UBS Swiss Small & Mid Cap Summit | Zurich, 27th August 2009

# Panalpina – a leading asset-light forwarding and logistics provider

PANALPINA
on 6 continents

A PASSION FOR SOLUTIONS

Air Freight | Ocean Freight | Supply Chain Management

# Panalpina at a glance

## Comprehensive global network

- Worldwide no. 3 in Air freight, no. 4 in Ocean freight
- Among top 15 in Supply Chain Management
- 500 own offices in over 80 countries
- > 13’000 employees

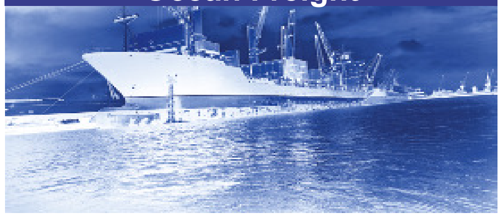
## Financial highlights (2008)

- Net forwarding revenue: CHF 8.9 billion (€ 5.6 billion)
- Gross profit: CHF 1.7 billion (€ 1.1 billion)
- EBITDA: CHF 241 million (€ 152 million)
- Net earnings: CHF 114 million (€ 72 million)

## Three business segments

**Air Freight**

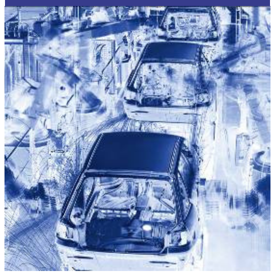
**Ocean Freight**



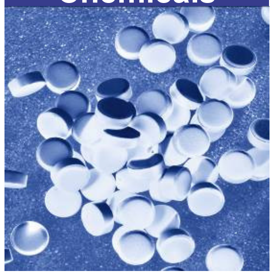
**Supply Chain Management**

## Six industry verticals

**Automotive**

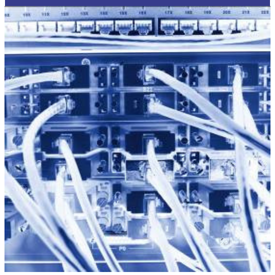


**Healthcare & Chemicals**



**Retail & Fashion**

**Hi-Tech**



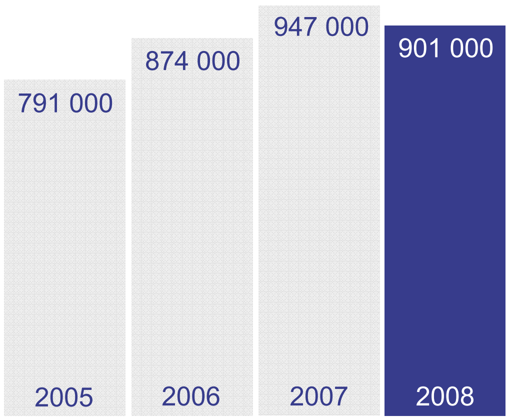
**Telecom**

**Oil & Gas**

# Many years with above-market growth…

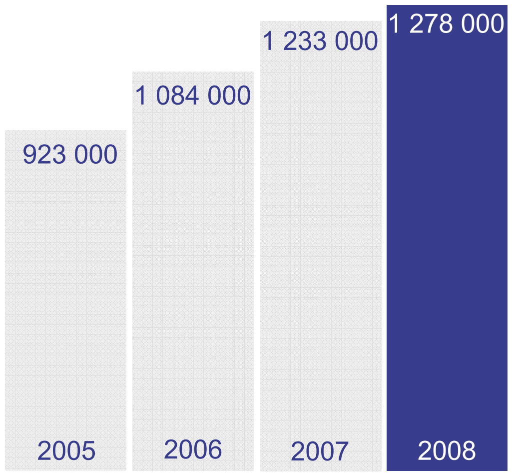
## Air freight

**901 000 tons (2008)**



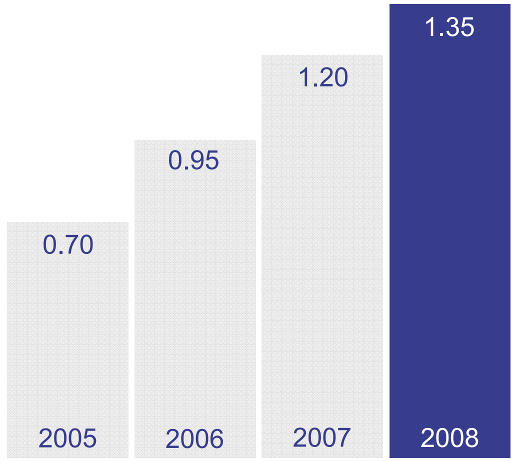

## Ocean freight

**1 278 000 TEU (2008)**




## Non-containerized*

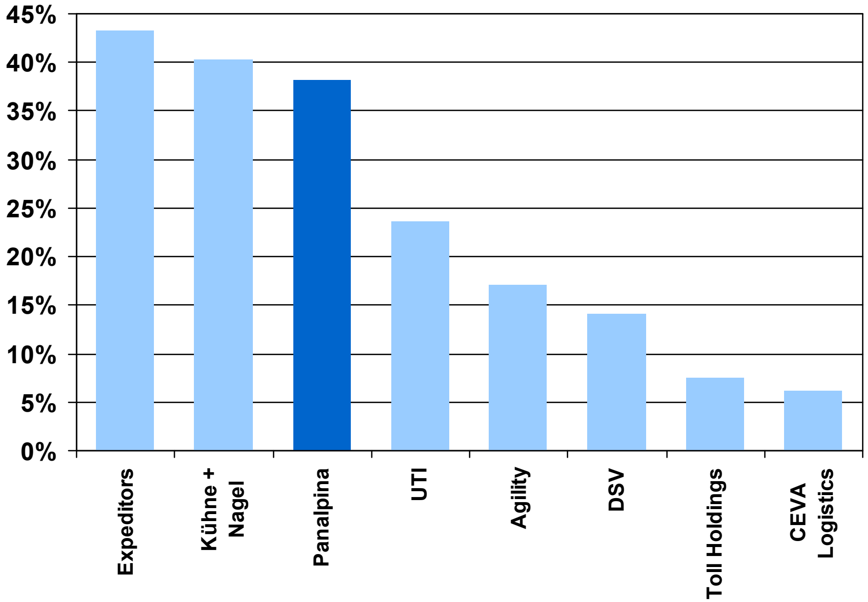
**1.35 million tons (2008)**




*non-containerized break bulk cargo from Oil & Gas and Special Project forwarding

# …and industry-leading returns

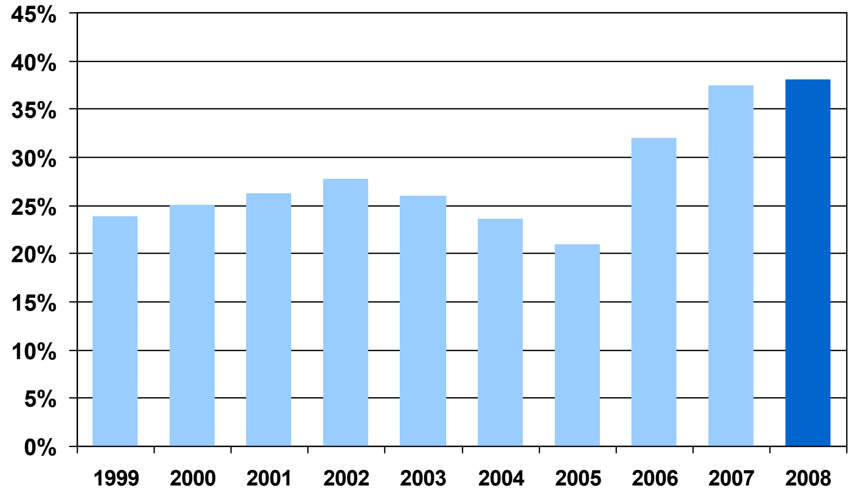
## Return on Capital Employed (ROCE)* in 2008




*ROCE defined as EBIT before special items less taxes in % of average equity plus net debt

Source: Annual reports

## ROCE (1999-2008)*



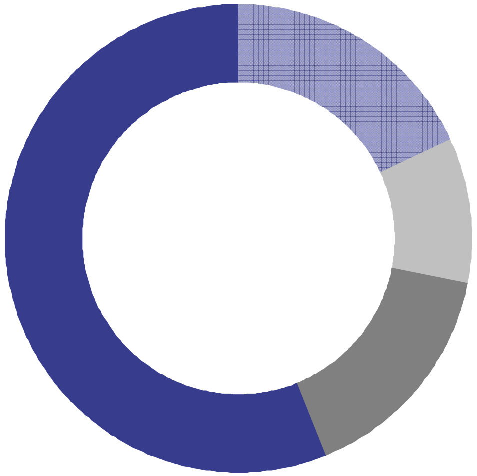

*2007/08 on the basis of EBIT before special items

Source: Panalpina

- **Long history of delivering attractive returns, in line with industry top performers**
- **Value creation through consistently exceeding the cost of capital**

# Gross profit distribution per region and business segment

## Regions



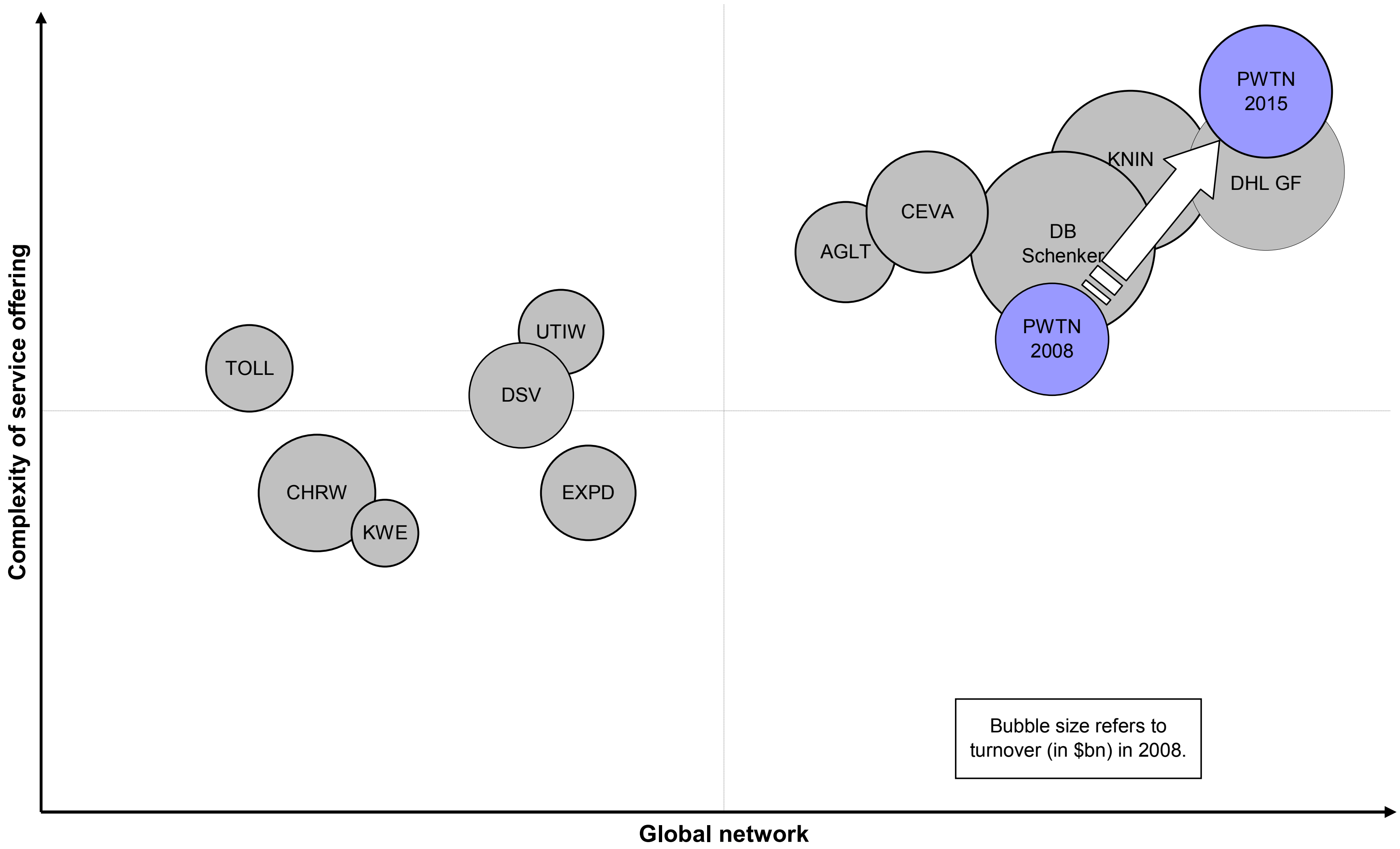
**Gross profit 2008:**
**CHF 1’742 million**

## Business segments

- Europe / Africa / Middle East / CIS (56%)
- North America (18%)
- Asia / Pacific (16%)
- Central and South America (10%)

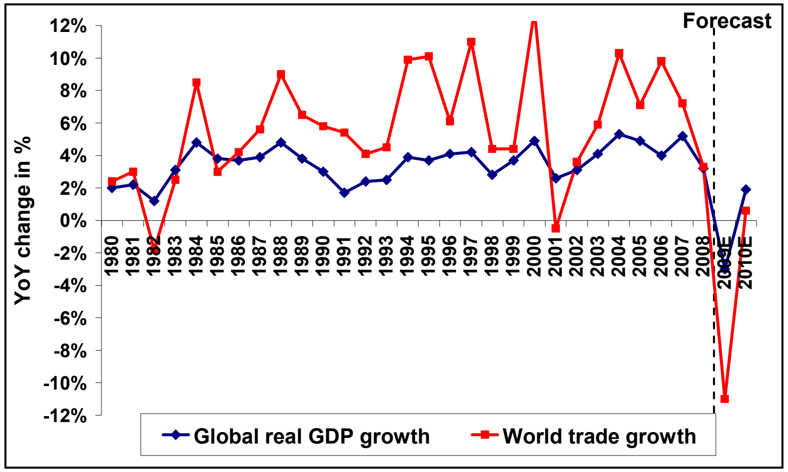
- Air Freight (43%)
- Ocean Freight (32%)
- Supply Chain Management (25%)

# Panalpina stands for global presence and complex supply chain solutions – with ambitions to grow further

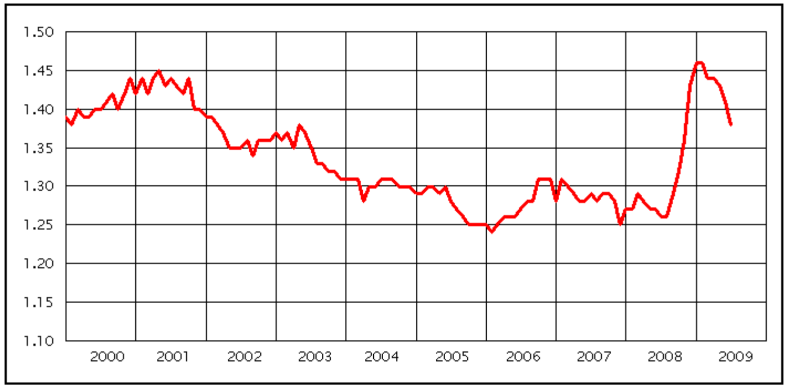


# Currently, trade is being hit much harder than production…

**World trade and GDP growth forecasts (%)**




**Total U.S. business inventories/sales ratio**




Source: IMF, World Bank, U.S. Census Bureau (August 2009)

### Precedent years

- High GDP growth, driven by emerging markets
- Trade growing at a 1.5 multiple of GDP
- Sales growing faster than inventories

### Present

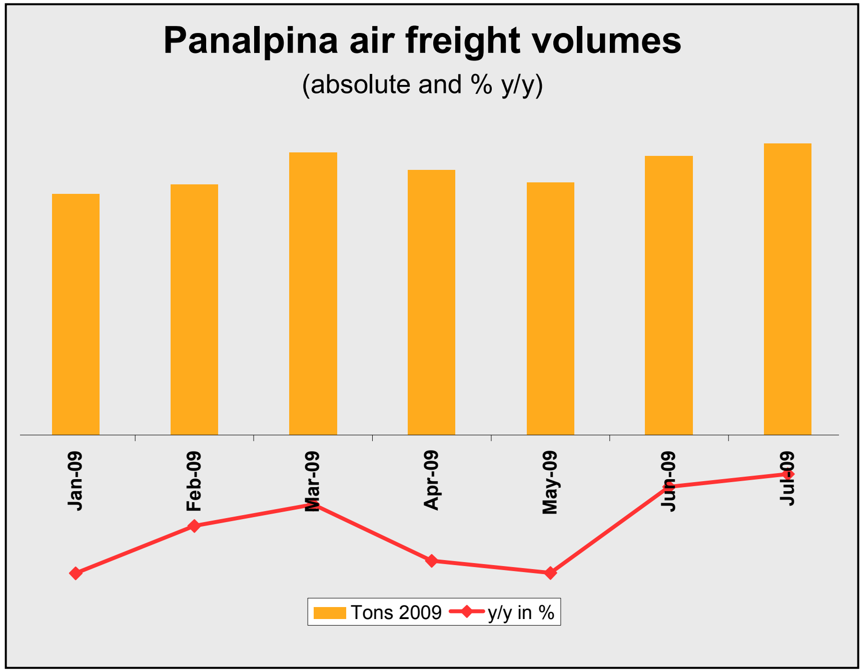
- Trade forecasted to shrink much more than GDP in 2009
- Investments into emerging markets decreasing
- Inventories falling, but due to collapse of demand 50% of U.S. shippers do not expect restocking to occur before 2010.*

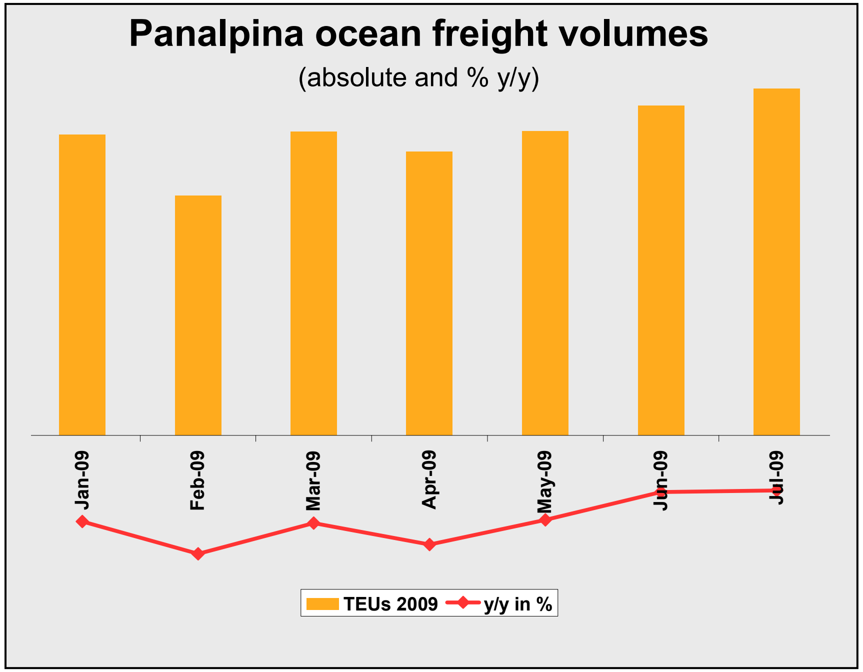
### Future

- Is a major short-term boost from restocking activity on the horizon?
- Will we get back to the growth figures seen in recent years?
- Will trade still outpace GDP growth as a rule?

*Source: Wolfe Research Shipper Survey, August 2009

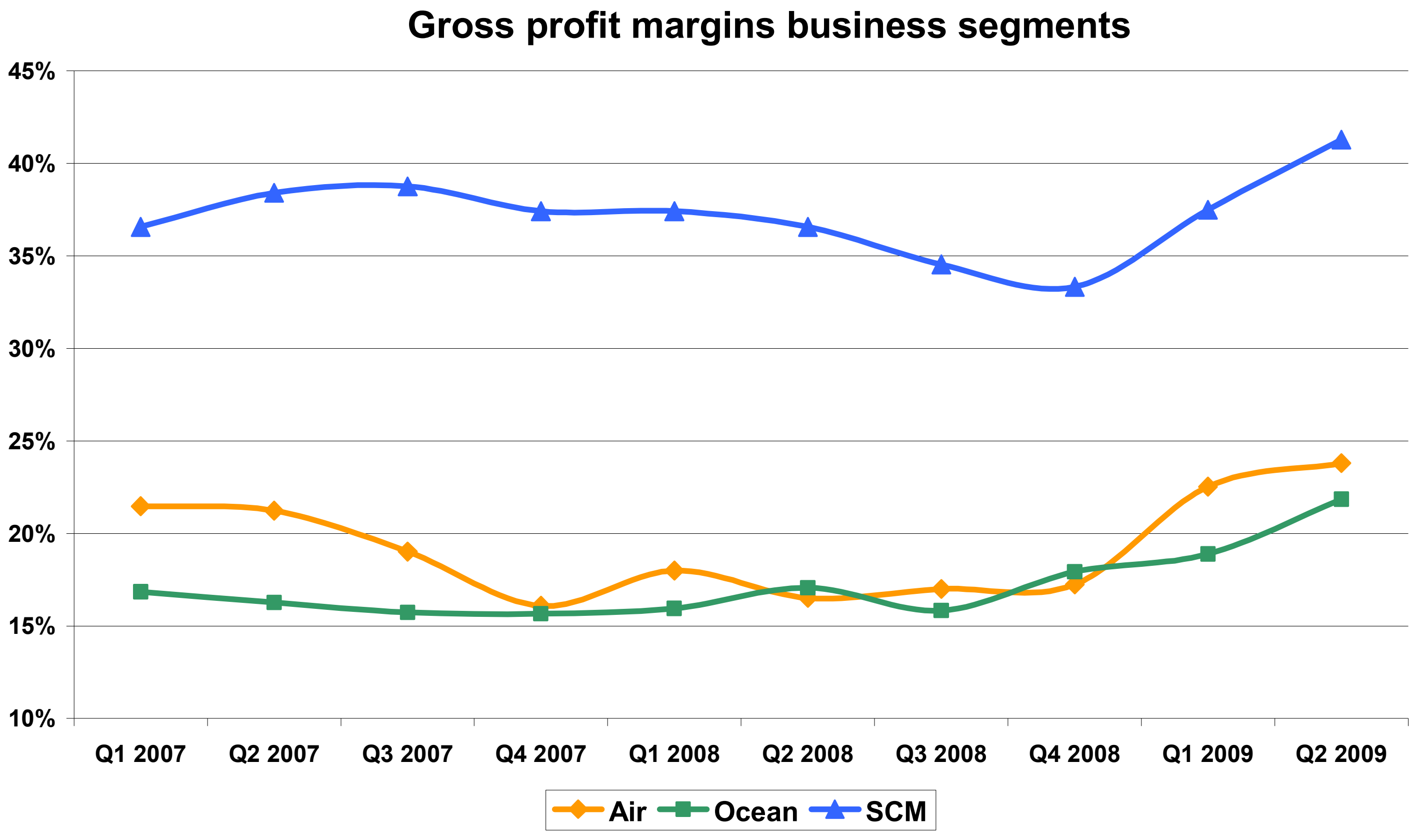
# …as a result, 2009 volumes are tracking far below 2008…




- **Volumes double-digit below prior year in all months for both air and ocean**
- **Visibility of business environment remains low, although there are recent signs of improvement.**

# …partially compensated by GP margins at record levels…

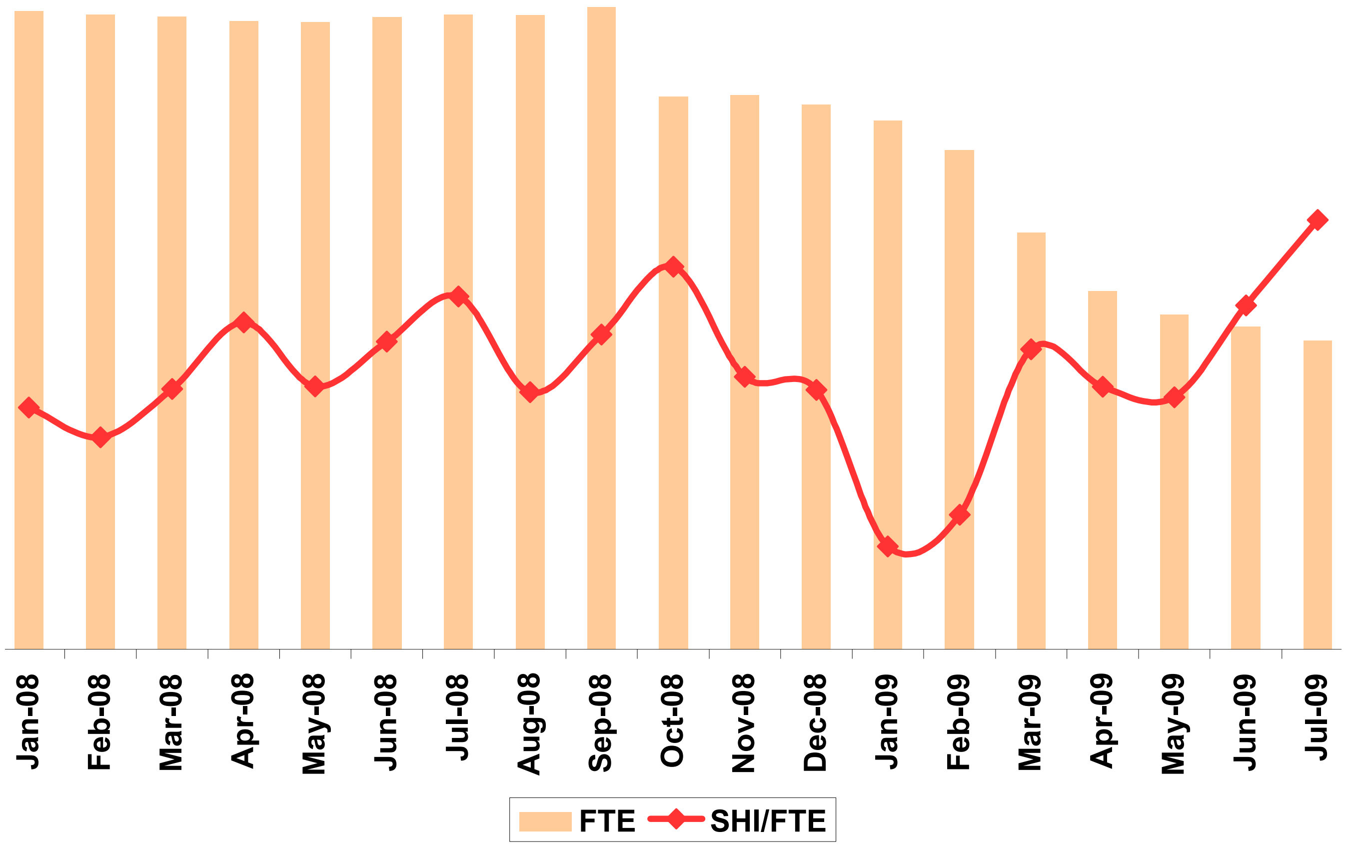



**GP margins have reached historically high levels as a result of:**

- **Declining freight rates to record low levels**
- **Falling oil prices, resulting in lower fuel surcharges**
- **Focus on profitable business, resulting in high GP per cargo unit**

# …and productivity improvements through FTE reduction

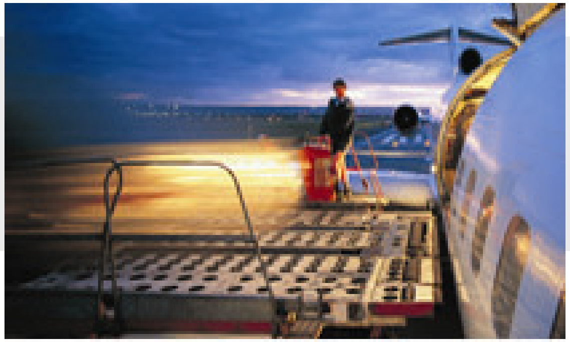
**Development of FTE's and FTE productivity**
(shipments handled per FTE)



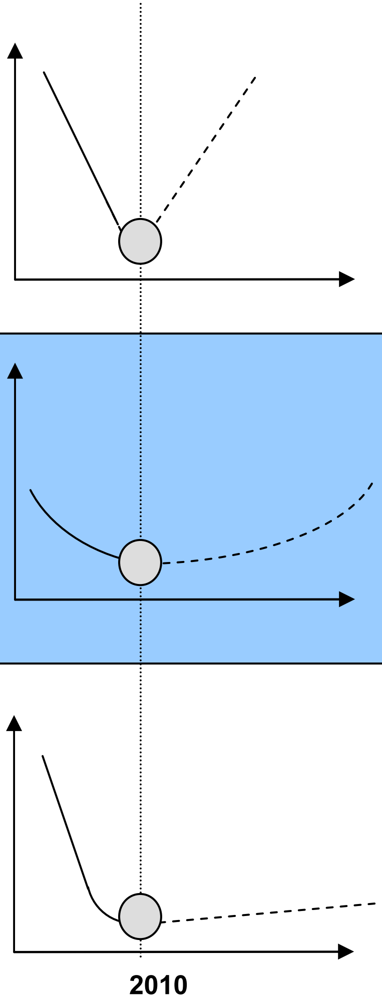

- **Productivity declined sharply as a result of strongly falling volumes towards year-end 2008**
- **FTE reduction initiated in March 2009 helped to improve productivity**
- **Positive recent trend reinforced through customers' tendency to opt for smaller shipment sizes**

# The fundamental growth drivers are intact…

- Shippers will continue to expand their reliance on leading logistics partners as SCM complexity and cost pressure continue to challenge int'l freight movements.
- Further consolidation of the market is likely, given the high fragmentation, financial constraints of smaller competitors and the importance of economies of scale.
- Forwarding and logistics companies continue to grow their share of the market pie as asset owners concentrate on their core competences.
- Economic growth will come back at some point and – coupled with the ongoing globalization process – will spur international trade.



# …however a U-shaped scenario is assessed by Panalpina to be the most probable one



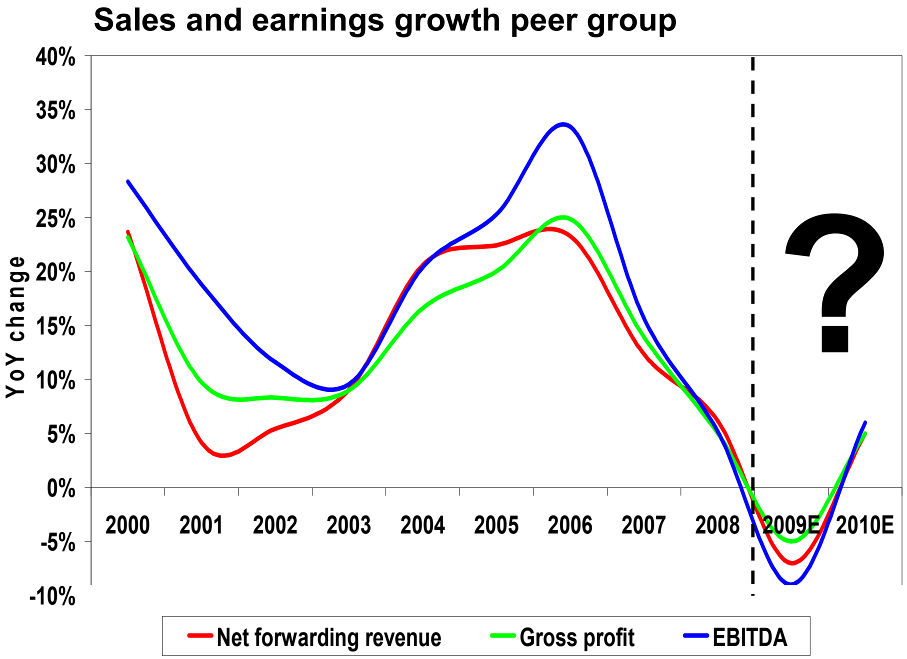

- Optimistic scenario
- Economy close to hit bottom
- Fiscal stimulus leading to rebound already before 2010
- Quick recovery, similar speed as decline

- **Base scenario: long U-shape**
- **Bottom to be reached towards year end**
- **Recession lasting well into 2010**
- **Gradual recovery of markets and turnaround during 2nd half of 2010 with reviving trade flows and globalization**
- **Air volumes back at 07 levels in 2013 and ocean in 2012**

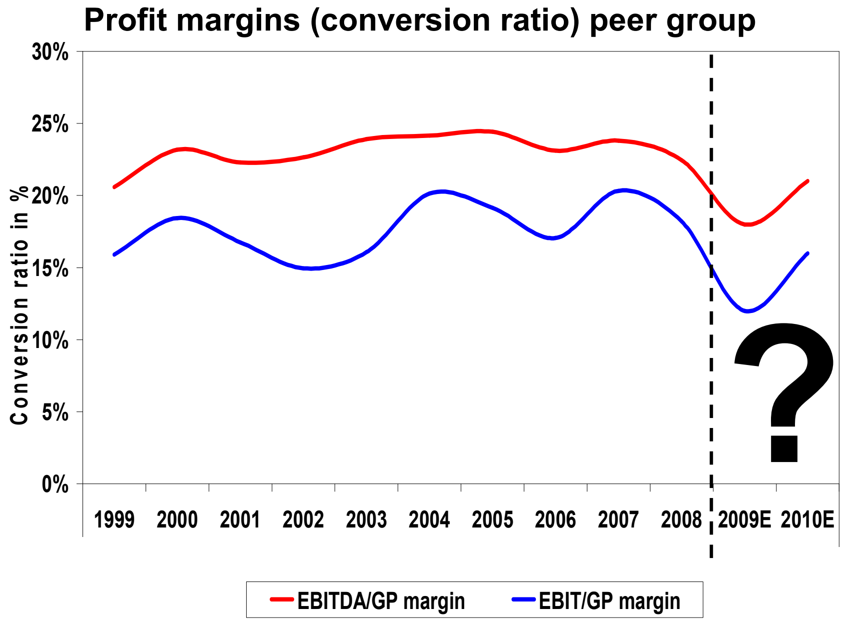
- Worst case: L-shaped, similar to “lost decade” in Japan
- Still long way until bottom is reached
- Depression to last 3-5 years or longer
- Downward spiral resulting from mass layoffs, collapse of consumer spending, protectionism and reversed globalization

○ today

# Forwarding proved to be resilient to margin pressure during past down cycles




Median for Panalpina, Kühne & Nagel, Expeditors, UTi Worldwide, CH Robinson, DSV




Median for Panalpina, Kühne & Nagel, Expeditors, UTi Worldwide, CH Robinson, DSV

# The company is well positioned to weather the storm…

*Key success factors in freight forwarding:*

- **Be globally present**
- **Be responsive to customer needs**
- **Deliver constantly high quality**
- **Be able to provide complex logistics solutions beyond transportation**
- **Manage subcontractors**
- Continued focus on expense control
- Be able to work in a network and exploit synergies
- Have an impeccable image and compliant underlying procedures
- Be innovative
- Have sufficient financial strength
- Have an integrated IT

*Panalpina is well positioned:*

- People business: motivated staff, ‘can do’ attitude
- Global network
- Diversified across industries and trade lanes
- Asset-light (most asset-light of any publicly listed logistics companies)
- Strong balance sheet

# …and is on track to achieve its short- and mid-term targets

## 2009 financial targets

- ★ Downsize global FTEs by ~1‘500 (10% of workforce)
- ★ Reduce operating expenses by CHF 130 million (see below for details)
- ★ Adapt cost structure in line with volume development
- ★ Preserve cash (tight NWC management, low capex, travel ban, no share buybacks)

## Status quo

- ☑ Number of FTE‘s reduced by >1‘700 as per 30 June
- ☑ Full financial benefits (‚run rate‘) from personnel cost savings will be visible in second half of 2009
- ☑ Contingency plans in place in case that volume development in second half-year deviates materially from internal assumptions

## Other targets

- ★ Continue to gain market share
- ★ Implementation of various long-term efficiency improvement initiatives
- ★ Resolve pending investigations

## Status quo

- ☑ Large number of new business wins in recent weeks
- ☑ Automation and consolidation of various administrative processes in progress
- 😐 FCPA: completion of investigations in Q4 remains target; Anti-trust: likely to stretch into 2010

***Recap of 2009 cost reduction target (vs. 2008, figures in CHF million):***

| | | |
|---|---|---|
| **40** | | **Net organic savings** |
| | **50** | **Organic savings (resulting from FTE reduction and other implemented cost measures)** |
| | **-10** | **Severance provisions (booked in 1Q09 due to FTE reduction)** |
| **48** | | **One-time costs incurred in 2008 (risk provisions, liquidation Nigerian subsidiary)** |
| **37** | | **Reduced cost base as a result of discontinued business as of 1 Oct 2008** |
| **5** | | **Reduction in anticipated legal fees in 2009 vs. 2008** |
| **130** | | **Cost reduction target in 2009** |

# Panalpina's way to sustainably maintain global leadership

**Growth**

- Refocus sales activities on strategic products and customer segments while maintaining leadership with Global Accounts
- Build on existing expertise to provide global Supply Chain Management solutions in key industries
- Focus on growth opportunities in ocean freight
- Leverage air freight competence

**Cost control**

- Reach cost competitiveness
- Drive process discipline and quality

**People & systems**

- Continually invest in our people
- Commit to our global network
- Continually invest in integrated and standardized IT systems

# Recap of investment highlights

- Market leadership in freight forwarding and supply chain solutions
- Leading global network and leverage through size and scale of operations
- Limited cyclicality and high returns on capital due to asset-light business model
- Strong net cash position and potential to improve profitability
- Long-term industry growth prospects with goal to gain market share
- Differentiation through customer-focused approach and specialist industry expertise

PANALPINA on 6 continents

# Appendix

PANALPINA on 6 continents

A PASSION FOR SOLUTIONS

Air Freight | Ocean Freight | Supply Chain Management

# First half 2009 – Executive summary

- Gross profit for the Group declined 9% on a like-for-like basis
- Targeted CHF 130m savings on track – underlying operating expenses declined 4%
- Number of FTEs reduced by 11% during first half-year, ahead of target
- Group performance impacted by legal fees, FX, discontinued business:

| | Result 1H09 (CHF million) | Growth y/y 1H09 (actual) | Growth y/y 1H09 (local currencies) | Growth y/y 1H09 (like-for-like) |
|---|---|---|---|---|
| **Net forwarding revenue** | 2'973.4 | -31.6% | -28.1% | |
| **Gross profit** | 727.4 | -15.0% | -11.5% | -8.8% |
| **Operating expenses** | 675.9 | -6.7% | -3.5% | -4.3% |
| **EBITDA** | 51.5 | -60.9% | -56.9% | -34.4% |
| **Net earnings** | 16.9 | -77.9% | -79.5% | |

- Strong cash flow generation (free cash flow of CHF 155m, up 175%), resulting in net cash position of CHF 433m (>20% of market cap)
- Year-on-year volumes and gross profit impacted by continued weak market environment; quarter-on-quarter volume improvement:

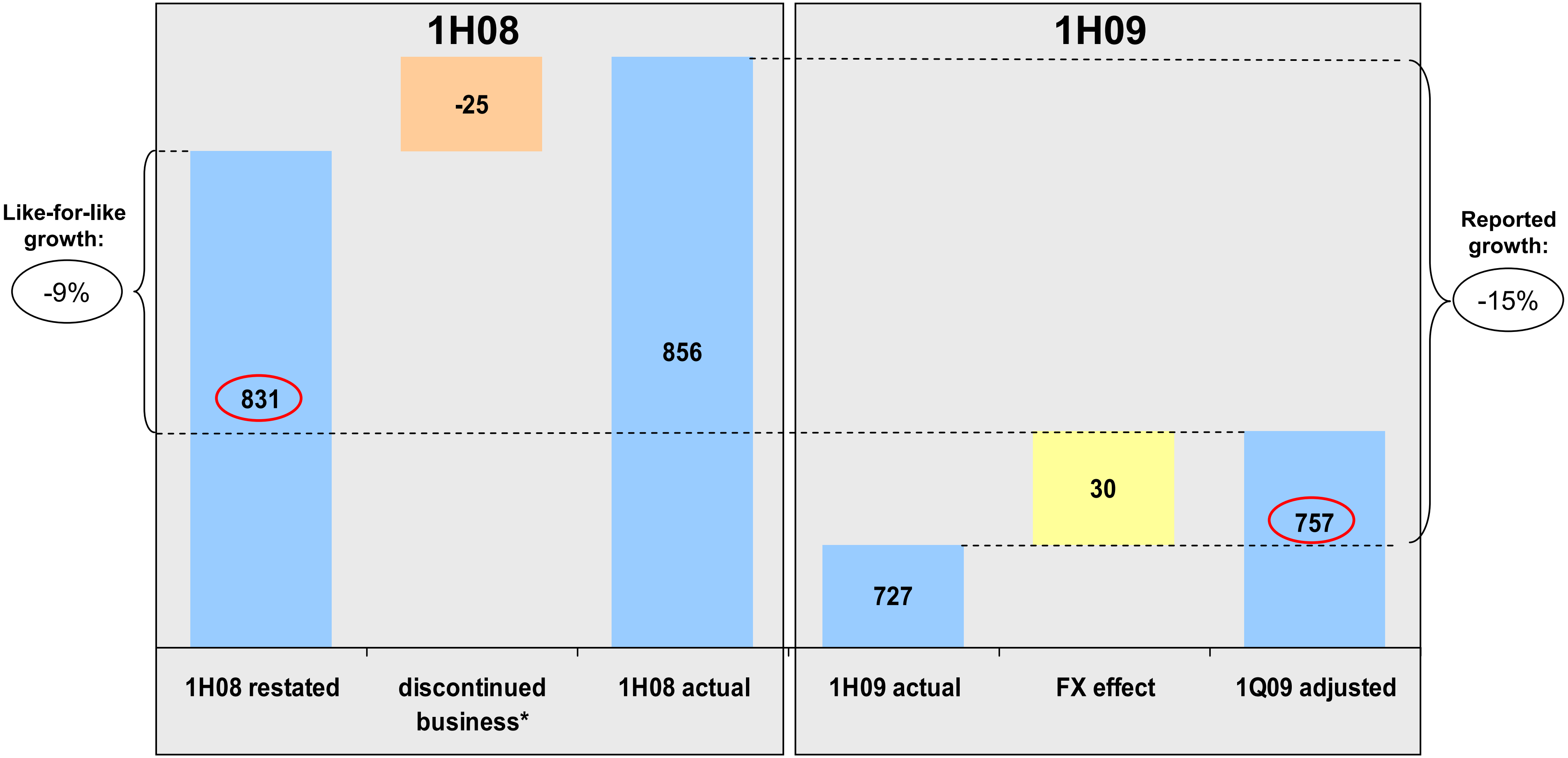
| 1H09: development of volumes vs. gross profit | | | |
|---|---|---|---|
| *Growth (y/y)* | **Volumes** | **GP** | **GP** (excl. FX) |
| **Air (tons)** | -28% | -18% | -15% |
| **Ocean (TEU)** | -21% | -8% | -7% |

**Volume growth by quarter:**

| 2Q09 vs. 2Q08: | 2Q09 vs. 1Q09: |
|---|---|
| -28% | +3% |
| -20% | +8% |

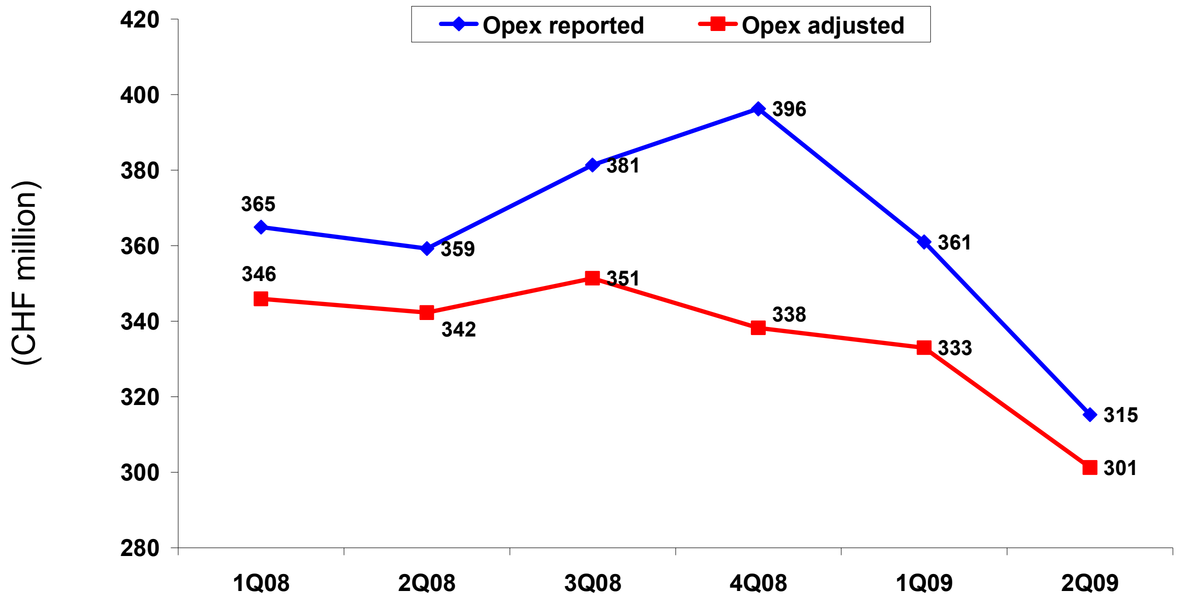
# Gross profit declined 9% on a like-for-like basis

(Figures in CHF million)




* Adjustment for discontinued business for which GP was still recorded during 2008 (refer to Appendix for details)

# Total expense overview reveals cost base on track to achieve targeted CHF 130m savings in 2009*

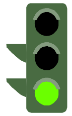
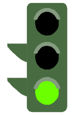
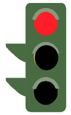
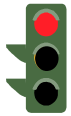
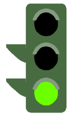



| | 30 Jun 09 | 31 Dec 08 | Δ | % Δ |
|---|---|---|---|---|
| **FTE** | 13’530 | 15’270 | -1’740 | -11% |

- **Reduction of more than 1’700 FTEs over the last six months, ahead of target**
- **Resulting cost savings started at the end of Q1 – major effect expected in second half-year**
- **Strict cost control to continue – cost structure / FTEs adapted in line with volume declines**

* based on originally guided CHF 40m legal fees

# Outlook for current business year – review of Guidance

| Guidance 2009 | Status | Assessment |
|---|---|---|
| •Reduction of 1'400 – 1'600 FTEs |  | •Ahead of target – continue to adapt cost structure in line with volume development. |
| •Reduce operating expenses by CHF 130m* |  | •Full financial benefits ('run rate') from personnel cost savings will be visible in second half of 2009 |
| •Market share gains |  | •Substantially lower volumes with larger customers, especially in Automotive / Hi-Tech. Recent business wins should have positive impact in 2nd half-year. |
| •CHF 40m legal fees related to pending investigations |  | •Likely to exceed guided amount – fees can be influenced by the Group only to a limited extent |
| •Tax rate 26 – 27% |  | •On track |

**YoY volume declines should lessen in H2, however no substantial short-term recovery expected:**
- **Strict cost control and tight cash management continue and remain a high priority**
- **Focus on growth opportunities and continually invest in people & systems**

* based on originally guided CHF 40m legal fees