

DSV COVID-19 Update

June 29th , 2020



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Global COVID-19 Freight Restrictions Overview

EUROPE

We are operational everywhere, although in Italy, Spain, Portugal and France with interruptions.
Demand is increasing more than air charter capacity from Asia to Europe, we still experience a backlog of cargo

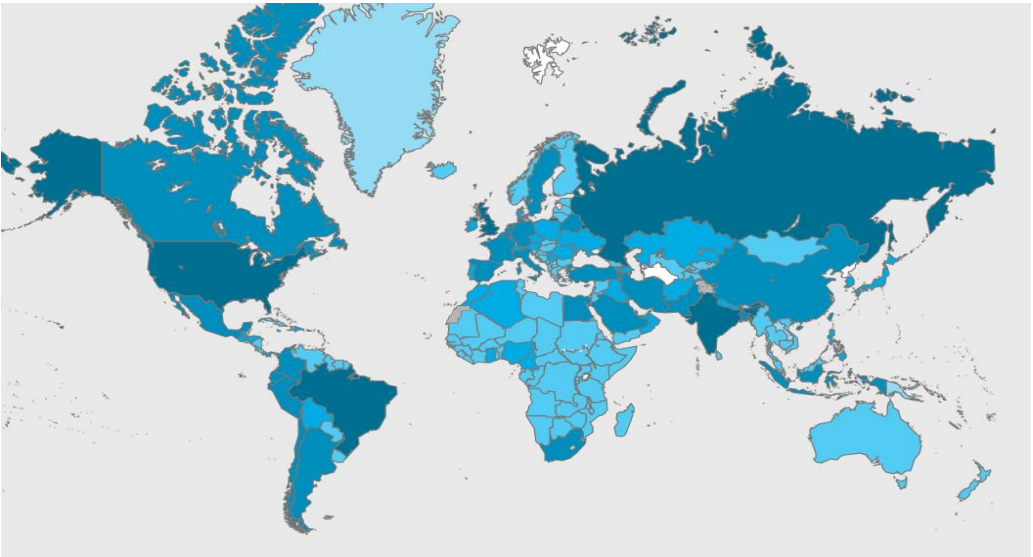
NORTH AMERICA

US passenger travel restrictions from Europe including the UK and Ireland are still in place. The US closed its border to non-essential travel with Mexico starting on March 21. The US implemented a travel ban between Brazil and the US on May 28.

LATIN AMERICA

Argentina and Colombia have banned international flights until Sept 2020.
Brazil has sealed its borders to nine neighbouring countries.

Global confirmed cases of COVID-19 source WHO



AFRICA and MIDDLE EAST

Domestic flights resumed in South Africa while there is no news yet on when the airport will open for International passenger flights.
Angola and Mozambique are still restricting passenger flights. “Essential items” of food, cleaning and hygiene products, and medical supplies are being moved by air freight are given priority over other products.
Arabian Gulf and the Levant: Scheduled Passenger flights with minimum capacity will resume operation in some of the GCC and Levant countries. UAE, Qatar and Turkey have already started mid-June

ASIA PACIFIC

Australia and New Zealand are beginning to slowly lift restrictions and lockdowns are eased.
Unprecedented rate surge on intra-Asian lanes: Massive capacity reduction resulting from passenger flight and freighter cancellations. Air freight rates on Intra-Asia lanes are extremely high, volatile and have been increasing rapidly, which are in turn constraining the long-haul export capacity to both Europe and US..

INDIAN SUB-CONTINENT.

India: The lock down in India has been extended until June 30th, with a continued ban on all international commercial (passenger flights) into India. Airlines have been operating passenger to charter or “ghost flights” for cargo. There are capacity constraints into the US, EU, and FE.. following the proper safety measures
Sri Lanka: Curfew has been imposed in all the districts again

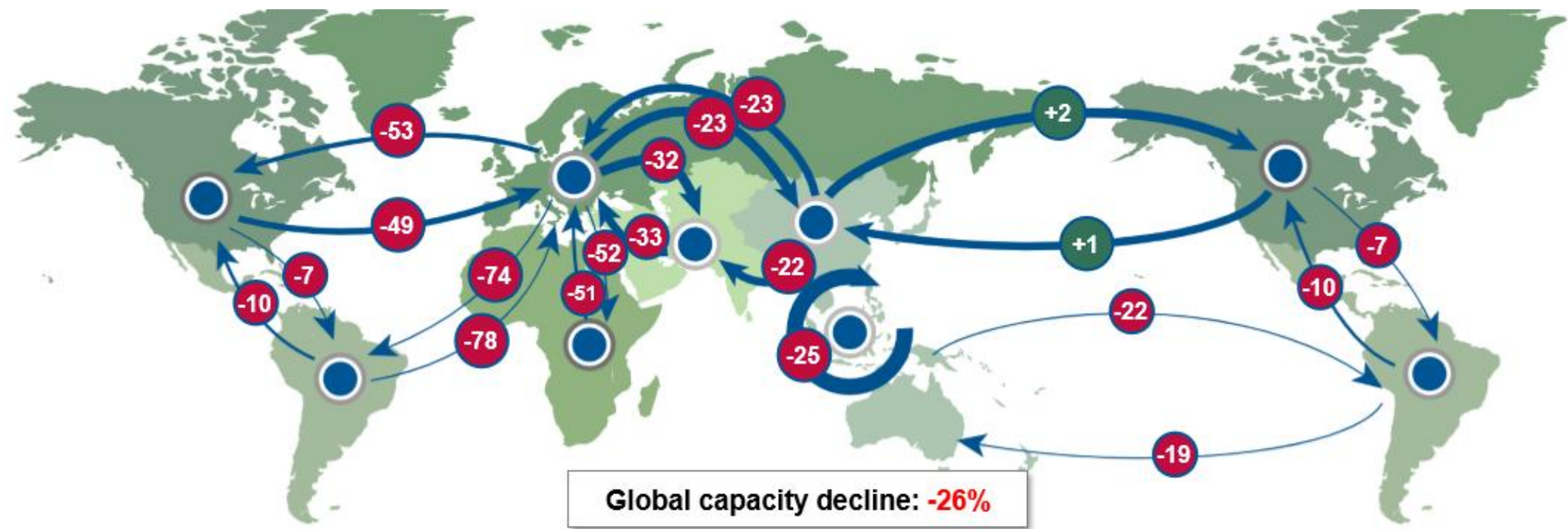
Global Airfreight Overview



Global air cargo capacity decline 26% compared to last year

North America – Latin America decreases by only 7%; Transpacific Eastbound capacity grows 2% compared to last year; Europe – Asia capacity declines by -23%

Total air cargo capacity growth¹, 14 - 20 Jun 2020 vs. same week last year²
YoY growth, %



Europe – Latin America capacity is still 75% lower than last year

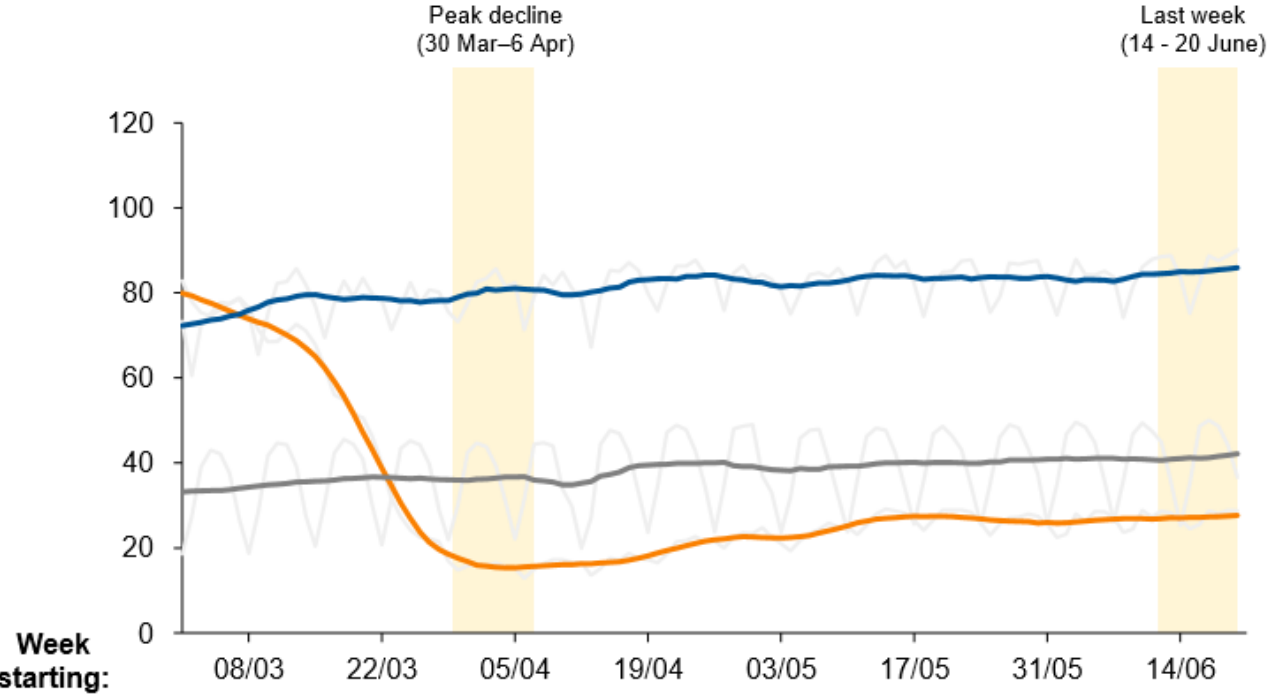
Note: Thickness of arrows is representative of May 2020 capacity in metric tonnes, direct flights only; all flows indicate region-to-region capacity; regions are indicated by color coding; 1) Total cargo capacity includes widebody passenger and all freighter flights; 2) Same week last year defined as 16 – 22 Jun 2019, all dates measured in UTC; Source: Seabury Consulting Capacity Tracking database, Source: Seabury

Belly and freighter capacity shows almost no change compared to last week

Airline freighters added the most capacity on a week-over-week basis, with +6k tonnes; while widebody belly cargo capacity increased +3k tonnes

Daily international cargo capacity Mar- June 2020

Thousand of tonnes



Cargo capacity growth, 14 – 20 June

	Vs. last year ²	Vs. previous week ³ :
Airline freighter ⁴	+23%	+0.9%
Express freighter	+23%	0.8%
Passenger belly	-74%	+1.5%

Note: Direct capacity only; All freighters and widebody passenger aircraft only, Date measured in UTC time; 1) Corrected for day-off-week fluctuations, smoothened for clarification; 2) Comparing 14 - 20 June 2020 to 16 – 22 Jun 2019; 3) Comparing 14 – 20 June 2020 vs. 7 – 13 June 2020; 4) Freighter aircraft (excluding those operated for integrators and "passenger freighters"); Source: Seabury Consulting Capacity Tracking database, Seabury Consulting analysis (June 2020)

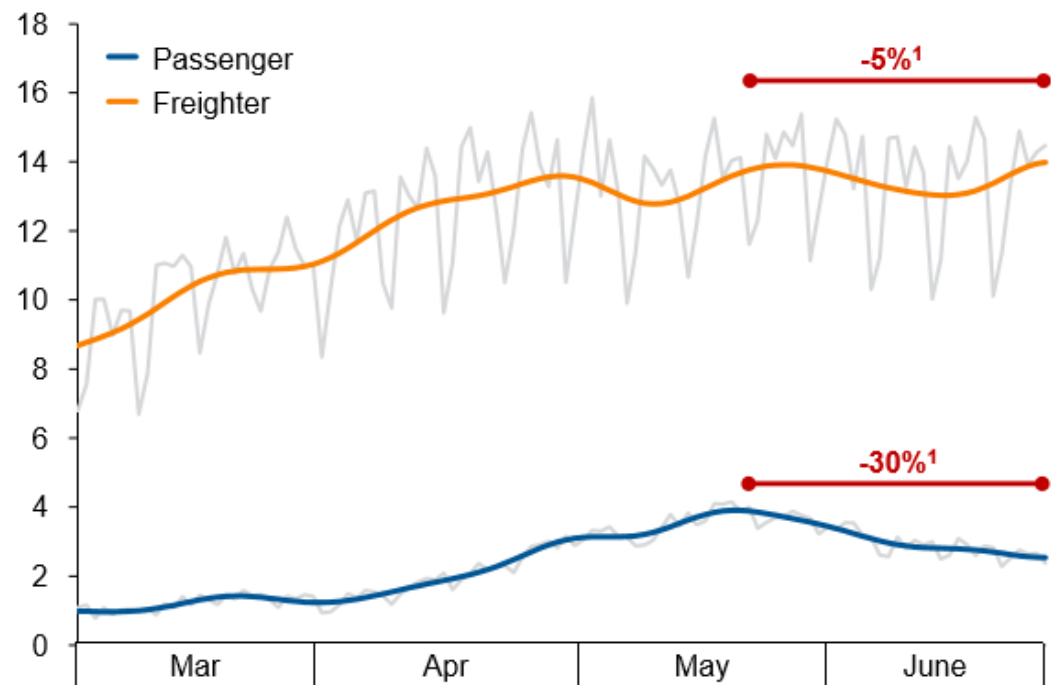
Source: Seabury

Passenger freighters out of China have decreased 30% since mid-May

While freighter capacity has been stable, compared against mid-May it shows a slight decline of 5%; Passenger freighter capacity decline is concentrated in PVG, PEK and CAN

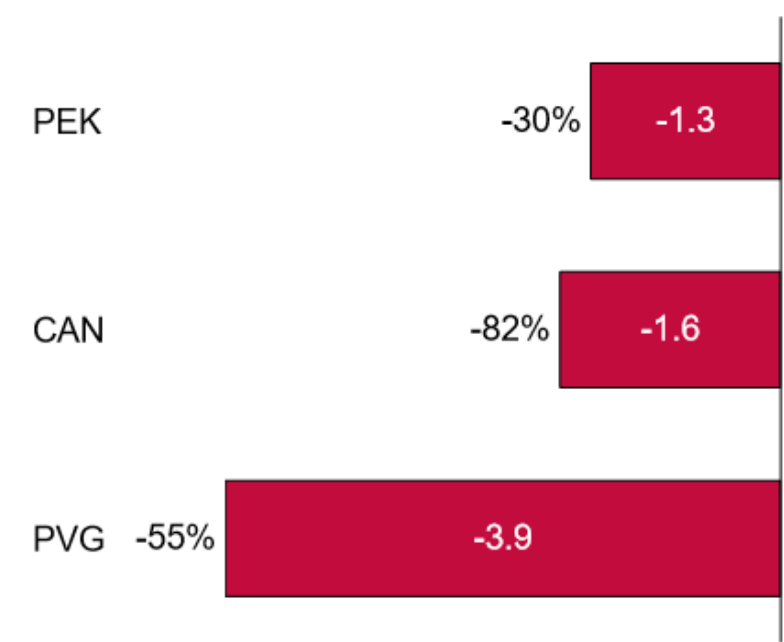
China outbound capacity, Mar – Jun 2020

Thousand tonnes



Top 3 airports by widebody belly capacity decrease¹

Thousand tonnes

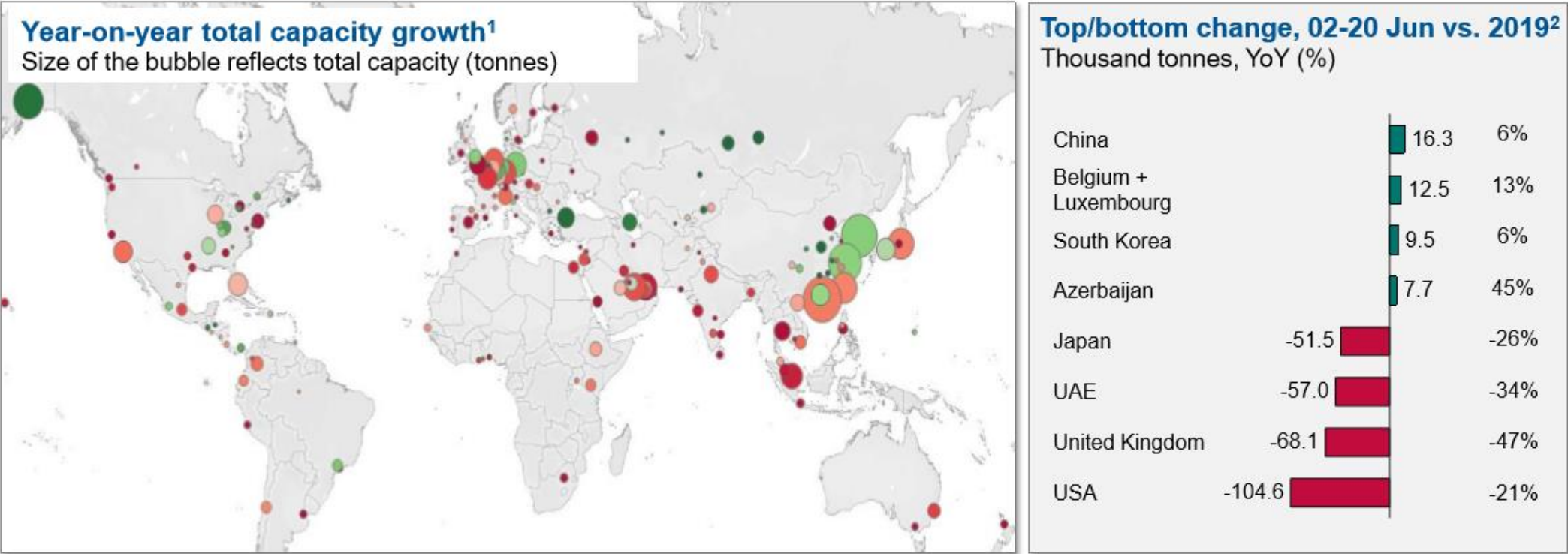


Note: Passenger capacity includes widebody aircraft only, freighter capacity includes all freighter flights; 1) Comparing 14 – 20 Jun vs 15 – 21 May; Source: Seabury Capacity Tracking database, Seabury Consulting analysis (June 2020)

Source: Seabury

USA is the country with the highest absolute decrease in year-over-year capacity

While ANC is the airport with the highest increase in capacity, other large airports, such as, JFK, LAX and IAH have seen strong decreases in capacity



China shows a slight increase in so far in June in year-over-year capacity

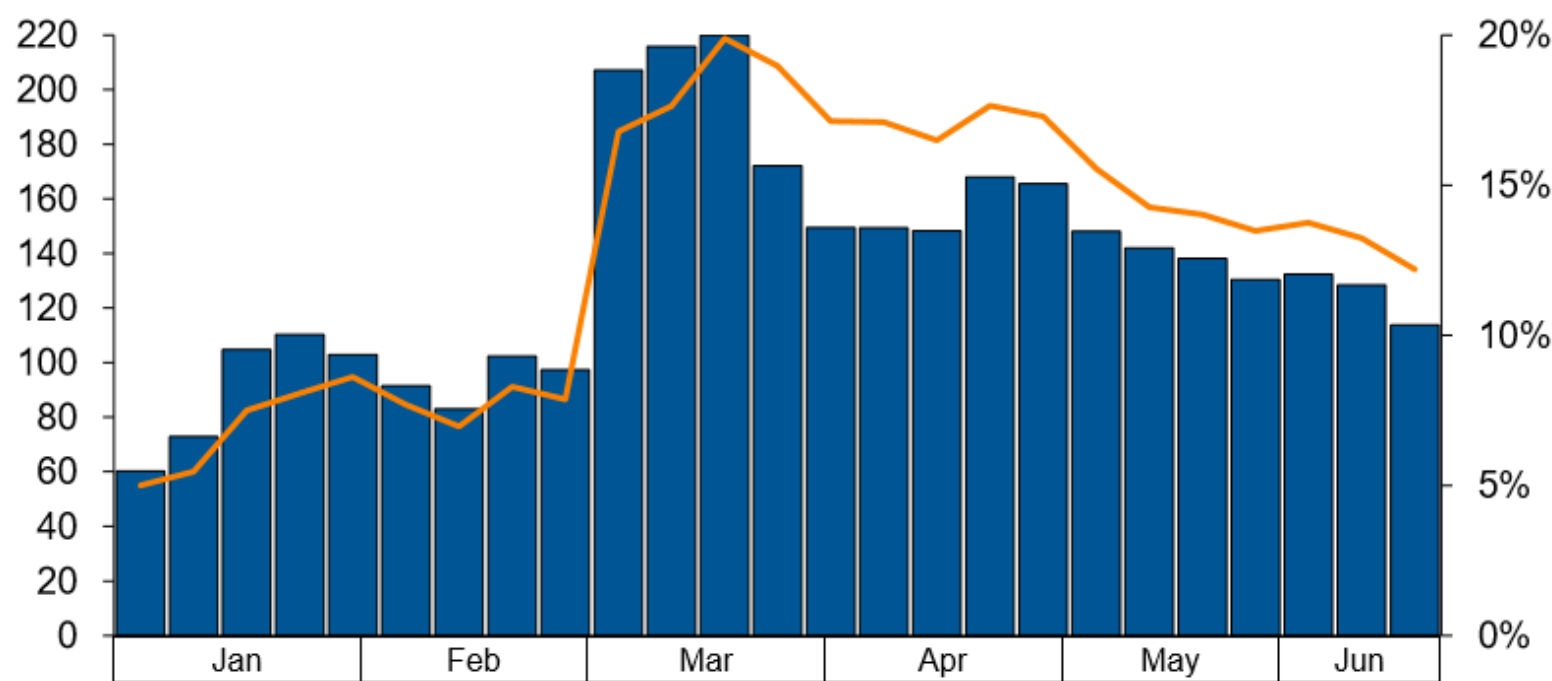
Notes: All international freighter flights (both NB and WB); 1) Compared 02-21 June 2020 to same week last year; defined as the week going from the 04 – 23 June 2019; 2) Compared 02-20 June 2020 to same week last year; defined as the week going from the 04 – 22 June 2019; Source: Seabury Consulting Capacity Tracking database, Source: Seabury

Cargo capacity share from charter flights has decreased mid - March

Share of charter flights reached a maximum of 20% of all flights in March; while it has been decreasing since then, last weeks' 12% charter share of total cargo capacity is still well above early January levels (5%)

Charter flights weekly capacity, Jan – Jun 2020

Thousand tonnes, share (%)



Charter cargo capacity deployed is almost double in June compared to early January levels

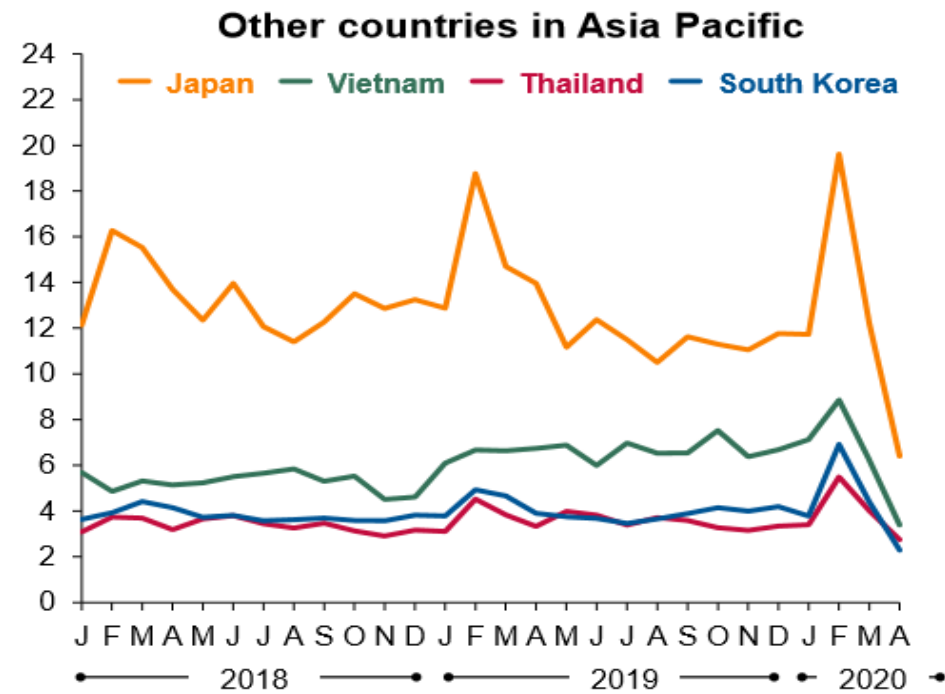
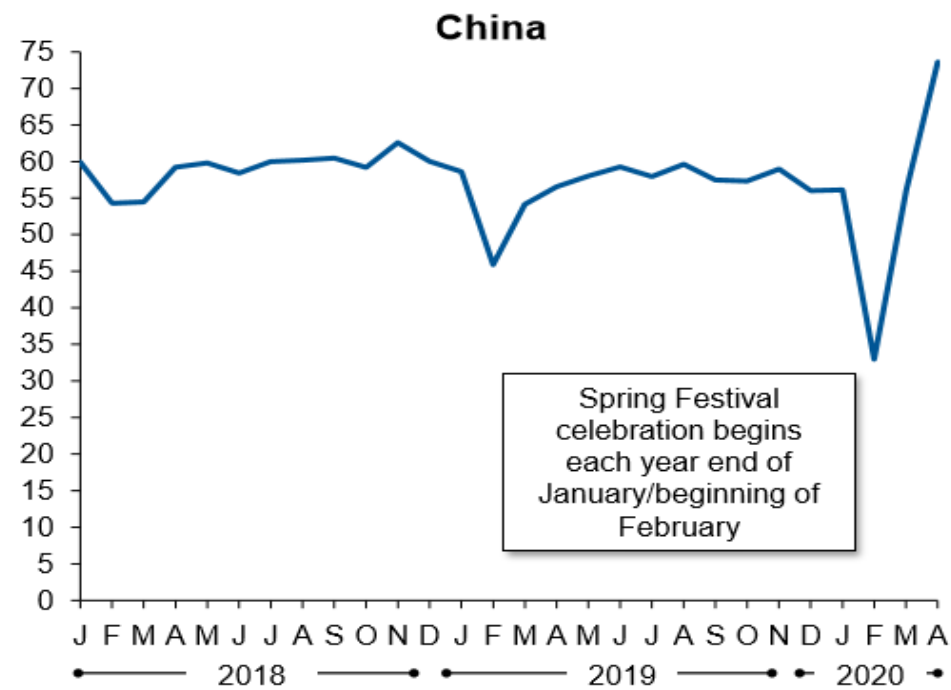
Source: Seabury Consulting Capacity Tracking database, Seabury Consulting analysis (June 2020)

Over 70% of air trade from Asia Pacific to USA now originates from China

Japan is one of the countries with the strongest decline, with almost 14 p.p. lost in market share; market share fluctuations in February are mainly caused by Spring Festival

Share of air trade for selected countries from Asia Pacific to the US

Share of total weight in tonnes (%)



Passenger freighters have also contributed significantly to China's recovery

Notes: 1) Starting from 20 Jan; 2) Daily capacity smoothened for illustration purposes; 3) Growth in daily capacity comparing 20 Jan vs. 30 May Source: Seabury Consulting Capacity Tracking database, Seabury Consulting analysis (June 2020)

Global Ocean freight Overview



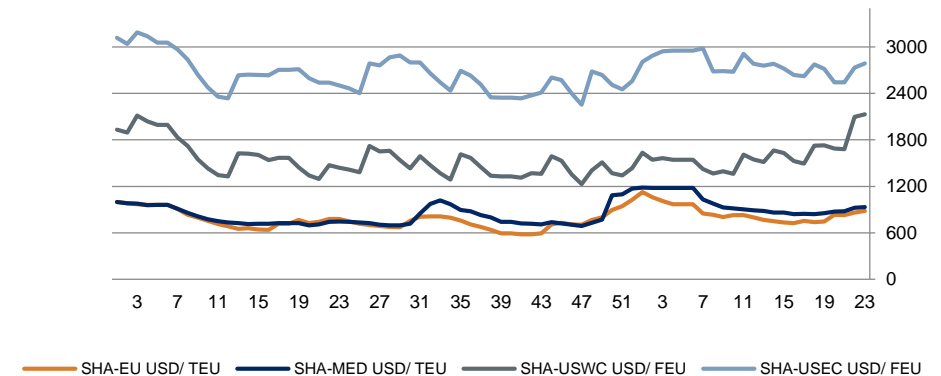
Market Update

Rate development

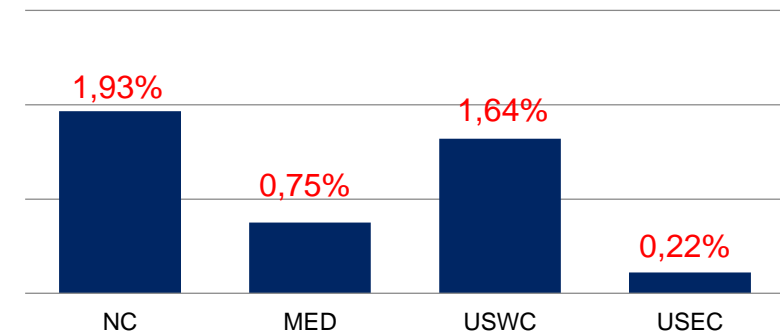
General:

- We observe volumes slowly picking up again on the former massive impacted lanes by the COVID19 crisis. Carriers are sticking to their various void sailing programs and further announce new void sailings for Q3/20.
- The ongoing void sailing initiatives are being used to a) stabilize the freight levels and / or to bring levels further up due to artificial capacity constraints, as well as to use the current period to upgrade / retrofit the own fleet with scrubber technology – at least by those carriers that follow this strategy.
- With the current low fuel prices the former business plan for the one-off scrubber investments does not pay off these days as a variance between the IFO 380 and VLSFO of approx. USD 300,- / MT was considered - these days the variance is in the range of USD 50,- / MT.
- With the current historical low fuel prices, carriers are challenged with their own bunker mechanisms, which stringently followed will lead to material reductions for the long term valid rates with floating bunker terms. Due to the financial stress situation the carriers are in (COVID19 / void sailings), not all of them followed their own models for Q3/20 and aim to keep Q2/20 freight levels in place while applying all in rates (depending on carrier and trade)

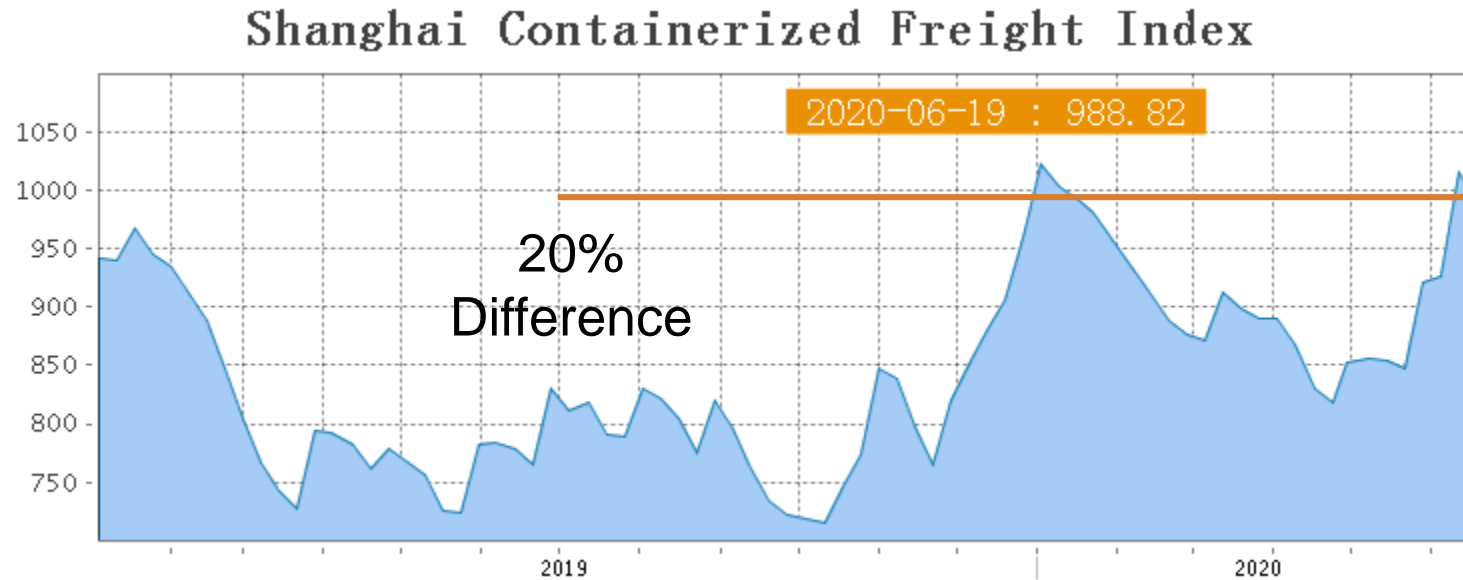
SCFI 2019/2020



SCFI wk 22 vs. 23



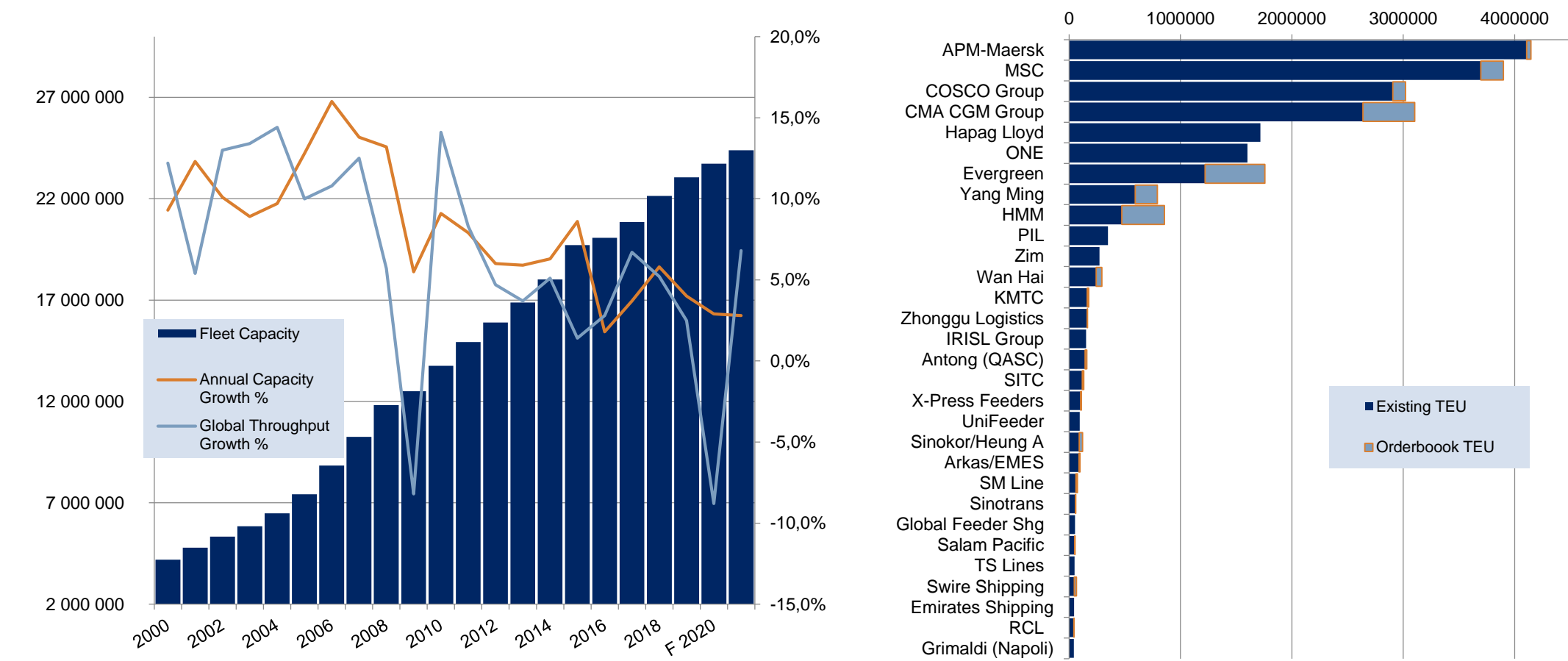
Shanghai Container index is increasing current level is above last year.



As the carriers continue their strategy of blank sailings to prevent a rate decline, it is also getting clear that the strategy is achieving more than “just” this simple objective. In fact, it is underpinning an increase of freight rates. Not necessarily on every individual trade corridor or every individual port-port combination, but in the aggregate, this is clearly what it is happening.

Capacity and volume overview

Global volumes are at -10%. Carriers are managing capacity with service and vessel cancellations

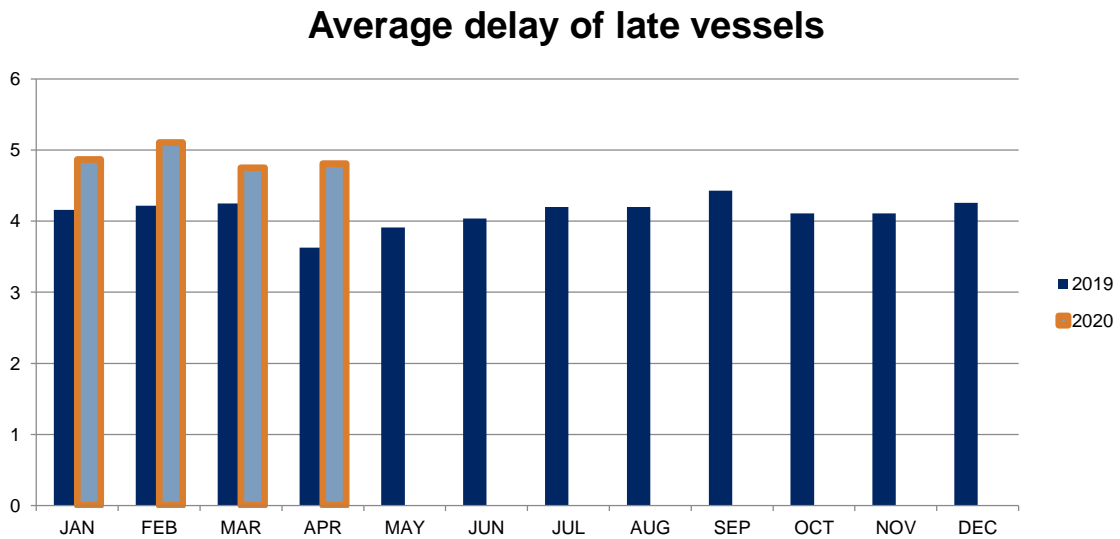
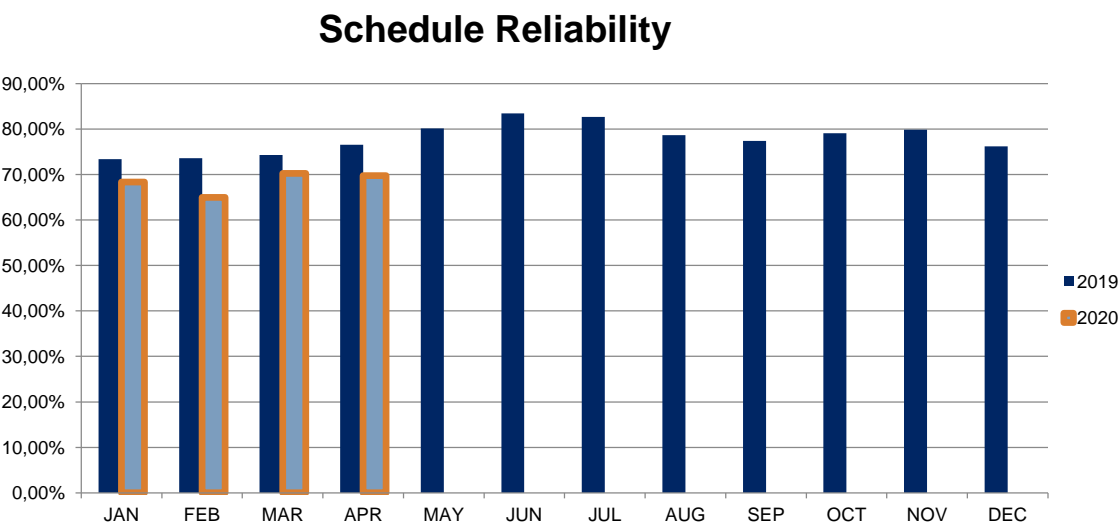


Source: Alphaliner

Schedule Reliability

Performance levels are at the lowest near 70% compared to 2019

GLOBAL		JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Schedule Reliability	2019	73.4%	73.6%	74.3%	76.6%	80.2%	83.5%	82.7%	78.7%	77.4%	79.1%	79.9%	76.2%
	2020	68.4%	65.0%	70.3%	69.8%								
	change	-5%	-8.7%	-4.0%	-6.7								
Avg. Delay of LATE vessels (days)	2019	4.16	4.22	4.25	3.63	3.91	4.04	4.20	4.20	4.43	4.11	4.11	4.26
	2020	4.87	5.11	4.75	4.81								
	change	0.71	0.89	0.49	1.18								

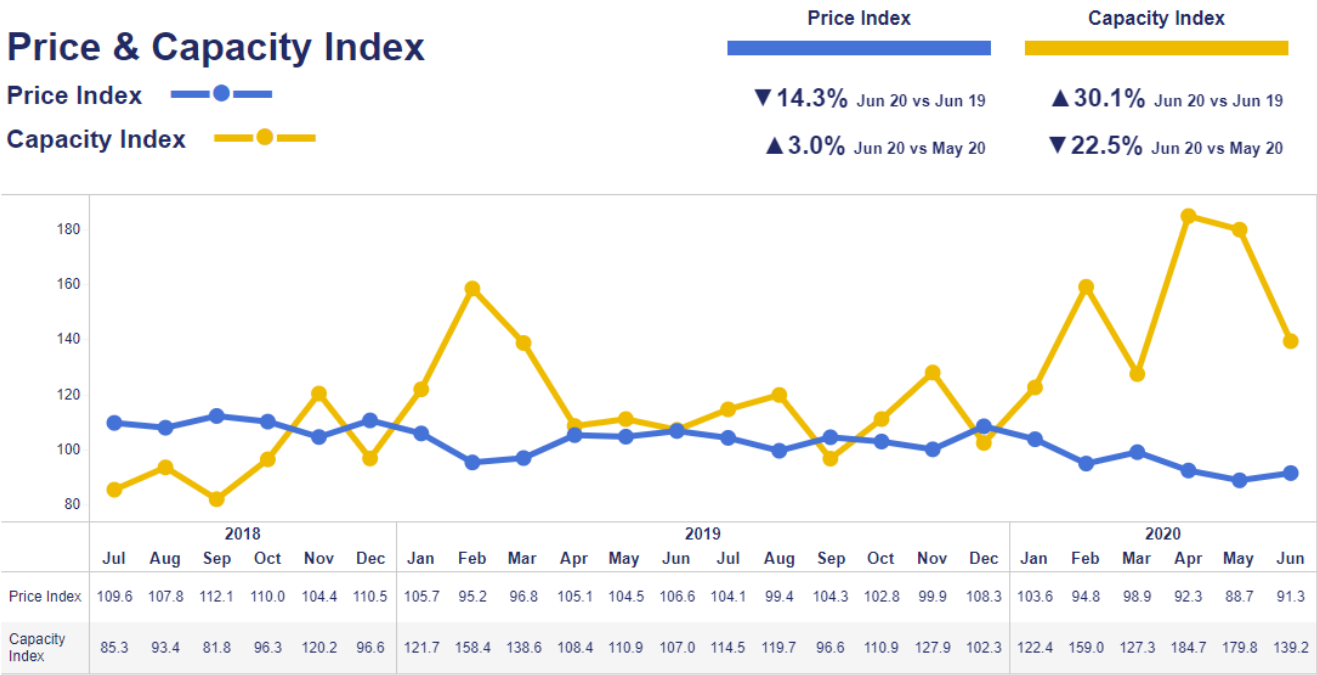


Source: Sea-Intelligence Maritime Analysis

Road Europe & USA overview



European available road freight capacity dips after all-time highs



European available road freight capacity on the spot market hit record levels in April and May to the backdrop of COVID-19, although the current month has brought some relief in the supply-demand imbalance.

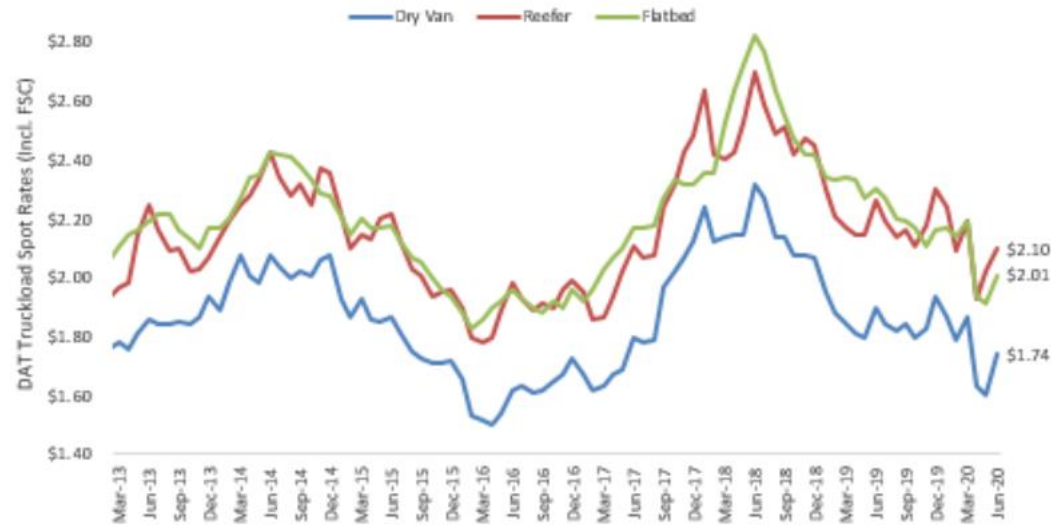
As for prices, some stability had been in evidence in February and March, but price levels declined sharply from April as corona kicked in and available capacity increased significantly.

One branch of the road freight market which has not followed the general trend with regard to capacity and pricing during COVID-19 has been FMCG and foodstuffs in particular, with the lockdowns buoying demand for such goods.

North American Freight Begins Long Road to Recovery

Truckload prices across segments

All segments have bottomed in pricing



The freight market seems to have bottomed out in April, but May didn't fare much better, showing only a 1.6% increase from April. Shipping volumes were down 23.6% compared to last year.

Sky-high unemployment, continuing fears of coronavirus, and recent government action will suppress any sort of sharp rebound in activity and most likely keep volumes below 2019 levels until next year at the earliest.

With increasing demand comes higher prices. Truckload linehaul rates began an upward climb as well, inching up .7% from April