

# Caspian Air Cargo Summit

## Air cargo trends in CIS and Central Asia

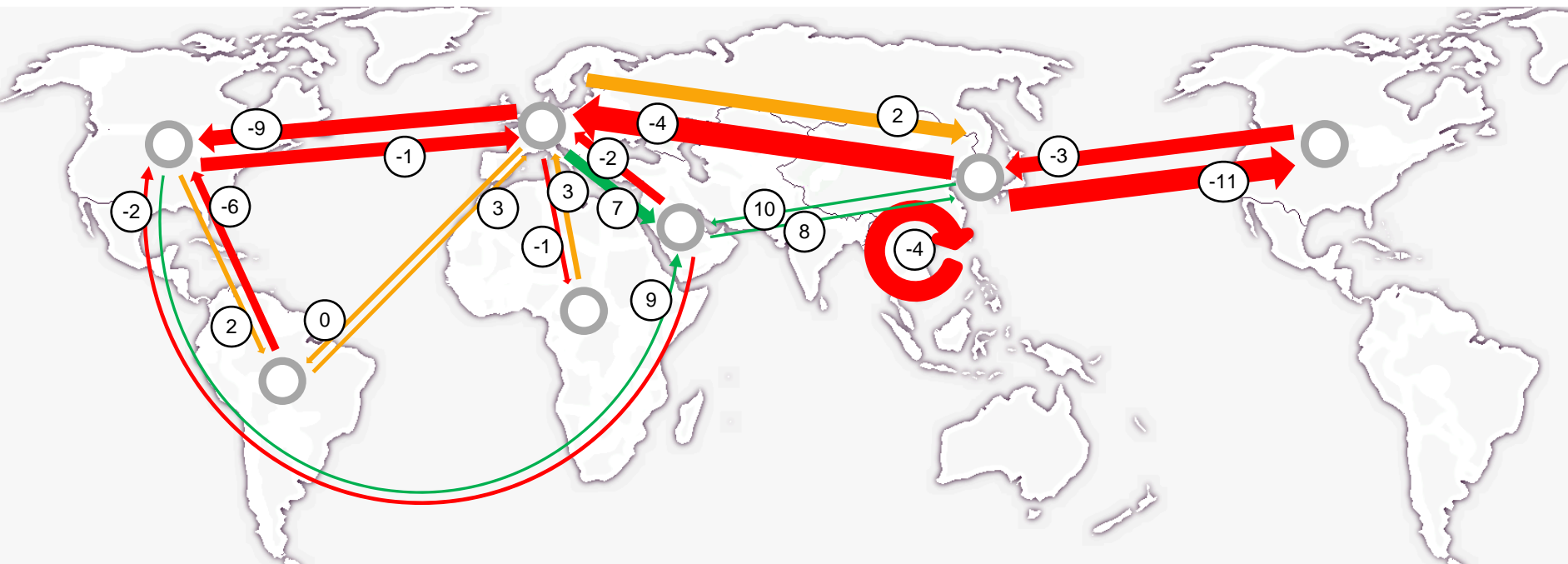
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Baku, June 9-10

# Intercontinental air trade growth 2008

Inbound USA, as well as the traditional high growth trade lanes Intra Asia were in particular hit hard in 2008

Intercontinental air trade growth 2008 (%)\*



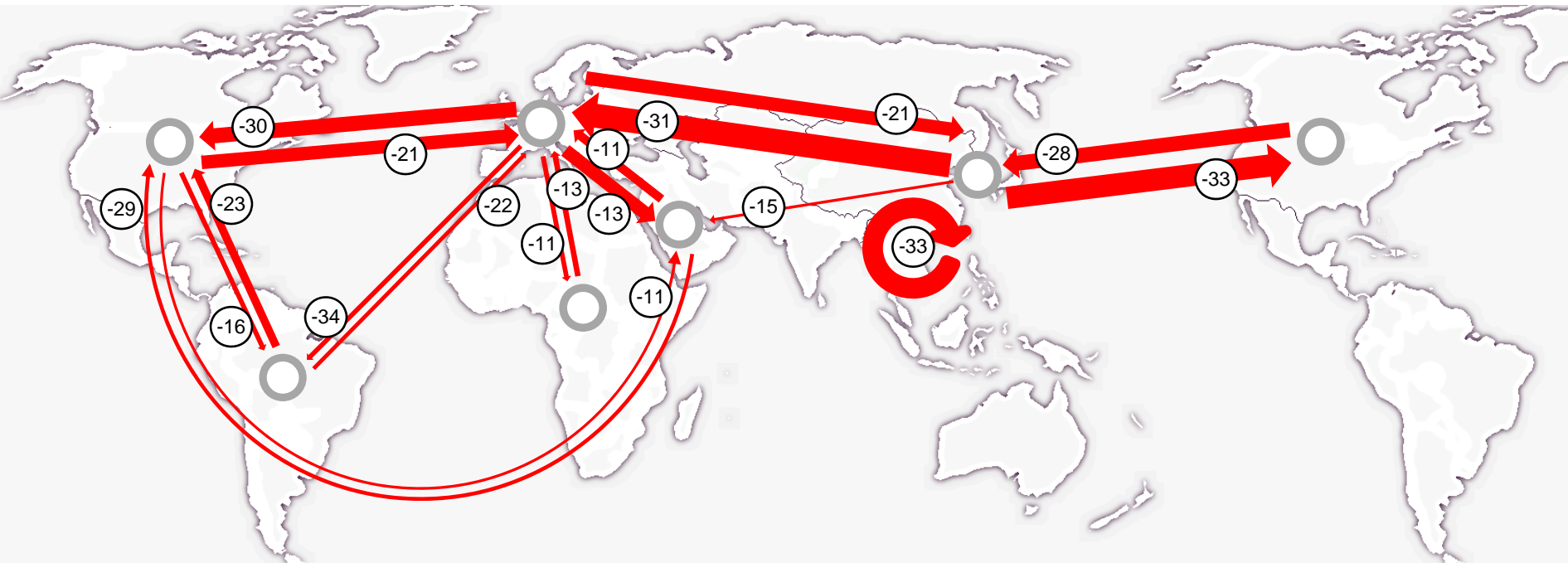
Worldwide growth 2007-2008: -3.5%

\*YOY growth in terms of weight; 2008 December data partly estimated  
Source: Seabury Global Trade Database

# Intercontinental air trade growth 2009 ytd

The trend of Q4 2008 has continued in Q1 of 2009

## Intercontinental air trade growth 2009 ytd (%)\*



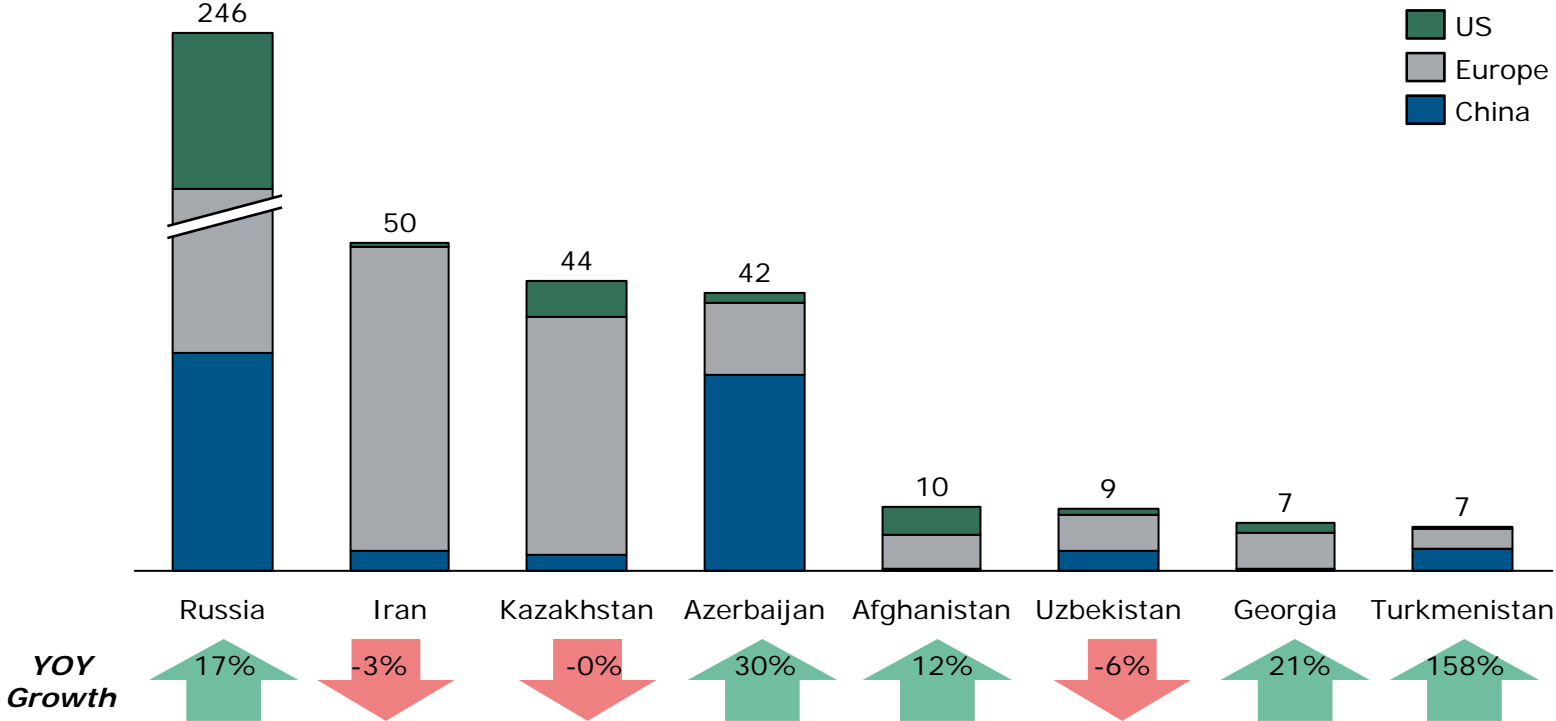
Worldwide growth 2009 ytd: -24.6%

\*YOY growth in terms of weight; based on China data until April, US data until March, and Europe data until March  
Source: Seabury Global Trade Database

# Air trade volumes CIS and Central Asia

Growth numbers are far more positive than the global average, Europe and China are key air trade partners for the regions

**CIS and Central Asia region air trade in 2008**  
(tons x 1,000)



Worldwide growth 2007-2008: -3.5%

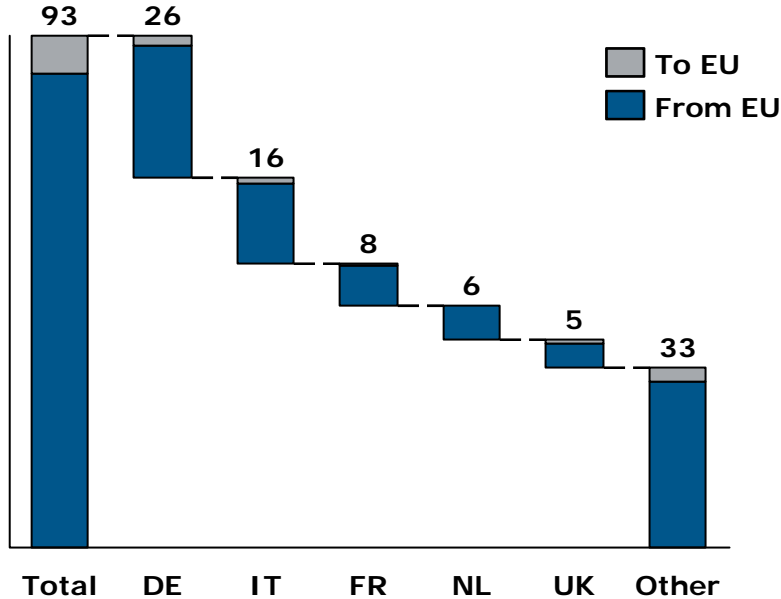
Source: Seabury Global trade database

# Trade with Europe and China

Caspian air trade with Europe and China still very imbalanced; mainly inbound, latter is focused on the Western region (Urumqi)

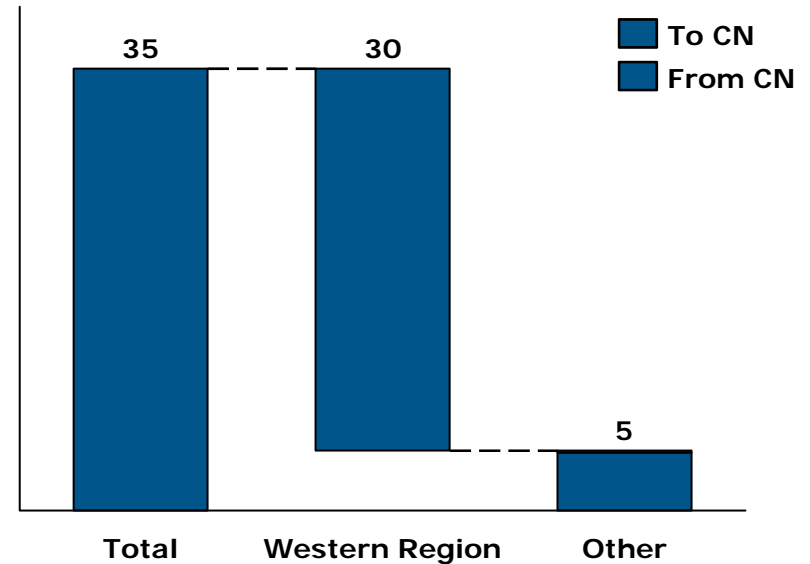
### Caspian region trade with Europe

2008 Trade  
(Tons x 1000)



### Caspian region trade with China

2008 Trade  
(Tons x 1000)

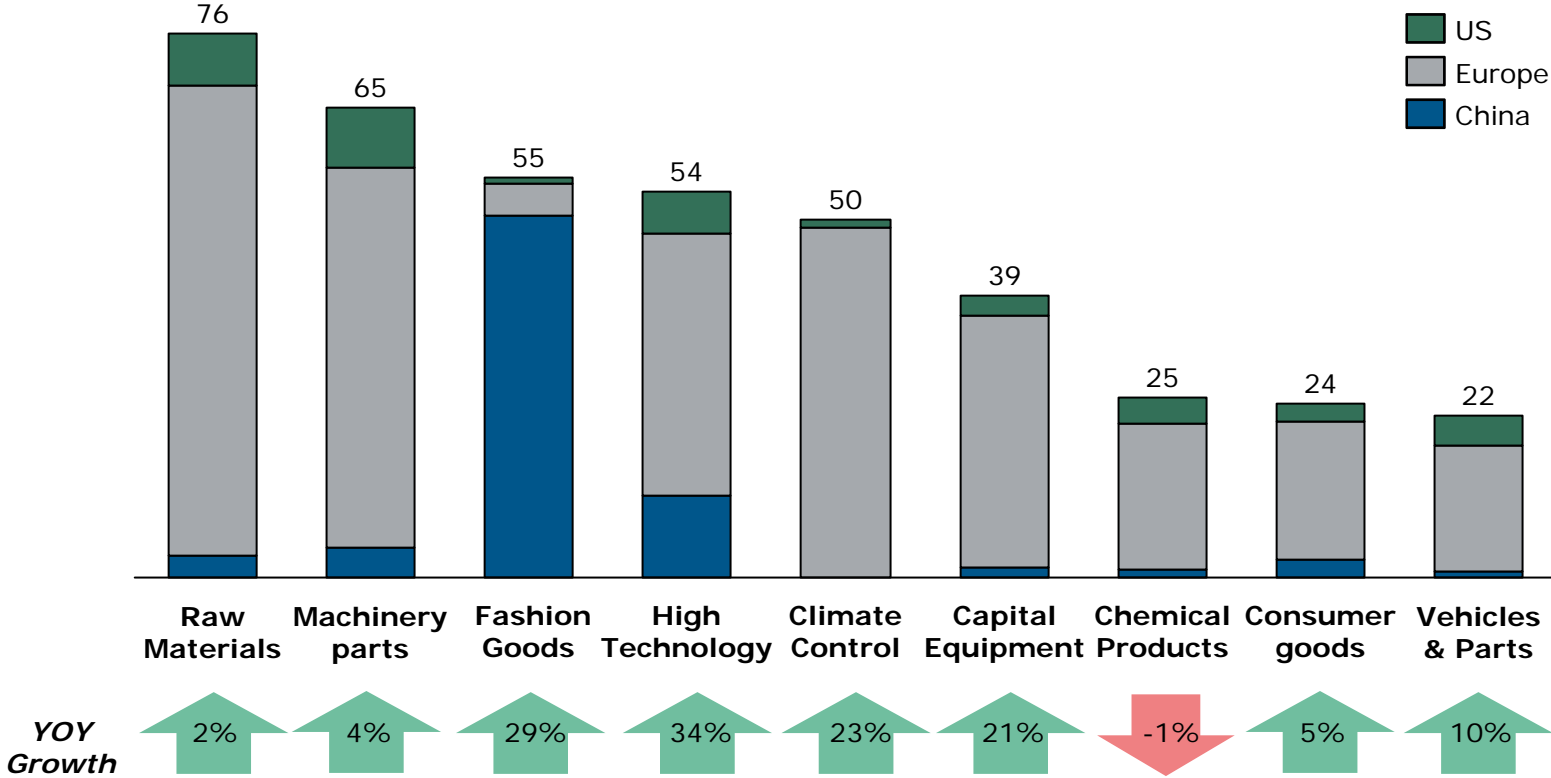


Note: Trade with Europe and China is from Iran, Kazakhstan and Azerbaijan  
Source: Seabury Global Trade Database

# Air trade commodities

Fashion Goods and High Tech are likely to become the most important commodities in the short to medium term

**CIS and Central Asia air trade in 2008**  
(tons x 1,000)



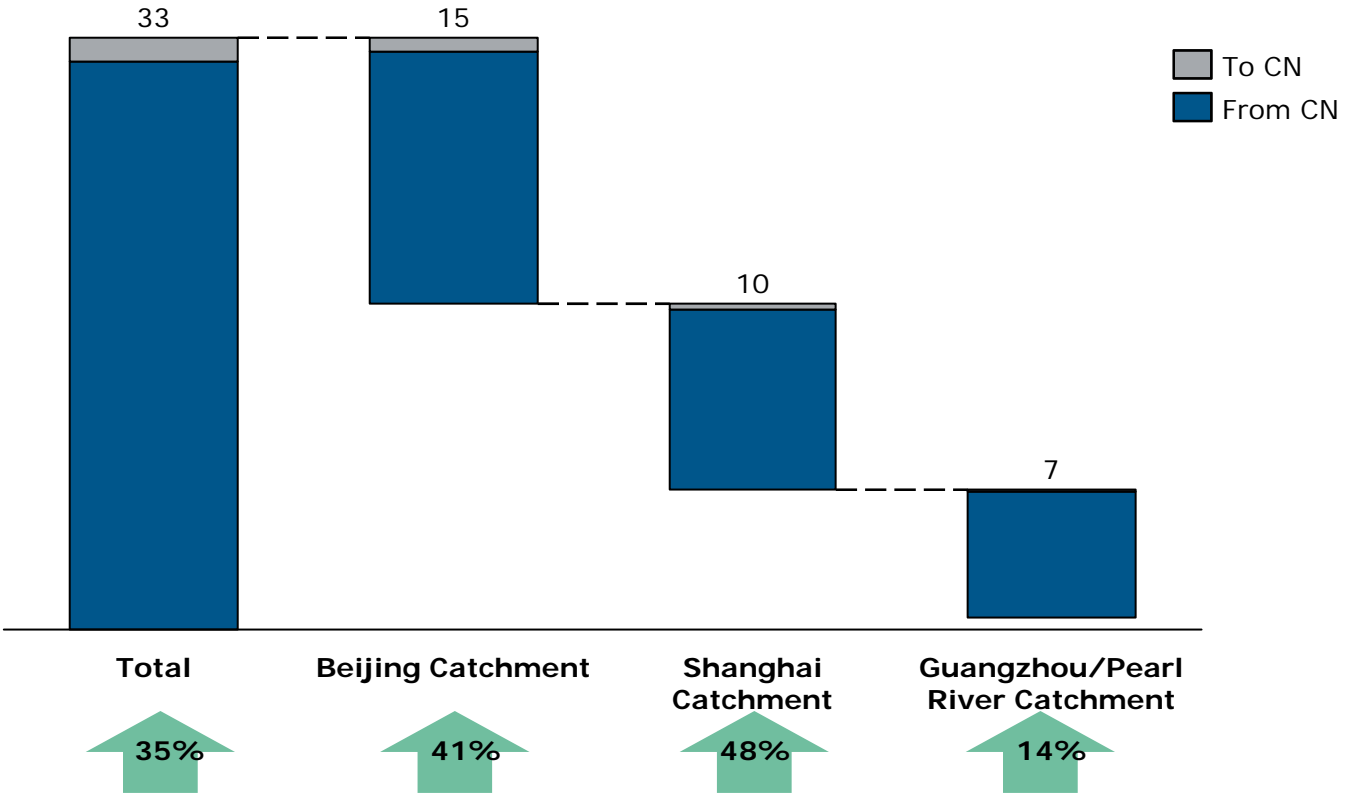
Source: Seabury Global trade database;

Note: Analyses includes: Russia, Iran, Kazakhstan, Azerbaijan, Afghanistan, Uzbekistan, Georgia, Turkmenistan, Armenia, Kyrgyzstan and Tajikistan

# Russian air trade (I)

Trade between Russia and China showed high growth in 2008

**Air trade between Russia and China in 2008**  
(tons x 1,000)



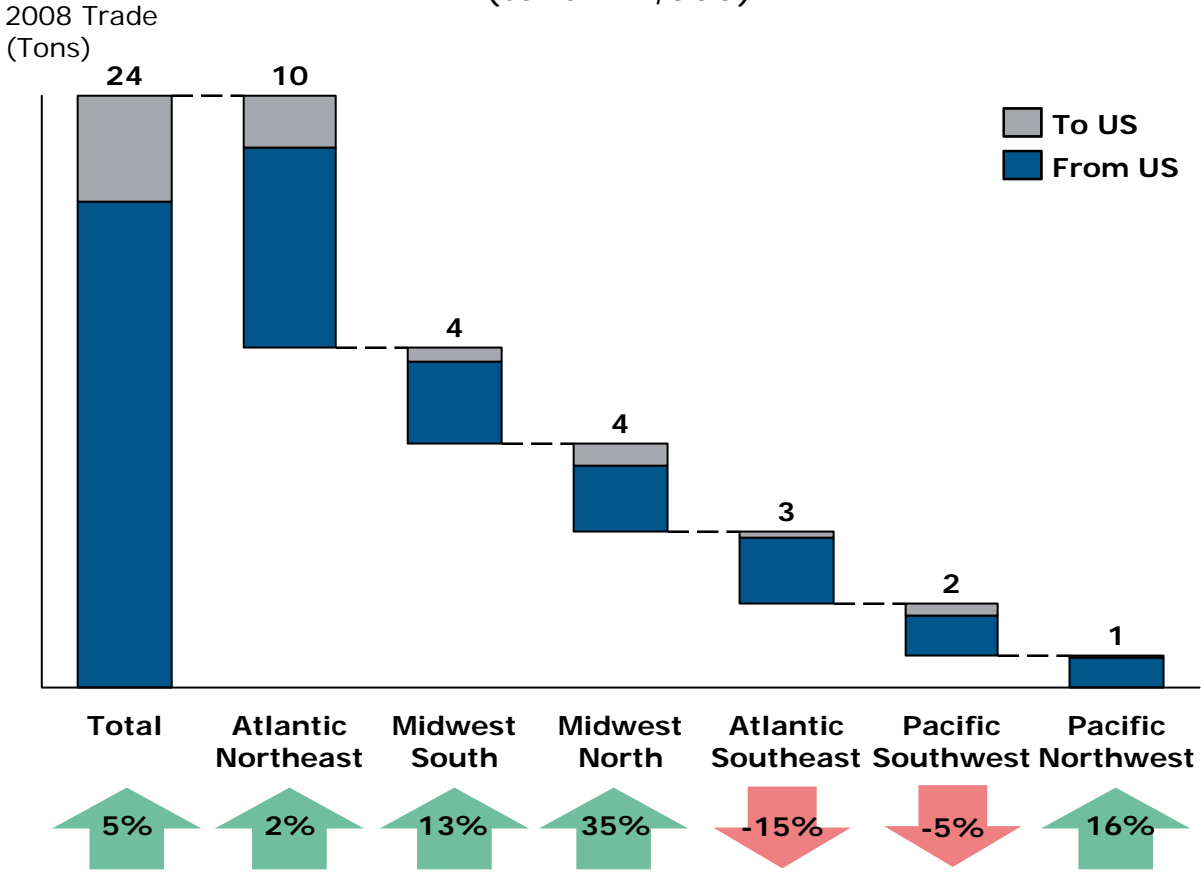
08/07 growth:

Source: Seabury Global Trade Database

# Russian air trade (II)

**Modest overall growth in air trade with US; two US regions showed negative growth**

**Air trade between Russia and US in 2008**  
(tons x 1,000)

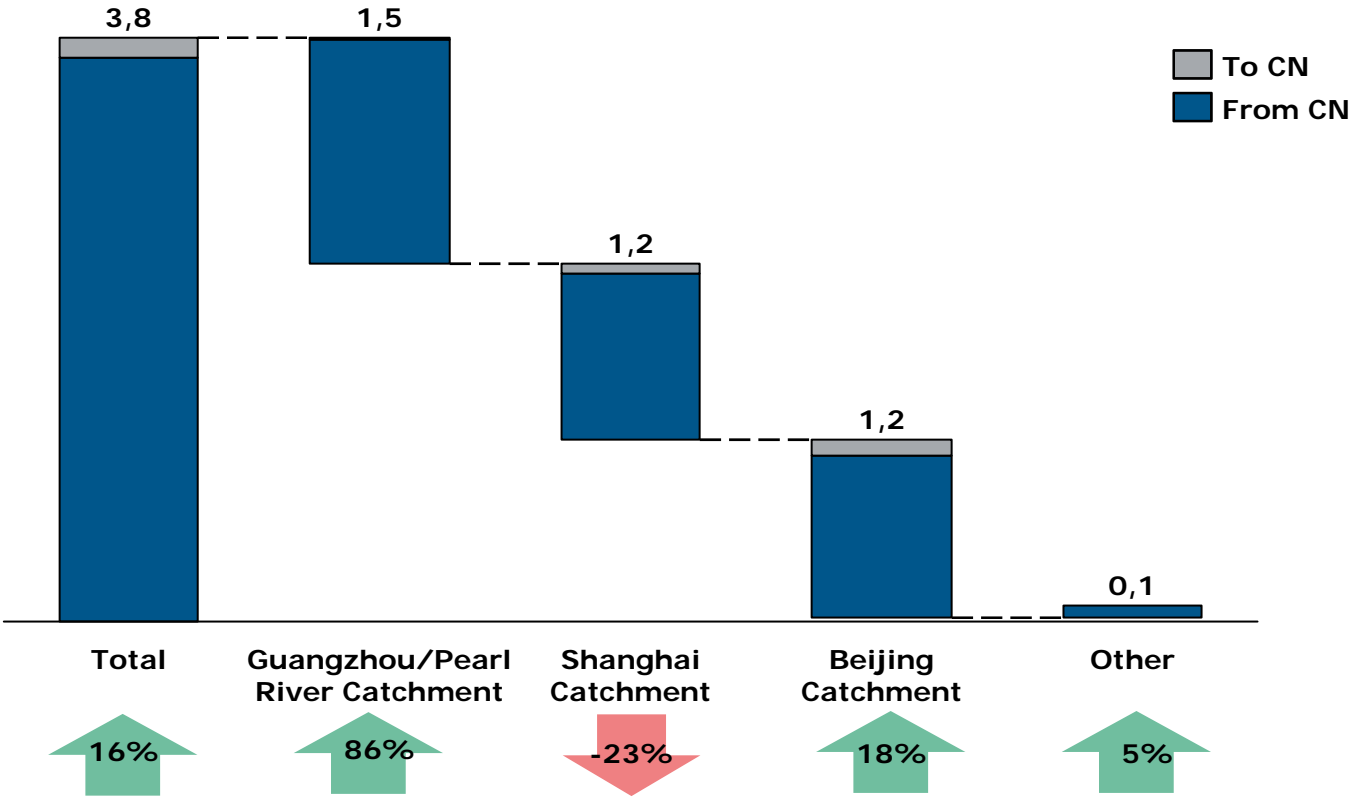


Source: Seabury Global Trade Database

# Ukraine air trade

Air trade between Ukraine and China showed growth in 2008, but a staggering decline in volumes from Shanghai area

Air trade between Ukraine and China in 2008  
(tons x 1,000)



08/07 growth:

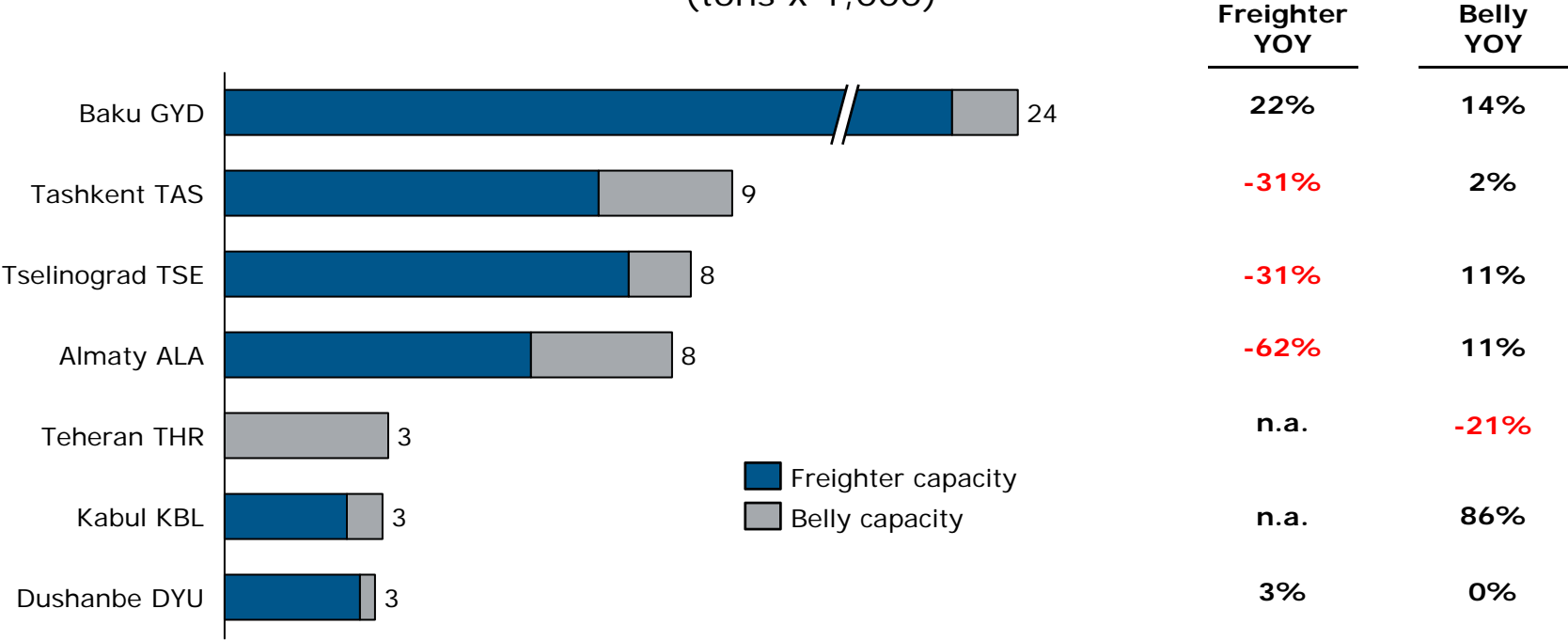
Source: Seabury Global Trade Database

# Air cargo capacity by airport

**Baku is the only large cargo airport in the region to grow its supply of scheduled air cargo capacity**

**Scheduled freighter and belly capacity for May 2009**

(tons x 1,000)

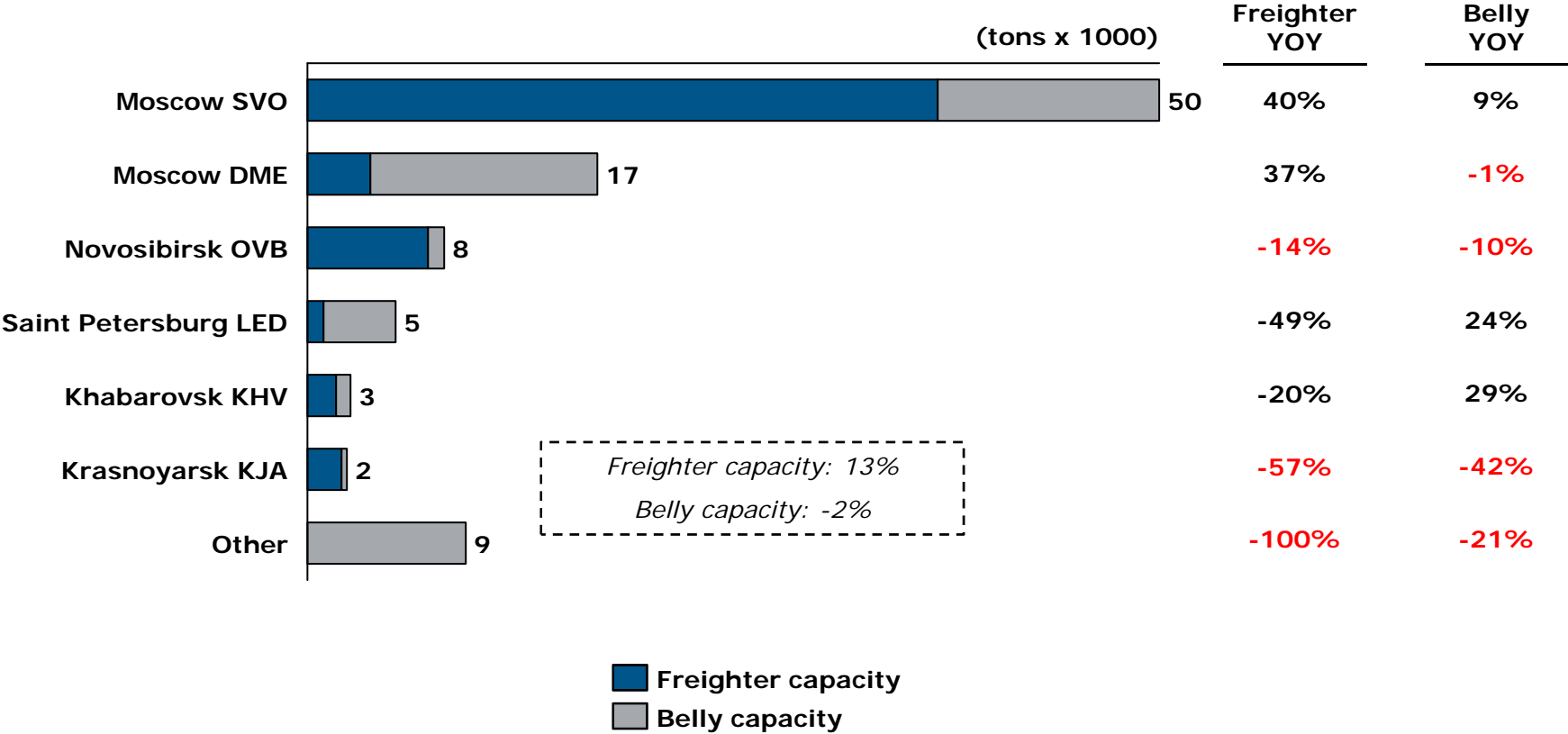


Source: Seabury Global Capacity Database; excluding integrators

# Capacity developments Russia

Freighter capacity increased, predominantly due to Moscow. Belly capacity decreased

Scheduled freighter and belly capacity for May 2009

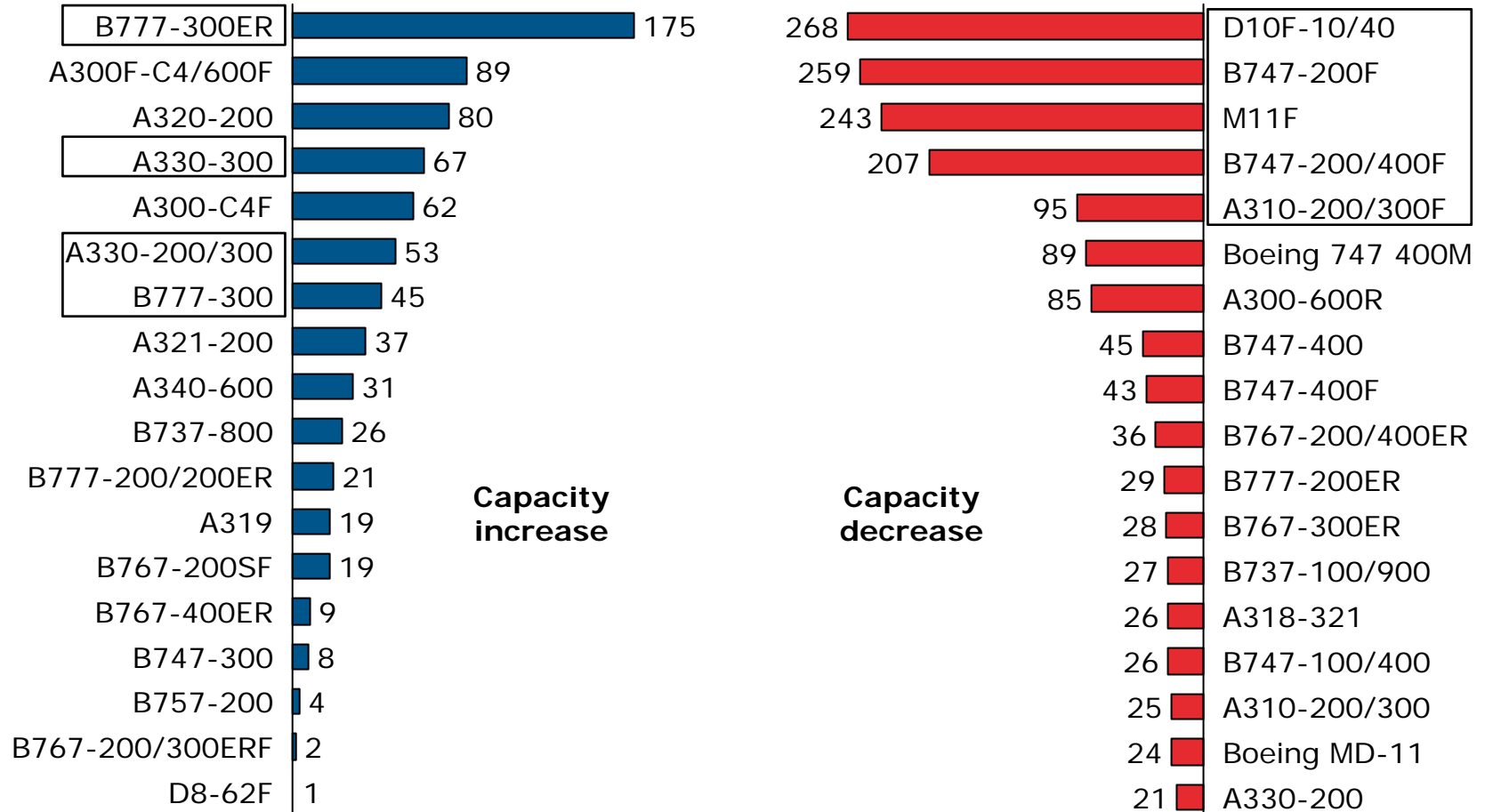


Note: Domestic as well as international capacity included  
Source: Seabury Global Capacity Database

# Global capacity change per A/C type

Wide-body passengers aircraft still coming out on to the market, reduction in cargo capacity mainly from large freighter types

Global capacity change 2009 YTD  
(Tons x 1,000)



Source: Seabury Global Capacity Database; excluding integrators

# A glimmer of hope?



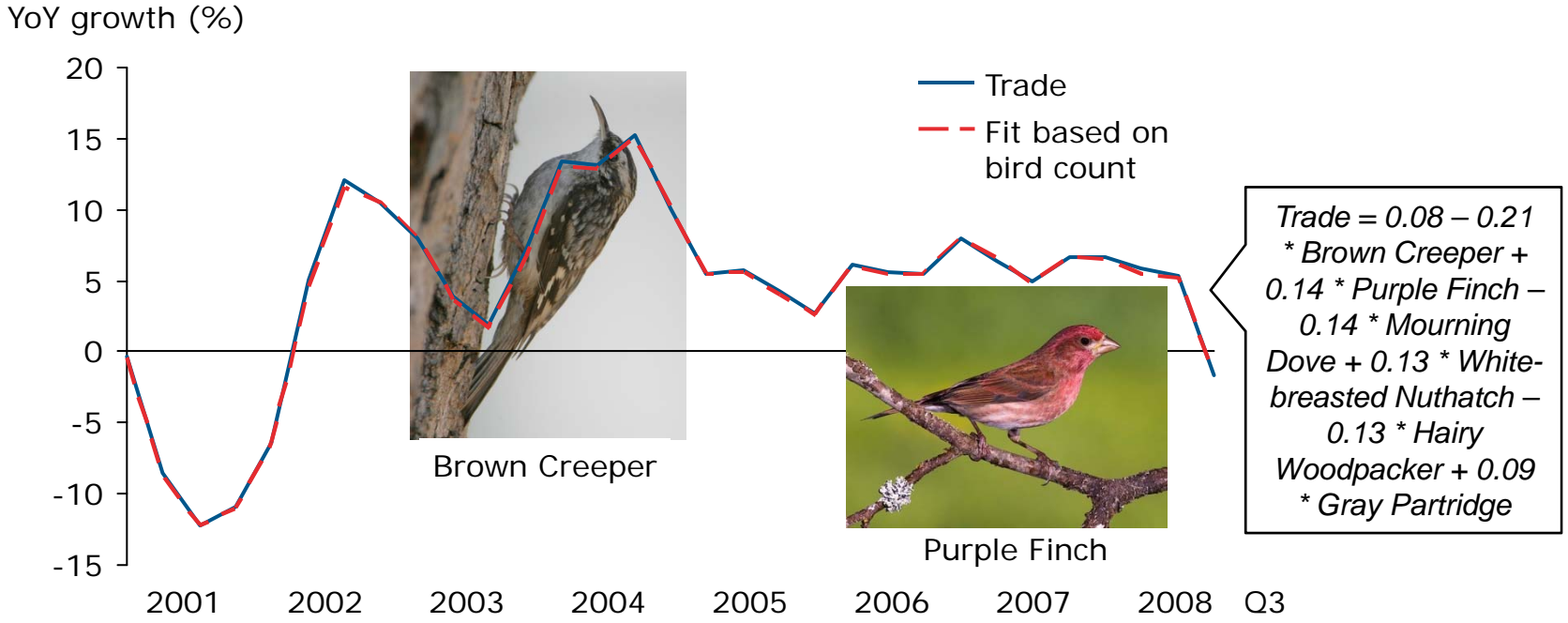
The world economy  
and the perils of  
optimism



# Correlation air trade with bird counts

**Exceptional historic fit between worldwide air trade and Minnesota Christmas bird count; Brown Creeper and Purple Finch play a key role**

**YoY air trade growth, actual versus calculated based on bird counts, in terms of weight**



Selecting the best indicators is key to a successful forecast

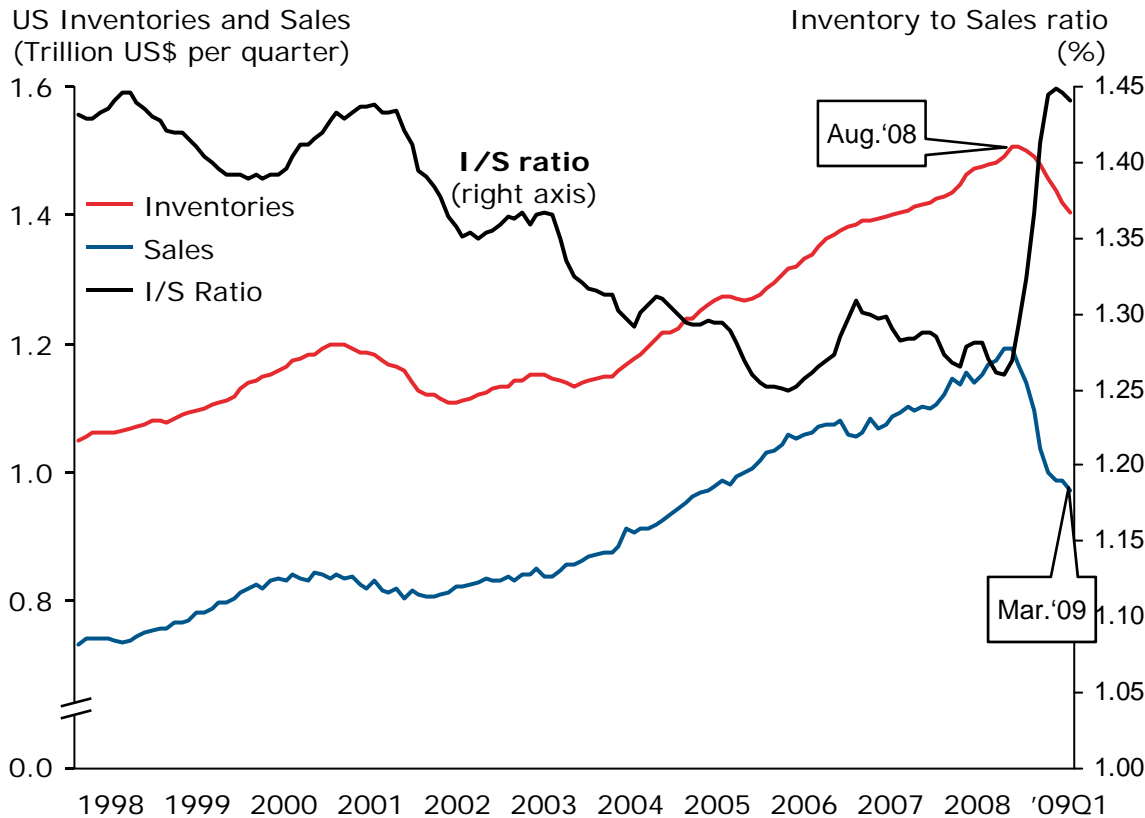
Note: Annual bird count of years 1962-2002 (eliminated years without Christmas Count) fit against 2001-2007 quarterly air weight  
Source: Christmas bird count in Rice County, Minnesota; Seabury air trade database

# High level of inventory in the US

**Inventories have dropped each month since September '08, but Sales dropped faster, keeping I/S-ratio around 12-15% higher than a year ago**

**US Inventory to Sales ratio suggest high levels of inventories given current sales levels ...**

**... reduction of inventories can be expected**



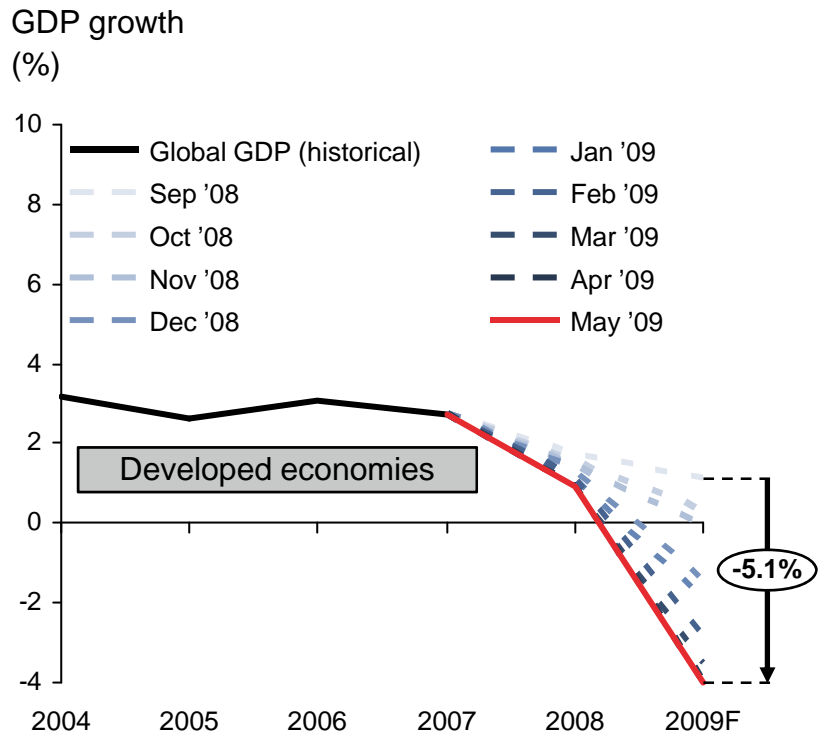
- US sales dropped drastically in Q3/4 2008 and Q1 2009, dropping back to 2006 levels
- Inventories have dropped every month from September 2008 on, but Sales kept dropping faster
- A correction on the height of the current inventory levels, with the recent sales amounts, will keep additional pressure on US (air) trade

Note: Inventory and Sales levels March estimated  
Source: U.S. Census Bureau

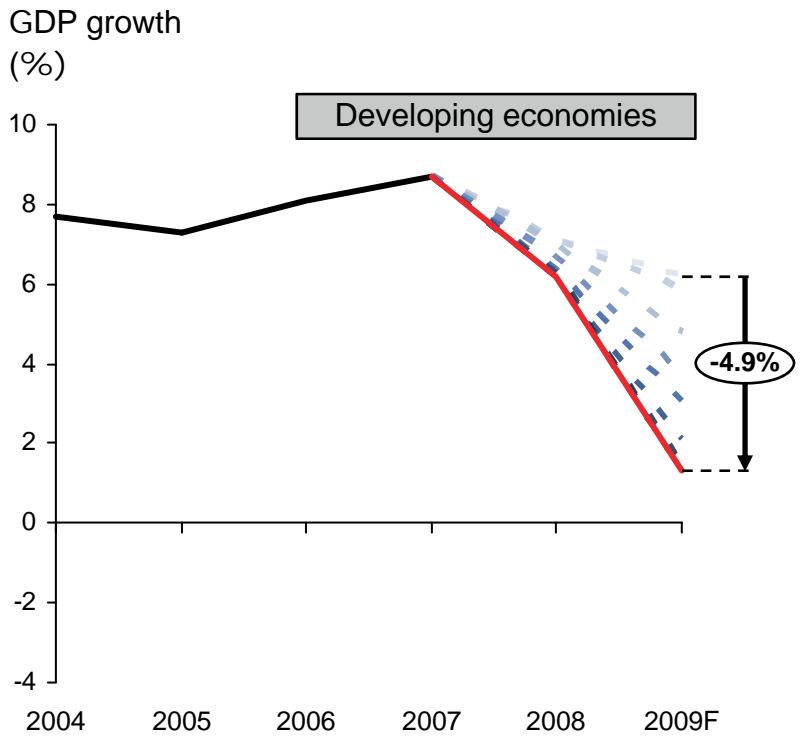
# GDP forecast for 2009

Despite stabilizing 2009 GDP growth forecasts, worldwide GDP decline for 2009 is still expected to be substantial

**Developed economies EIU 2009 global GDP forecast**



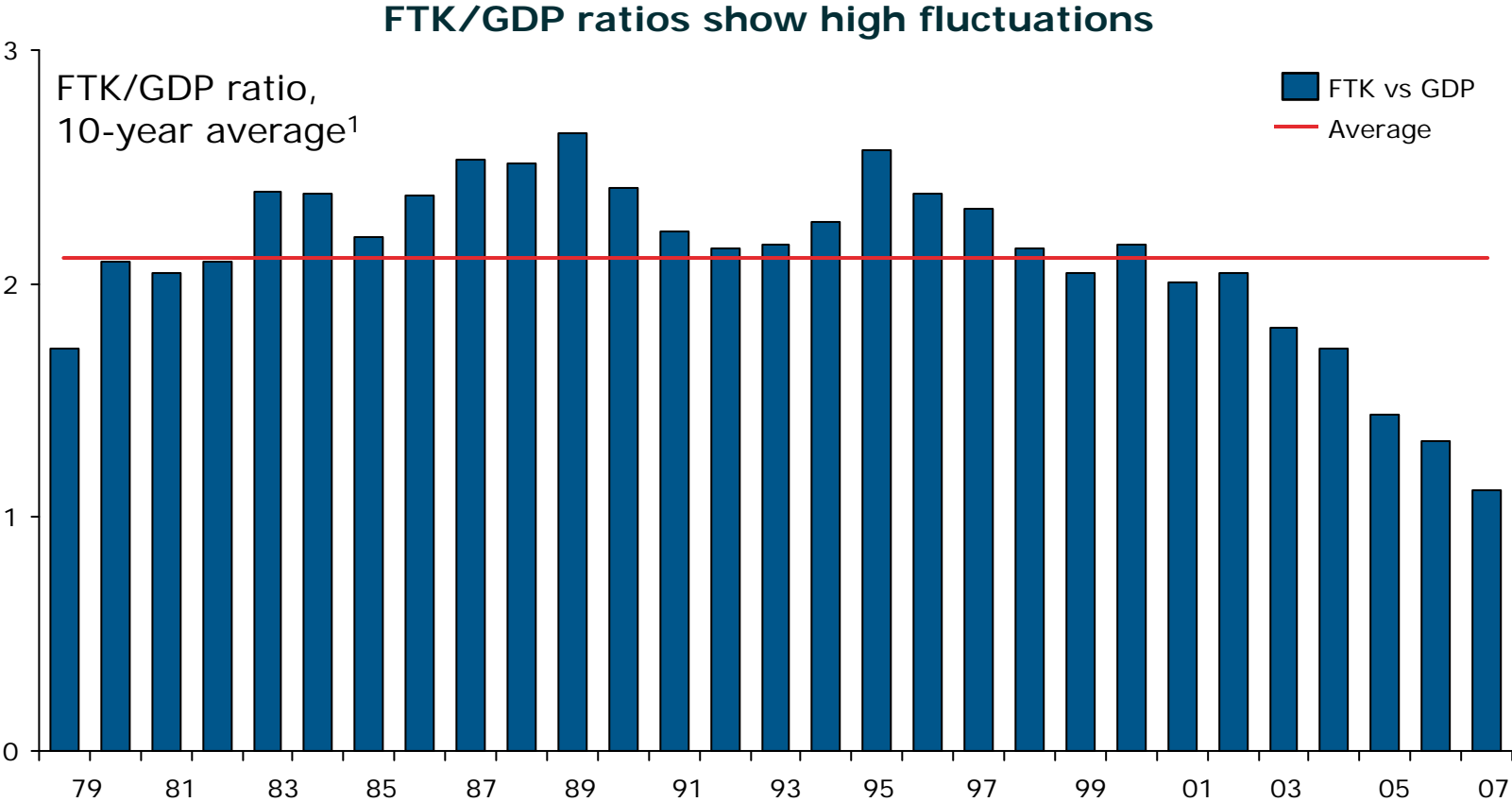
**Developing economies EIU 2009 global GDP forecast**



Note: GDP in PPP exchange rates; World GDP forecast  
Source: Bureau of Economics Analysis; Economist Intelligence Unit (EIU); Seabury Analysis

# Correlation exists, but changes over time

Correlation between FTKs and GDP exists, but changes; it grew stronger over time, to weaken again in recent years



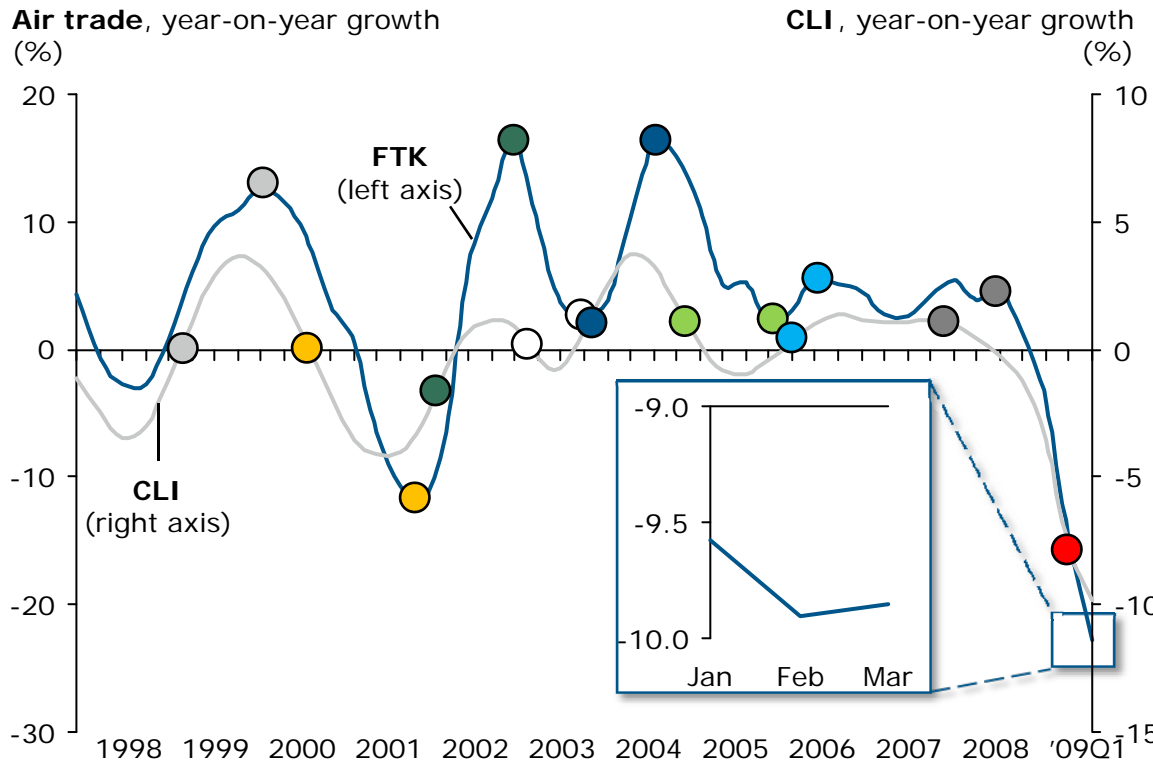
<sup>1</sup> Number 1.7 in '70-'79 means over the period 1070-1079, FTKs on average grew 1.7 times faster than GDP  
Source: Boeing; IMF; Seabury analysis

# Composite Leading Indicator leads air trade

Based purely on CLI analysis, we can expect air trade growth to hit bottom soon, but to stay negative all through 2009

OECD's CLI dataset leads air trade by 1-3 quarters...

... hinting at no recovery before 2010



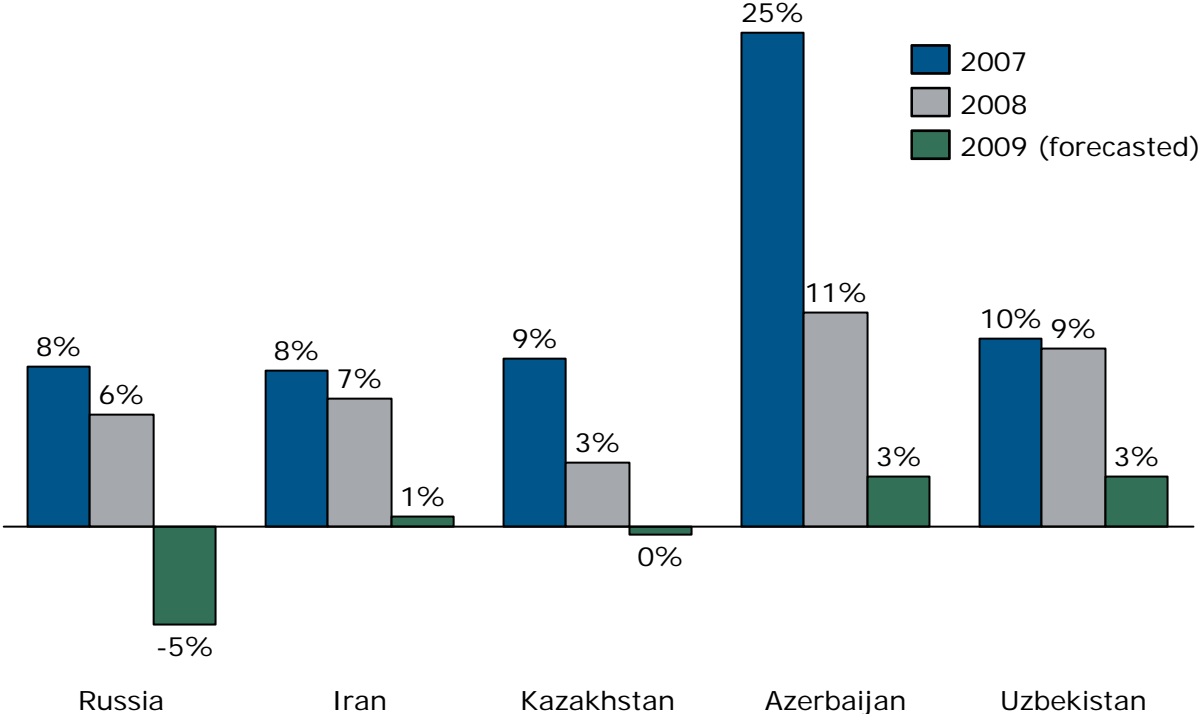
- OECD Composite Leading Indicators (CLI) dataset
- Calculated for 29 OECD countries and 6 non-member economies
- CLI defined by selection of wide range of key short-term economic indicators
- Analysis of CLI can help predict key turning points in air trade growth up to 3 quarters in advance
- Based purely on CLI analysis, bottom of trade growth expected in Q2/3, negative growth expected throughout 2009

Source: IATA; OECD; Seabury analysis

# Caspian GDP development and forecast

GDP is forecasted to be substantially lower than in recent years, but only Russia is expected to have a significant negative growth

GDP growth for key Caspian countries



Note: Real GDP change in %  
Source: Economist Intelligence Unit

# Best practices in the air cargo industry

Read the June 2009 edition of Air Cargo World, featuring the results of Seabury's global survey on industry best practices

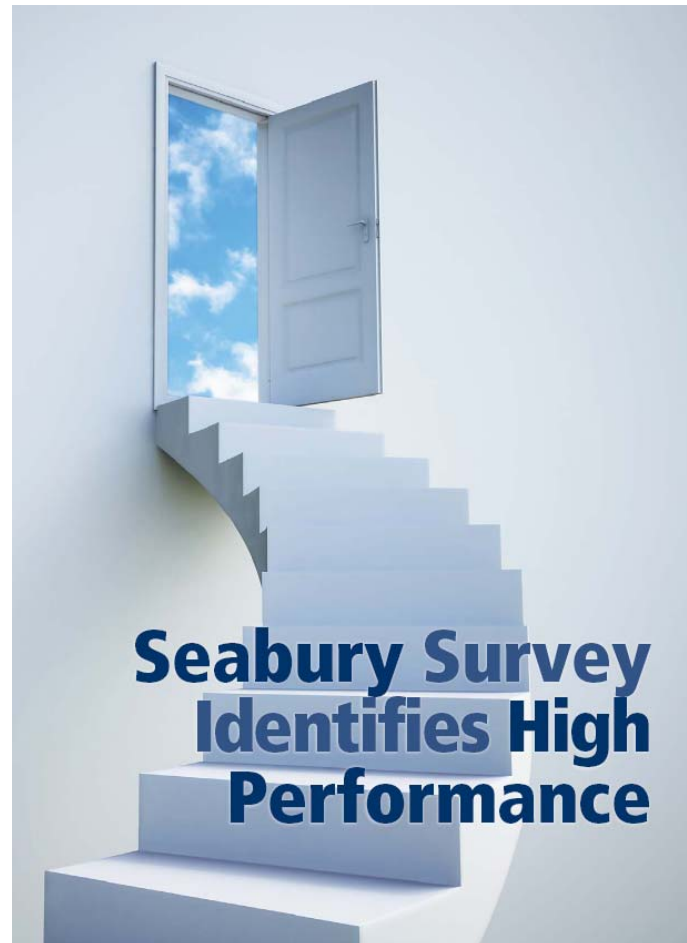
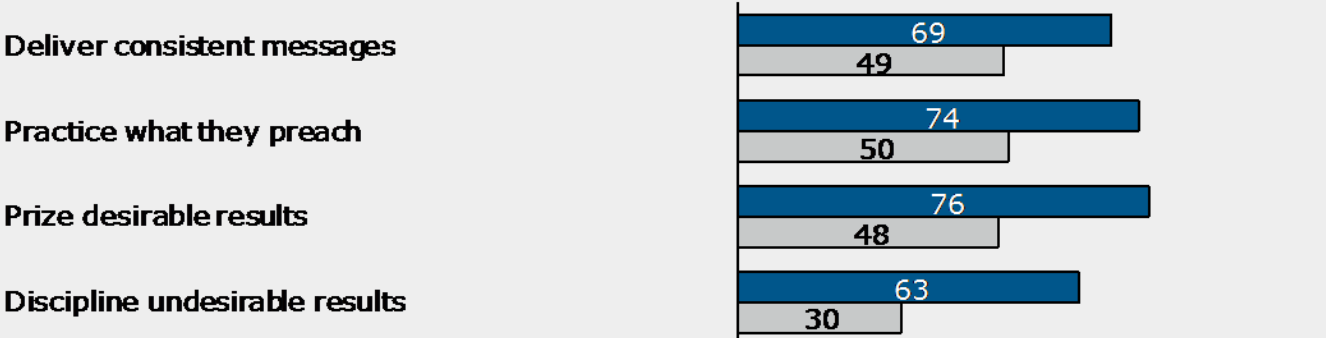


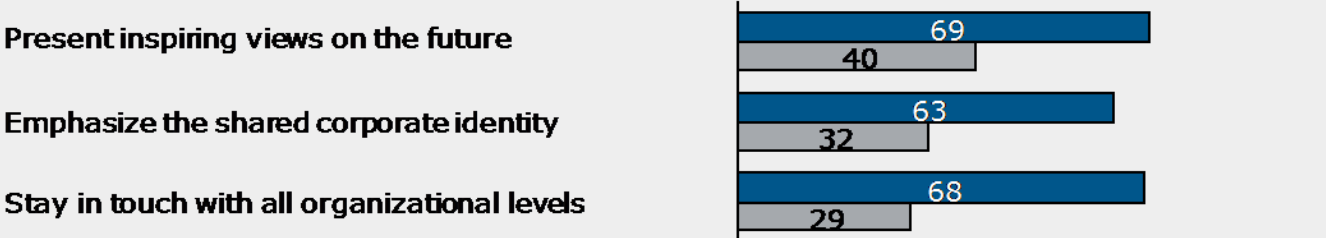
Exhibit 1

## Top forwarders provide firm guidance

To provide *direction*, your leaders<sup>1</sup>:



To build *alignment* in the company, your leaders<sup>1</sup>:



<sup>1</sup>Percentage of forwarder respondents who answered 'to a significant extent' or 'absolutely'

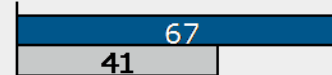
Exhibit 3

## Top airlines offer tailored services

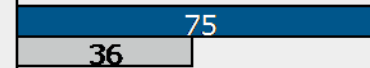
*Client orientation* at your company is illustrated by<sup>1</sup>:

■ High performers  
■ Low performers

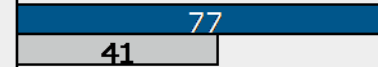
Responses to client requests are delivered swiftly



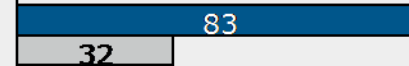
Great cooperation among departments



Client focus is evident all over, not just in Sales

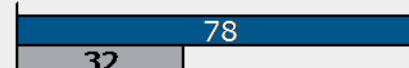


Rising client expectations are met effectively

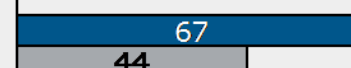


To create *maximum value* from its clients, your company<sup>1</sup>:

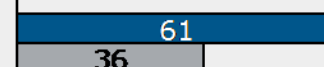
Focuses on client profitability, not just revenue



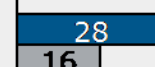
Conducts tough negotiations



Varies service levels depending on the clients' value



Cancels contracts with less-profitable clients

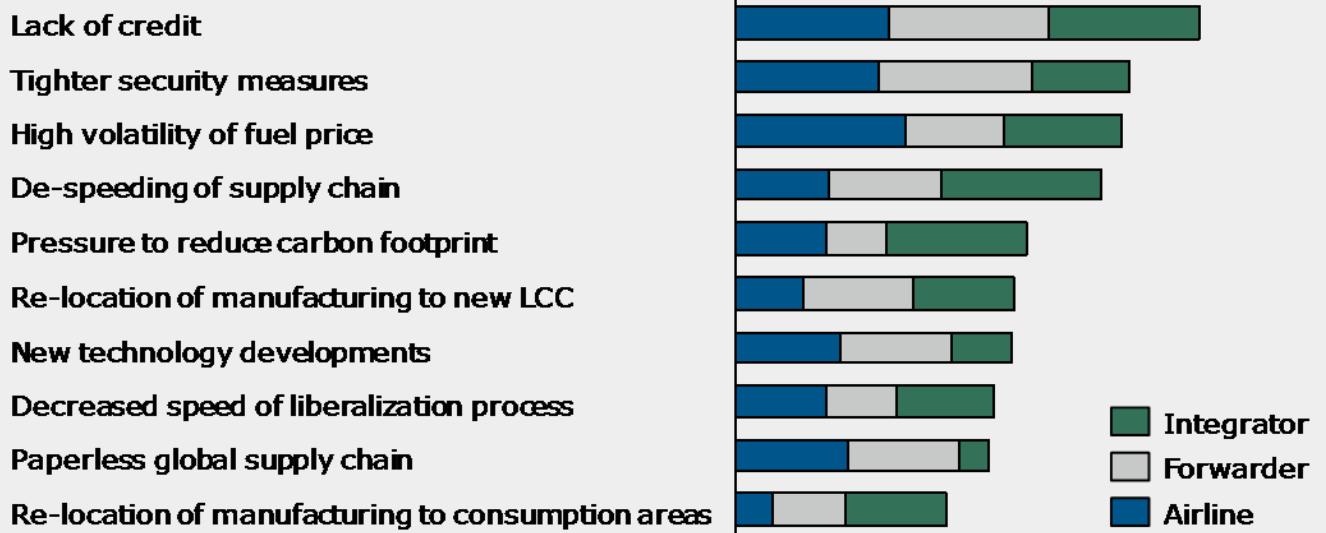


<sup>1</sup>Percentage of airline respondents who answered 'to a significant extent' or 'absolutely'

Exhibit 6

## Trends affecting the air cargo industry

Trends in the next three years<sup>1</sup>:



<sup>1</sup>Respondents were able to select up to three trends  
Answers are scaled to create equally sized respondent groups

## Contact details

For more information, please contact...

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