Novel Coronavirus Supply Chain Update

Presented by UPS Global Freight Forwarding

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Global Freight Forwarding communications

- Register to receive important notifications
  - Service disruptions, rate changes, regulation updates

- Visit www.UPS-SCS.com
  - New website
  - Latest updates related to the novel coronavirus
Coronavirus update

Panelists

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UPS Global Freight Forwarding

Ron Jordan
Vice President
Sales

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President Asia Pacific
Supply Chain Solutions

Steve McMichael
Vice President
Ocean Freight

Brace Cain
Moderator

Randy Stanley
Vice President
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Vito Losurdo
Vice President Global
Procurement

Stuart Lund
Vice President
Global Customs Brokerage & Trade Advisory Services

Andy Norris
Q & A
Agenda

- Opening comments
- Asia outbound outlook
- Capacity and procurement update
- International air freight update
- Ocean Freight update
- Customs Brokerage update
- Q & A
- Closing comments
Asia outbound outlook

• Present a scenario of how the freight market will develop for Asia for the rest of 2020
• Explain the contributing factors
• Implications on capacity supply and demand
Asia outbound outlook

<table>
<thead>
<tr>
<th>Market Situation</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
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</thead>
<tbody>
<tr>
<td>Lockdown Situation</td>
<td>Most countries in various level of lockdown situation</td>
<td>Most countries lockdown starts to ease</td>
<td>Most economic activities resume</td>
<td>Most restrictions lifted though economy not fully recovered</td>
<td></td>
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<tr>
<td>International Travel</td>
<td>Minimal International Travel</td>
<td>Restricted business travels</td>
<td>Restricted business travels</td>
<td>Some resumption on leisure travels</td>
<td></td>
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<tr>
<td>PPE Demand</td>
<td>Very strong PPE Demand</td>
<td>Strong PPE Demand, some move back Ocean</td>
<td>Most PPE move back to Ocean</td>
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<tr>
<td>Segment Demand</td>
<td>Very strong High Tech demand</td>
<td>Normal High Tech demand</td>
<td>Normal High Tech demand, Retail recovers</td>
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<table>
<thead>
<tr>
<th>Capacity Supply</th>
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<tbody>
<tr>
<td>International PAX Flights</td>
<td>Minimal PAX Schedule. ~ 84% reduction in belly space</td>
<td>Some PAX reinstatement. ~ 60% reduction in belly space</td>
<td>More PAX reinstatement. ~ 40% reduction in belly space</td>
<td></td>
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<tr>
<td>Cargo Flights</td>
<td>Significant number of Charters - PAX &amp; freighter aircraft</td>
<td>Some Charters (PAX &amp; freighters) plus scheduled freighter capacity</td>
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<table>
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<tr>
<th>Implications</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Air Freight</td>
<td>• Escalated air freight rates</td>
<td>• High rate volatility</td>
<td>• Charter solution to protect service commitment</td>
<td>• Establish regular tonnage commitment with carriers</td>
<td>• Gradually establish rate stability with carriers</td>
<td>• Scheduled charters to protect service during expected surge periods</td>
<td></td>
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</tr>
<tr>
<td>Ocean Freight</td>
<td>• Continued soft demand on ocean freight</td>
<td>• Blank Sailing from carriers causing capacity reduction</td>
<td>• Pick Up on demand to stock up for retail peak season as retail picks up</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Rail Freight</td>
<td>• Continue to be a viable solution for China to Europe and v.v.</td>
<td></td>
<td>• Back to normal demand</td>
<td></td>
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Capacity and procurement update

• Summary of current status
• How UPS is responding?
• What are we anticipating?
Global air cargo capacity is -29% lower than last year
All trade lanes across the world are seeing double-digit air cargo capacity declines compared to last year; decline of -29% shows an improvement compared to the previous week (-31%)*

Summary of current status
- Demand continues to exceed capacity
- Charter rates are 4x more than normal
- Unavoidable delays in transit
- Export clearance delays for PPE

How is UPS responding?
- Capacity contingency plans
- Adding numerous charter flights
- Utilizing PAX flights operating as cargo-only

What are we anticipating?
- PAX flights are expected to return slowing
- Continued use of charters
- Escalated rates and capacity constraints through the remainder of the year

Source: Seabury Consulting

*Total air cargo capacity growth, 15-21 Apr 2020 vs. same week last year (YoY growth, %)
International air freight update

- International air freight status
- What are the implications?
- Strategies for mitigation
Airlines transport over 52 million metric tons of goods a year

What are the implications?
- Volatile rates
- Potential backlogs
- Changing regulations

Strategies for mitigation?
- Volume forecasting (4-6 weeks)
- Frequent communication
- Prioritize freight
- Understand regulations

International air freight status
- Increased demand for high tech and healthcare shipments anticipated through end of 2020
- Travel restrictions likely to continue through Q3
- PPE may shift to Ocean late Q3 / early Q4

Source: IATA, FlightRadar24.com, WorldACD
April Ocean freight update & outlook

April Market Situation

Global Ocean port handlings: -4%

UPS Operations Status
All UPS locations are moving shipments and ready to support customers

Global Container Traffic Outlook

Sources: U.S. Exports all modes sourced from U.S. News: Exports collapse as coronavirus freezes international trade (April 28, 2020)
Ocean: US Inbound based on volume imports (per DataMyne for April 1-28 in 2020 and 2019. Global Ocean port handlings sourced from Drewry 2Q20 World (Table 2.4)

Steve McMichael
Vice President
Ocean Freight
UPS Preferred® LCL enhancements add more opportunities between air freight rate and ocean transit

Scope & Highlights
- 34 Countries Serviced (All Regions), 143 CFS/City Pairings
- Predictable/consistent transit times
- End-to-end shipment visibility
- Simplified per-kilo pricing on Rate Cards

Lower than Air Freight per KG rates & Faster than Ocean transit times

<table>
<thead>
<tr>
<th>Lane</th>
<th>Air Freight ($/ KG)</th>
<th>PLCL ($/ KG)</th>
<th>% PLCL Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>HAM - CHI</td>
<td>$4.61</td>
<td>$1.92</td>
<td>58%</td>
</tr>
<tr>
<td>SHA - CHI</td>
<td>$18.27</td>
<td>$1.73</td>
<td>91%</td>
</tr>
<tr>
<td>CHI - HAM</td>
<td>$2.79</td>
<td>$1.91</td>
<td>32%</td>
</tr>
<tr>
<td>CHI - SHA</td>
<td>$2.45</td>
<td>$1.55</td>
<td>37%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Lane</th>
<th>Regular Ocean Transit (Days)</th>
<th>PLCL Transit (Days)</th>
<th>% PLCL Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>HAM - CHI</td>
<td>20</td>
<td>16</td>
<td>20%</td>
</tr>
<tr>
<td>SHA - CHI</td>
<td>31</td>
<td>20</td>
<td>35%</td>
</tr>
<tr>
<td>CHI - HAM</td>
<td>22</td>
<td>19</td>
<td>13%</td>
</tr>
<tr>
<td>CHI - SHA</td>
<td>29</td>
<td>26</td>
<td>10%</td>
</tr>
</tbody>
</table>

* IAF rate based on Consol.500kg rate G333 DTD All-In rate from April 30, 2020

Recent Enhancements
- Added Prague, Helsinki, Chennai, and Tuticorin as origins
- Added Ex-Works charges for HK and CN

Steve McMichael
Vice President
Ocean Freight
Customs Brokerage Update

- Global highlights
- U.S. Customs (CBP) updates
- Medical supplies and PPE update
Customs brokerage and compliance update

GLOBAL HIGHLIGHTS

U.S. Customs (CBP) Updates

90 day duty deferral – for importers suffering significant financial hardship, subject to significant limitations:

• Must be the Importer of Record
• Gross receipts must be 60% of prior year’s receipts
• Applies only to March and April’s imports
• Subject to audit

USMCA - to enter into force July 1

• All three partner countries reported to have taken necessary measures to implement and comply

CBP Coronavirus Updates: https://www.cbp.gov/newsroom/coronavirus

Personal Protective Equipment (PPE) Update

FEMA prohibits export of certain PPE and authorizes CBP to detain shipments of covered commodities

• Effective 4/7/2020 to 8/7/2020
• Exemptions apply (April 21 Notice of Exemptions)

CBP, working with ICE, seized over 225 shipments of mislabeled, fraudulent, unauthorized or prohibited PPE and test items

China exports of medical supplies and non-medical masks: 12 categories of medical supplies requiring specific export documentation

• Non-medical masks require a specific export declaration and are subject to a government managed “black list”
Q & A

Sebastian Chan
President Asia Pacific
Supply Chain Solutions

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& Trade Advisory Services

Andy Norris
Q & A Moderator

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Closing Comments

Ron Jordan
Vice President Sales
Thank you