29 April 2008

First quarter results presentation

# 2008 First Quarter Review

PANALPINA
on 6 continents

A PASSION FOR SOLUTIONS

Freight Forwarding | Supply Chain Management | Special Competencies

# Executive summary for Q1 2008

## Group performance (CHFm)

| Net forwarding rev. | Gross profit | EBITDA | Net earnings |
|---|---|---|---|
| 2'134.0 (+9.2%) | 423.6 (-2.2%) | 58.6 (-32.6%) | 32.2 (-39.7%) |

## Comment

Q1 includes the Nigeria impact. Negative FX effects drew down GP by 5.3%. Normalized EBITDA in Q1 was down 20.1%.

## Business units

| *YoY growth in %* | Air | Ocean | SCM |
|---|---|---|---|
| Volumes | +4.4% | +14.0% | |
| Gross profit | -8.6% | +9.0% | -2.7% |

## Comment

Air volumes faced a tough comparison (growth in Q107: +13%; reduced services since Sep 07). Ocean GP was affected by negative FX effects. SCM reflects reduced service portfolio.

## Regional performance

Latam recorded good volumes in the first quarter, although there was a margin squeeze from high fuel surcharges and lower-margin business. APAC performance was largely driven by strong business in China. EMEA had to absorb most of the effects of the reduced service portfolio in Nigeria, i.e. reduced gross profits while the cost base is essentially still there (pending reorganization process). Noram was exposed to the USD weakness and incurred substantial legal expenses.

## Verticals performance

Telecom continues to enjoy very healthy volumes. The O&G vertical is still buoyant but was impacted by the reduced level of services in Nigeria. Automotive profited from the weak dollar.

# YTD 2008 performance vs. guidance

## Market trends (short-term)

- The weak U.S. economy and tight credit markets could hamper consumer spending, which impacts trade growth
- Air freight market remained relatively stable, but the tendency points to a moderate slowdown.
- Ocean freight market has slowed down vs. last quarter, especially on the Asia-Europe trade lane.
- Air freight rates have a tendency to remain stable despite fuel-inefficient aircrafts being taken out of the market.
- Ocean freight rates have started to ease and a potential capacity overhang can be expected.

## Guidance vs. actual

| | Jan-Mar 2007 | Jan-Mar 2008 | Guidance 2008 |
|---|---|---|---|
| Gross profit growth | +18.9% | +3.1% (excl. FX) | ≥ 4% (excl. FX) |
| EBITDA / GP margin | 20.1% | 13.8%* | 17.5 – 18.5% |
| NWC intensity | 3.8% | 4.0% | 4 – 5% |
| Tax rate | 22.5% | 22.7% | 26-27% |

*16.3% excluding non-recurring items

# Recap of non-recurring items booked in Q1 2007/08

- The following one-off bookings in **Q1 2007** had a **CHF 0.5m positive impact on EBIT**:
  - Gains on sale of assets: 0.5m

- The following one-off bookings in **Q1 2008** had a **CHF 10.5m negative impact on EBIT**:
  - Loss on sale of assets: -0.1m
  - Legal and consultancy expenses: -9.2m
  - Termination settlements: -1.2m

# Consolidated income statement summary

| in CHFm | Jan – Mar 2007 | Jan – Mar 2008 | Change |
|---|---|---|---|
| **Net forwarding revenue** | 1,954.6 | 2,134.0 | *+9.2%* |
| **Gross profit** | 432.9 | 423.6 | *-2.2%* |
| **Personnel expenses** | 238.9 | 248.9 | +4.2% |
| *in % of gross profit* | *55.2%* | *58.8%* | *+360 basis points* |
| **Other operating expenses** | 107.5 | 116.0 | +7.9% |
| *in % of gross profit* | *24.8%* | *27.4%* | *+260 basis points* |
| **EBITDA** | 87.0 | 58.6 | -32.6% |
| *in % of gross profit* | *20.1%* | *13.8%* | *-630 basis points* |
| **EBIT** | 74.2 | 46.8 | *-36.9%* |
| *in % of gross profit* | *17.1%* | *11.1%* | *-600 basis points* |
| **Net earnings** | 53.4 | 32.2 | *-39.7%* |

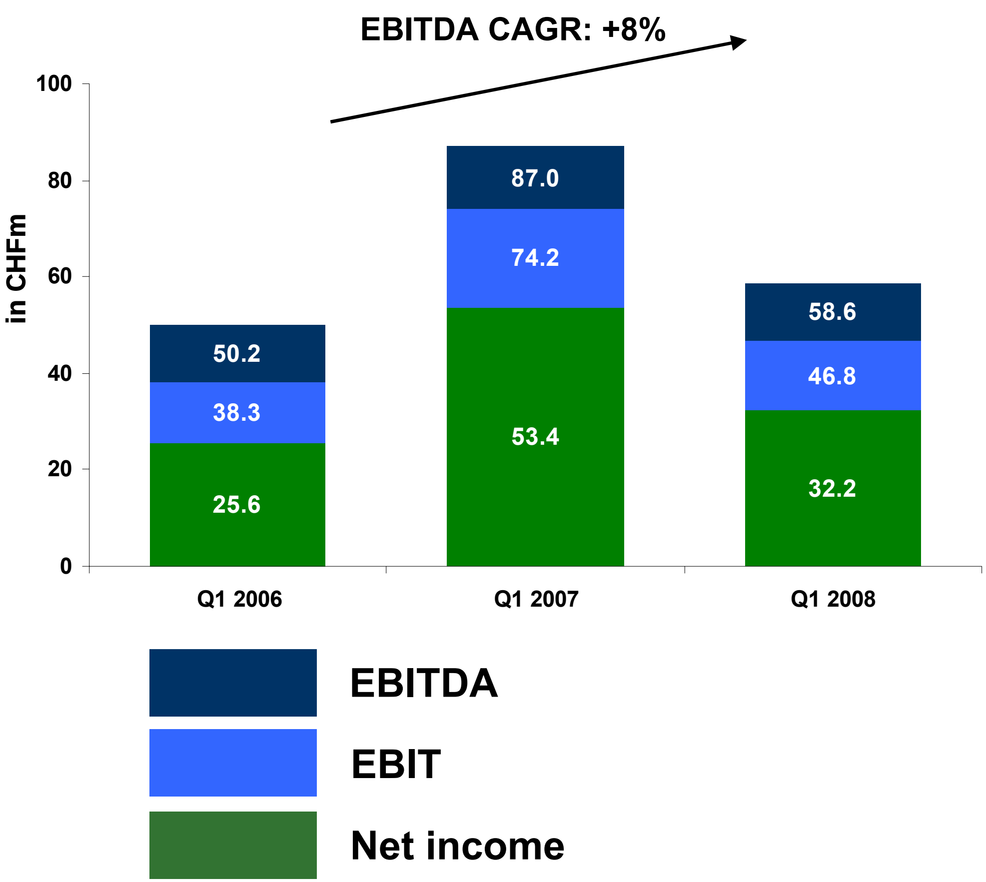
# Balance sheet & cash flow summary

| in CHFm | 12 months ended 31.12.2007 | 3 months ended 31.03.2008 |
|---|---|---|
| Cash and cash equivalents [1] | 352.4 | 383.4 |
| Borrowings | (33.5) | (37.8) |
| **Net cash (debt)** | **318.9** | **345.6** |
| **Total cash flow from op. activities** (YTD) | **134.7** | **86.0** |
| **Net working capital** [2] | 487.8 | 409.3 |
| % of gross forwarding revenue | *4.6%* | *4.0%* |
| **Total shareholder's equity** | 1,016.5 | 969.7 |
| **Total assets** | 2,265.6 | 2,140.7 |
| Asset intensity [3] | *7.4%* | *7.2%* |
| **Net capital expenditures** (YTD) | 8.1 | 10.2 |

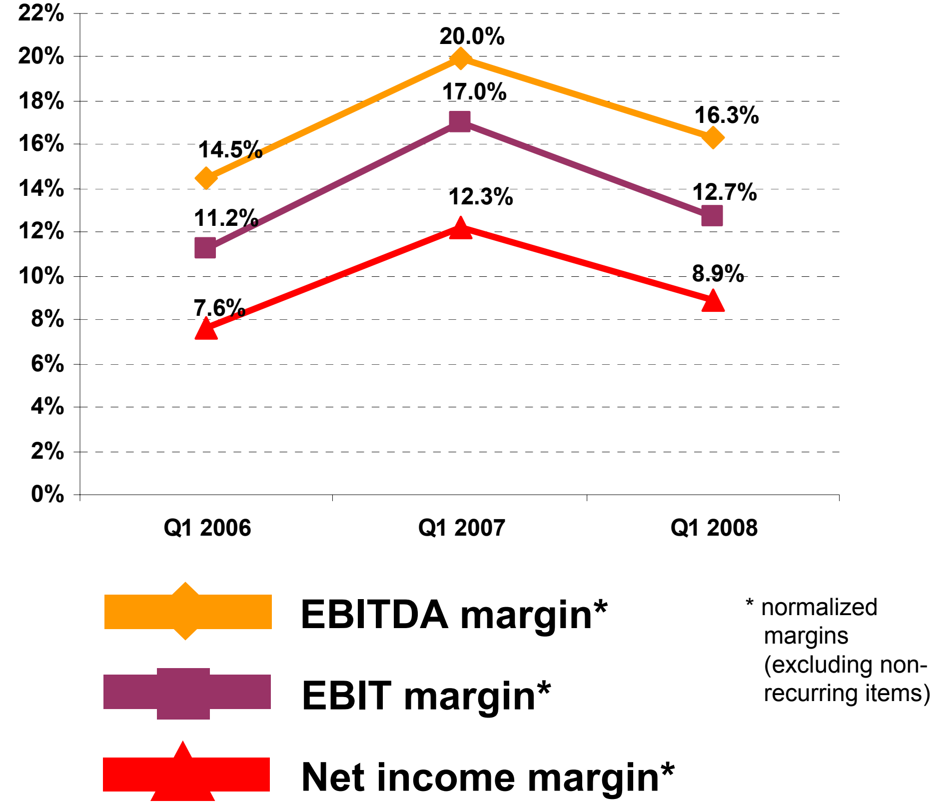
**1** Including financial assets held for trading
**2** Net working capital defined as current assets net of cash and liquid instruments minus current liabilities net of interest bearing debt
**3** Calculated as tangible fixed assets / total assets

# Group profitability

## Profitability development

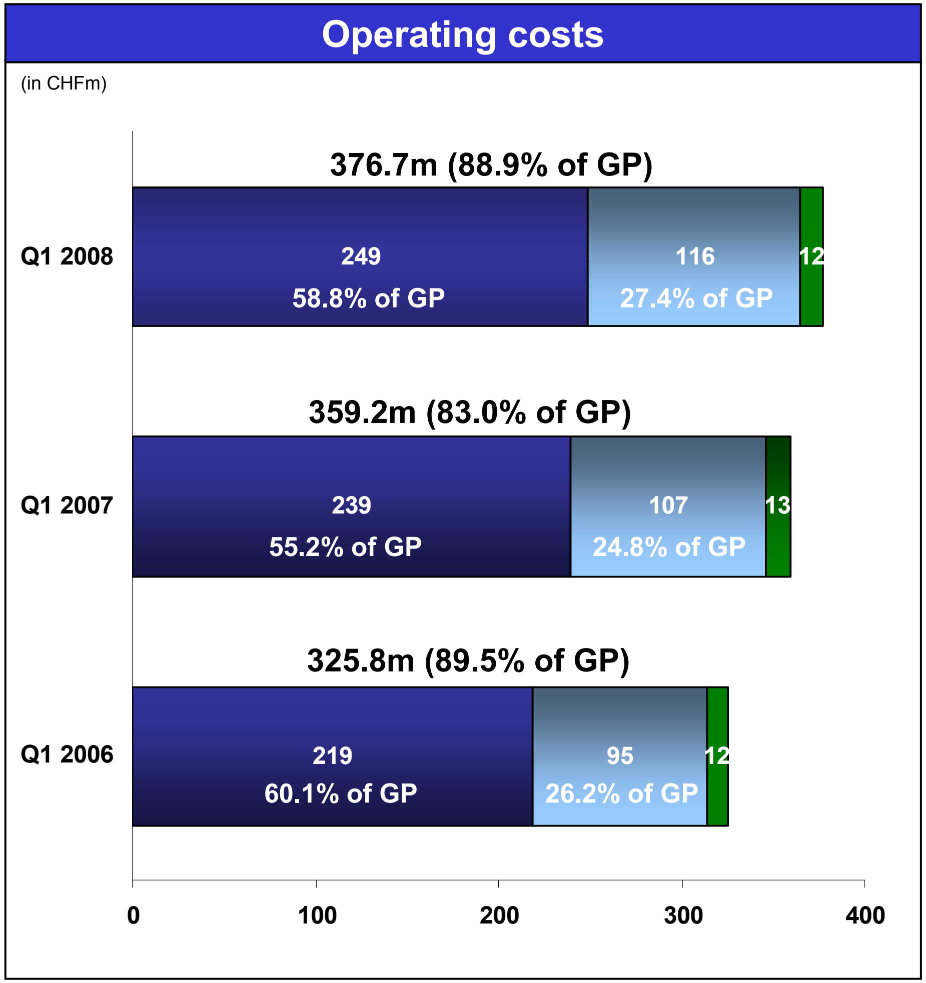



## Margin development (normalized)




* normalized margins (excluding non-recurring items)

# Operating cost development

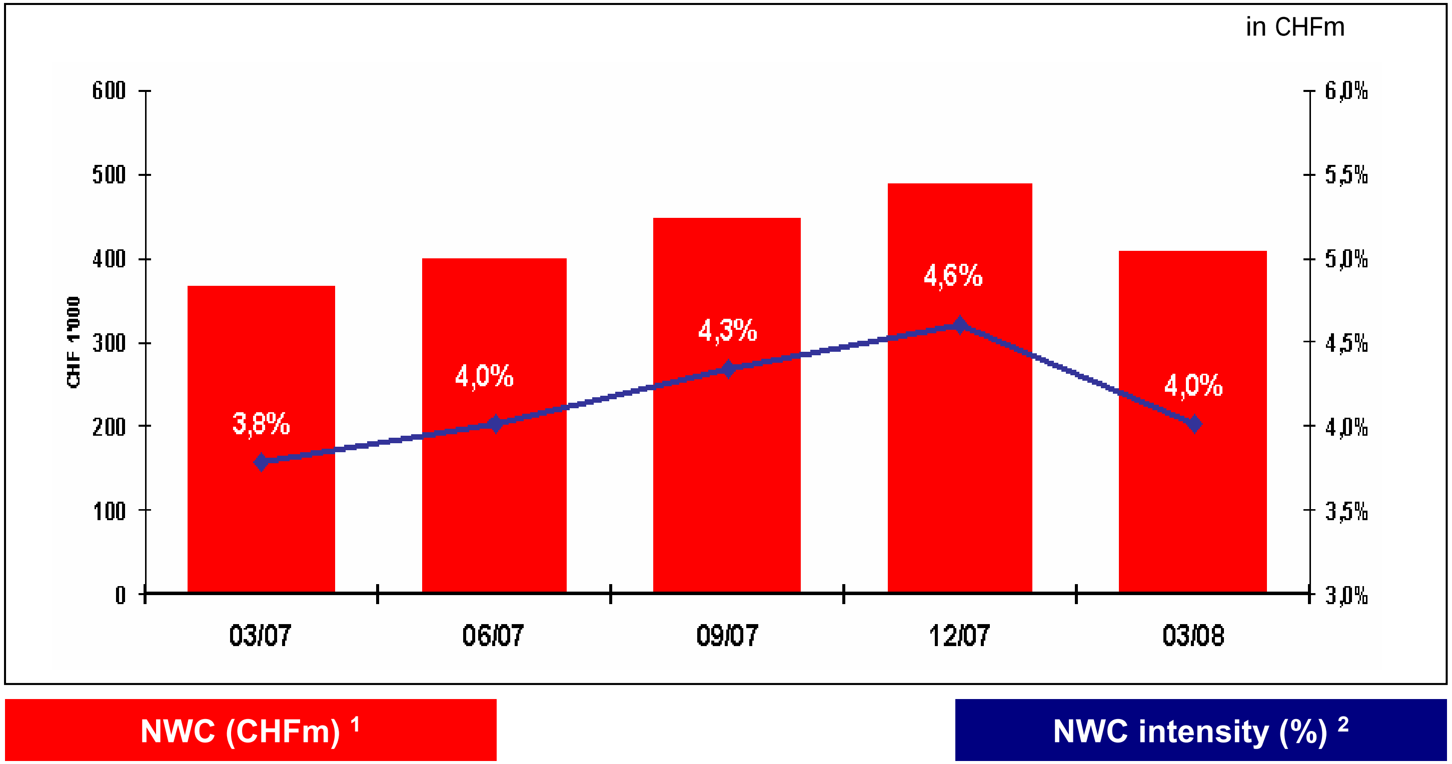



Personnel | Other operating costs | D & A

- Personnel expenses up 4.2% YoY in Q108, while FTEs increased by 5.8%. FX eased costs by 5.6%. 0.5% of costs are related to termination settlements, 3.5% to wage inflation. Contains nearly full cost base for Nigeria-related operations.
- Other opex contain 9.2m of one-time legal and consultancy costs. On a normalized basis, the Other opex / GP ratio in Q108 was 25.2%.
- First results from ‘Slim’ (group-wide cost initiative). Personnel expenses remained stable compared to Q407.

# Working capital - overview

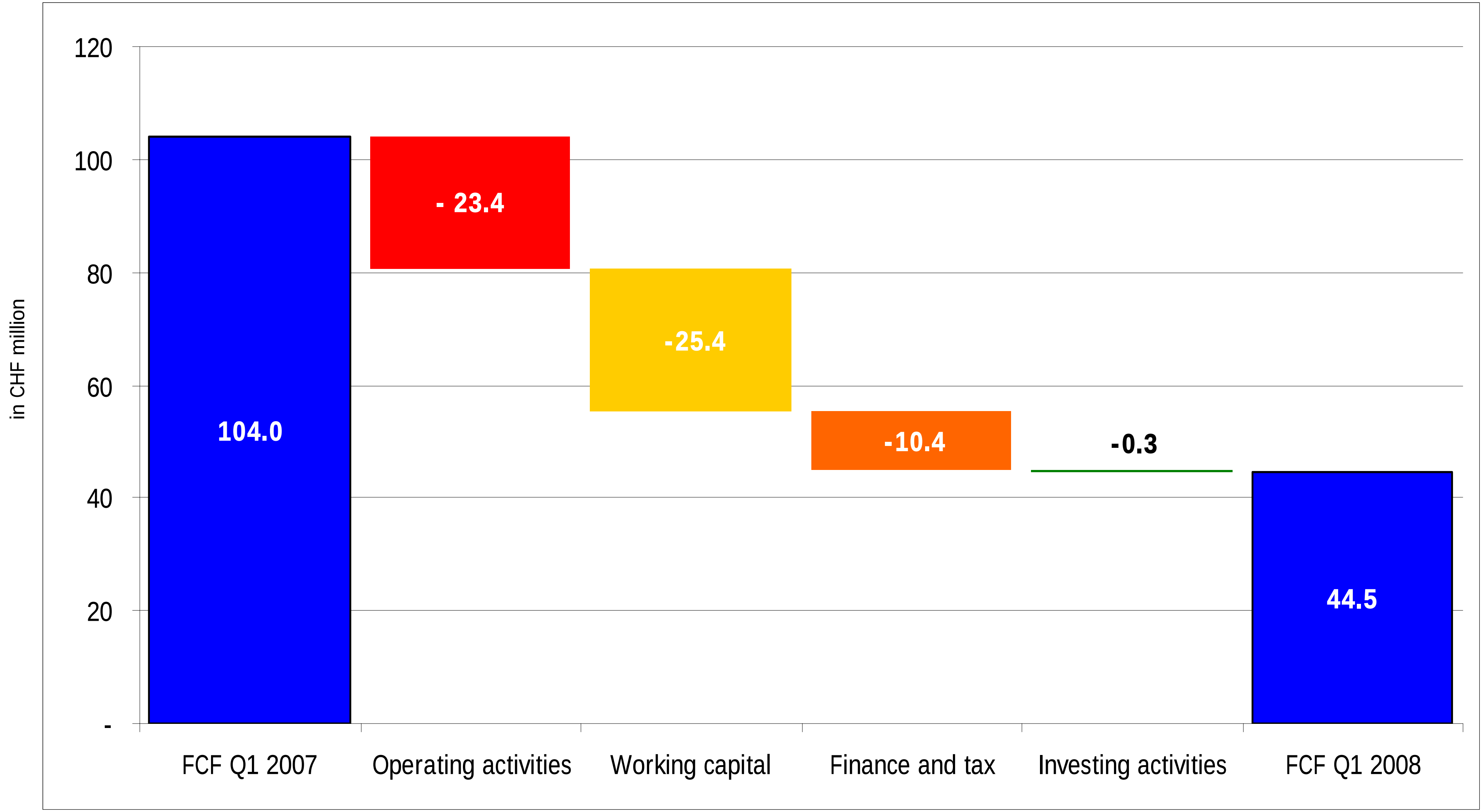
## Development of net working capital




[1] Net working capital is defined as current assets net of cash and liquid instruments minus current liabilities net of interest bearing debt

[2] NWC intensity is defined as NWC divided by gross forwarding revenue

# Free cash flow development

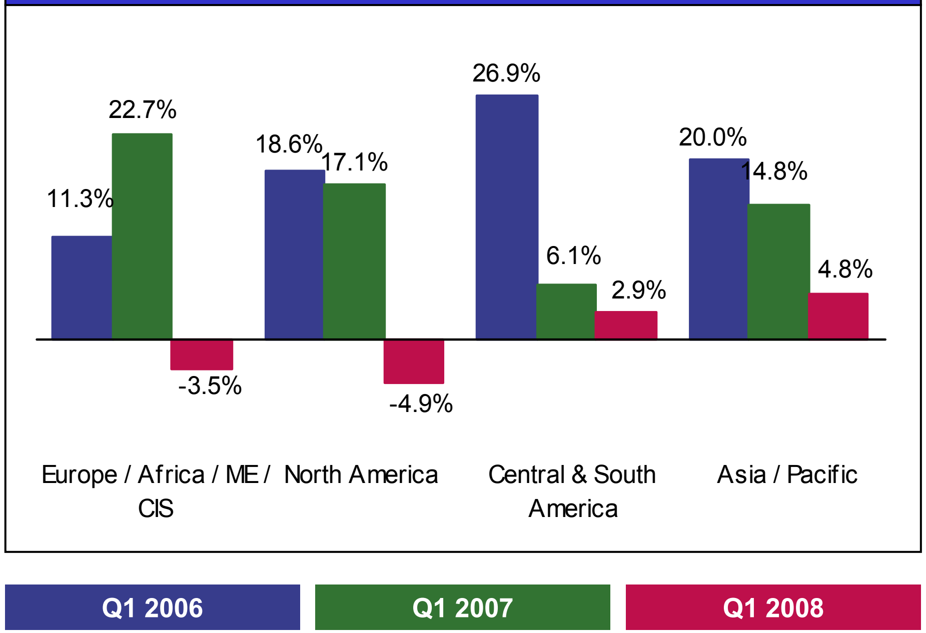


# Regional business development

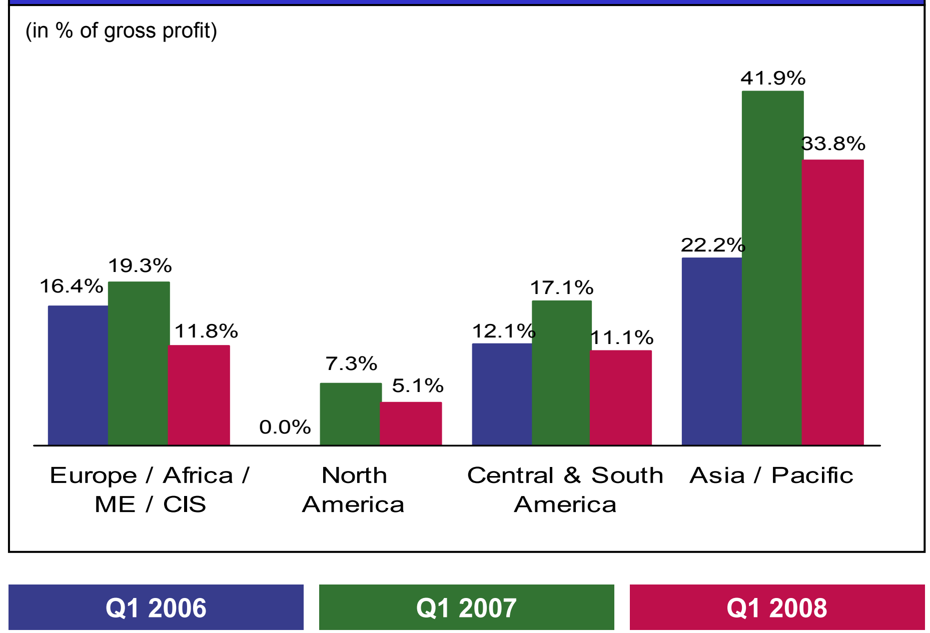
| Q1 2008 growth (year-over-year) | EMEA | NORAM | LATAM | APAC | Group |
|---|---|---|---|---|---|
| Net forw. revenue | +8.5% | +2.7% | +28.2% | +9.1% | +9.2% |
| Gross profit | -3.5% | -4.9% | +2.9% | +4.8% | -2.2% |
| EBITDA | -40.8% | -42.9% | -33.3% | -12.0% | -32.6% |
| | • Nigeria impact:<br>➢ 8.4m (gross profit)<br>➢ 5.9m (legal/cons. fees)<br>➢ -0.3m (FTE savings)<br>• Certain project delays in Central Asia<br>• Early Easter holiday resulted in 2-3 biz days lost compared to Q107 | • Nigeria impact:<br>➢ 2.5m (gross profit)<br>➢ 3.3m (legal/cons. fees)<br>➢ -0.3m (FTE savings)<br>• Weak USD depressed turnover growth<br>• Strong export business | • Nigeria impact:<br>➢ 0.2m (gross profit)<br>• Good volume increases in Q1<br>• Weak USD hurt margins | • Nigeria impact:<br>➢ 0.9m (gross profit)<br>• Strong China business<br>• Intra-Asian market of increasing importance<br>• Fierce competition, especially air freight | • Very tough comparison with Q107 which was exceptional due to:<br>➢ Air 'mini' peak season<br>➢ Atypical project biz<br>• Time lag of passing through fuel surcharges<br>• Severe adverse currency effects<br>• Reduced service portfolio in Nigeria<br>• Day count effects |

# Growth and profitability by region

## Gross profit growth by region

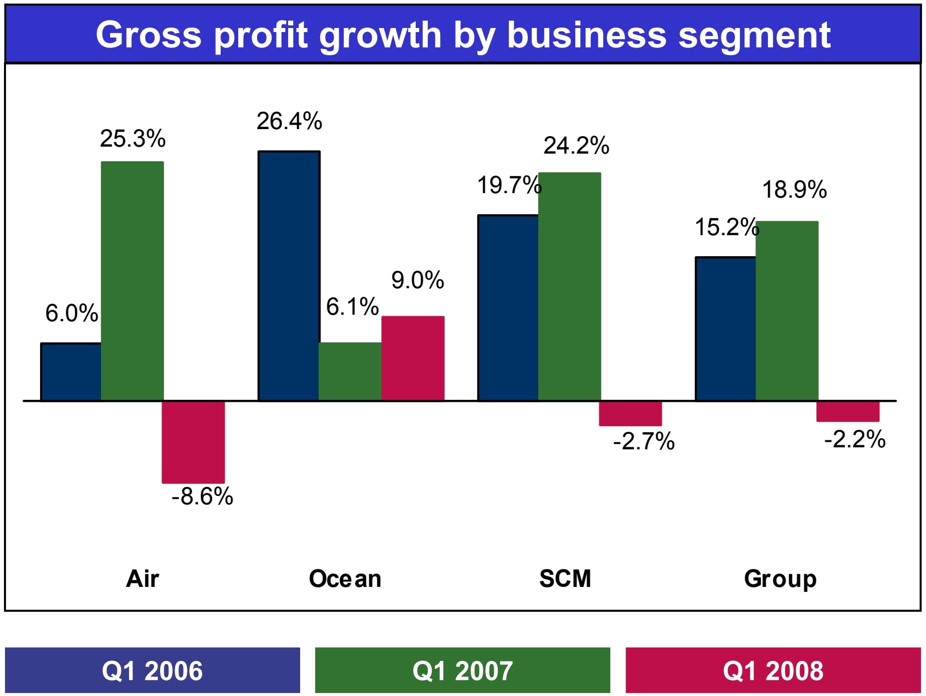



## EBITDA margin by region




- Day count effects cost the Group at least 1% of GP growth. The reduced service portfolio in Nigeria resulted in another 2.8% of missing GP growth.
- The Nigeria impact (lacking turnover but nearly full cost base), day count effects, and a pressure on selling rates (air freight) all left their traces in the regional operating margins.

# Performance by business segment in Q1 2008




- GP growth in air freight negatively affected by:
  - pressure on selling rates due to stiff competition out of China
  - time lag effect of passing through fuel surcharge increases
  - (partial) discontinuation of Nigeria business (c3% GP growth)
  - FX effects (c4% GP growth or CHF 7m)
  - day count effects (c3% GP growth or CHF 5m)
- GP growth in sea freight negatively affected by:
  - slowdown in market
  - FX effects (c8% GP growth or CHF 10m)
- GP growth in SCM negatively affected by:
  - tough comparison with Q107 where GP growth was 24%
  - (partial) discontinuation of Nigeria business (c4% GP growth)
  - FX effects (c5% GP growth or CHF 6m)

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# Summary of ‘Nigeria impact’ guidance 2008/09

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# Underlying assumptions and guidance for 2008/09

The 'Nigeria impact' encompasses the following elements:

- Country operations in Nigeria
- Effect on other countries ('Origins') affected by a service suspension in Nigeria
- Effect on Panalpina flight operations network

| | 2008 (CHFm) | 2009 (CHFm) | Given ranges | |
|---|---|---|---|---|
| Global Q4 2007 GP impact (CHF 12.7m) stemming from the services suspended in Sep 2007, annualized | 50 | 50 | | |
| Estimated global GP impact from further reduction of service portfolio in Nigeria in H2 2008 | 45 | 90 | 2008: 40-50m | 2009: 80-100m |
| Total impact on GP | 95 | 140 | 2008: 90-100m | 2009: 130-150m |
| | | | | |
| Estimated legal fees | 20 | 0 | | |
| Estimated reorganization costs (related to Nigerian business entity) | 35 | 0 | 2008: 30-40m | |
| Total estimated one-time costs associated with Nigeria situation | 55 | 0 | | |
| | | | | |
| Estimated reorganization savings | 30 | 60 | | |
| Targeted Group-wide cost savings (accruing from Feb - Dec 2008 and for full year 2009) | 50 | 30 | | |
| Total estimated cost savings | 80 | 90 | | |
| | | | | |
| Total estimated EBITDA impact | 70 | 50 | 2008: 60-80m | 2009: 40-60m |

| *Guidance for 2008* | *Guidance for 2009* |
|---|---|
| • GP growth (assuming constant FX rates: ≥ 4% | |
| • EBITDA/GP margin: 17.5 – 18.5% | • EBITDA/GP margin: ≥ 21% |

## Details 'Nigeria impact'

**(Panalpina Group)**

| (in CHFk) | Q1 2008 Jan-Mar 2008 (reported) | YoY chg in % | Adjust-ment | Jan-Mar 2008 (adjusted) | YoY chg in % | Jan-Mar 2007 (reported) |
|---|---|---|---|---|---|---|
| **Contribution margin (gross profit)** | **423.6** | *-2.2%* | 12.0 | **435.6** | *0.6%* | **432.9** |
| Personnel expenses | -248.9 | *4.2%* | *-0.6* | -249.5 | *4.4%* | -238.9 |
| *% of gross profit* | *58.8%* | | | *57.3%* | | *55.2%* |
| Other operating expenses | -116.0 | *7.9%* | *9.2* | -106.8 | *-0.7%* | -107.5 |
| *% of gross profit* | *27.4%* | | | *24.5%* | | *24.8%* |
| Gains on sales of non-current assets | -0.1 | | | -0.1 | | 0.5 |
| **EBITDA** | **58.6** | *-32.6%* | *20.6* | **79.2** | *-8.9%* | **87.0** |
| *% of gross profit* | *13.8%* | | | *18.2%* | | *20.1%* |
| Depreciation of PP&E | -9.0 | | | -9.0 | | -9.5 |
| Amortization of intangible assets | -2.8 | | | -2.8 | | -3.3 |
| Goodwill impairment | 0.0 | | | 0.0 | | 0.0 |
| Impairment of financial assets | 0.0 | | | 0.0 | | 0.0 |
| **EBIT** | 46.8 | *-36.9%* | *20.6* | 67.4 | *-9.1%* | 74.2 |
| *% of gross profit* | *11.1%* | | | *15.5%* | | *17.1%* |

## Details 'Nigeria impact'

**(Regions)**

| (in CHFk) | Q1 2008 Jan-Mar 2008 (reported) | YoY chg in % | Adjust-ment * | Jan-Mar 2008 (adjusted) | YoY chg in % | Jan-Mar 2007 (reported) |
|---|---|---|---|---|---|---|
| **EMEA** | | | | | | |
| **Contribution margin (gross profit)** | **245.0** | *-3.5%* | 8.4 | **253.4** | *-0.2%* | **254.0** |
| **EBITDA** | **29.0** | *-40.8%* | *14.0* | **43.0** | *-12.2%* | **49.0** |
| *% of gross profit* | *11.8%* | | | *17.0%* | | *19.3%* |
| **EBIT** | **22.0** | *-46.3%* | *14.0* | **36.0** | *-12.2%* | **41.0** |
| *% of gross profit* | *9.0%* | | | *14.2%* | | *16.1%* |
| **NORAM** | | | | | | |
| **Contribution margin (gross profit)** | **78.0** | *-4.9%* | 2.5 | **80.5** | *-1.8%* | **82.0** |
| **EBITDA** | **4.0** | *-42.9%* | *5.5* | **9.5** | *35.7%* | **7.0** |
| *% of gross profit* | *5.1%* | | | *11.8%* | | *8.5%* |
| **EBIT** | **2.0** | *-60.0%* | *5.5* | **7.5** | *50.0%* | **5.0** |
| *% of gross profit* | *2.6%* | | | *9.3%* | | *6.1%* |
| **LATAM** | | | | | | |
| **Contribution margin (gross profit)** | **36.0** | *2.9%* | 0.2 | **36.2** | *3.4%* | **35.0** |
| **EBITDA** | **4.0** | *-33.3%* | *0.2* | **4.2** | *-30.0%* | **6.0** |
| *% of gross profit* | *11.1%* | | | *11.6%* | | *17.1%* |
| **EBIT** | **3.0** | *-40.0%* | *0.2* | **3.2** | *-36.0%* | **5.0** |
| *% of gross profit* | *8.3%* | | | *8.8%* | | *14.3%* |
| **APAC** | | | | | | |
| **Contribution margin (gross profit)** | **65.0** | *4.8%* | 0.9 | **65.9** | *6.3%* | **62.0** |
| **EBITDA** | **22.0** | *-12.0%* | *0.9* | **22.9** | *-8.4%* | **25.0** |
| *% of gross profit* | *33.8%* | | | *34.7%* | | *40.3%* |
| **EBIT** | **20.0** | *-13.0%* | *0.9* | **20.9** | *-9.1%* | **23.0** |
| *% of gross profit* | *30.8%* | | | *31.7%* | | *37.1%* |

* For details on regional adjustments, please refer to slide 11 ("Regional business development") of the presentation that was released together with this sheet.

**(Business segments)**

| | | | | | | |
|---|---|---|---|---|---|---|
| **Air** | | | | | | |
| **Contribution margin (gross profit)** | **181.0** | *-8.6%* | 6.0 | **187.0** | *-5.6%* | **198.0** |
| **Ocean** | | | | | | |
| **Contribution margin (gross profit)** | **133.0** | *9.0%* | 1.0 | **134.0** | *9.8%* | **122.0** |
| **Supply Chain Management** | | | | | | |
| **Contribution margin (gross profit)** | **110.0** | *-2.7%* | 5.0 | **115.0** | *1.8%* | **113.0** |