BOLLORÉ LOGISTICS

AIRFREIGHT MARKET UPDATE

SEPTEMBER 2021

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MARKET OVERVIEW

Drivers of air cargo performance remain supportive despite the spread of the Delta variant putting pressure on operations and economic activity.

According to IATA, the new export orders component of the global manufacturing PMI remains above the 50-mark (52.7 in July) despite slowing down in the past few months while the manufacturing output PMI also continues to trend at elevated levels (54.3 in July).

Global demand was 8.6% higher than two years earlier, down from a 9.2% gain in June. A significant slowdown in air cargo traffic still appears unlikely due to favorable supply chain dynamics.

On the other hand, **air cargo capacity continued to recover in July (down 10.3% versus July 2019),** but there are also risks that improvements slow or reverse in August.

The global cargo load factor grew by 9.5 percentage points (ppts) compared to the same month in 2019, to reach 54.4%. This is a record-high value for any months of July, showing that the market remains exceptionally tight.

Only North American carriers fielded more capacity in July than two years earlier (up 1.8%), but their international lift was still 6.6% down. Middle Eastern carriers had single-digit capacity shortfall (-6.1%), while capacity of airlines from Europe and was by 14% and 20% respectively.

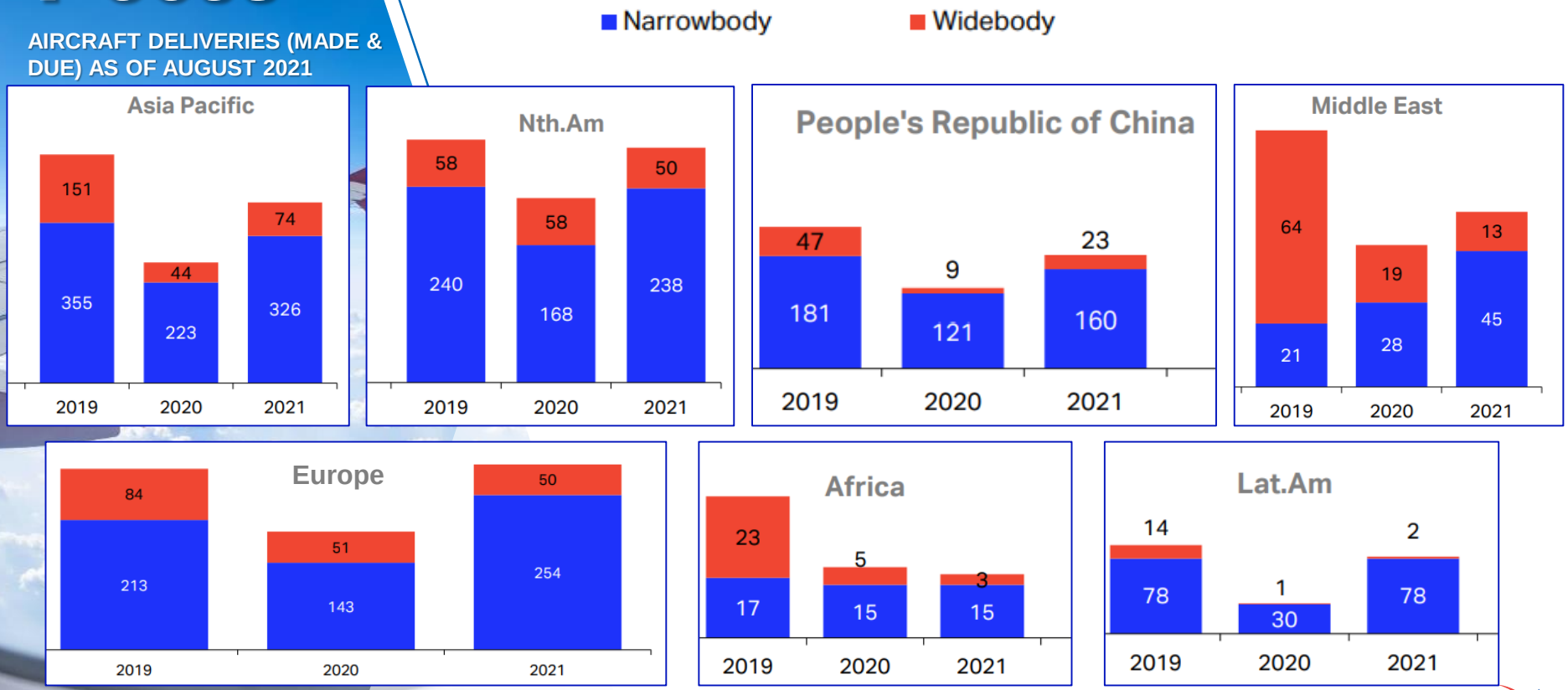
The Drewry East-West Airfreight Price Index climbed 2% in July month-on-month to $5.26, 3% higher than a year earlier.

Looking ahead, **businesses and shippers are likely to be faced with strong demand for air transport during the peak cargo season in Q4.**

Source: IATA, Drewry

Focus

AIRCRAFT DELIVERIES (MADE & DUE) AS OF AUGUST 2021



Source: IATA

Aircraft deliveries corresponds to the number of new aircrafts that airlines add to their fleet, to boost capacity..

Focus

JET FUEL PRICE MONITOR AS AT 10TH SEPTEMBER 2021

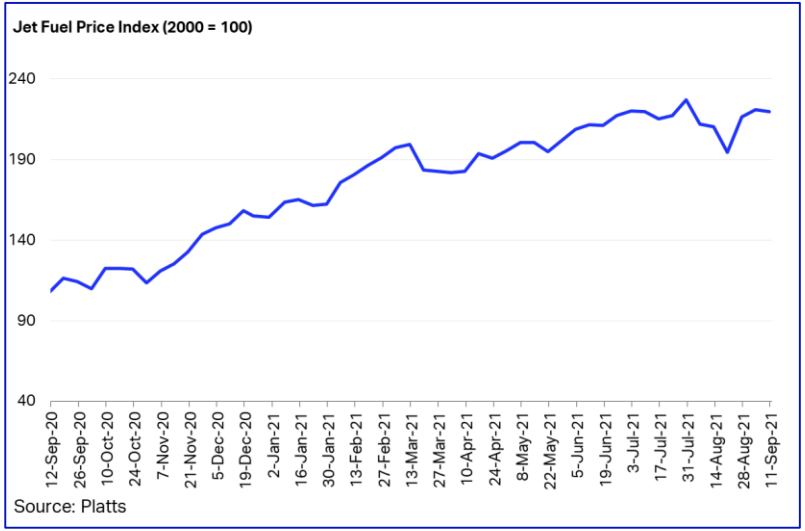
10 September 2021	Share in World Index	cts/gal	$/bbl	$/mt	Index Value 2000 = 100	vs. 1 week ago	vs. 1 month ago	vs.1 yr ago
Jet Fuel Price	100%	191.55	80.45	635.32	219.92	-0.5%	4.5%	103.9%
Asia & Oceania	22%	184.53	77.50	612.29	221.44	-1.0%	3.8%	108.0%
Europe & CIS	28%	190.15	79.86	630.13	215.17	-0.5%	4.1%	105.3%
Middle East & Africa	7%	183.73	77.17	609.30	230.44	-0.7%	4.6%	117.6%
North America	39%	197.38	82.90	654.89	220.39	-0.1%	5.0%	99.6%
Latin & Central America	4%	197.20	82.82	654.31	229.44	-0.5%	5.4%	96.3%

Source: IATA

Oil and jet fuel prices continued to trend upwards in July, putting extra pressure on airlines' financials. The increase was driven by recovering global economic activity and uncertainty about Opec+ output deal.

Recent jet fuel price developments

DATE	INDEX
10 September	219.9
03 September	220.9
27 August	216.5
20 August	194.8



Source: Platts

July was the third consecutive month of relative stability in air cargo growth, Global demand rose by 8.6% in July compared to the pre-crisis month of July 2019, a minor deterioration from the 9.2% increase in June.

Improvements in air cargo capacity continued in July, with industry-wide available cargo tonne-kilometres (ACTKs) down 10.3% compared to July 2019, after an 11.8% decline in June.

This trend could slow or reverse in August due to the impact of the Delta variant on airport operations and international passenger traffic, notably in China, Southeast Asia and Europe.

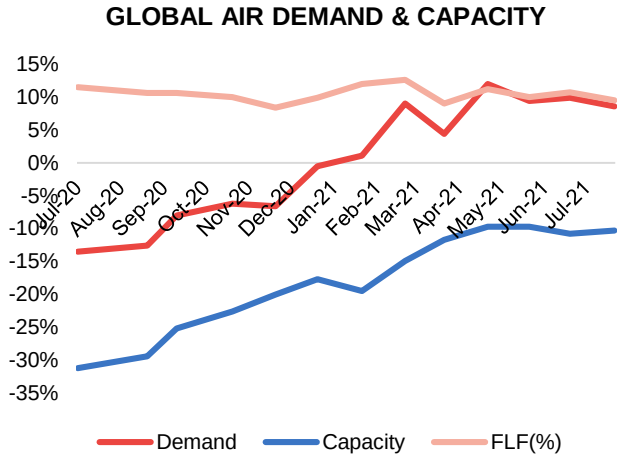
International capacity onboard passenger aircraft were down 37.7% in July 2021 vs July 2019, a small improvement from the decline in June (40.6%).

In July, the global cargo load factor grew by 9.5 percentage points (ppts) compared to the same month in 2019, to reach 54.4%. This is a record-high value for any months of July, showing that the market remains exceptionally tight.

Several trade routes to/from Latin America (segment-based) performed well, such as Nth-Central Am, Nth-Sth Am and Eur-Sth Am, confirming that demand for air cargo in the region is recovering from the crisis.

GLOBAL DEMAND & CAPACITY

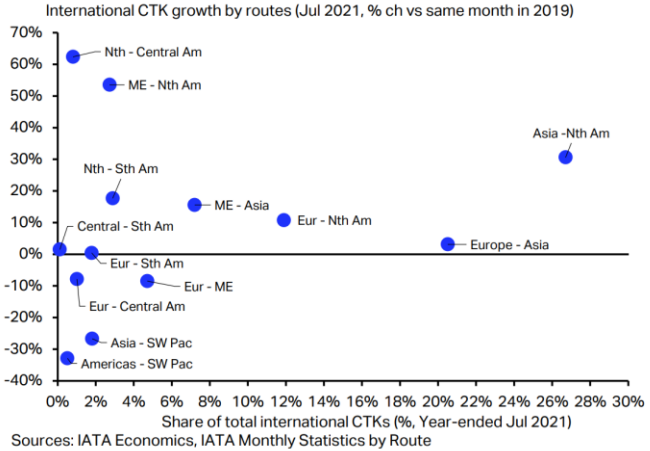
DEMAND, CAPACITY, LOAD FACTOR



FLF = Freight/Cargo Load Factor

For demand, capacity and LF, all % changes in 2021 are compared with pre-crisis 2019 months

INTERNATIONAL DEMAND BY ROUTE (SEGMENT-BASED)



Sources: IATA Economics, IATA Monthly Statistics by Route

International CTK = volume flown outside airline's region of registration.

Source : IATA

CLICK TO GO TO EACH TRADE LANE

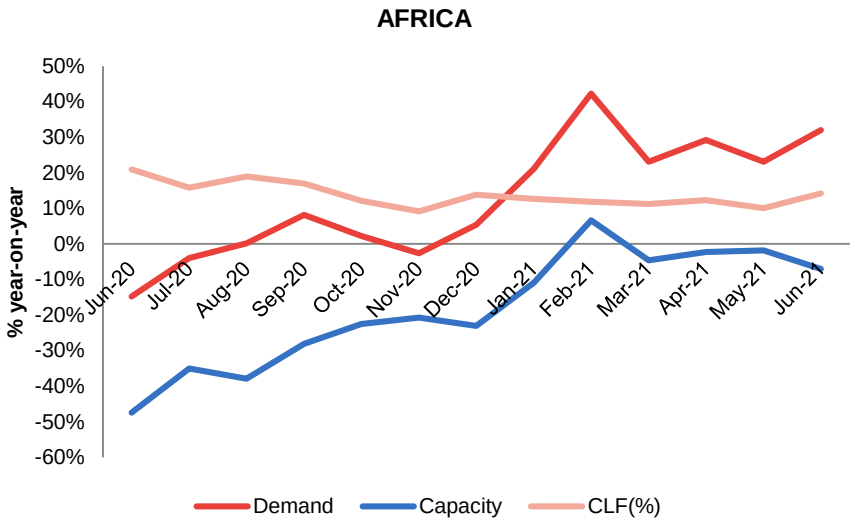
TRADE LANE ANALYSIS | AFRICA

Business conditions sharply deteriorated in South Africa amid public protests.

Robust air cargo expansion continued in June for airlines based in Africa, as demand grew by 32% versus June 2019. This represents the sixth consecutive month of the highest demand growth among all regions.

As of August 2021, African carriers are expected to receive 10% fewer aircraft deliveries in 2021 vs. 2020.

DEMAND, CAPACITY, LOAD FACTOR



For demand, capacity and LF, all % changes in 2021 are compared with pre-crisis 2019 months

FLF = CLF = Freight/ Cargo Load Factor

Source : IATA, Drewry

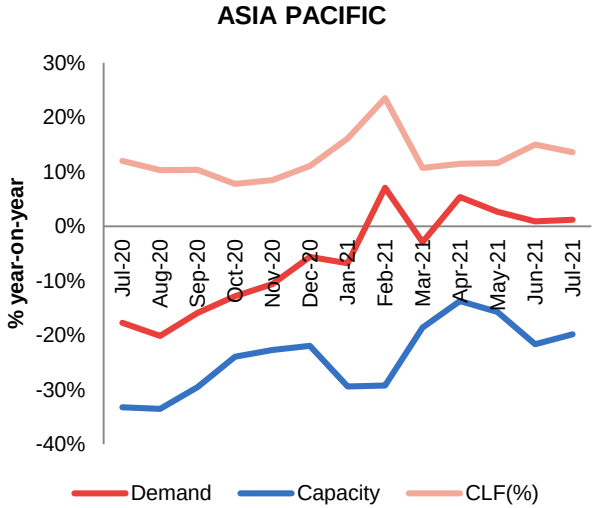
TRADE LANE ANALYSIS | ASIA PACIFIC

Growth momentum in key indicators in Asia has been easing, partly due to a slowdown in the strong economic activity of recent months, and by congested supply chains.

Growth performance of Asian airlines followed similar trends in July. For Asia Pacific, international CTKs(demand) grew by 4.4% in July 2021 vs July 2019, while international ACTKs (capacity) fell by 19.5% over the same interval. In both cases, that was similar to the outcomes for June.

As of August, aircraft deliveries scheduled by carriers based in the Asia Pacific region are expected to increase by 50% in 2021 compared with 2020 but will remain 21% below deliveries in 2019.

DEMAND, CAPACITY, LOAD FACTOR



FLF = CLF = Freight/ Cargo Load Factor

For demand, capacity and LF, all % changes in 2021 are compared with pre-crisis 2019 months

RATE EVOLUTION

Source : IATA, Drewry,

TRADE LANE ANALYSIS | EUROPE

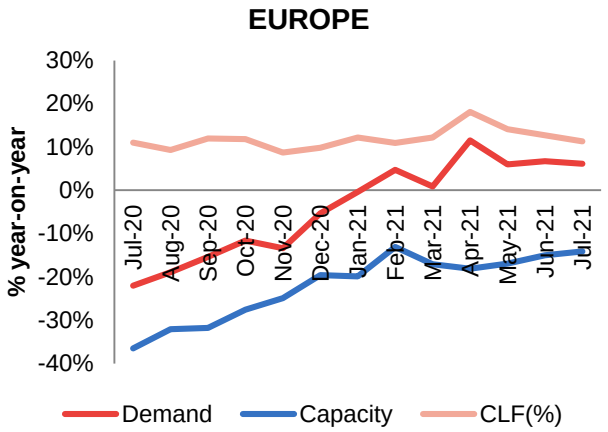
Manufacturing activity, orders and supplier delivery times are still favorable to air cargo in Europe.

Robust Q2 GDP growth results and elevated manufacturing PMIs confirm that economic activity has continued to recover from the pandemic effects in the UK and Eurozone. However, the manufacturing sector contracted in Russia for the second consecutive month amidst weak demand and inflationary pressures.

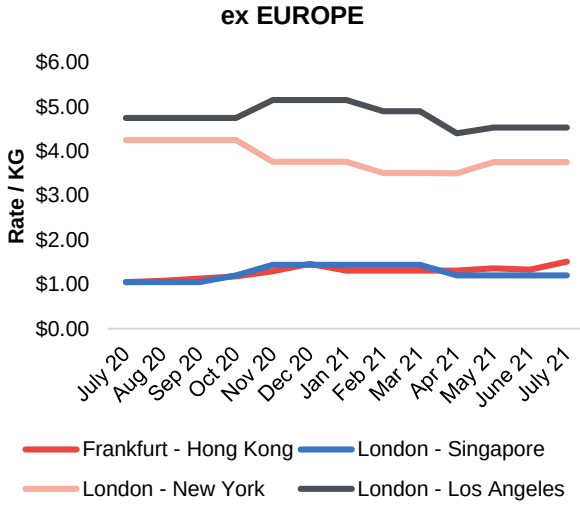
For Europe, international demand grew by 6.0% in July 2021 vs July 2019, while international capacity fell by 14.1%.

As of August 2021, the number of 2021 aircraft deliveries received by European carriers is expected to be 57% higher than in 2020 and broadly unchanged from 2019.

DEMAND, CAPACITY, LOAD FACTOR



RATE EVOLUTION



FLF = CLF = Freight/ Cargo Load Factor

For demand, capacity and LF, all % changes in 2021 are compared with pre-crisis 2019 months

Source : IATA; Drewry

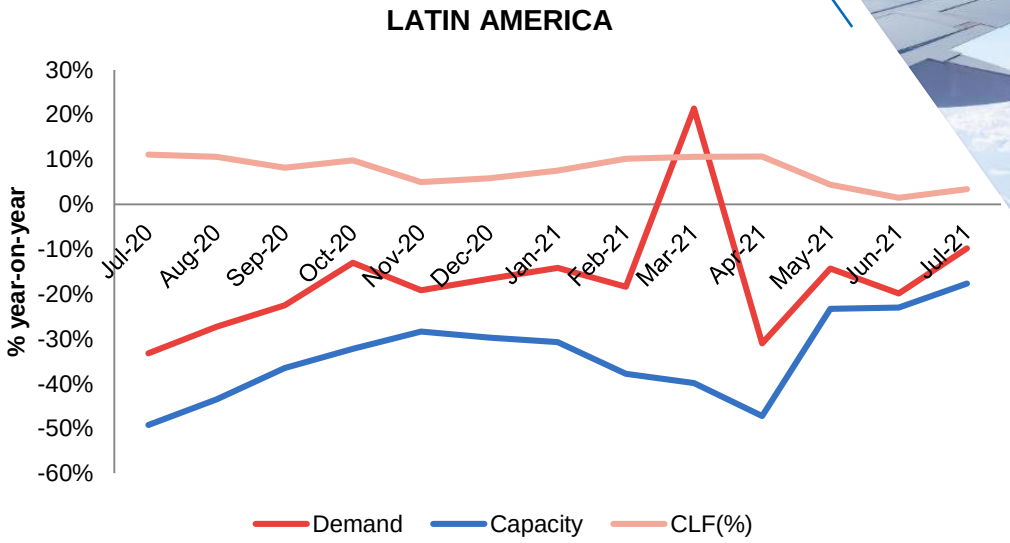
TRADE LANE ANALYSIS | LATIN AMERICA

Economic activity in the US surpassed its pre-crisis levels in Q2, but supply chain constraints hinder faster GDP growth. The latest PMI results show that the manufacturing sector continued to recover from the pandemic effects in Brazil and started to stabilize in Mexico.

International CTKs (demand) of airlines registered in Latin America fell by 10.2% in July 2021 versus July 2019, after a 21.5% drop in June. That said, the comparison with pre-crisis traffic levels has been highly volatile in recent months in the region.

As of August 2021, aircraft deliveries scheduled for 2021 by airlines based in the Latin are expected to be 13% below 2019 levels.

DEMAND, CAPACITY, LOAD FACTOR



For demand, capacity and LF, all % changes in 2021 are compared with pre-crisis 2019 months

FLF = CLF = Freight/ Cargo Load Factor

Source : IATA, Drewry

TRADE LANE ANALYSIS | MESA

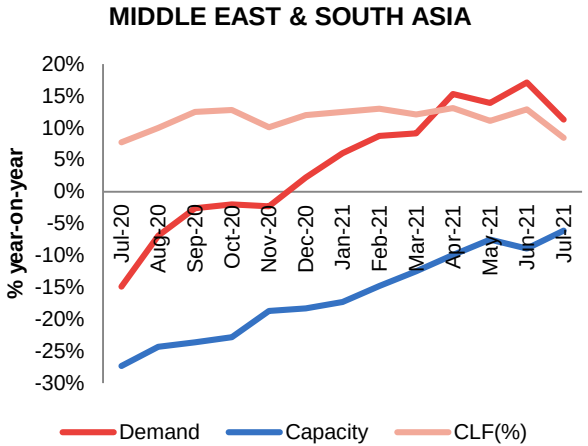
Following the weakness in June, the manufacturing sector in India expanded robustly in July amidst relaxation of COVID restrictions and rising demand. In contrast, operating conditions deteriorated sharply in Indonesia due to significant disruptions arising from a new COVID-19 spike.

In Saudi Arabia, economic growth remained robust although creation of jobs slowed vs. June. In the UAE, business environment improved on the back of recovering demand, but rising COVID cases in Asia pose a risk to further growth.

International demand growth of carriers based in the Middle East moderated in July, to 11.3% compared to July 2019 after a 15.8% increase in June.

As of August 2021, Middle Eastern airlines should get 23% more deliveries vs. 2020.

DEMAND, CAPACITY, LOAD FACTOR



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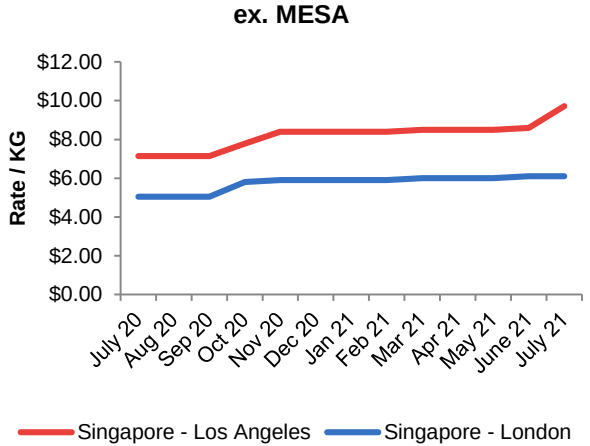
Source : IATA, Drewry

RATE EVOLUTION



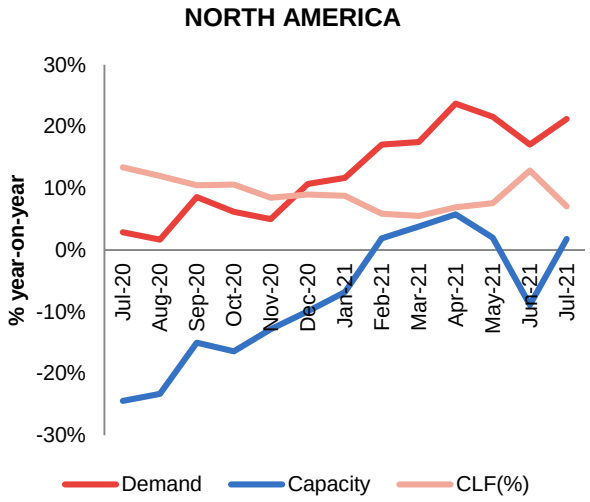
TRADE LANE ANALYSIS | NORTH AMERICA

Economic activity in the US surpassed its pre-crisis levels in Q2, but supply chain constraints hinder faster GDP growth. Drivers such as new export orders and supplier delivery times remain highly supportive in North America, and capacity is less limited than elsewhere thanks in part to large freighter fleets.

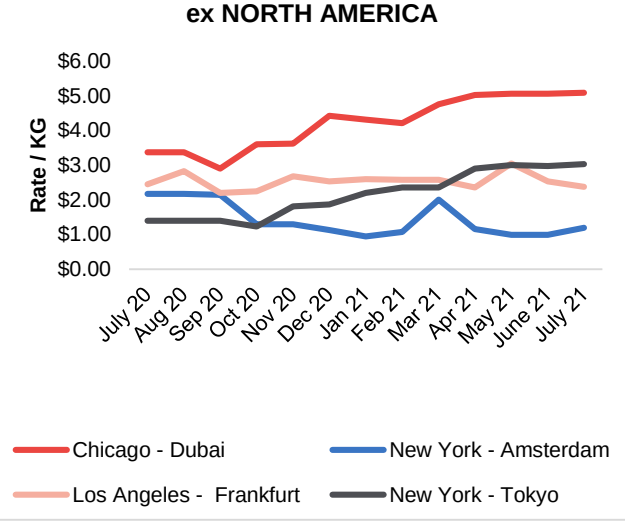
Airlines based in North America topped the international growth chart this month, with international CTKs up 20.5% compared to July 2019 while capacity decreased by 6.6%, below industry average of -10.3%.

As of August 2021, aircraft deliveries scheduled for 2021 by airlines based in North American region are expected to be 3% below 2019 levels, respectively.

DEMAND, CAPACITY, LOAD FACTOR



RATE EVOLUTION



For demand, capacity and LF, all % changes in 2021 are compared with pre-crisis 2019 months

FLF = CLF = Freight/ Cargo Load Factor

Source : IATA, Drewry