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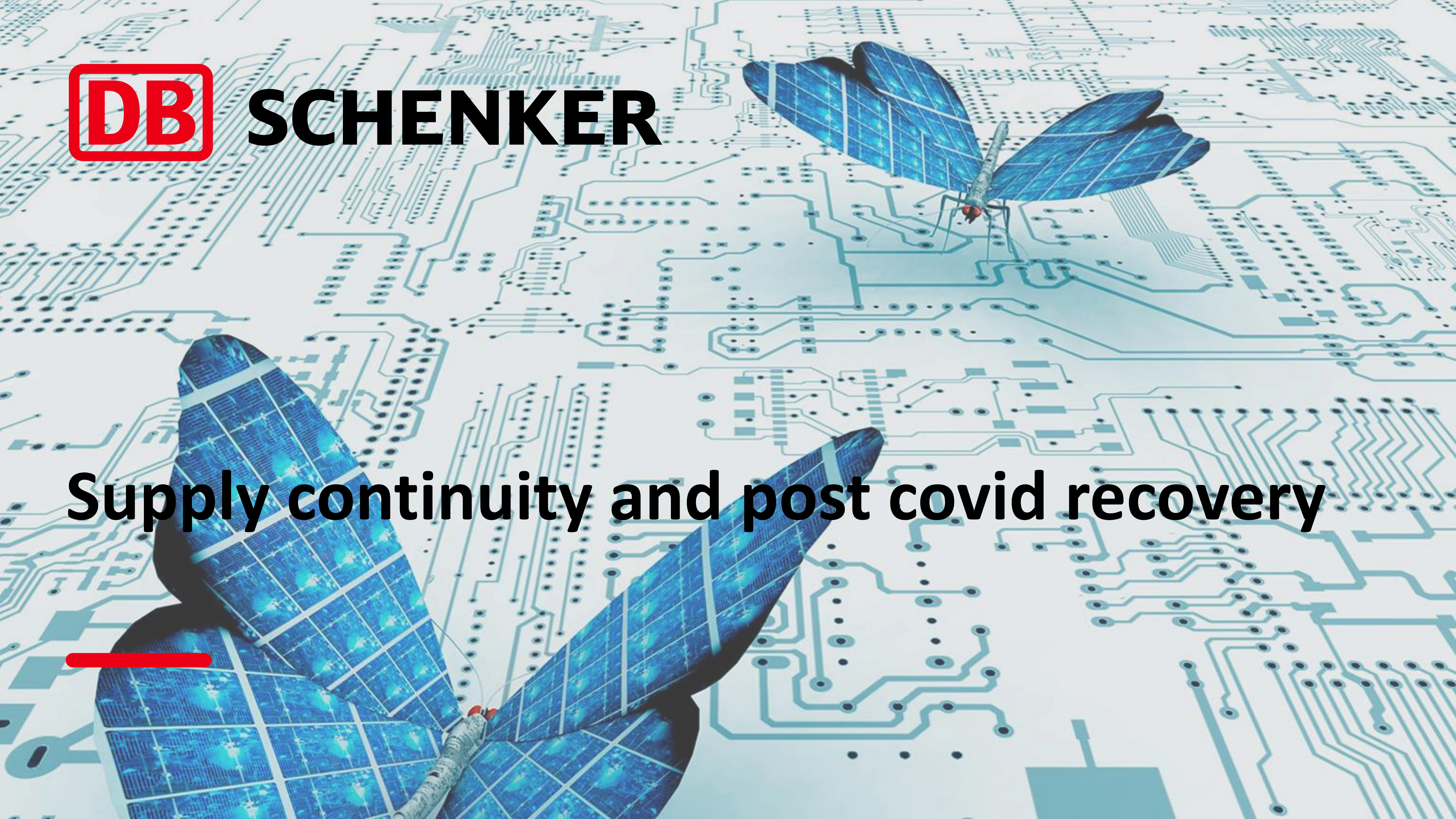

Supply continuity and post covid recovery

DB Schenker – Worldwide
Global Network

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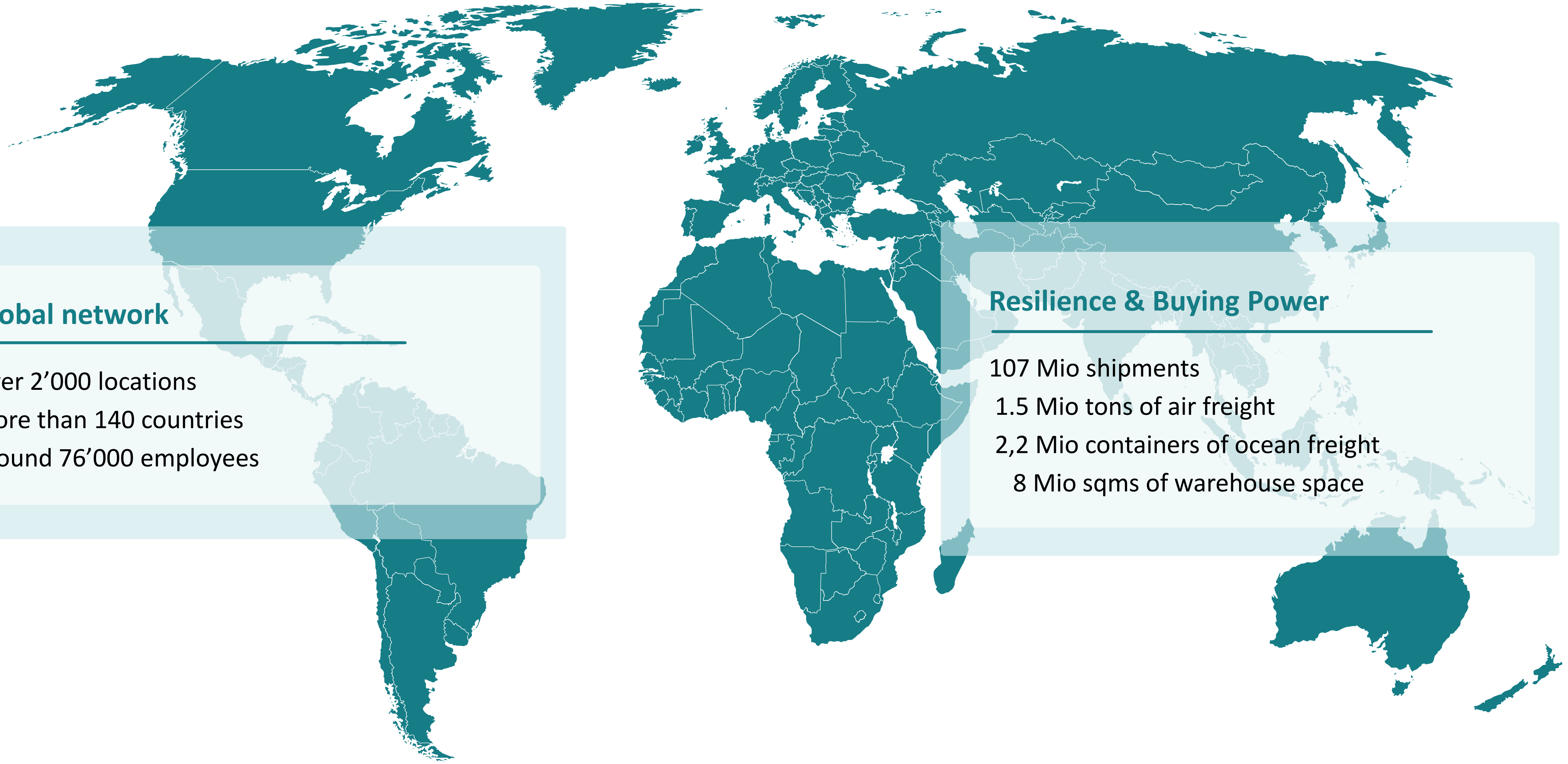

Global network

Over 2’000 locations
More than 140 countries
Around 76’000 employees

Resilience & Buying Power

107 Mio shipments
1.5 Mio tons of air freight
2,2 Mio containers of ocean freight
8 Mio sqms of warehouse space

The situation today …

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Power crisis deepens in Asia and Europe: What it means to shipping

Another risk to container supply chain, but tailwind for commodity shipping

Airfreight rates from Asia reach another high

21 / 09 / 2021

By Damian Brett

Just how many containers of cargo are stuck off California’s coast?

More cargo on ships waiting offshore than a month of imports to Long Beach

Container ships now piling up at anchorages off China’s ports

More signs that trans-Pacific liner capacity has overwhelmed port capacity

Lack of air capacity out of HK and Shanghai sparks peak season concerns

The Load Star

By Sam Whelan 21/09/2021

Supply chain woes drag down Nike sales

Sportswear company scrambles to overcome shipping delays, Vietnam factory shutdowns

CNN World US Politics Business Health Entertainment Style Travel

COVID-19: Vaccination tracker | TRENDING: Fumio Kishida | La Palr

Supply chain workers warn of a 'system collapse'

Many workers are reaching a breaking point, posing yet another threat to the badly tangled network that moves goods around the globe

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Status quo

After strong declines last year, air cargo demand in 2021 significantly exceeds 2019 levels

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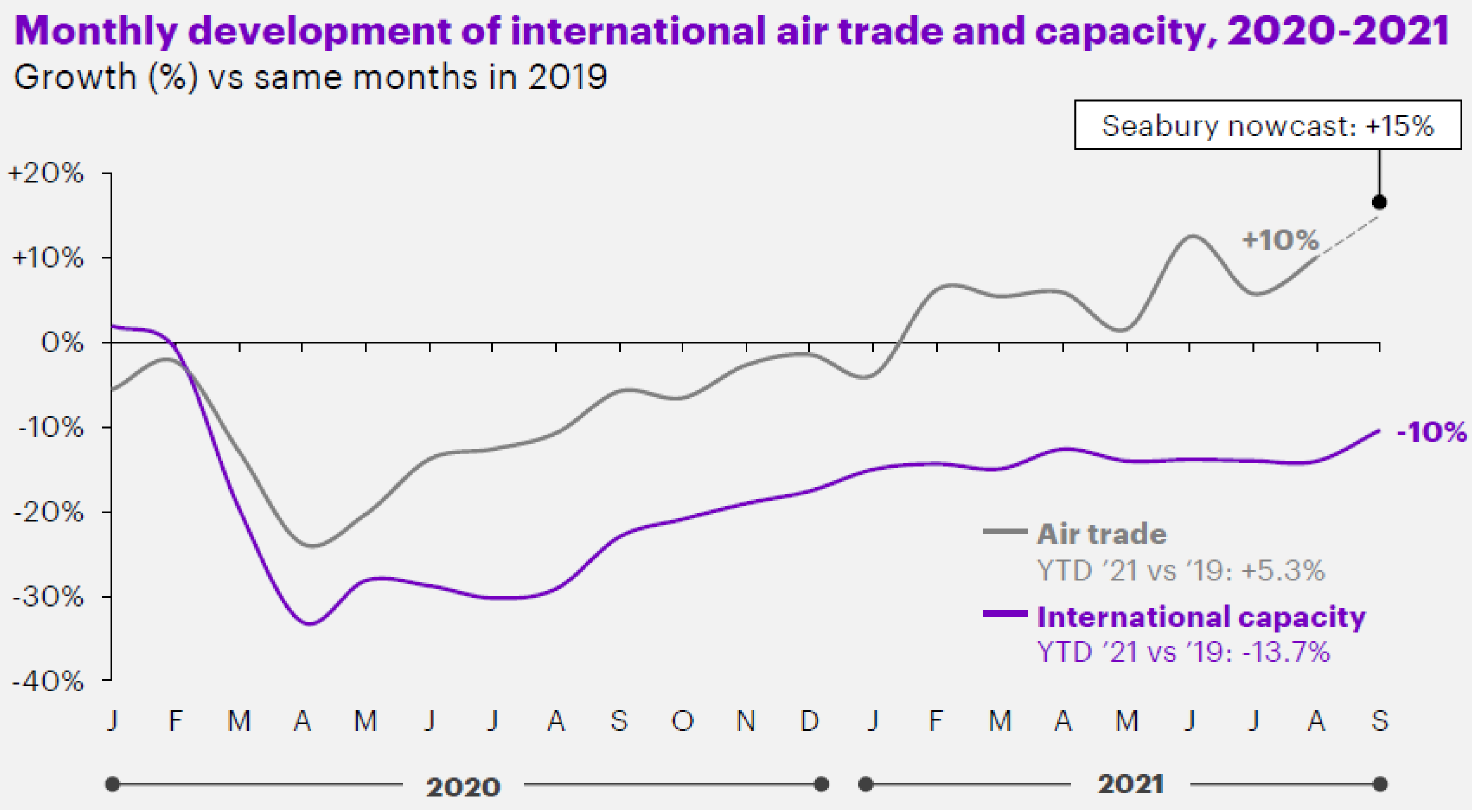

Observations

- Besides reduced capacity, the increased proportion of freighter capacity (which usually operate higher load factors) has also contributed to the overall load factor increase
- Load factors are usually measured on an FTK/ATK basis, while on this overview load factors refer to "tonnes trade/tonnes capacity"

Air cargo demand expected to further peak in the fourth quarter

Source: Seabury

Semiconductors 2019 vs. 2021 (Jan. – Aug.) + 20% !

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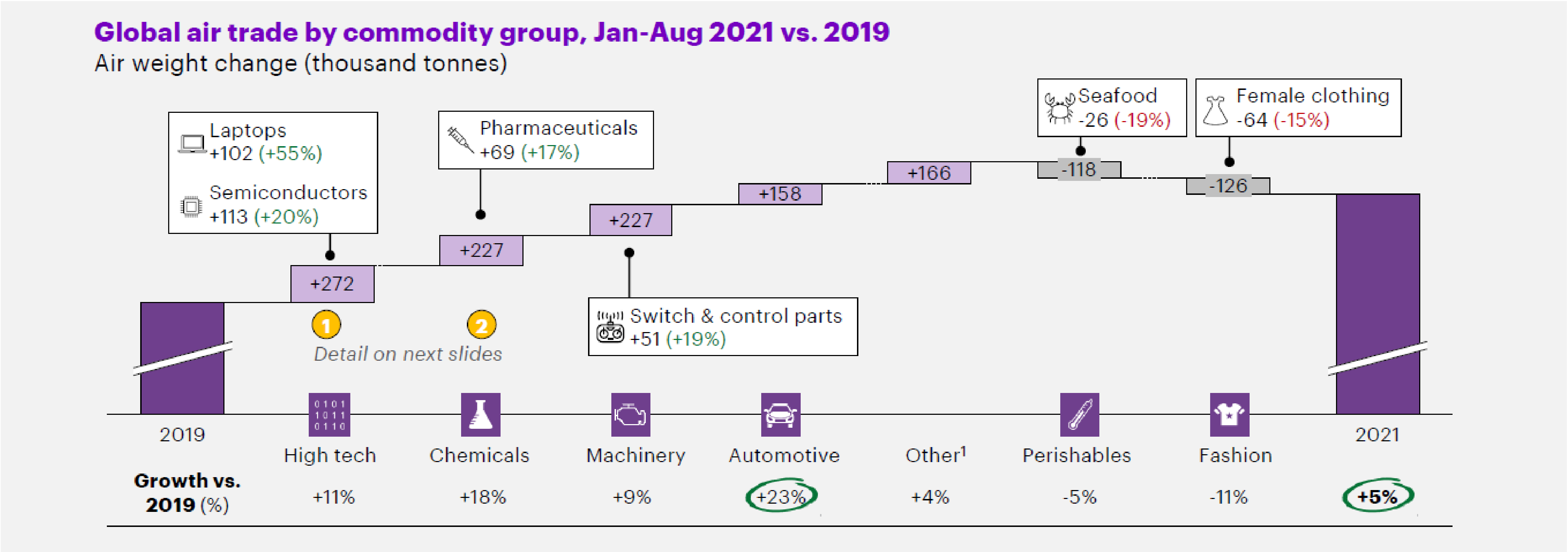
High tech (+272k tonnes), chemicals (+227k) and machinery (+227k) contributed most to air trade growth



Automotive air trade shows the largest relative growth, rebounding strongly from 2020

Source: Seabury

Air trade growth was heavily driving by semiconductors

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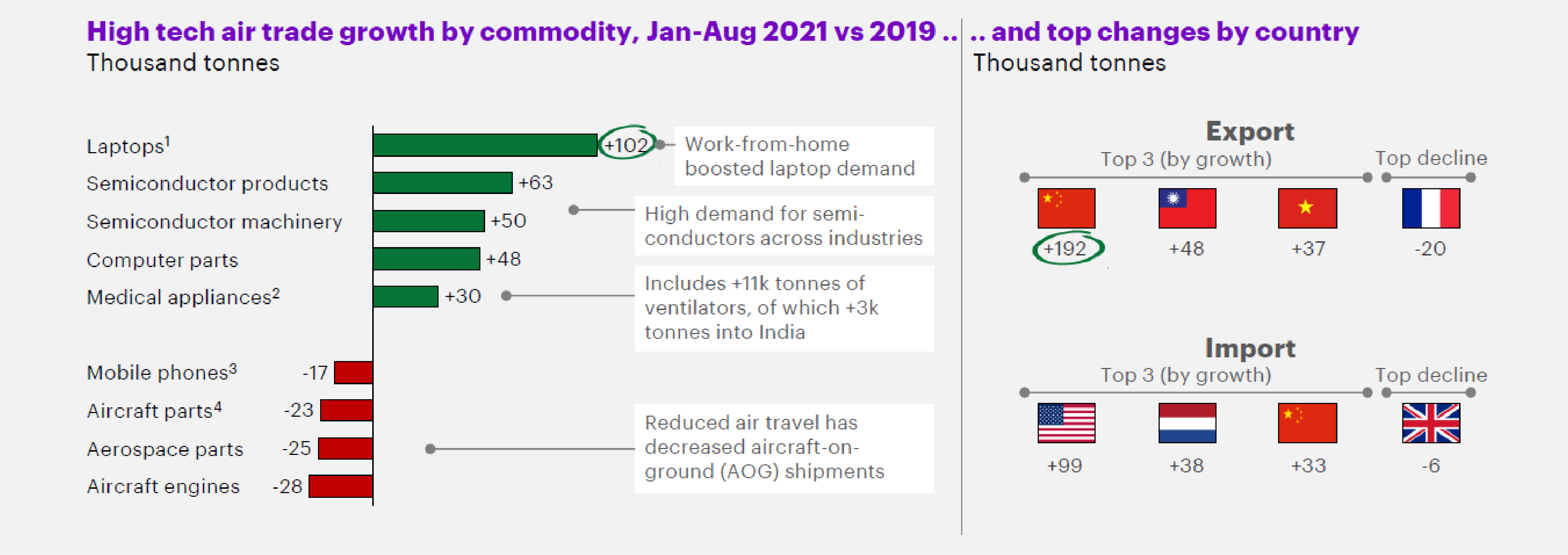
1 High tech air trade growth was driven by laptops and semiconductors



China exports account for most high tech air trade growth, mostly to the USA

Source: Seabury

Market Rate Index Development

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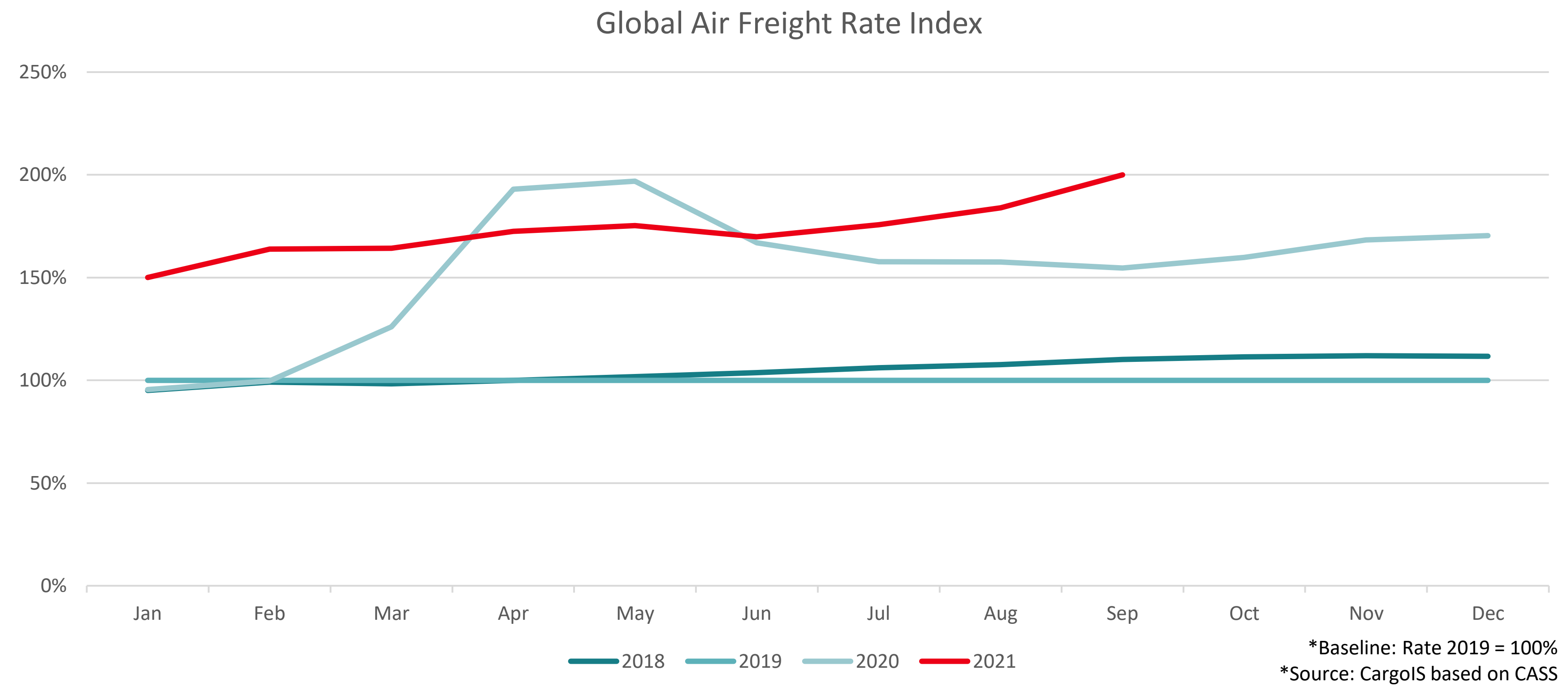
MRI Development

in %

The Global Air Freight Rate Index continues to increase throughout 2021.



Source: IATA Economics

Outlook

Market Situation in Air Freight

What's happening in the market?

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Market situation

- **Total capacity** down by **-9%** compared to same weeks in 2019.
- **Market demand** in 2021 is expected to **further increase** based on recent market developments.
- The upcoming peak season of 2021 is expected to be a capacity crunch where it will be most crucial to have **access to capacity**. Passenger traffic still almost cancelled.
- Especially **ex North America** demand situation is reaching peak levels with major **supply disruptions** caused by the global ocean freight market situation.

Situation in China/PVG

- Airlines are **redirecting their flights** from PVG to other airports such as PEK, CGO, SZX, HKG, etc. **Onforwarding services** over land have been established into the central-eastern China region.
- Very large number of flights were cancelled or delayed as a result of the **temporary closure** of the airport due to the typhoon. This has led to an additional backlog for both imports and exports.
- With the recent infection cases, further **COVID preventive measures** are now in place, which has also led to restrictions on manpower. This has created a heavy backlog in the warehouse and terminal and on the tarmac.
- Higher rates imposed by carriers due to **capacity/flight shortages**, especially for capacity above allocation. Some flights have departed empty due to manpower shortages. Hence airlines have no choice but to suspend their flights or operate with less than full aircraft loads.

Growth in a difficult market environment

Carrier behavior is changing year on year.

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Uncertainty started

- Covid-19 service disruptions / blank sailings
- High demand starting Q3_2020
- PSS applied on NAC and FAK rates
- NAC allocation was limited to MQC and strictly monitored
- Rates have more than doubled by end of 2020

2020

Rates increased constantly in Q4 but carriers were uncertain if the strong demand continues

Uncertainty ongoing

- Different carrier strategies cause high differences in pricing policy
- Limited to no interest to close new NACs due to uncertainty and limited available allocation
- Carriers cut NAC allocation in favor for FAK/spot market
- Spot market show high differences due to policy and MOT regulations
- After CNY until today, rates almost doubled again

2021

Various service disruptions cause reduced available capacity at high demand

Confidence in spot market

- Capacity will remain stable, no increase foreseen
- Interest in closing NAC rates limited
- To manage containers smoothly, carriers demand spot market rates
- New business can only be onboarded within current allocation
- Expiring NAC might not be renewed against same allocation
- Expiring NACs have to expect huge increases

2022

No new capacity, reduced speed and high demand – strong confidence in high spot market pricing

Expectations Market Development

Summary

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Navigation through difficult times

Overall Challenges and Solutions

Outlook next months

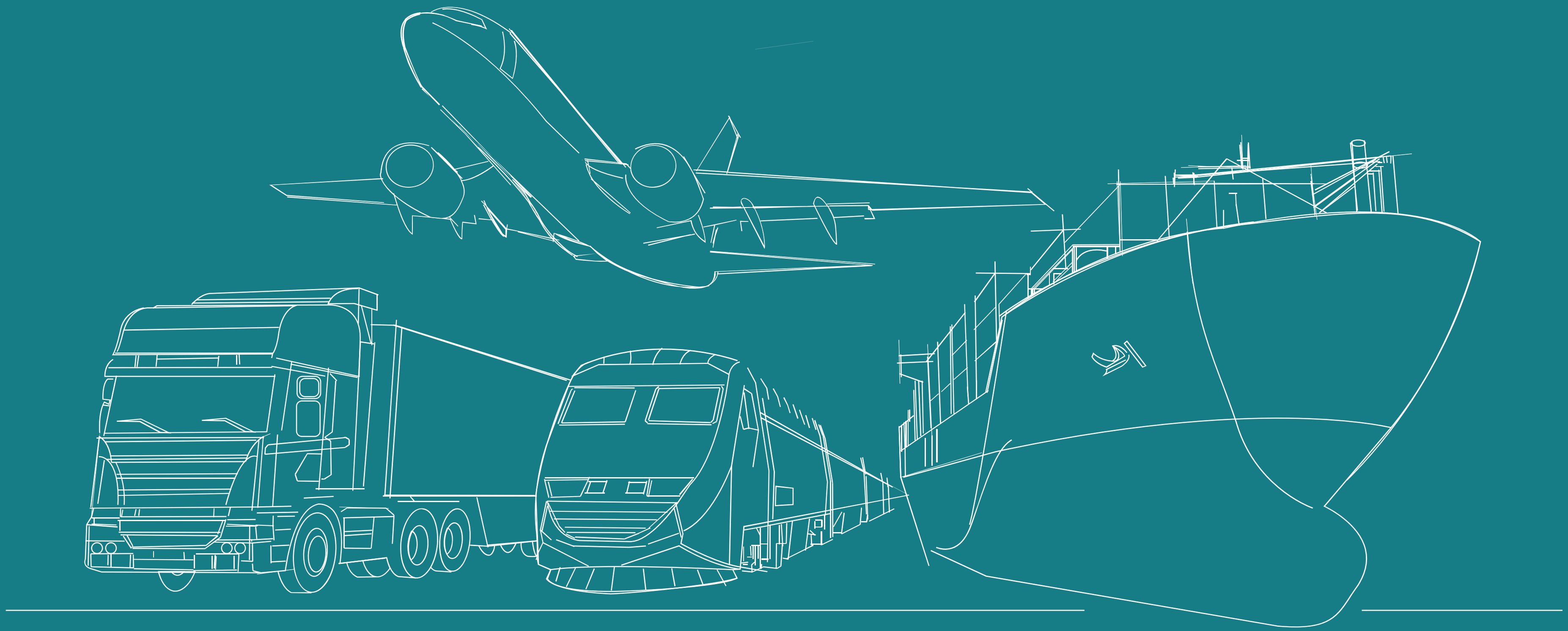
- Volumes full year 2021 will show a strong growth of approx. 7% - 8%.
- Volume growth 2022 expected by 5% - 6%
- Supply of new tonnage in 2021 not exceeding 3%, similar small number in 2022.
- Carriers' market to remain in place: Carriers will continue to strive for "simplification", ie cut or no allocation on longterm/NAC contracts; push for FAK and "Premium FAK" IMO 2023 further impacting supply situation
- Carriers will continue to play the market, ie rates to stay high due to supply and demand gap

Consequences

- Disrupted markets – terminal congestion and equipment shortages- will remain an unwanted feature for the remainder of 2021 and 2022.
- No stable weekly allocation, but port omissions and structured sliding will dominate the weekly capacity as a result of missing fresh tonnage
- Tender process will not realize the aimed intentions:
- the restricted amount of effective capacity available in the market to continue driving substantially high average spot rates, 2022 long term contracts to be restricted and signed at higher rate levels than 12m ago

Our recommendation

- Different options of contracting (eg two tier contract)
- Ship LCL: DB Schenker's LCL boxes have prime focus and enjoy priority in the allocation.
- Improved forecast planning
- Clear identification of to be prioritized lots
- two way commitments to ensure firm equipment and uplift at all times
- (where possible) Mix of standard and express services/premium services to accommodate volumes and keep the supply chain running: usage of all gateways, all modes or combinations



Thank you.