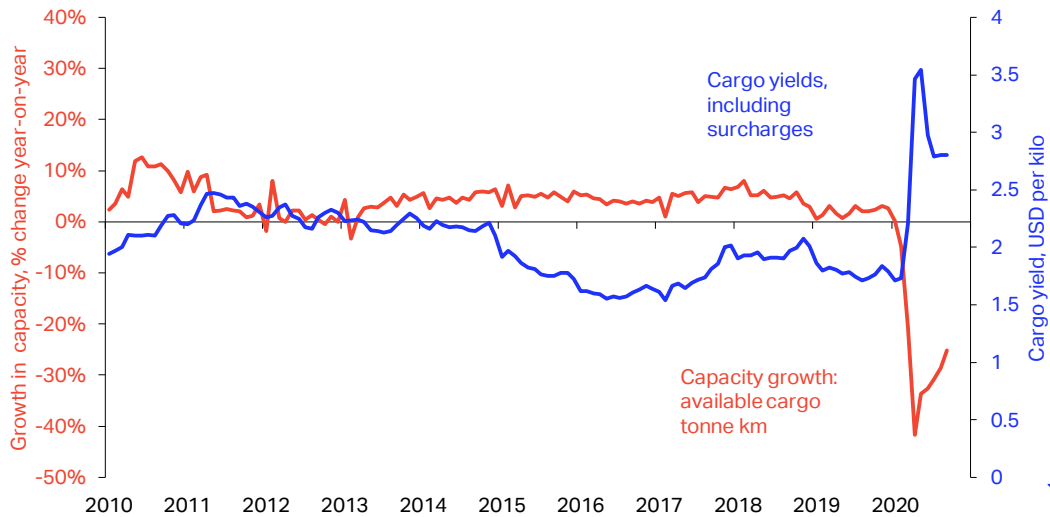


As peak season arrives the problem is a lack of capacity Lack of passenger fleet belly capacity creating serious shortages

International ACTKs, % year-on-year



Shortage of cargo capacity has forced yields higher September capacity down -25% and yields up 60% versus last year



Source: IATA Economics using data from IATA Statistics and CargoS

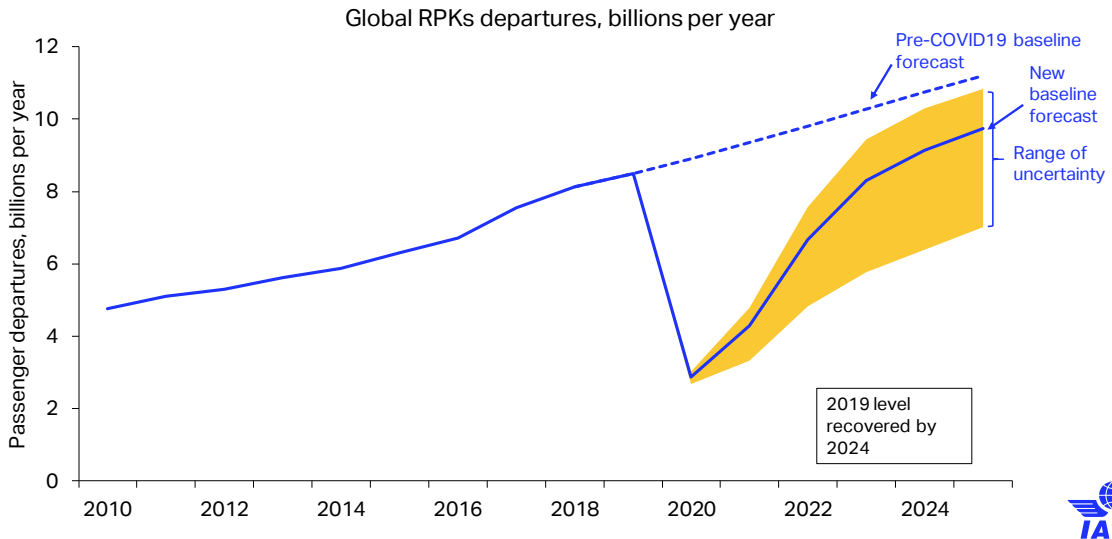


The air cargo business is a much better story, since revenues are growing strongly. That's because of exceptional yields driven by the shortage of capacity, with much of the wide body passenger fleet still grounded.

But it's also because air cargo remains an essential service to support global supply chains, e commerce and distribute medical supplies – not least the vaccine.

This should continue to be a strong revenue source in 2021. Not big enough to offset the collapse in passenger revenues but will continue to play a much more important role in producing cash positive flights.

Capacity on wide body passenger aircraft slow to return Vaccine efficacy good news but air travel will take some time to recover



Source: IATA/Tourism Economics 'Air Passenger Forecasts' October 2020

But even with an effective testing regime in place we are cautious about the extent to which this can quickly boost air travel.

We assume a vaccine(s) is deployed in the second half of 2021, but it looks likely that there will be production and distribution challenges that mean it will only be in late 2021 and in 2022 when air travel rises back substantially.

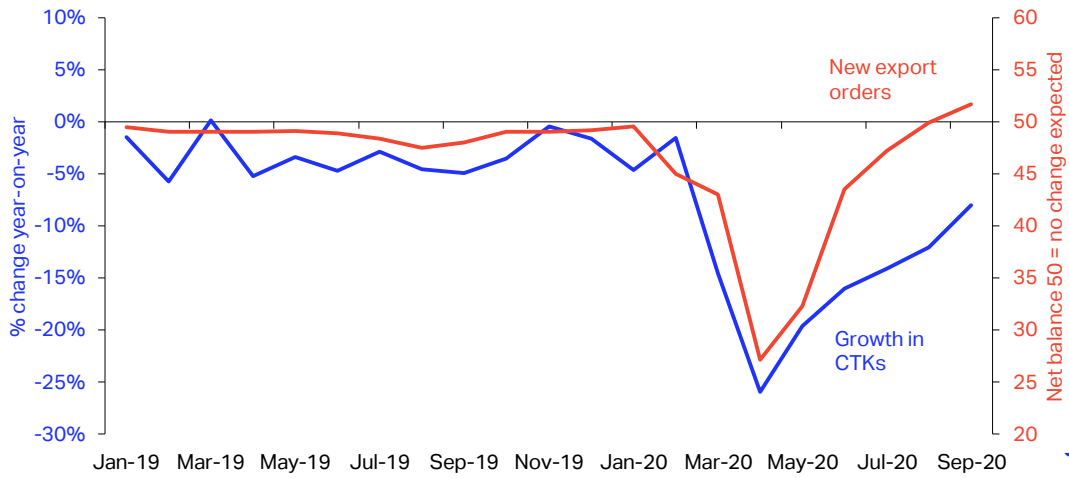
On this basis we don't expect 2019 levels to be regained until around 2024.

We should also acknowledge the huge amount of uncertainty over virus behavior, vaccine effectiveness and government responses. The yellow area represents various scenarios and indicates that the risk to our baseline forecast remains on the downside.

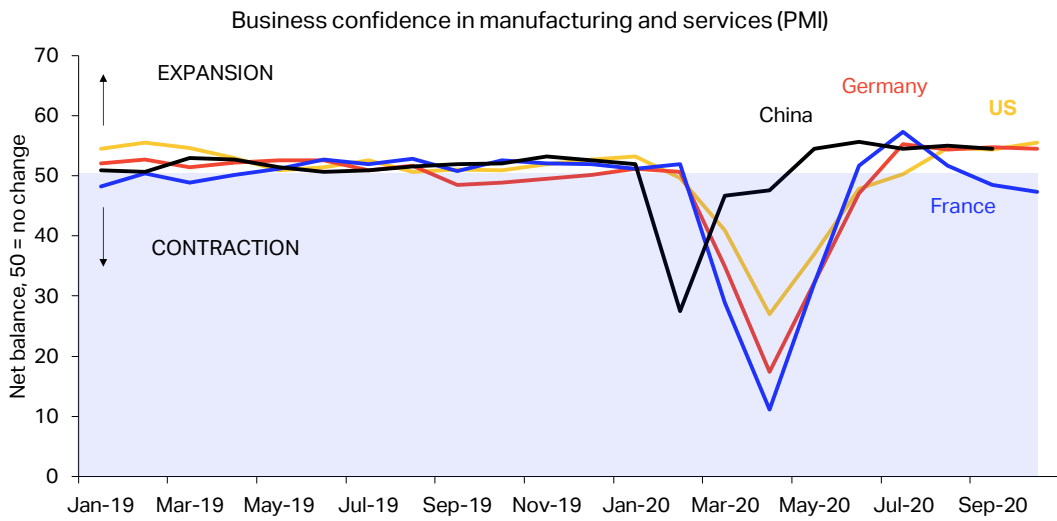
Demand for exports of goods is already very strong

Export orders good indicator of strength of demand for air cargo service

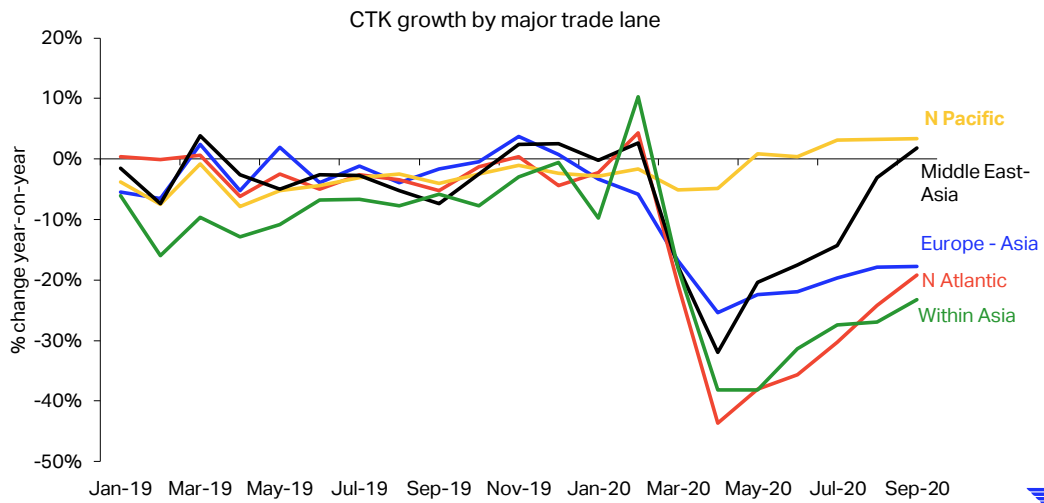
Export orders for manufactures and growth in cargo tonne KM flown



2nd wave risk for Europe demand but strong elsewhere October readings +ve for air cargo, but damage from Europe lock-downs

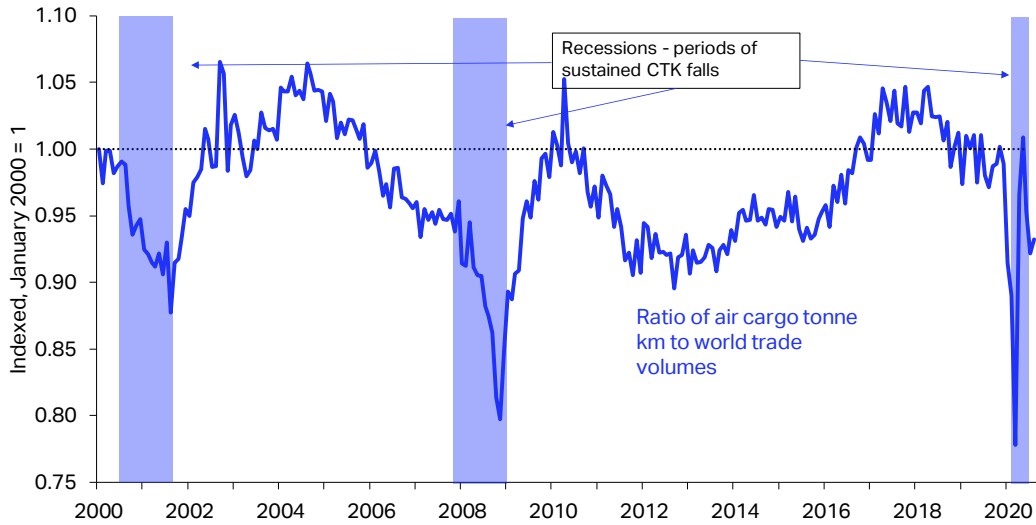


Not all trade lanes have benefited from buoyant demand Most buoyancy seen on N Pacific and from Asia via the Middle East

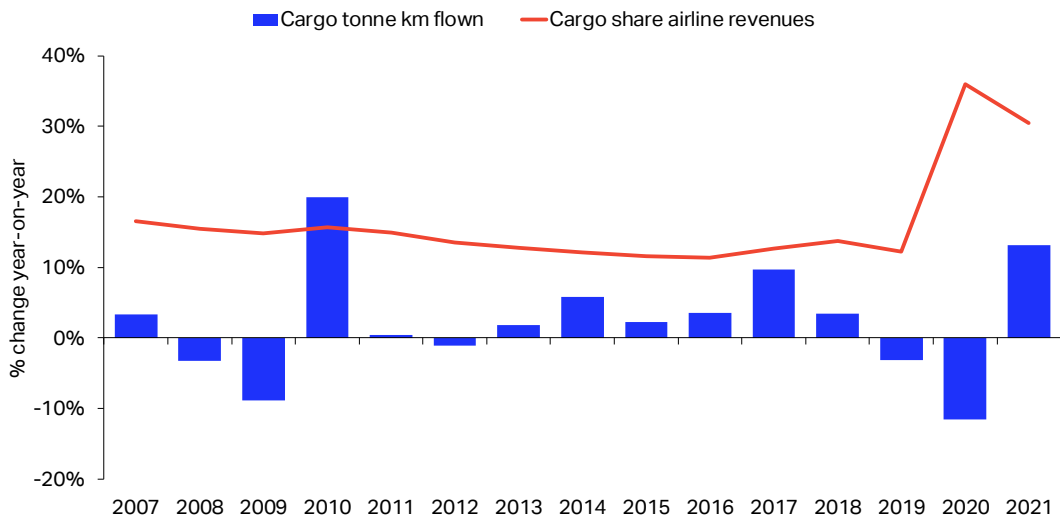


Air cargo share of world trade would normally rise further

Once recession ends business need to ship goods quickly to restock



Cargo now represents one-third of airline revenues Importance of cargo to airlines financial viability likely to remain in 2021



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Key Priorities for Air Cargo

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Air Cargo Priorities

- Industry preparation to support Covid 19 vaccine distribution
- E-commerce, accelerated adoption



- **Today I will cover two priorities for the air cargo industry:**
 - Preparedness for distribution of a COVID-19 Vaccine
 - Rising to the challenge that the COVID-19 pandemic has had on shifting consumer behavior resulting in an accelerated shift to ecommerce

Vaccine logistical preparedness

Capacity to transport additional vaccines globally will be challenging

Key considerations:

- Facilities
- Border processes
- Supply chain integrity
- Security
- Capacity



- The air cargo industry has been preparing for Covid vaccine distribution for many months.
- Identifying the obstacles and challenges that need to be addressed to enhance safe transport
- Patient safety and product integrity remain the top priority
- Collaboration and communication are critical to address capacity challenges and infrastructure limitations.

Industry Call To Action

Sharing information - Global Collaboration

- Plan - Prepare - Perform
- Engaging with partners/suppliers to establish guidelines and checklist to support COVID-19 vaccine distribution



Capabilities & infrastructure industry platform – ONE Source

- Visibility and demonstrated competencies
- Showcase adherence to quality standards



- IATA has recently issued a guidance document addressing key aspects to consider when moving a vaccine from point of production to point of injection.
- It comprises of input from airlines, forwarders, UN agencies, pharma manufacturers, UN trade and border agencies
- The scale of the transport challenge is increased significantly when the vaccine requires Ultra Cold chain transport with temperatures down to -80c. Others will require a conventional +2-+8c environment.
- Collaboration and coordination is key with governments determining their national vaccine disbursement capabilities which can then ensure international logistics can provide the support required.
- The key is to Plan Prepare and perform

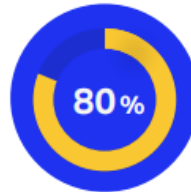
- In order to ensure all parties involved the procurement and transport of vaccines can be informed of aviation infrastructure and facilities IATA has launched ONE source detailing certified capabilities of supply chain partners.

Air cargo transport is vital for E-commerce

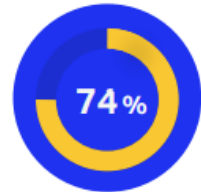


2.05 billion
People are shopping
online in 2020

More than 2 billion people are shopping online, almost **a quarter of the world's population**. As governments closed borders and introduced lockdowns, consumers moved online.



80 %
of cross-border
e-commerce is
transported by air

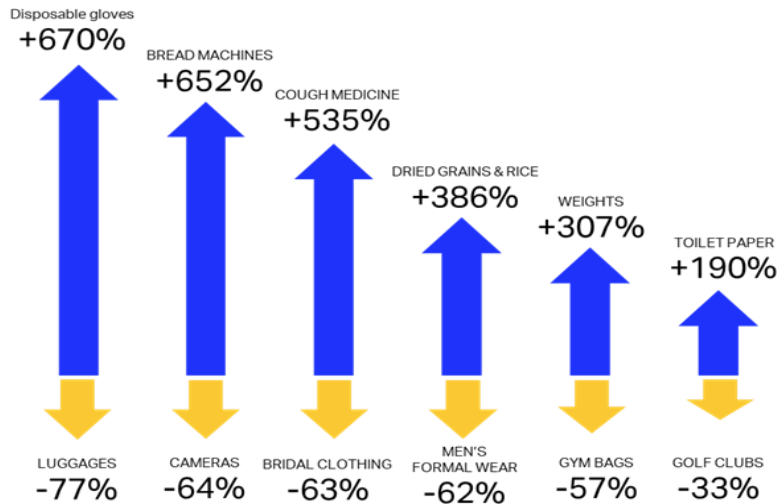


74 %
growth in average
transaction volumes in
March 2020 compared
with 2019



- One area which has grown significantly during the Covid pandemic is e-commerce with over 25% of the world's population purchasing goods online.
- Air cargo is the primary mode of transport carrying 80% of all cross-border transactions.
- The annual increase experienced in the first month of mass lockdowns, March, was 74%.

Air cargo responding to consumer evolution



- As society experienced various restrictions consumer purchasing behavior dynamically shifted in parallel
- The stay-at-home economy generated stay at home purchases.
- Not surprisingly travel related purchases and products associated with group activities saw significant reductions

Industry Call To Action

- Digitalize and simplify customer interactions
- Optimize handling systems and facilities
- Embrace robotics and automation
- Enhance transparency and predictability
- Improve border management and experience
- Enhance safety and security



- In order for the industry to realize the full benefits presented by the growth in ecommerce, significant modernization of current processes needs to take place;
- The industry must tackle the following urgent needs;

- Digitalize and simplify customer interactions
- Optimize handling systems and facilities
- Embrace robotics and automation
- Enhance transparency and

predictability

- Improve border management and experience
- Enhance safety and security

Questions

Thank you

