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Global Freight Forwarding communications

- Register to receive important notifications
  - Service disruptions, rate changes, regulation updates
  - [https://gffsolutions.ups.com/Subscription-Management.html](https://gffsolutions.ups.com/Subscription-Management.html)

- Visit [www.UPS-SCS.com](http://www.UPS-SCS.com)
  - Latest updates related to the novel coronavirus

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1-800-443-6379

- We’re monitoring the impact of COVID-19. [Click here to read our most recent update.](https://gffsolutions.ups.com/Subscription-Management.html)
Coronavirus update

Panelists

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President
UPS Global Freight Forwarding

Ron Jordan
Vice President
Sales

Mike Harrell
President
Global Freight Forwarding, Europe

Brace Cain
Moderator

Randy Stanley
Vice President
International Air Freight

Steve McMichael
Vice President
Ocean Freight

Stuart Lund
Vice President
Global Customs Brokerage & Trade Advisory Services

Andy Norris
Q & A

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Agenda

- Opening comments
- Europe status and outlook
- Capacity and procurement update
- International air freight update
- Ocean Freight update
- Customs Brokerage update
- Q & A
- Closing comments
Opening Comments

Romaine Seguin
President
UPS Global Freight Forwarding
Europe status and outlook

• Present a scenario of how the freight market will develop for Europe for the rest of 2020
• Explain the contributing factors
• Implications on capacity supply and demand
# Europe Freight Market Scenario - Future Outlook and Implications

<table>
<thead>
<tr>
<th>May - July</th>
<th>August - October</th>
<th>November - December</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Market Situation</strong></td>
<td><strong>Capacity Supply</strong></td>
<td><strong>Implications</strong></td>
</tr>
</tbody>
</table>
| - Lockdown Easing  
- International travel ban | - PAX flight-80% reduction in belly space  
- More Charters in demand | - High & volatile Air freight rates  
- Limited impact on ocean rates |
| - Ecommerce booming  
- Increased demand of Temp. True, medical devices & PPE  
- APAC recovering | - Ports constraints (Space/equipment)  
- Blank sailings in place | - Rail/ Multimodal alternative become attractive  
- Companies look to secure supply chain |
| - Most economic activities resume  
- Restricted business travels | - Approx. 60% reduction in belly space  
- Transatlantic trade lane most impacted  
- Scheduled charters for expected peaks | - Lower Air freight rates, above pre-virus level  
- Trade Direct preferred option for increased eCommerce  
- Companies reconfigure supply chain |
| - Most restrictions lifted  
- Economies not fully recovered  
- Restricted business travel & some leisure travels allowed | - Fewer port constraints  
- Reefer equipment available | - Rate stability  
- Regular tonnage commitment with carriers |
| | - HC supply chain normalization  
- Recovery Industrial and Automotive demand  
- Growth of Retail but below pre-virus | - Companies focus on recovery & growth |

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International air freight update

- International air freight status
- What are the implications?
- Strategies for mitigation
Global air cargo capacity is -25% lower than last year

Mixed results in terms of capacity growth between lanes; Transpacific cargo capacity is seeing positive growth, while Transatlantic cargo capacity is over 50% lower compared to last year

Summary of current status

- Industry-wide cargo (March):
  - Demand contracted by -15.2%
  - Capacity contracted by -22.7%
  - PPE on PAX flights driving growth on Transpacific
- Global manufacturing PMI at lowest levels since 2009

What are the implications?

- Sharp economic slowdown will present ongoing challenges for air cargo
- Volatile rates
- Continued capacity constraints
- Potential backlogs/delays

Strategies for mitigation?

- Focus on Core Business and Innovation to accelerate out of crisis
- Partner with experts to optimize supply chain to fit strategy
- Evaluate origin sourcing strategy to increase resiliency
- Optimize Supply Chain to maximize cash flow

*Total air cargo capacity growth, 29 Apr – 5 May 2020 vs. same week last year (YoY growth, %)
April Ocean freight update & outlook

Q2 Global Ocean Volume Outlook
(Year over Year, in %)

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

Global Container Traffic Outlook

3Q2020: -11%
4Q2020: 0%
UPS Preferred® LCL and China Rail add more opportunities between air freight rate and ocean transit

**UPS Preferred® LCL**

**Service 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

→ Both are LOWER than air freight per kilo rates ←

<table>
<thead>
<tr>
<th>Lane</th>
<th>Air Freight ($/KG)</th>
<th>PLCL ($/KG)</th>
<th>% PLCL Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>SHA - CHI</td>
<td>$16.71</td>
<td>$1.73</td>
<td>90%</td>
</tr>
<tr>
<td>CHI - SHA</td>
<td>$2.49</td>
<td>$1.55</td>
<td>38%</td>
</tr>
<tr>
<td>HAM-ATL</td>
<td>$5.05</td>
<td>$1.38</td>
<td>73%</td>
</tr>
<tr>
<td>ATL-HAM</td>
<td>$3.00</td>
<td>$1.38</td>
<td>54%</td>
</tr>
</tbody>
</table>

* IAF rate based on Consol. G333 DTD All-In rate from May 13, 2020

→ and FASTER than ocean freight ←

<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>SHA - CHI</td>
<td>35</td>
<td>20</td>
<td>43%</td>
</tr>
<tr>
<td>CHI - SHA</td>
<td>45</td>
<td>26</td>
<td>42%</td>
</tr>
<tr>
<td>HAM-ATL</td>
<td>35</td>
<td>18</td>
<td>49%</td>
</tr>
<tr>
<td>ATL-HAM</td>
<td>29</td>
<td>19</td>
<td>34%</td>
</tr>
</tbody>
</table>

**UPS China Rail®**

**Service Scope & Highlights**
- 10 destination countries served, from 35 origins in China
- Predictable/consistent transit times
- End-to-end shipment visibility
- Simplified per-kilo pricing on Rate Cards

<table>
<thead>
<tr>
<th>Lane</th>
<th>Air Freight ($/KG)</th>
<th>China Rail ($/KG)</th>
<th>% China Rail Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>SHA- HAM</td>
<td>$14.21</td>
<td>$2.80</td>
<td>80%</td>
</tr>
<tr>
<td>SZX- LDN</td>
<td>$9.56</td>
<td>$3.00</td>
<td>69%</td>
</tr>
<tr>
<td>NGB-AMS</td>
<td>$14.91</td>
<td>$2.70</td>
<td>82%</td>
</tr>
</tbody>
</table>

* IAF rate based on Consol. G333 DTD All-In rate from May 14, 2020

<table>
<thead>
<tr>
<th>Lane</th>
<th>Regular Ocean Transit (Days)</th>
<th>China Rail Transit (Days)</th>
<th>% China Rail Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>SHA - CHI</td>
<td>43</td>
<td>22</td>
<td>49%</td>
</tr>
<tr>
<td>CHI - SHA</td>
<td>36</td>
<td>28</td>
<td>22%</td>
</tr>
<tr>
<td>HAM-ATL</td>
<td>40</td>
<td>28</td>
<td>30%</td>
</tr>
</tbody>
</table>

* OCN TinT based on 2 pre-cut off and 5 days for DV & Delivery
Customs Brokerage Update

- Global status
- Covid-19 related restrictions
- Other customs updates potentially impacted by Covid-19
Customs brokerage and compliance update

GLOBAL STATUS

Global: Customs operations stable overall worldwide
India: Mumbai courier terminal closed (no clearance – volumes diverted to Delhi)
Kuwait/Qatar: end of May lockdowns (UAE – rising cases reported)
Sri Lanka/Pakistan/South Africa/Bangladesh/Nigeria: Lock downs limiting service (essential items)
Russia: lock down extended (limited import)

COVID-19 RELATED

PPE and non-PPE Restrictions
• U.S.: FEMA continues to prohibit export of certain PPE (8/7)
• China: 12 categories of medical supplies requiring specific export documentation
  • Non-medical masks require a specific export declaration
U.S. Duty Deferral (5/21 deadline)
• Available only to severely impacted importers
• Non-Resident Importers can qualify

<table>
<thead>
<tr>
<th>Issue</th>
<th>Implications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 301 Tariffs</td>
<td>Exclusions are retroactive</td>
</tr>
<tr>
<td>• New List 3 exclusions and exclusion renewals</td>
<td>Comments due June 8th for renewals</td>
</tr>
<tr>
<td>• Phase I deal</td>
<td></td>
</tr>
<tr>
<td>Thailand GSP – excluded items</td>
<td>Excluded items subject to higher duties</td>
</tr>
<tr>
<td>USMCA – July 1 implemenation</td>
<td>MPF implications</td>
</tr>
<tr>
<td>Brexit – extension unlikely</td>
<td>Adapting your supply chain to two customs destinations</td>
</tr>
<tr>
<td>EU – VAT reform – delayed until July 2021</td>
<td>VAT obligation on shippers for some imports</td>
</tr>
</tbody>
</table>

CBP Coronavirus Updates: [https://www.cbp.gov/newsroom/coronavirus](https://www.cbp.gov/newsroom/coronavirus)
Ron Jordan
Vice President Sales
Thank you