

**A passion for solutions**

Panalpina Group

Basel, November 2, 2012

# 2012 Third Quarter Review



**Supply Chain Solutions**

Air Freight

Ocean Freight

Logistics



## Highlights and key figures

## Operating and financial review

## Outlook

## Further business growth in Ocean Freight and Logistics – cost reductions implemented during Q3 to take effect as of next quarter

- Gross profit of the Group up 7% yoy in Q3 (excl. FX: -2%), driven by solid performance in Logistics and Ocean Freight, impacted by disappointing performance in Air Freight
- Further market share gains in Ocean Freight leading to highest quarterly and nine-months volumes ever in the Group's history
- Strong GP growth and record GP margin in Logistics due to profitability focus and improved business mix
- Underlying EBITDA/GP margin falling to 8% (Q3 2011: 15%) – quarterly cost savings of CHF 6-8 million to take effect as of next quarter
- Extraordinary provisions of CHF 12.7 million related to accrued salaries for leaving employees included in Q3 personnel expenses
- Net working capital intensity at 1.6%, kept below prior year level despite ongoing pressure on DSO

## Key figures

CHF million

	Q3 2012	Q3 2011	Variance %		YTD 2012	YTD 2011	Variance %	
			CHF	Excl. FX			CHF	Excl. FX
<b>Net forwarding revenue</b>	<b>1'721.2</b>	<b>1'570.9</b>	9.6%	0.4%	<b>4'928.7</b>	<b>4'851.8</b>	1.6%	-0.1%
Forwarding expenses	(1'341.9)	(1'214.8)			(3'822.0)	(3'751.4)		
<b>Gross profit</b>	<b>379.3</b>	<b>356.1</b>	6.5%	-2.5%	<b>1'106.7</b>	<b>1'100.4</b>	0.6%	-1.4%
<i>in % of net forwarding revenue</i>	22.0%	22.7%			22.5%	22.7%		
Total operating expenses	(361.1)	(301.9)	19.6%	11.0%	(1'079.7) *	(936.8)	15.3%	13.6%
<b>EBITDA</b>	<b>18.1</b>	<b>54.2</b>	-66.5%	-77.8%	<b>26.9</b>	<b>163.6</b>	-83.5%	-87.4%
<i>in % of gross profit</i>	4.8%	15.2%			2.4%	14.9%		
<b>Operating result (EBIT)</b>	<b>7.0</b>	<b>44.8</b>	-84.5%	-96.3%	<b>(5.1)</b>	<b>135.5</b>	-103.7%	-108.0%
<i>in % of gross profit</i>	1.8%	12.6%			-0.5%	12.3%		
Financial result	(0.2)	(3.9)			0.5	(5.2)		
<b>Earnings before taxes (EBT)</b>	<b>6.7</b>	<b>40.9</b>			<b>(4.6)</b>	<b>130.3</b>		
Income tax expenses	(2.6)	(9.1)			(14.5)	(31.6)		
<i>% of EBT</i>	38.7%	22.3%			-317.1% **	24.3%		
<b>Consolidated profit</b>	<b>4.1</b>	<b>31.7</b>			<b>(19.0)</b>	<b>98.7</b>		
<i>in % of gross profit</i>	1.1%	8.9%			-1.7%	9.0%		
<i>Non-recurring items</i>	(12.7)	-			(71.9) *	-		
<b>underlying EBITDA</b>	<b>30.8</b>	<b>54.2</b>	-43.1%	-56.1%	<b>98.9</b>	<b>163.6</b>	-39.5%	-43.1%
<i>in % of gross profit</i>	8.1%	15.2%			8.9%	14.9%		
<b>underlying EBIT</b>	<b>19.7</b>	<b>44.8</b>	-56.1%	-70.1%	<b>66.9</b>	<b>135.5</b>	-50.7%	-54.6%
<i>in % of gross profit</i>	5.2%	12.6%			6.0%	12.3%		

- GP growth driven by favorable development of Logistics and Ocean Freight, hit by disappointing Air Freight
- Operating expenses inflated by CHF 12.7 million provision related to accrued salaries for leaving employees
- Quarterly cost savings of CHF 6-8 million to take effect as of the fourth quarter

\* Operating expenses in Q1 include (non tax-deductible) extraordinary provisions of CHF 59.2 million and a (tax-deductible) CHF 12.7 million provision in Q3.

\*\* The underlying tax rate (i.e. excluding non tax-deductible extraordinary provisions) YTD 2012 was 26.4%.



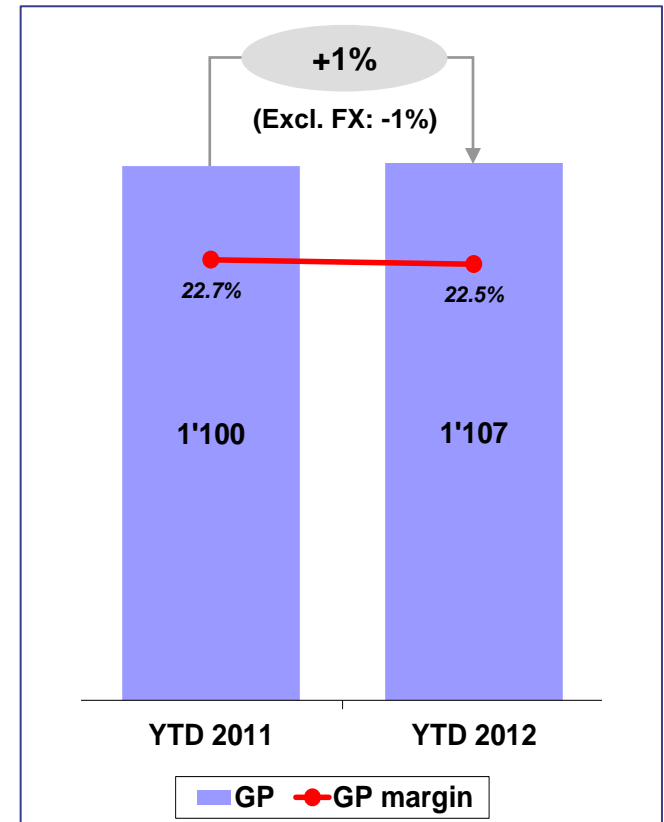
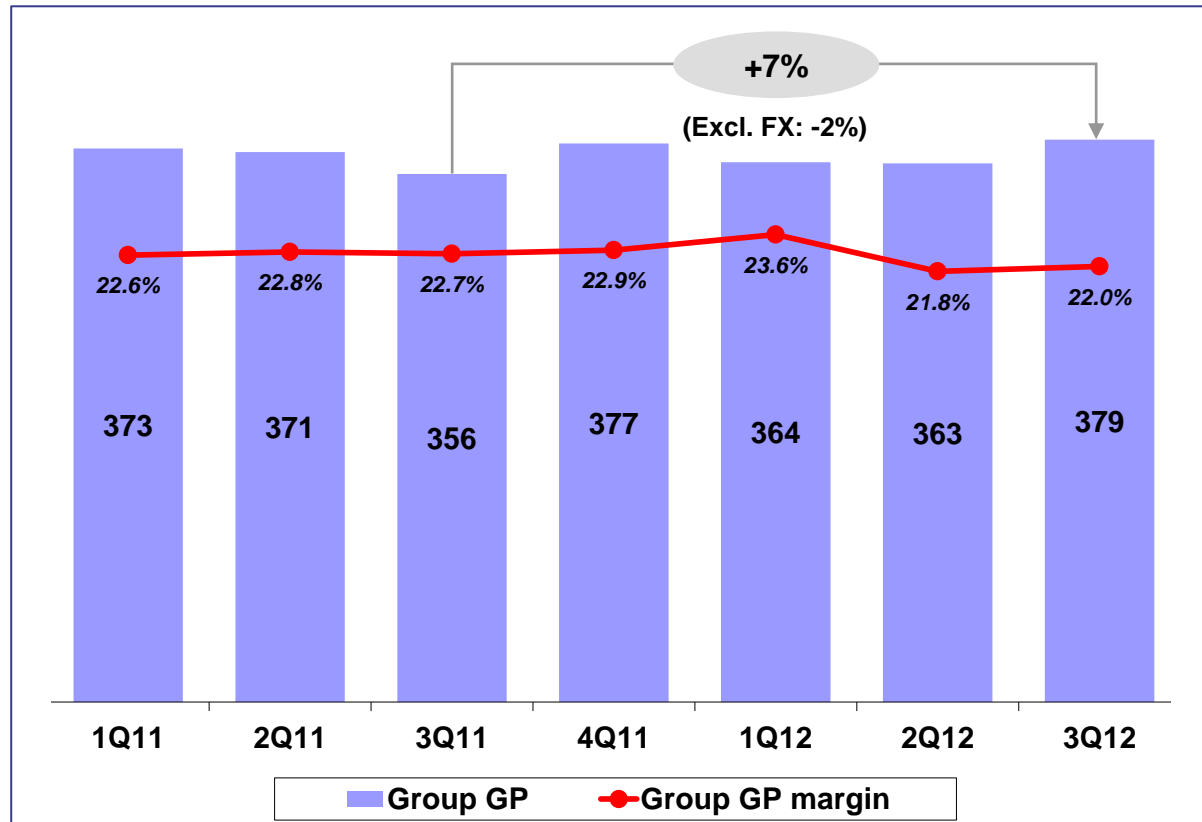
Highlights and key figures

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Outlook

# Highest quarterly GP in almost two years

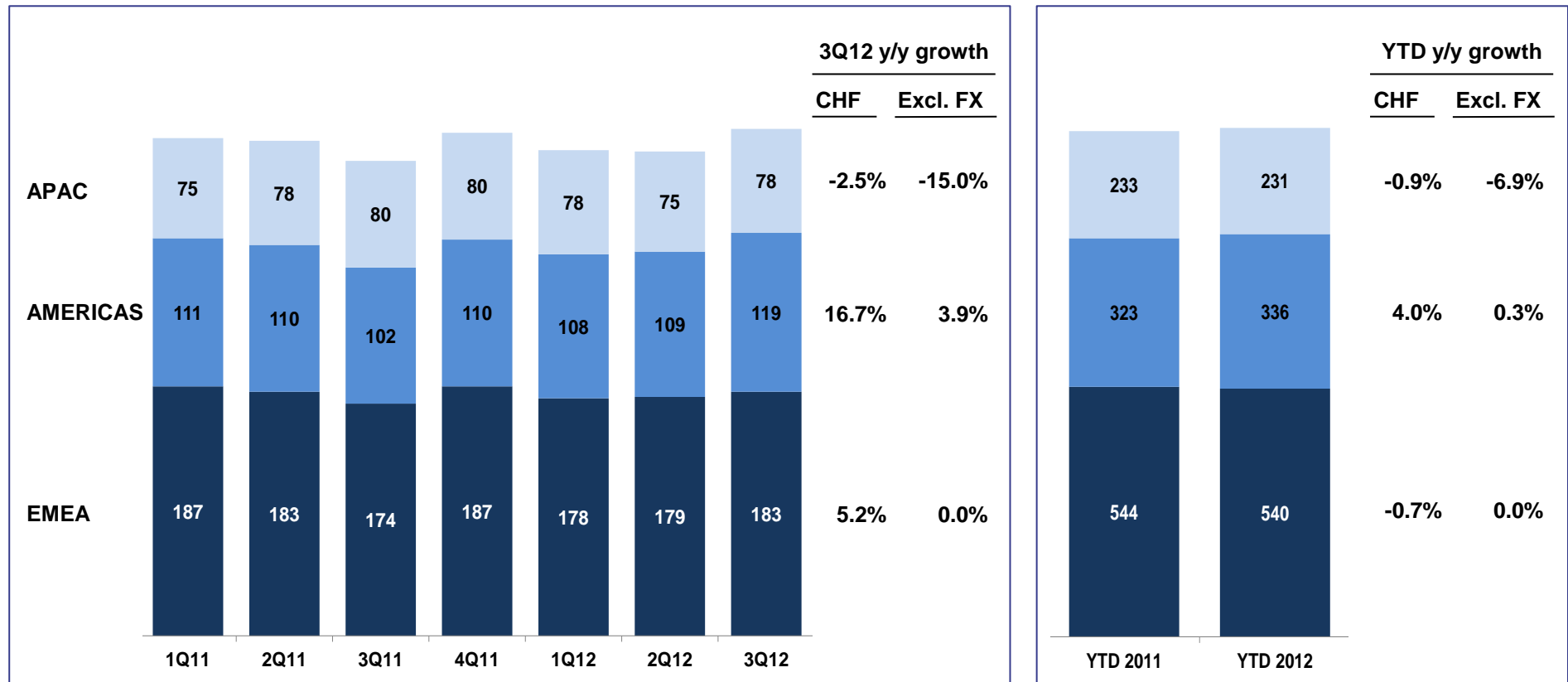
Gross profit in CHF million



- Gross profit up 7% yoy (excl. FX: -2%), leading to highest quarterly GP since 4Q10
- Solid organic growth in Logistics and Ocean Freight
- Disappointing performance in Air Freight (accounts for 42% of Group GP in Q3) weighs on Group result

# GP in Americas\* hitting highest level in almost four years

Gross profit in CHF million

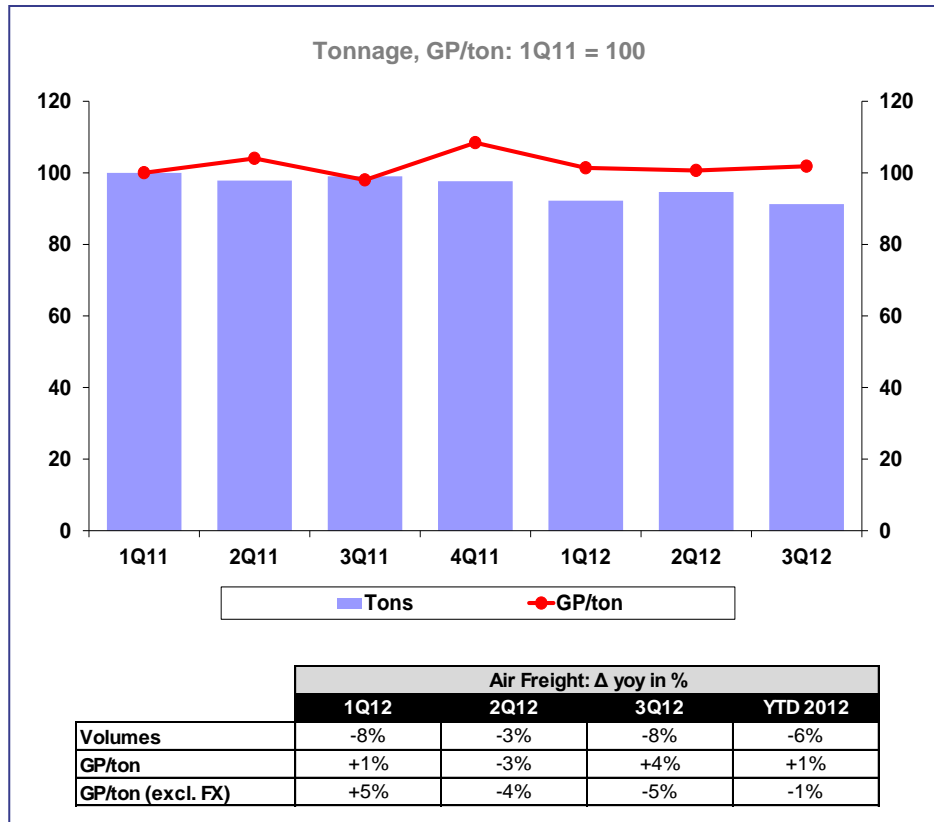


- Continued growth in Americas leading to highest quarterly gross profit in this region since 4Q08
- Weakness in EMEA imports partly offset by strength in exports
- GP decrease in APAC mainly due to declining exports to Europe

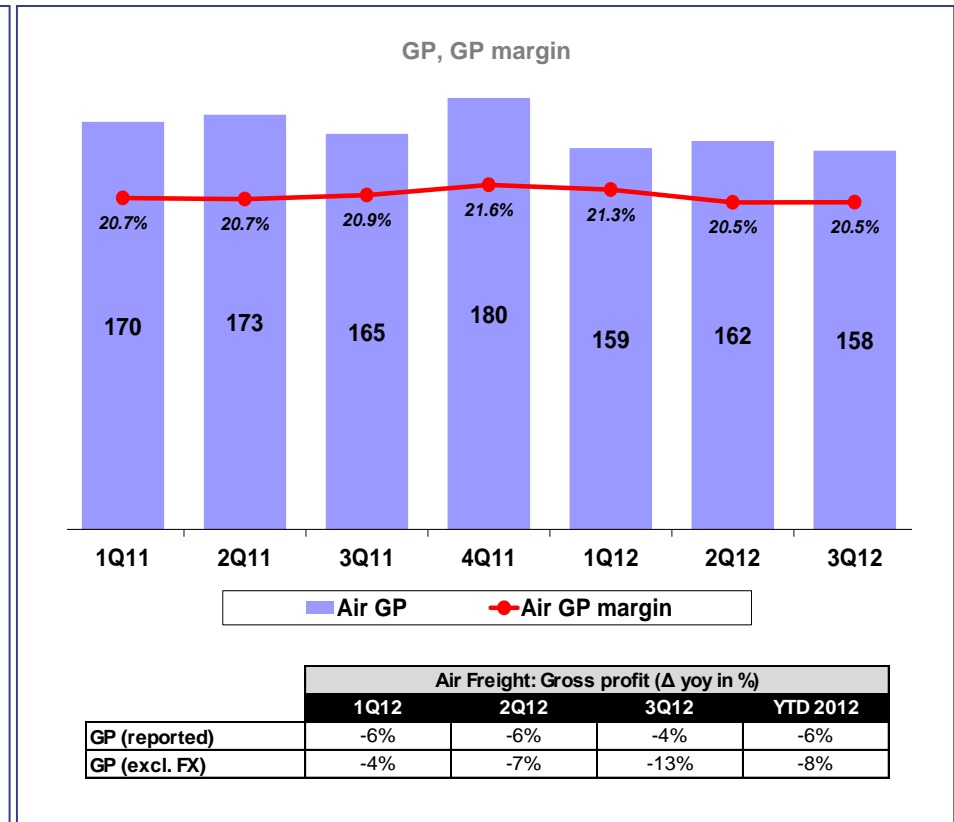
\* Note: in line with the Group's new Regional set-up effective July 1, 2012, Panalpina merged its Regional reporting of 'Noram' and 'Latam' to 'Americas'.

# Air Freight business impacted by high exposure to cyclical industries, trend towards smaller shipment sizes

**Air Freight: tonnage vs. GP/ton development**



**Air Freight: GP development**

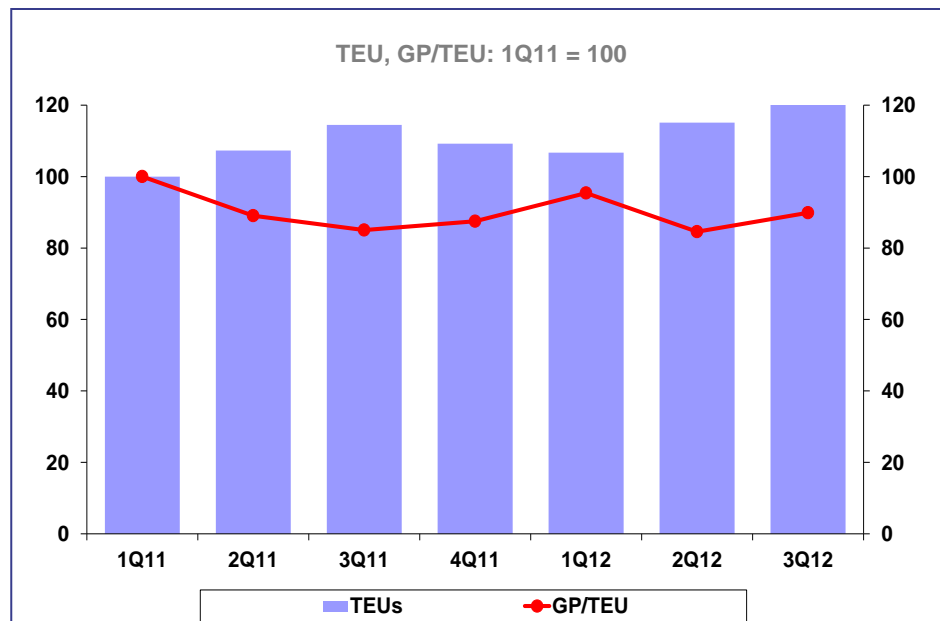


- Significant volume declines in Hi-Tech, Telecom and Chemicals (>40% of the Group's Air Freight volumes)
- Trend towards smaller shipment sizes accelerated in Q3 (# of shipments flat yoy while tonnage is down -8%)
- GP per ton stable quarter-on-quarter



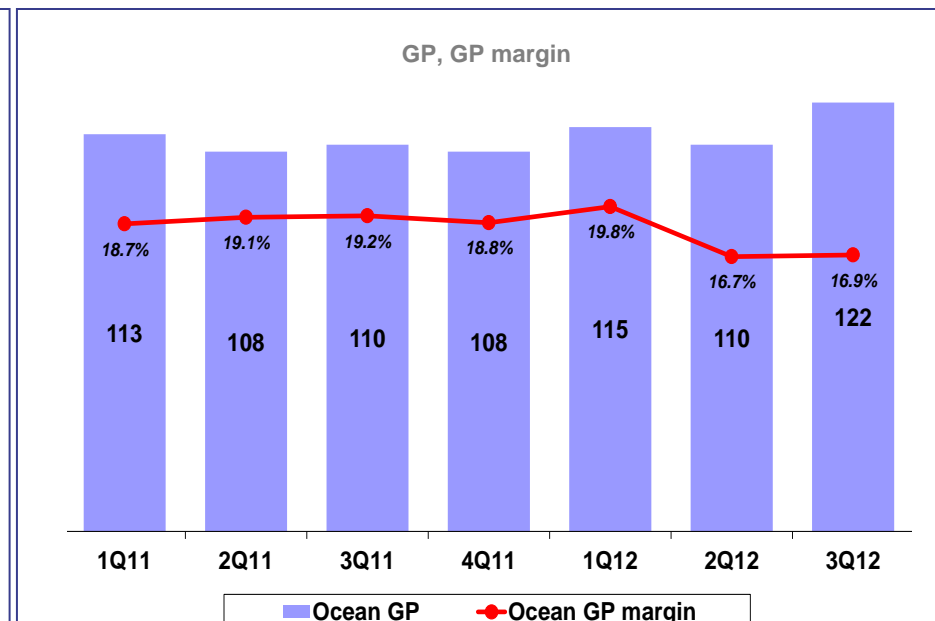
# Ocean Freight – market share gains lead to new volume record

Ocean Freight: TEU vs. GP/TEU development



	Ocean Freight: Δ yoy in %			
	1Q12	2Q12	3Q12	YTD 2012
Volumes	+7%	+7%	+5%	+6%
GP/TEU	-5%	-5%	+6%	-1%
GP/TEU (excl. FX)	-1%	-6%	-3%	-3%

Ocean Freight: GP development

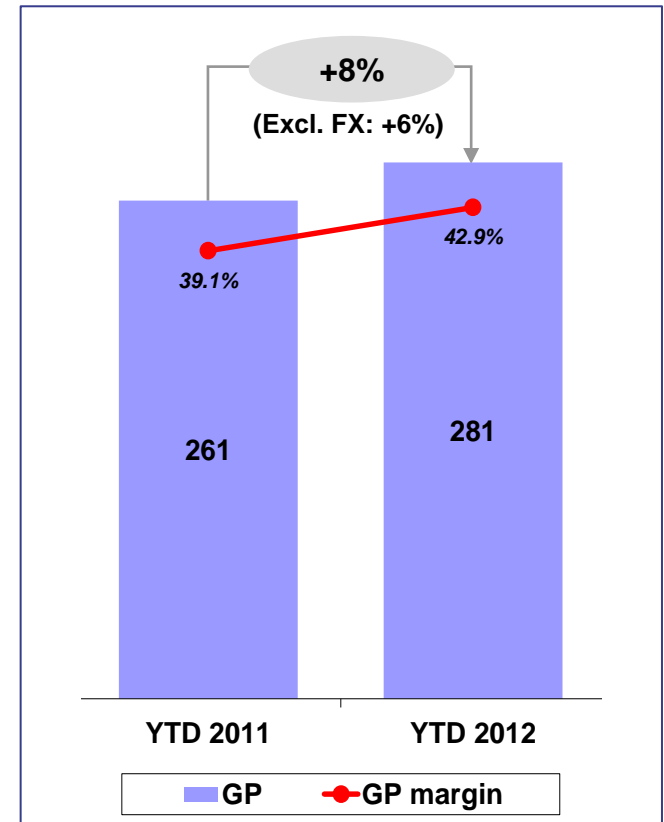
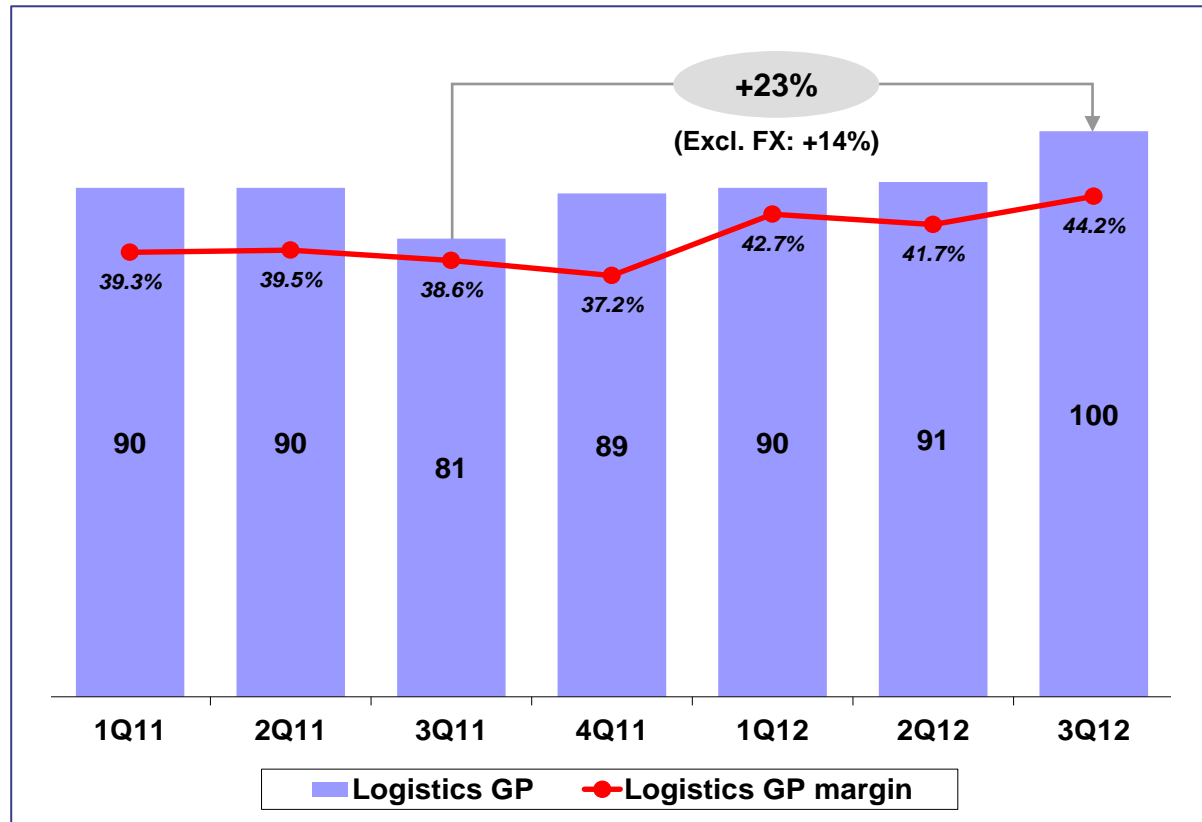


	Ocean Freight: Gross profit (Δ yoy in %)			
	1Q12	2Q12	3Q12	YTD 2012
GP (reported)	+2%	+2%	+11%	+5%
GP (excl. FX)	+5%	+1%	+2%	+3%

- Further market share gains in Ocean Freight leading to highest quarterly and YTD volumes ever in the Group's history – for the first time >1 million TEUs transported in the first nine months
- GP per TEU improved quarter-on-quarter as steep rate increases in Q2 were gradually passed through

# Logistics – record GP margin

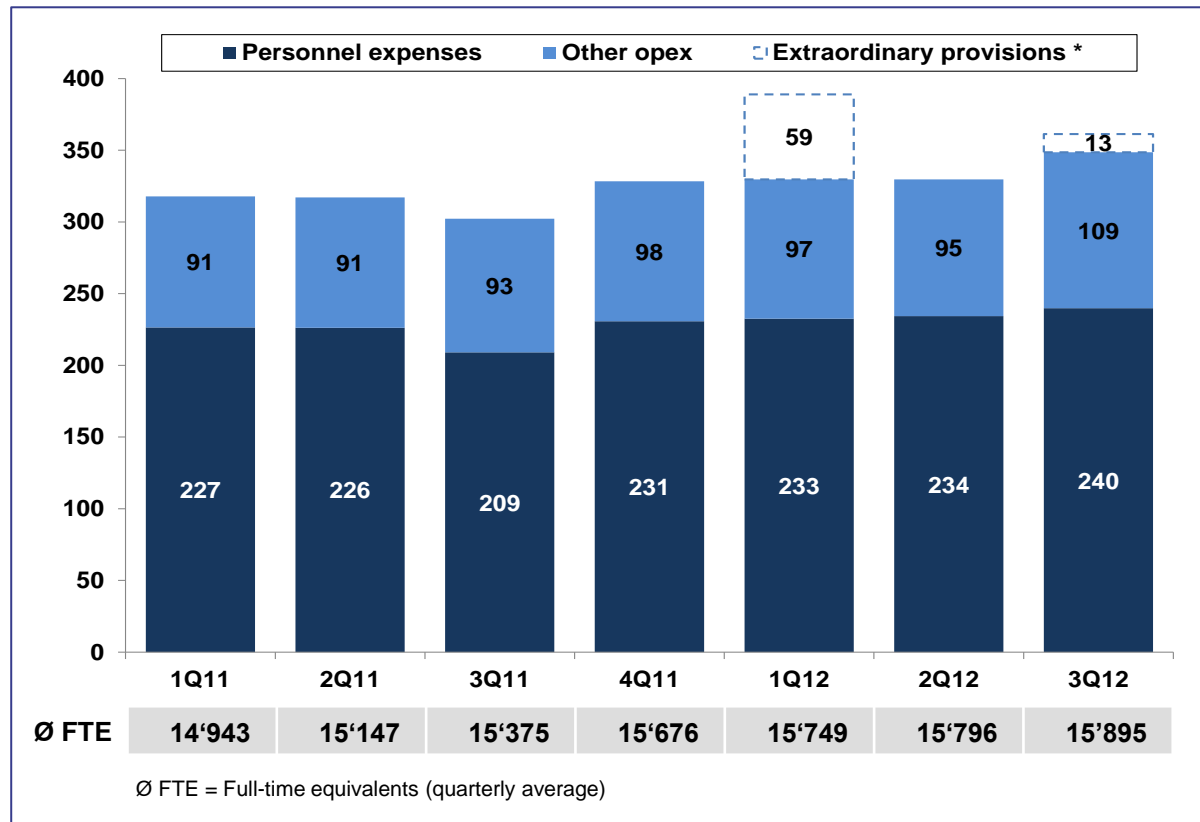
Gross profit in CHF million



- Various new business wins leading to strong GP growth
- Profitability improvement initiatives in Warehousing & Distribution resulting in positive margin effect
- GP margin exceeding 44% for the first time in the Group's history

# Opex up in Q3 and YTD – cost reductions to take effect as of Q4

Operating expenses in CHF million



	3Q12	3Q11	Δ%	Excl. FX
PExp (adj.)	239.9	209.1	14.7%	6.0%
OOE	108.7	93.2	16.6%	8.5%
Total (adj.)	348.6	302.3	15.3%	7.1%

	YTD12	YTD11	Δ%	Excl. FX
PExp (adj.)	706.7	661.8	6.8%	5.2%
OOE (adj.)	301.3	275.0	9.6%	7.5%
Total (adj.)	1'008.0	936.8	7.6%	5.8%

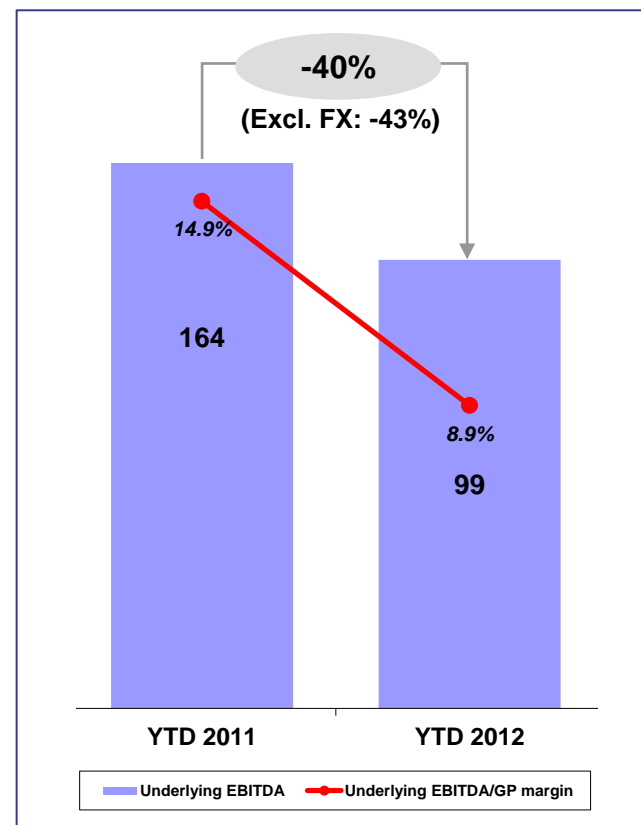
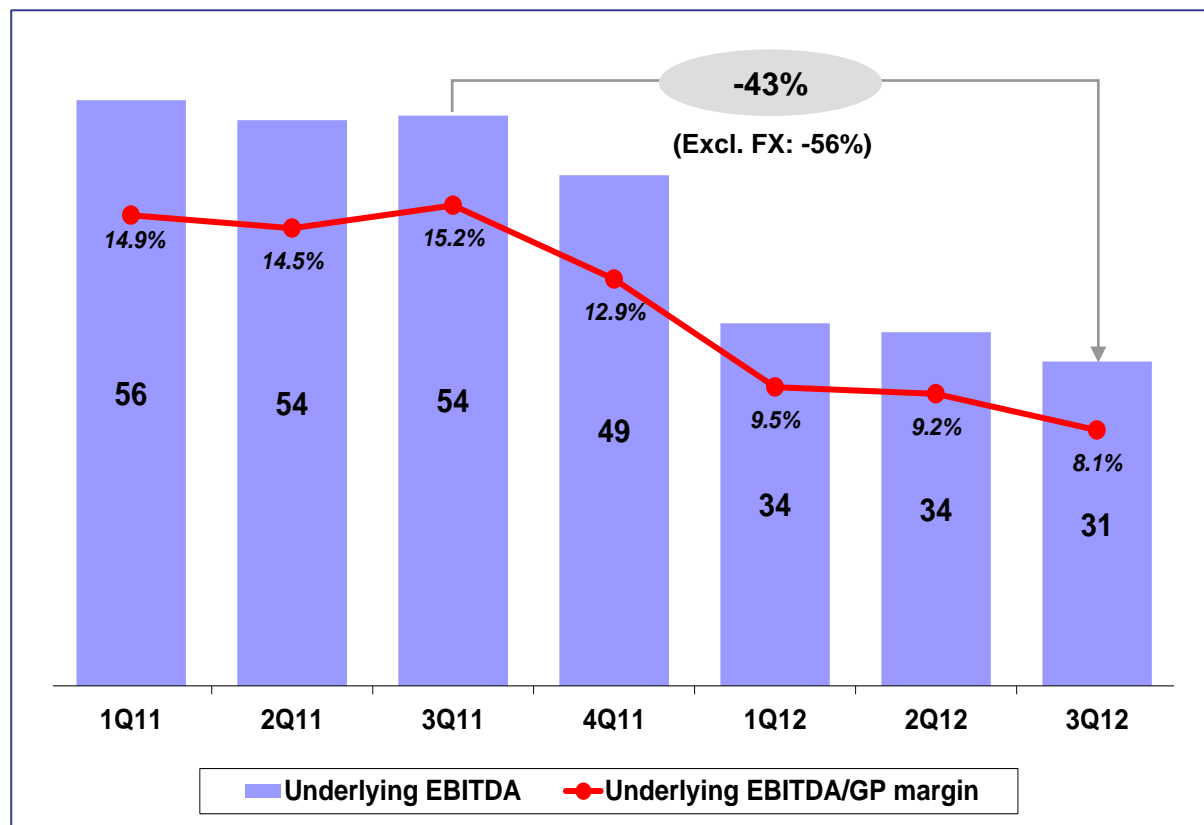
PExp = Personnel expenses  
OOE = Other operating expenses

- Year-on-year increase in cost base reflecting investments in personnel, Logistics and IT
- Quarterly cost savings of CHF 6-8 million mainly due to reduction in personnel expenses to take effect as of the fourth quarter

\* Q1: Provisions for EU/Swiss antitrust fines as per press release of March 28, 2012; Q3: Provisions for accrued salaries of leaving employees

# EBITDA falling due to weak Air Freight and higher cost base

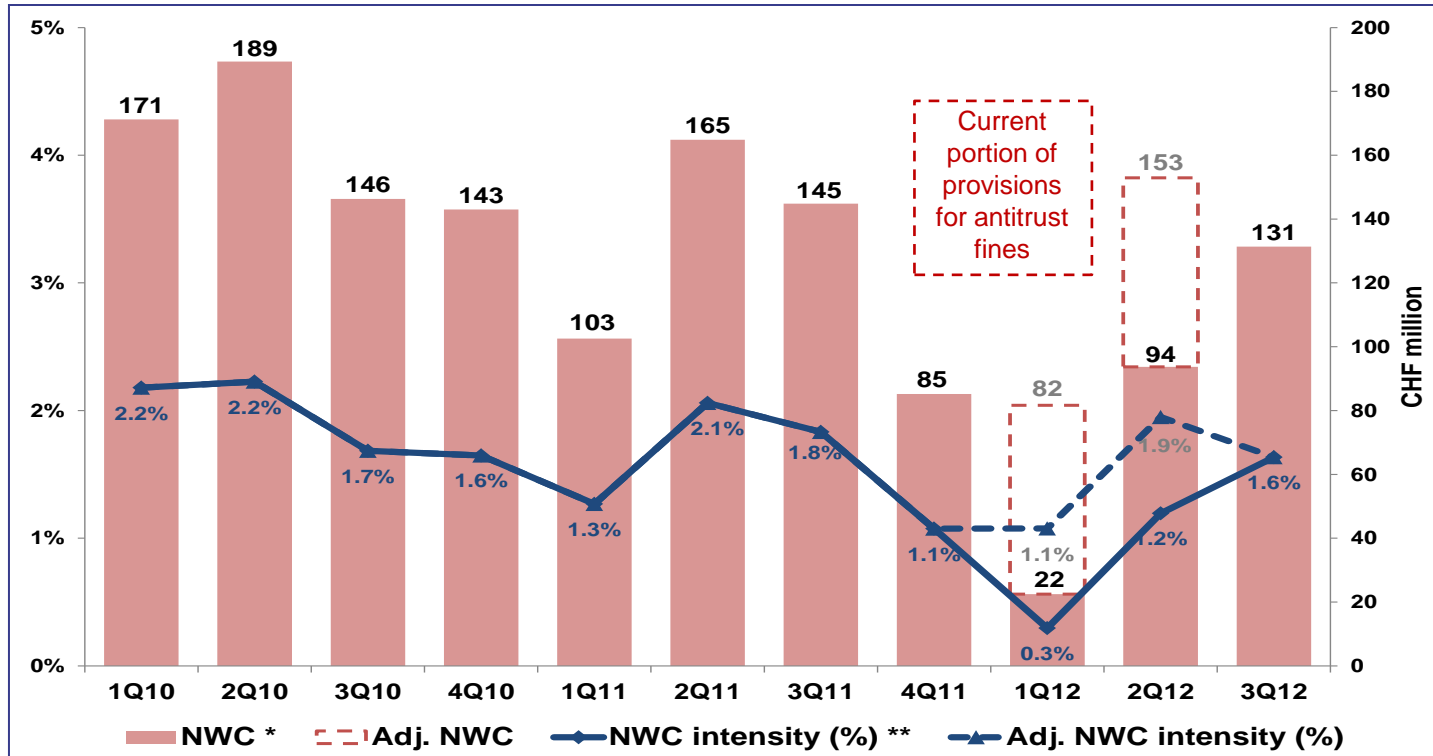
Underlying EBITDA in CHF million\*



- EBITDA decline vs. prior year period due to weak Air Freight and higher cost base
- Cost reduction program resulting in decrease of personnel expenses as of the fourth quarter
- Continued focus on cost containment measures

\* EBITDA in Q1 2012 adjusted for extraordinary provisions of CHF 59.2 million, EBITDA in Q3 2012 adjusted for extraordinary provision of CHF 12.7 million

## Net working capital intensity kept below prior year level



(# of days)	Sep 30, 2012	Sep 30, 2011
<b>DSO</b> (3-m-rolling)	45.6	43.7
<b>DPO</b> (3-m-rolling)	31.3	28.9
<b>Δ (DSO – DPO)</b>	14.3	14.8

- NWC intensity at 1.6%, below prior year level and decreasing from adjusted 1.9% last quarter
- Ongoing pressure on DSO – increasing DSO vs. prior year more than offset by increasing DPO

\* Net working capital defined as current assets net of cash and liquid instruments minus current liabilities net of interest bearing debt

\*\* NWC intensity defined as NWC divided by gross forwarding revenue



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## Outlook for 2012

### Air Freight



#### Market

- -(3-4)% decline
- Further capacity reductions in key trade lanes
- Rate stabilization expected in Q4

#### Panalpina

- Volume growth impacted by industry-specific exposure
- Slight decrease of GP per ton 2012 vs. 2011

World trade  
growth 2012:  
~3%

### Ocean Freight



#### Market

- 2-3% growth
- Rate volatility to continue based on ongoing oversupply
- Rate increases in main East-West trades largely dependent on further network rationalizations by carriers

#### Panalpina

- Volume growth > market growth to continue in Q4
- Stable GP per TEU 2012 vs. 2011

### Logistics



- Increase of GP margin 2012 vs. 2011
- Continued investments in Value-Added Services



## Panalpina Capital Markets Day 2013 – SAVE THE DATE

- Thursday, June 27, 2013
- Zurich
- Opportunity to meet top management
- More details to follow





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**A passion for solutions**

Panalpina Group

Basel, July 31, 2012

# Appendix



**Supply Chain Solutions**

Air Freight

Ocean Freight

Logistics

## Balance sheet

Figures in CHF million

	30-Sep-12	31-Dec-11	Variance	
			CHF	%
Cash and cash equivalents, other current financial assets	456.9	593.6	-136.6	-23.0%
Trade receivables, unbilled forwarding services	1'154.8	1'061.8	93.0	8.8%
Other current assets	110.4	90.0	20.4	22.6%
Property, plant and equipment	121.7	113.2	8.5	7.5%
Intangible assets	151.4	141.7	9.7	6.8%
Other non-current assets	116.7	135.0	-18.3	-13.6%
<b>Total assets</b>	<b>2'111.9</b>	<b>2'135.3</b>	<b>-23.4</b>	<b>-1.1%</b>
Short-term borrowings	2.8	7.3	-4.5	-61.6%
Trade payables, accrued cost of services	813.9	772.6	41.3	5.3%
Other current liabilities	317.2	293.6	23.6	8.0%
Long-term borrowings	0.5	0.2	0.2	98.3%
Other long-term liabilities	156.5	146.7	9.8	6.7%
<b>Total liabilities</b>	<b>1'290.9</b>	<b>1'220.4</b>	<b>70.4</b>	<b>5.8%</b>
Share capital	2.4	50.0	-47.6	-95.3%
Reserves, treasury shares	809.5	855.8	-46.3	-5.4%
Non-controlling interests	9.2	9.1	0.1	1.1%
<b>Total equity</b>	<b>821.0</b>	<b>914.9</b>	<b>-93.9</b>	<b>-10.3%</b>
<b>Total liabilities and equity</b>	<b>2'111.9</b>	<b>2'135.3</b>	<b>-23.4</b>	<b>-1.1%</b>
Net cash (debt)	453.7	586.1	-132.4	-22.6%
Asset intensity *	5.8%	5.3%		

\* Calculated as tangible fixed assets / total assets

## Cash flow

Figures in CHF million

	Q3 2012	Q3 2011	YTD 2012	YTD 2011
Cash flow before changes in working capital	(10.4)	64.8	27.0	151.4
Changes in working capital	(8.5)	14.4	(48.2)	20.1
<b>Cash from operations</b>	<b>(18.9)</b>	<b>79.2</b>	<b>(21.2)</b>	<b>171.6</b>
Interest and income taxes paid	(13.3)	(6.8)	(29.3)	(31.3)
Net cash from operating activities	(32.2)	72.5	(50.5)	140.3
Net cash from investing activities	(25.4)	(31.7)	26.9	(226.6)
<b>Free cash flow (FCF)</b>	<b>(57.6)</b>	<b>40.8</b>	<b>(23.7)</b>	<b>(86.4)</b>
FCF adj. for payment of EU antitrust fine	(1.6)	40.8	32.3	(86.4)
Net cash used in financing activities *	(45.7)	(1.9)	(96.5)	(4.2)
Effect of exchange rate changes	2.4	7.9	3.5	(6.9)
Cash and cash equivalents at beginning of period	557.9	384.7	573.6	528.9
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(101.0)</b>	<b>46.8</b>	<b>(116.6)</b>	<b>(97.5)</b>
Cash and cash equivalents at end of period	456.9	431.4	456.9	431.4

\* Q2 2012 includes payment of ordinary dividend of CHF 47 million; Q3 2012 includes share capital paid back to shareholders in the amount of CHF 45 million.