

**A passion for solutions**

Panalpina Group

April 29, 2014

# 2014 First Quarter Review



**Supply Chain Solutions**

Air Freight

Ocean Freight

Logistics



## Highlights and key figures

## Operating and financial review

## Outlook

## First quarter with improved EBIT and conversion ratio

### *Volumes and gross profit (GP)*

- GP of the Group in Q1 2014 up 5% yoy
- Air Freight volumes up 6% yoy, ahead of market
- Continued market share gains in Ocean Freight, volumes up 6% yoy
- Logistics GP growth of 6%, first progress achieved in reducing losses

### *Operating expenses and profit*

- Total operating expenses up 3% yoy but down 5% quarter-on-quarter (like-for-like)
- Q1 EBIT/GP margin of 6.4%, up from 5.1% a year ago

### *Net working capital and cash flow*

- Net working capital intensity at 2.1%, down slightly from 2.2% in prior year period
- Free cash flow of CHF 19.6 million (Q1 2013: CHF -0.6 million)

## Key figures

CHF million unless otherwise noted

	Q1 2014	Q1 2013	Change in %	
			CHF	Excl. FX
<b>Net forwarding revenue</b>	<b>1'596.5</b>	<b>1'601.5</b>	-0.3%	5.6%
Forwarding expenses	(1'212.2)	(1'235.7)		
<b>Gross profit</b>	<b>384.3</b>	<b>365.8</b>	5.1%	10.9%
Total operating expenses	(345.2)	(335.6)	2.9%	8.7%
<b>EBITDA</b>	<b>39.1</b>	<b>30.2</b>	29.5%	
<i>in % of gross profit</i>	10.2%	8.3%		
<b>Operating result (EBIT)</b>	<b>24.5</b>	<b>18.5</b>	32.4%	
<i>in % of gross profit</i>	6.4%	5.1%		
<b>Consolidated profit</b>	<b>17.8</b>	<b>14.3</b>	24.5%	
<i>in % of gross profit</i>	4.6%	3.9%		

# Overview of Product and Group performance



*(YoY growth in %)*

**Volumes (market)**

**Volumes (Panalpina)**

**Gross profit**

**Operating expenses**

4Q13	1Q14
+4%	+4%
+8%	+6%
+7%	+5%
-4%	2%

4Q13	1Q14
+5%	+3%
+11%	+6%
+6%	+5%
+4%	+5%

4Q13	1Q14
+18%	+6%
+14%	+2%

4Q13	1Q14
+10%	+5%
+4%	+3%

*(absolute numbers in CHF million)*

**Gross profit**

**EBIT**

**EBIT/GP**

1Q13	1Q14
146.4	153.7
22.2	26.0
15.2%	16.9%

1Q13	1Q14
117.3	122.7
4.9	3.9
4.2%	3.2%

1Q13	1Q14
102.1	107.9
-8.6	-5.4
-8.4%	-5.0%

1Q13	1Q14
365.8	384.3
18.5	24.5
5.1%	6.4%

*(absolute numbers in CHF million)*

**Free cash flow**

**NWC intensity**

1Q13	1Q14
-0.6	19.6
2.2%	2.1%





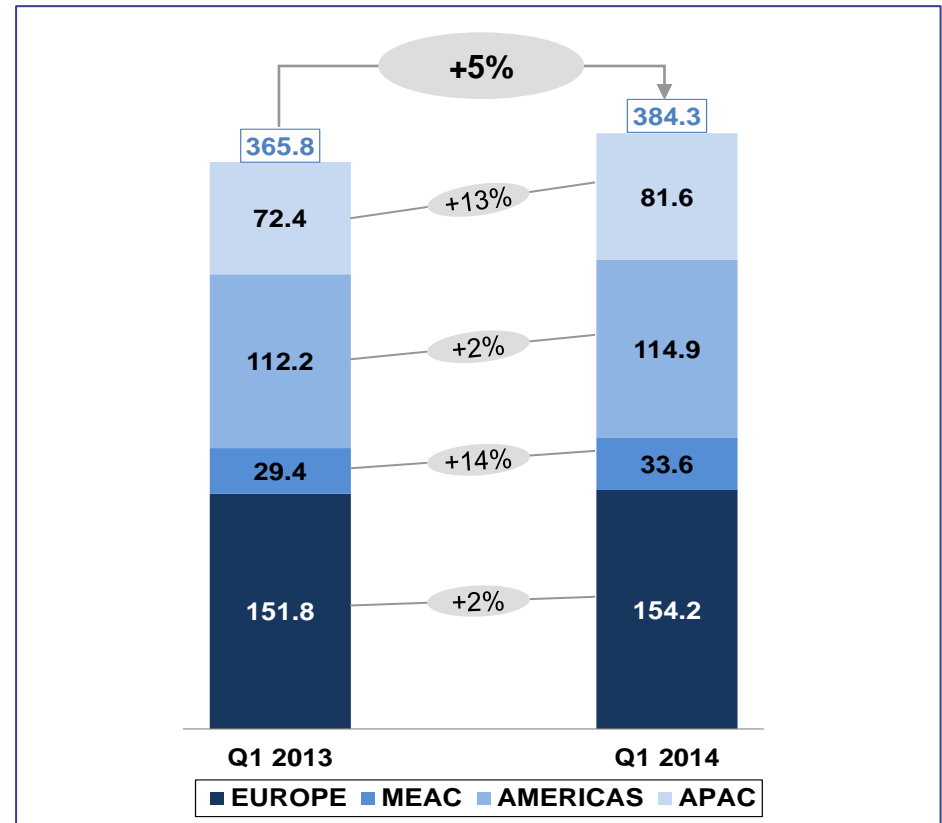
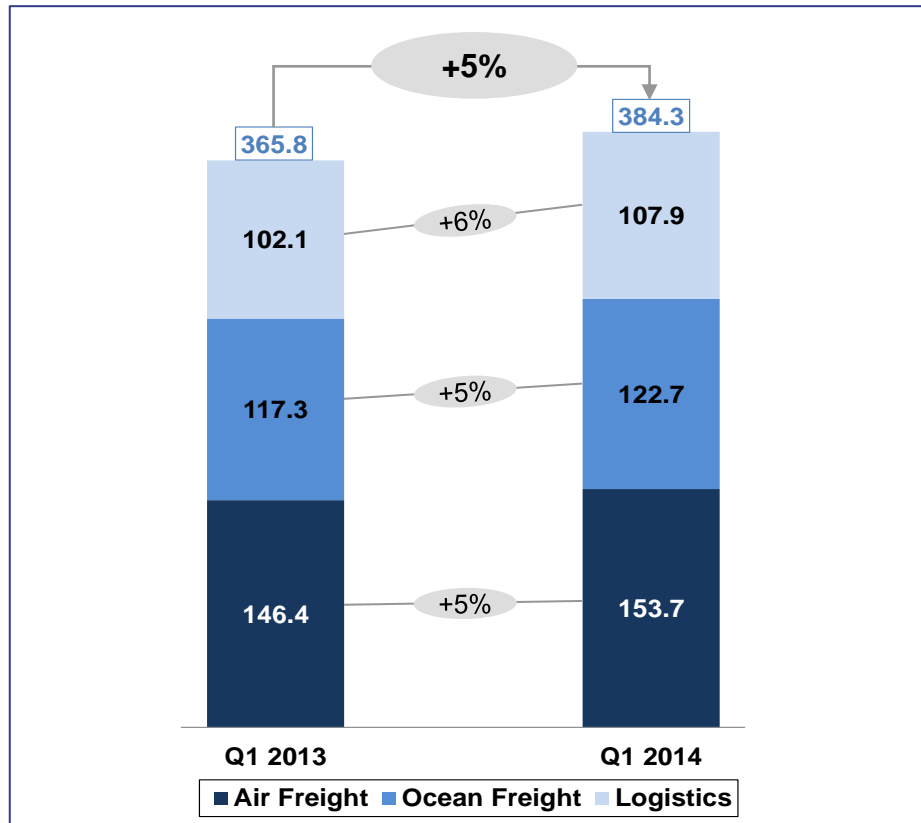
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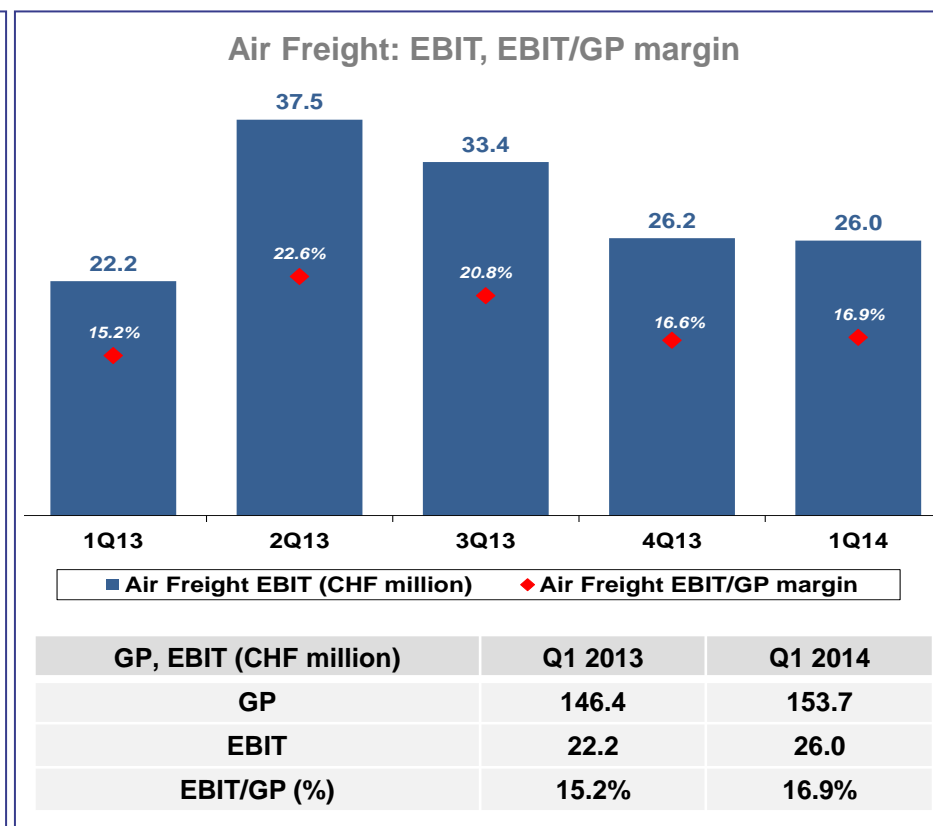
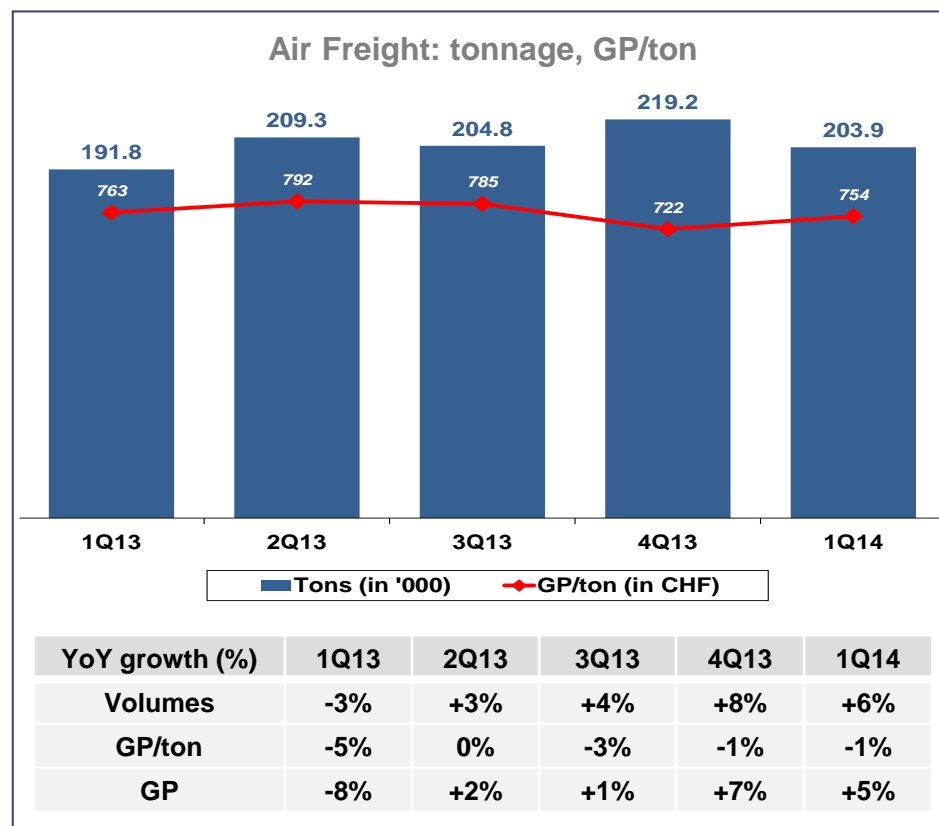
# GP growth in all Products and Regions

Gross profit in CHF million and year-on-year growth in %



- Gross profit of the Group expanding 5%, reaching highest level post financial crisis
- Balanced growth across all products
- High MEAC growth supported by stronger Middle East imports and Oil & Gas business

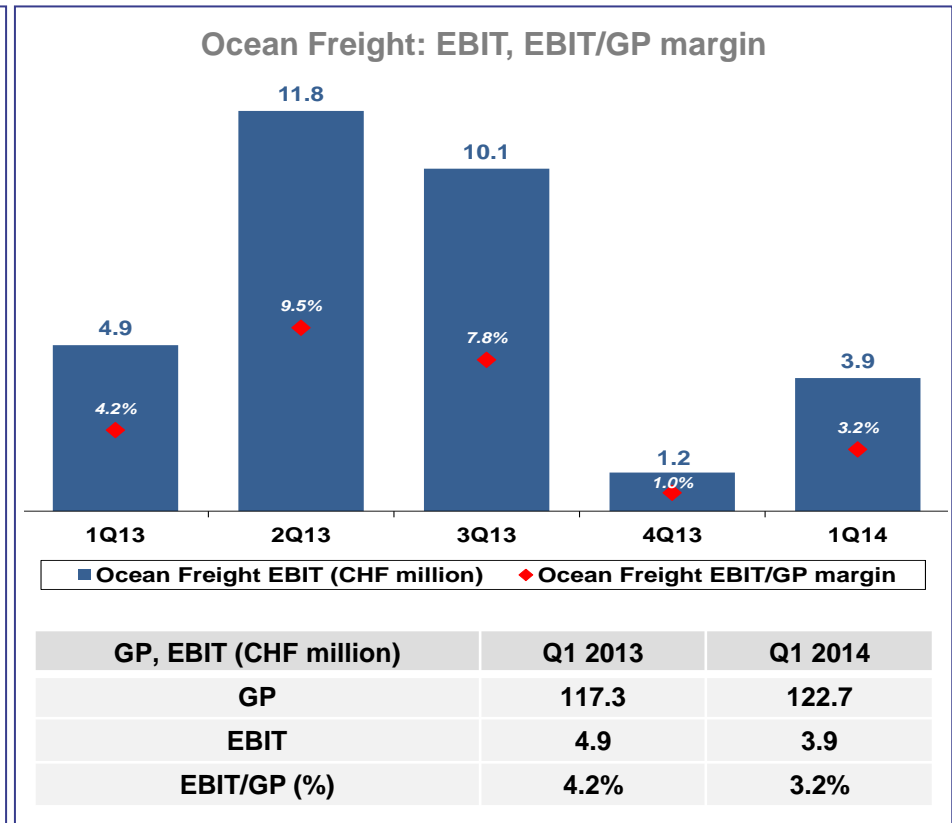
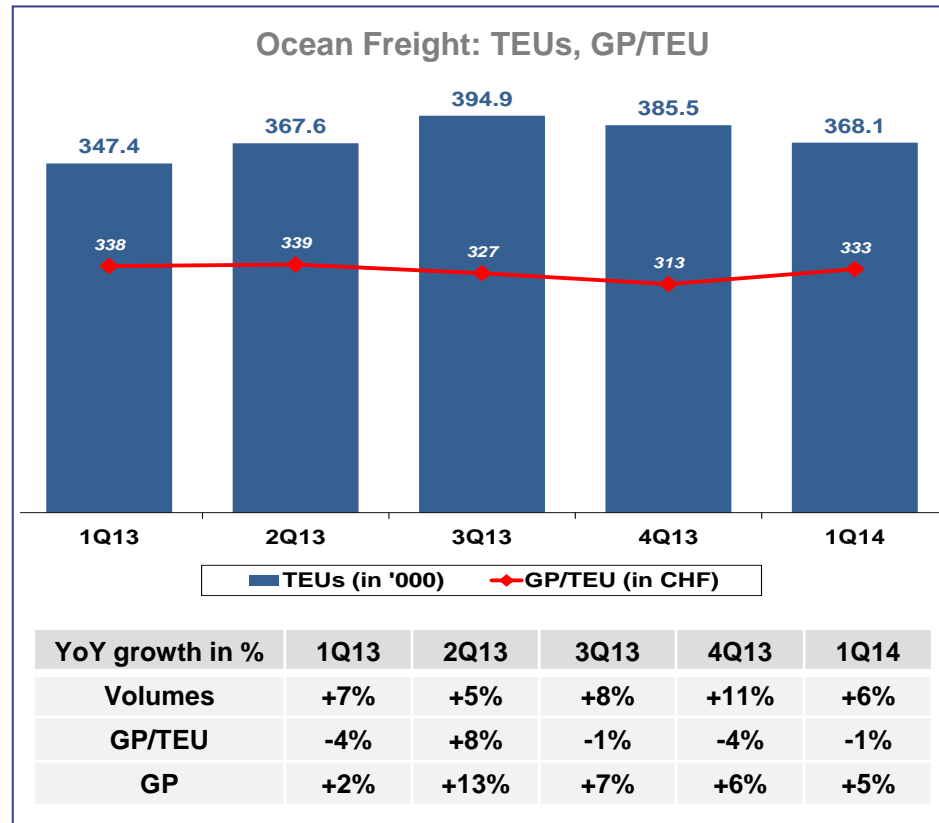
## Air Freight with improved conversion ratio



- Solid GP growth in first quarter driven by strong volumes
- GP per ton relatively stable year-on-year, up 4% vs. last quarter
- Improved EBIT/GP conversion ratio compared to same quarter last year



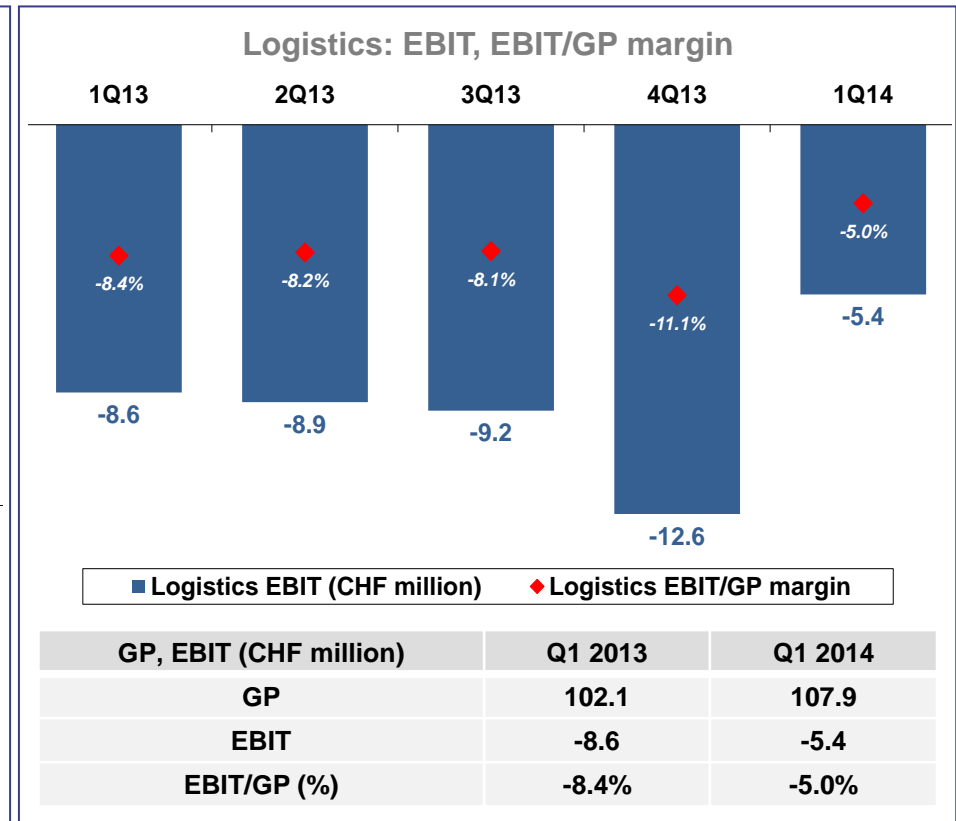
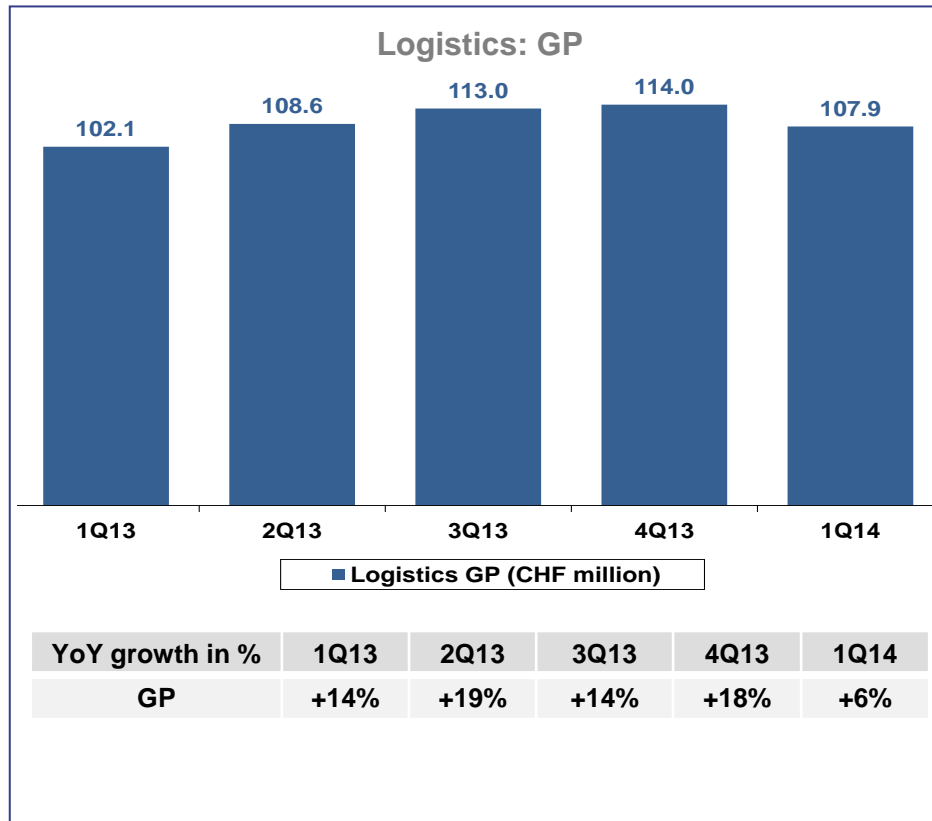
# Ocean Freight profitability slightly down vs. prior year, improving quarter-on-quarter



- GP growth driven by volume growth
- GP per TEU relatively stable year-on-year, up 6% vs. last quarter
- EBIT/GP conversion slightly down vs. prior year, improvement vs. last quarter

# Logistics with focus on consolidation of existing activities

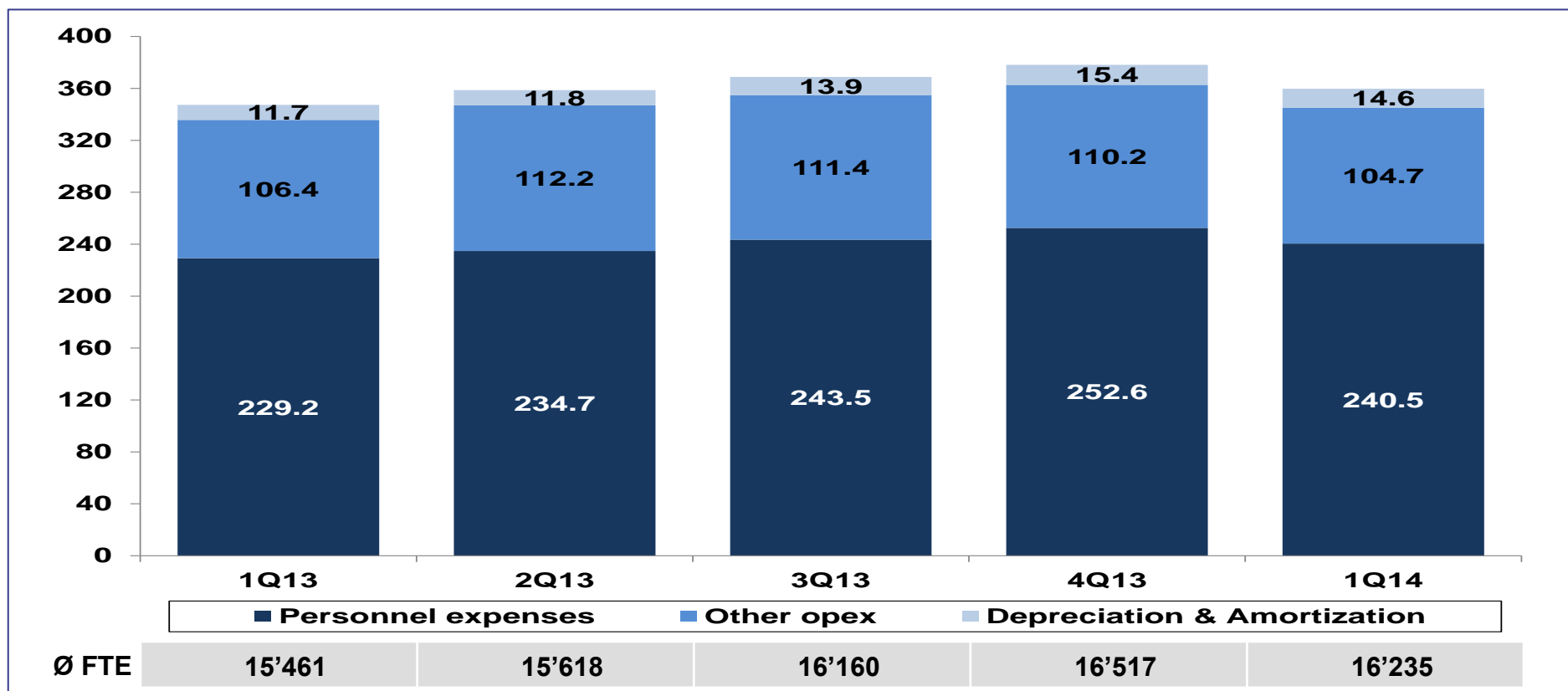
Gross profit and EBIT in CHF million



- Slowing GP growth in Logistics as a result of increased focus on consolidation of existing activities
- EBIT loss driven by Warehousing & Distribution, first progress visible in Road & Rail

## Sequential decline in all cost categories

Operating expenses, depreciation and amortization in CHF million

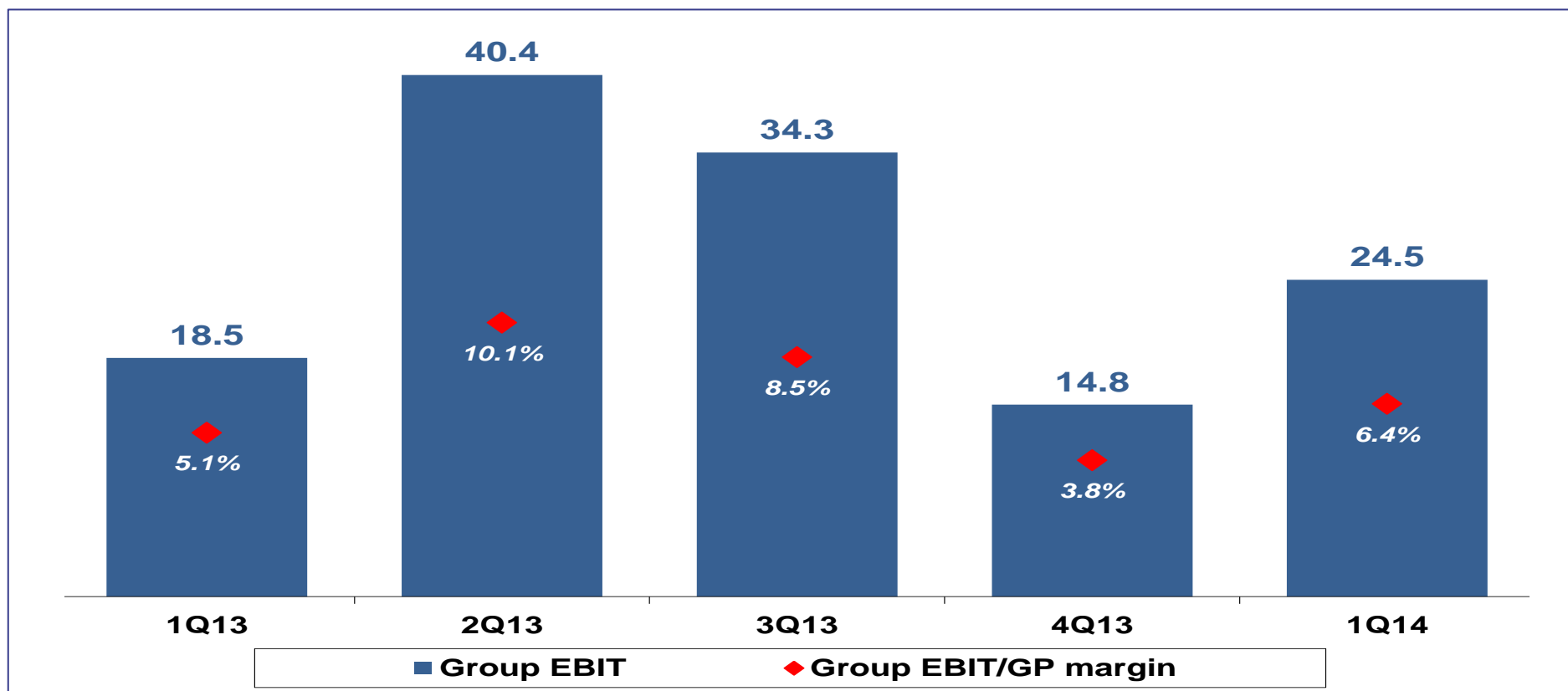


- Personnel expenses in Q1 declining quarter-on-quarter primarily due to lower FTEs
- Other operating expenses in 2013 down sequentially as a result of ongoing cost management
- D&A increasing year-on-year due to increased amortization charges from previously capitalized IT costs

Note: 4Q13 operating expenses adjusted for non-recurring items as disclosed in FY13 presentation

## Increase of Group EBIT year-on-year and quarter-on-quarter

EBIT in CHF million



- Year-on-year increase of EBIT due to strict cost management and further improvement in productivity
- EBIT improvement year-on-year, also higher sequentially despite seasonally lower GP



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## 2014 outlook and priorities – unchanged from two months ago

### Air Freight



### Ocean Freight



### Logistics



#### Volume growth expectations

- Market: 2-3%
- Panalpina > market

- Market: 4-5%
- Panalpina > market

#### Priorities per Product

- Stabilize performance
- Grow volumes above market
- Focus on profitable growth

- Continue above market growth by extending service offering
- Maintain GP/unit yields
- Improve productivity and EBIT/GP margin

- Turn around loss-making facilities
- Exit capacity commitments in overland
- Grow value-added services
- Reduce EBIT loss

#### Priorities across Group

- Turnaround of loss-making operations
- Tight cost management in all cost categories
- Roll-out of SAP TM
- Focus on cash generation



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# Appendix

# Income statement per quarter - Group

Figures in CHF million

Group	Q1 2014	Q1 2013
<b>Net forwarding revenue</b>	<b>1'596.5</b>	<b>1'601.5</b>
Forwarding expenses	(1'212.2)	(1'235.7)
<b>Gross profit</b>	<b>384.3</b>	<b>365.8</b>
<i>in % of net forwarding revenue</i>	24.1%	22.8%
Personnel expenses	(240.5)	(229.2)
<i>in % of gross profit (PGP)</i>	62.6%	62.7%
Other operating expenses	(104.7)	(106.4)
<i>in % of gross profit (OGP)</i>	27.2%	29.1%
Total operating expenses	(345.2)	(335.6)
<b>EBITDA</b>	<b>39.1</b>	<b>30.2</b>
<i>in % of gross profit</i>	10.2%	8.3%
Depreciation of property, plant and equipment	(8.3)	(8.5)
Amortization of intangible assets	(6.3)	(3.2)
<b>EBIT</b>	<b>24.5</b>	<b>18.5</b>
<i>in % of gross profit</i>	6.4%	5.1%
Financial result	(0.8)	0.4
<b>Earnings before taxes (EBT)</b>	<b>23.7</b>	<b>18.9</b>
Income tax expenses	(5.9)	(4.6)
<i>% of EBT</i>	24.9%	24.3%
<b>Consolidated profit / (loss)</b>	<b>17.8</b>	<b>14.3</b>
Earnings per share (CHF)	0.76	0.62

## Income statement per quarter – Air Freight

Figures in CHF million

<b>Air Freight</b>	<b>Q1 2014</b>	<b>Q1 2013</b>
<b>Net forwarding revenue</b>	<b>747.0</b>	<b>718.9</b>
Forwarding expenses	(593.3)	(572.5)
<b>Gross profit</b>	<b>153.7</b>	<b>146.4</b>
<i>in % of net forwarding revenue</i>	20.6%	20.4%
Personnel expenses	(89.8)	(85.2)
<i>in % of gross profit (PGP)</i>	58.4%	58.2%
Other operating expenses	(32.6)	(35.1)
<i>in % of gross profit (OGP)</i>	21.2%	24.0%
<b>EBITDA</b>	<b>31.3</b>	<b>26.1</b>
<i>in % of gross profit</i>	20.4%	17.8%
Depreciation and amortization	(5.3)	(3.9)
<b>EBIT</b>	<b>26.0</b>	<b>22.2</b>
<i>in % of gross profit</i>	16.9%	15.2%
Air Freight volumes ('000 tons)	203.9	191.8
<i>% change YoY</i>	6%	
GP/ton (CHF)	754	763
<i>% change YoY</i>	-1%	

## Income statement per quarter – Ocean Freight

Figures in CHF million

Ocean Freight	Q1 2014	Q1 2013
<b>Net forwarding revenue</b>	<b>667.1</b>	<b>663.4</b>
Forwarding expenses	(544.4)	(546.1)
<b>Gross profit</b>	<b>122.7</b>	<b>117.3</b>
<i>in % of net forwarding revenue</i>	18.4%	17.7%
Personnel expenses	(82.8)	(79.0)
<i>in % of gross profit (PGP)</i>	67.5%	67.3%
Other operating expenses	(30.9)	(29.8)
<i>in % of gross profit (OGP)</i>	25.2%	25.4%
<b>EBITDA</b>	<b>9.0</b>	<b>8.5</b>
<i>in % of gross profit</i>	7.3%	7.2%
Depreciation and amortization	(5.1)	(3.6)
<b>EBIT</b>	<b>3.9</b>	<b>4.9</b>
<i>in % of gross profit</i>	3.2%	4.2%
Ocean Freight volumes ('000 TEUs)	368.1	347.4
<i>% change YoY</i>	6%	
GP/TEU (CHF)	333	338
<i>% change YoY</i>	-1%	

## Income statement per quarter – Logistics

Figures in CHF million

<b>Logistics</b>	<b>Q1 2014</b>	<b>Q1 2013</b>
<b>Net forwarding revenue</b>	<b>182.4</b>	<b>219.3</b>
Forwarding expenses	(74.5)	(117.2)
<b>Gross profit</b>	<b>107.9</b>	<b>102.1</b>
<i>in % of net forwarding revenue</i>	59.2%	46.6%
Personnel expenses	(67.9)	(65.0)
<i>in % of gross profit (PGP)</i>	62.9%	63.7%
Other operating expenses	(41.2)	(41.6)
<i>in % of gross profit (OGP)</i>	38.2%	40.7%
<b>EBITDA</b>	<b>(1.2)</b>	<b>(4.5)</b>
<i>in % of gross profit</i>	-1.1%	-4.4%
Depreciation and amortization	(4.2)	(4.1)
<b>EBIT</b>	<b>(5.4)</b>	<b>(8.6)</b>
<i>in % of gross profit</i>	-5.0%	-8.4%



## Balance sheet

Figures in CHF million

	31-Mar-14	31-Dec-13	Change	
			CHF	%
Cash and cash equivalents, other current financial assets	355.9	342.4	13.5	3.9%
Trade receivables, unbilled forwarding services	1'134.1	1'150.8	-16.7	-1.5%
Other current assets	165.1	105.5	59.6	56.5%
Property, plant and equipment	112.9	118.9	-6.0	-5.0%
Intangible assets	125.5	118.1	7.4	6.3%
Other non-current assets	116.0	113.7	2.3	2.0%
<b>Total assets</b>	<b>2'009.5</b>	<b>1'949.4</b>	<b>60.1</b>	<b>3.1%</b>
Short-term borrowings	1.1	3.1	-2.0	-64.5%
Trade payables, accrued cost of services	743.1	761.7	-18.6	-2.4%
Other current liabilities	397.6	331.4	66.2	20.0%
Long-term borrowings	0.2	0.2	0.0	0.0%
Other long-term liabilities	144.1	143.8	0.3	0.2%
<b>Total liabilities</b>	<b>1'286.1</b>	<b>1'240.2</b>	<b>45.9</b>	<b>3.7%</b>
Share capital	2.4	2.4	0.0	0.0%
Reserves, treasury shares	709.5	695.1	14.4	2.1%
Non-controlling interests	11.5	11.7	-0.2	-1.7%
<b>Total equity</b>	<b>723.4</b>	<b>709.2</b>	<b>14.2</b>	<b>2.0%</b>
<b>Total equity and liabilities</b>	<b>2'009.5</b>	<b>1'949.4</b>	<b>60.1</b>	<b>3.1%</b>
Net cash	354.6	339.1	15.5	4.6%

## Cash flow

Figures in CHF million

	Q1 2014	Q1 2013
Cash flow before changes in working capital	38.0	30.2
Changes in working capital *	5.5	(5.9)
<b>Cash from operations</b>	<b>43.5</b>	<b>24.3</b>
Interest and income taxes paid	(10.9)	(12.0)
Net cash from operating activities	32.6	12.3
Net cash from investing activities	(13.0)	(12.9)
<b>Free cash flow (FCF)</b>	<b>19.6</b>	<b>(0.6)</b>
Net cash used in financing activities	2.3	0.1
Effect of exchange rate changes	(3.5)	(0.4)
Cash and cash equivalents at beginning of period	336.9	393.1
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>18.4</b>	<b>(0.9)</b>
Cash and cash equivalents at end of period	355.3	392.2

\* Excluding income taxes paid and short-term provisions