

A passion for solutions

Panalpina Group

Basel, 4th August 2010

2010 Second Quarter Review



Supply Chain Management

Air Freight

Ocean Freight

Logistics

Executive summary

- Strong volume growth continued in 2Q10 (Air freight: +36% y/y, Ocean freight: +19% y/y) – outpacing the market in Air and Ocean
- Gross profit per unit of cargo improving further sequentially
- Gross profit +8% year-on-year, +16% quarter-on-quarter
- Expenses kept at low levels, productivity soaring to all-time high
- Significant profitability improvement with underlying 2Q10 EBITDA of CHF 69 million (vs. underlying CHF 51 million in 2Q09 and CHF 18 million in 1Q10)
- Net working capital intensity kept at low level
- Implementation of key initiatives well on track
- Final settlement with U.S. authorities (FCPA, anti-trust) has been delayed to second semester 2010 – related provisions were booked in second quarter and amount to CHF 128 million, including estimated fines and expenses for compliance consulting.

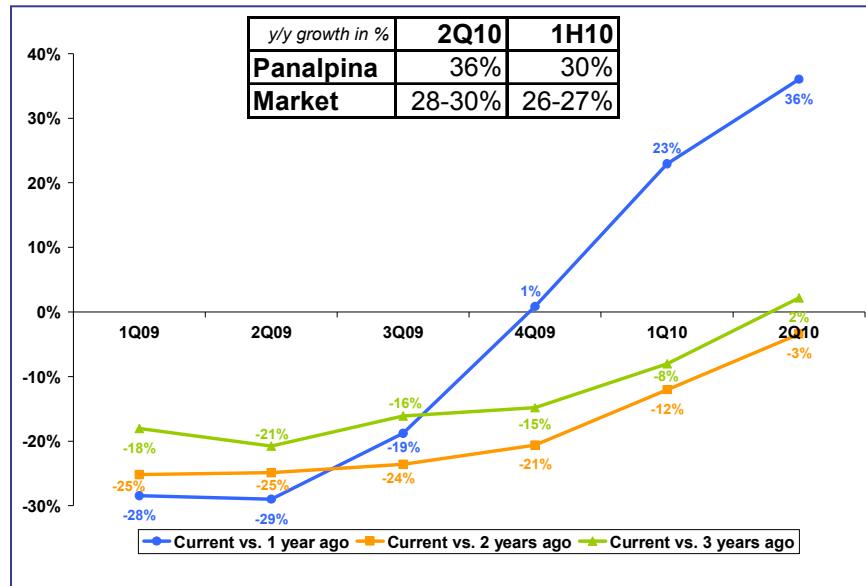
Key figures

(CHF million)	Q2 2010	Q2 2009	Variance %		H1 2010	H1 2009	Variance %	
			CHF	Excl. FX			CHF	Excl. FX
Net forwarding revenue	1'893.8	1'363.3	38.9%	38.7%	3'481.6	2'973.4	17.1%	17.4%
Forwarding expenses	(1513.5)	(1011.0)			(2773.9)	(2246.0)		
Gross profit	380.3	352.3	8.0%	7.9%	707.7	727.4	-2.7%	-2.5%
<i>in % of net forwarding revenue</i>	20.1%	25.8%			20.3%	24.5%		
Total operating expenses	(443.9)	(315.2)	40.8%	40.7%	(761.3)	(675.9)	12.6%	13.0%
EBITDA	(63.6)	37.1	-271.7%	-270.9%	(53.6)	51.5	-204.0%	-205.9%
<i>in % of gross profit</i>	-16.7%	10.5%			-7.6%	7.1%		
Depreciation of property, plant and equipment	(11.7)	(8.4)			(20.1)	(17.0)		
Amortization of intangible assets	(2.3)	(3.2)			(4.5)	(6.1)		
Goodwill impairment		(1.8)				(1.8)		
Operating result (EBIT)	(77.6)	23.7			(78.2)	26.6		
<i>in % of gross profit</i>	-20.4%	6.7%			-11.0%	3.7%		
Financial result	(3.5)	(2.9)			(2.9)	(3.2)		
Earnings before taxes (EBT)	(81.2)	20.8			(81.0)	23.4		
Income tax expenses	(11.4)	(5.8)			(11.5)	(6.4)		
<i>% of EBT</i>	-14.1%	27.7%			-14.2%	27.6%		
Consolidated profit	(92.6)	15.0			(92.5)	16.9		
<i>in % of gross profit</i>	-24.3%	4.3%			-13.1%	2.3%		
<i>Non-recurring items:</i>								
Provision for FCPA, Anti-trust, compliance consulting	(128)				(128)			
Legal costs (FCPA, Anti-trust)	(5)	(14)			(13)	(32)		
Severance costs						(10)		
underlying EBITDA	69.4	51.1	35.8%		87.4	93.5	-6.5%	
<i>in % of gross profit</i>	18.2%	14.5%			12.4%	12.9%		
underlying EBIT	55.4	37.7	46.8%		62.8	68.6	-8.4%	
<i>in % of gross profit</i>	14.6%	10.7%			8.9%	9.4%		

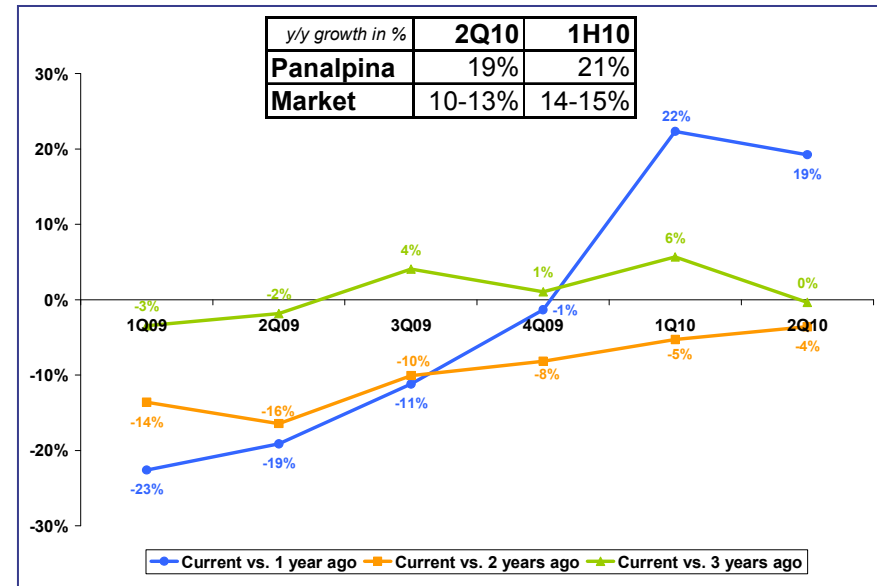
Note: Estimated fines contained in CHF 128 million provision (included in 2Q10 operating expenses) are not tax deductible. Excluding the impact from the provision, the tax rate in 1H10 is 24.5%.

Volumes: strong double-digit YoY increases continued, outpacing the market in Air and Ocean

Air freight: current volumes vs. last three years



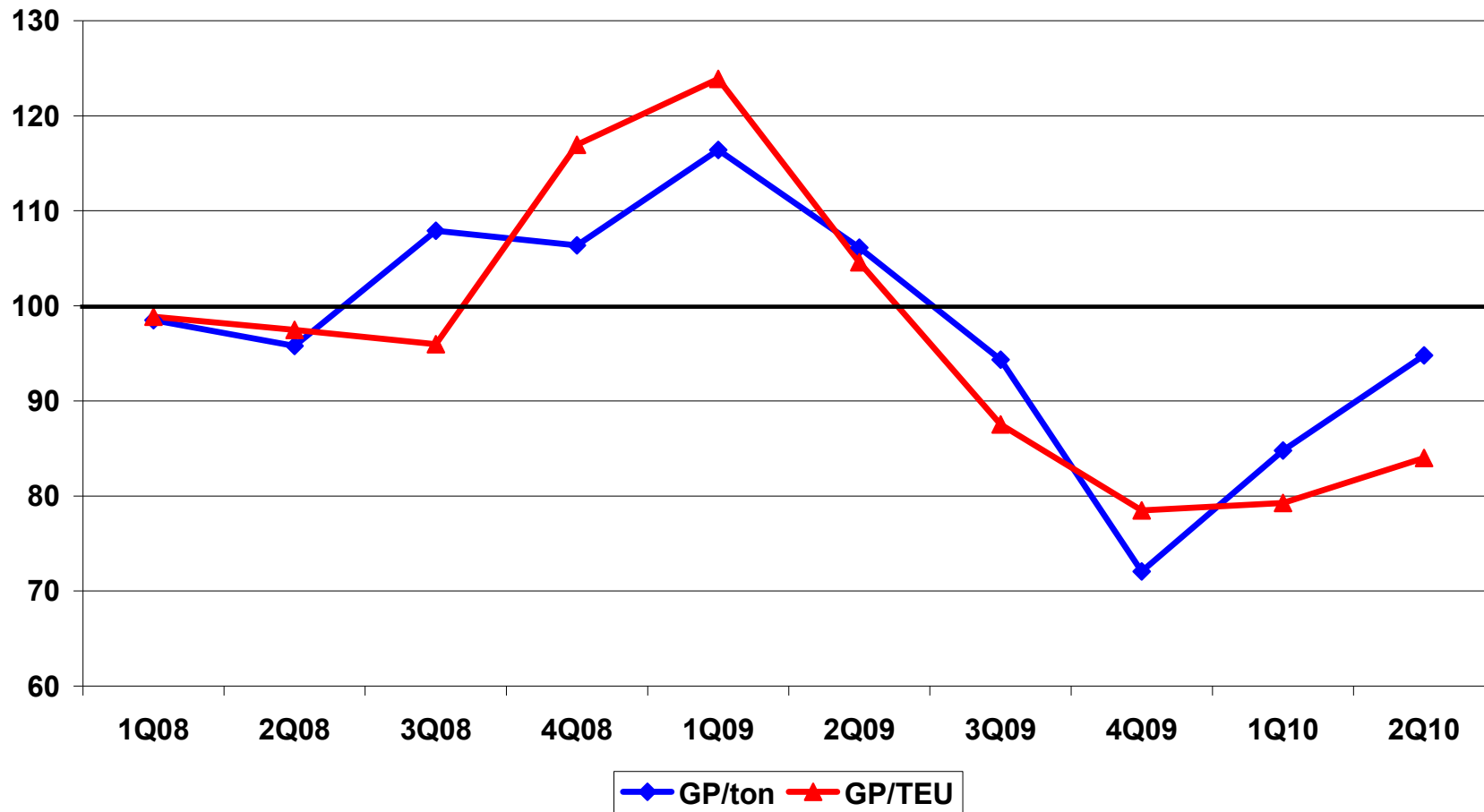
Ocean freight: current volumes vs. last three years



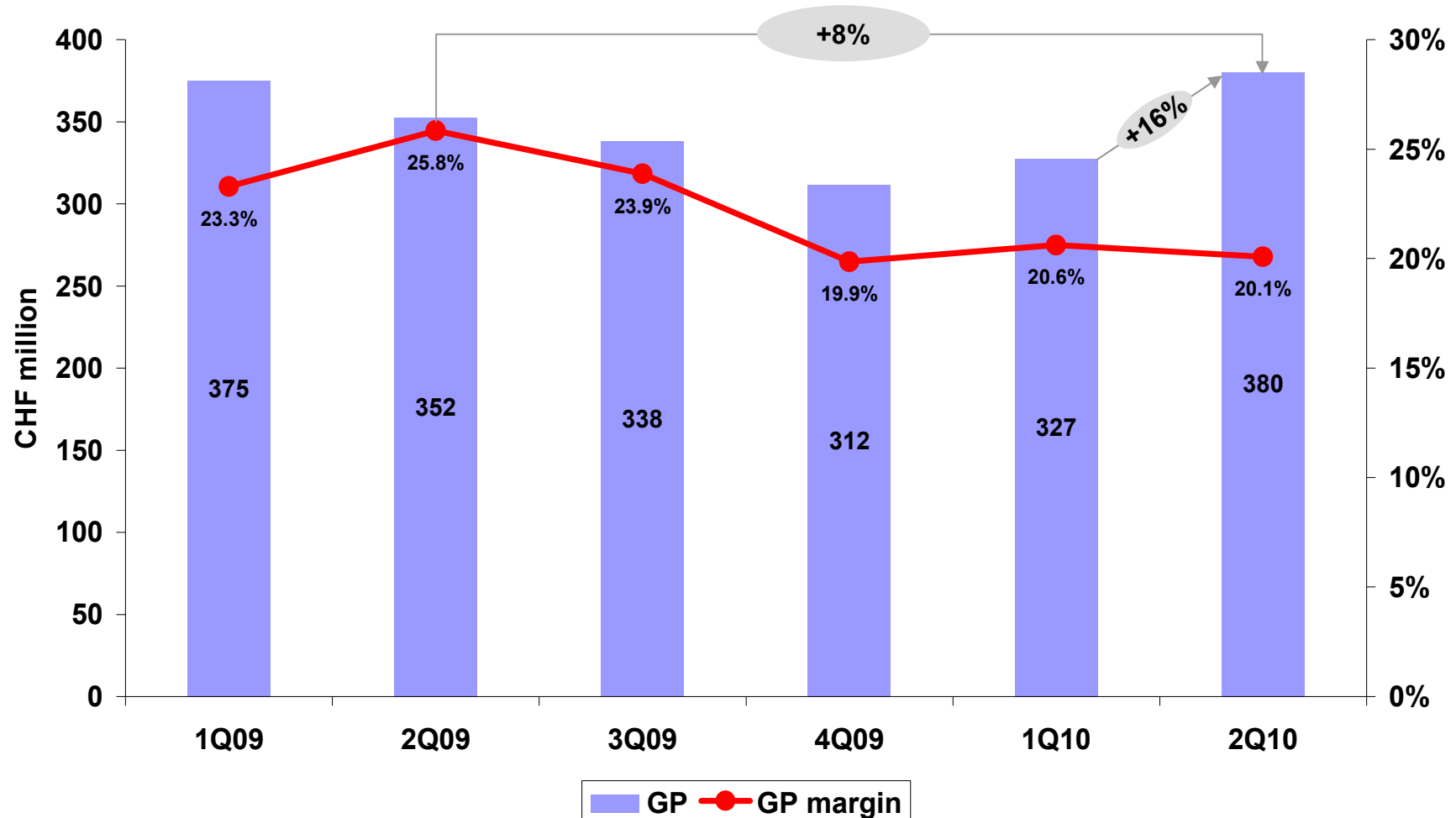
- Soaring volumes in air, partly driven by restocking
- Ocean volumes continue positive trend, steadily approaching pre-crisis levels
- Comparisons to prior-year period becoming 'less easy' in second half-year

Unit profitability: further sequential improvement despite rising freight rates

GP/unit index (historical average 3Q07 = 100)

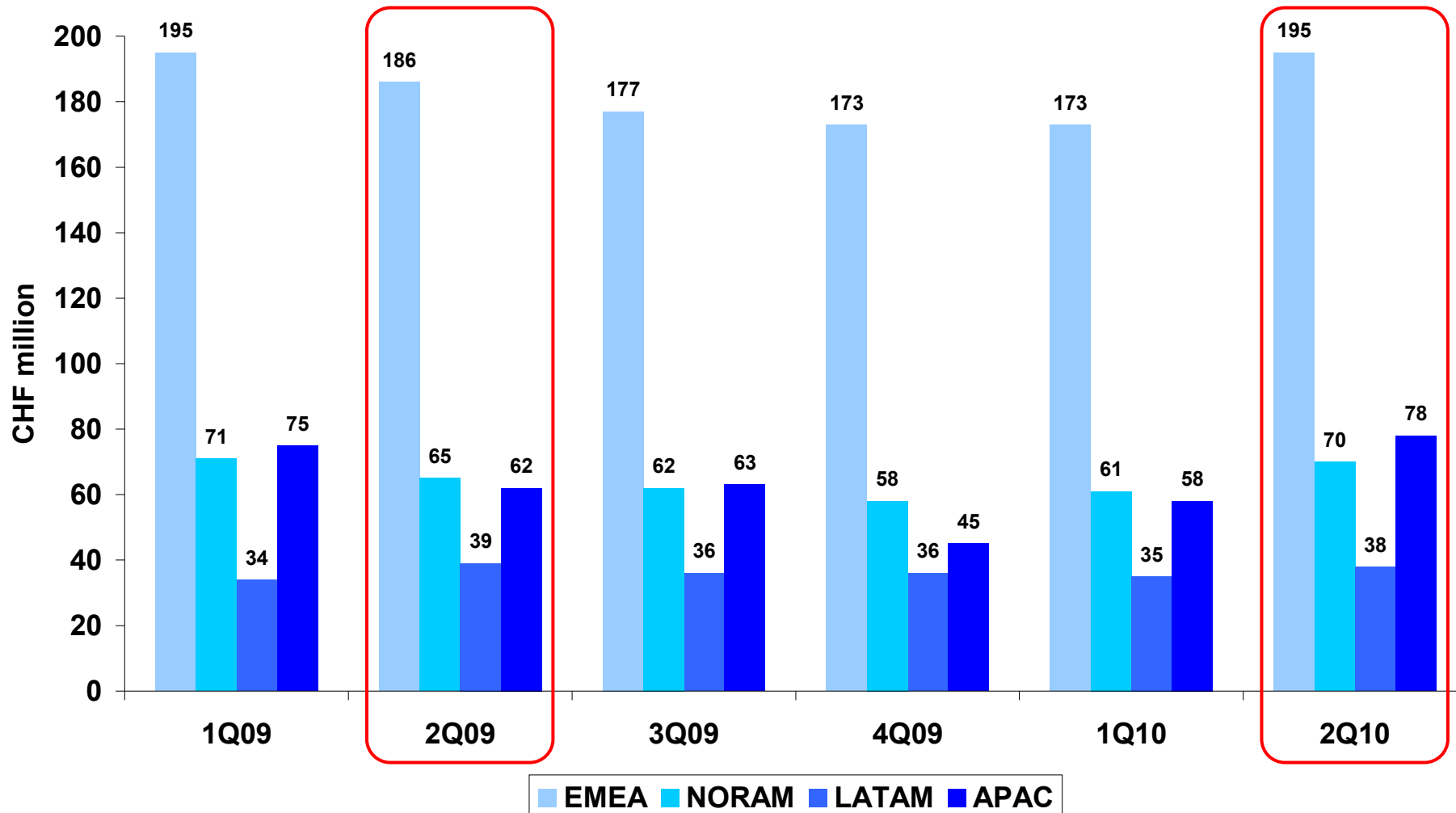


Gross profit expansion driven by improving volumes and unit yields



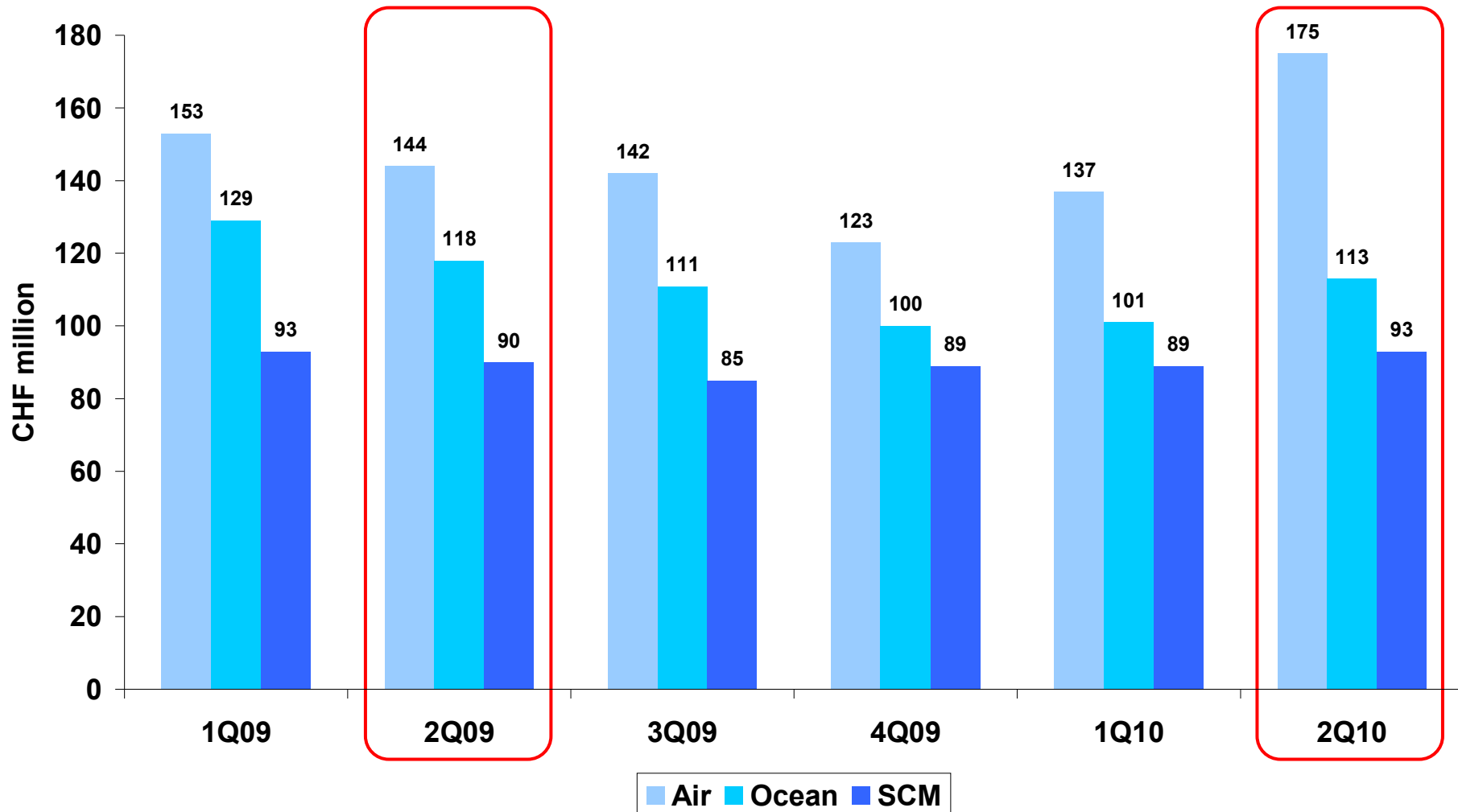
Development of gross profit per region

Δ y/y	GP	Excl. FX
EMEA	4.8%	8.6%
NORAM	7.7%	3.1%
LATAM	-2.6%	-5.1%
APAC	25.8%	21.0%

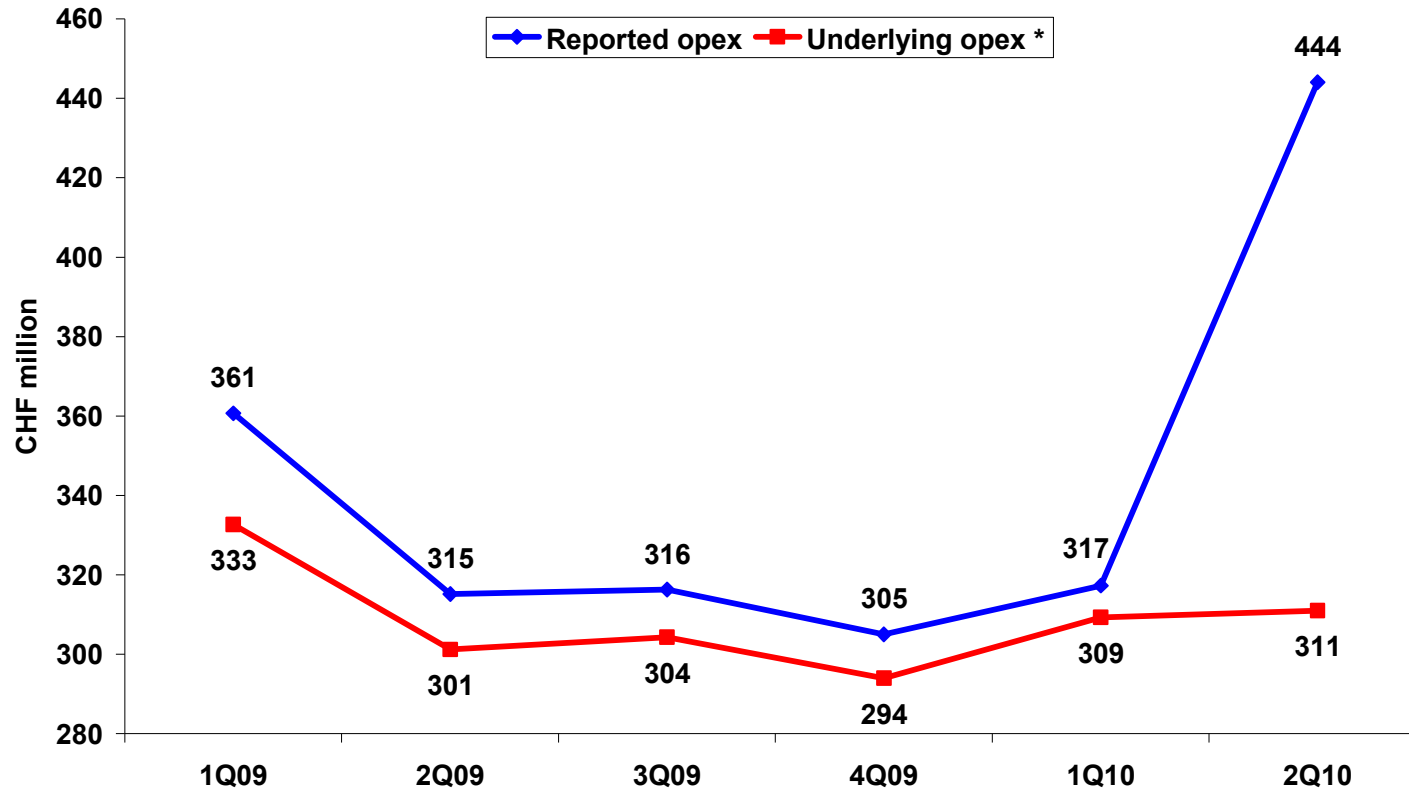


Development of gross profit per segment

Δ y/y	GP	Excl. FX
Air	21.5%	22.9%
Ocean	-4.2%	-5.1%
SCM	3.3%	2.2%



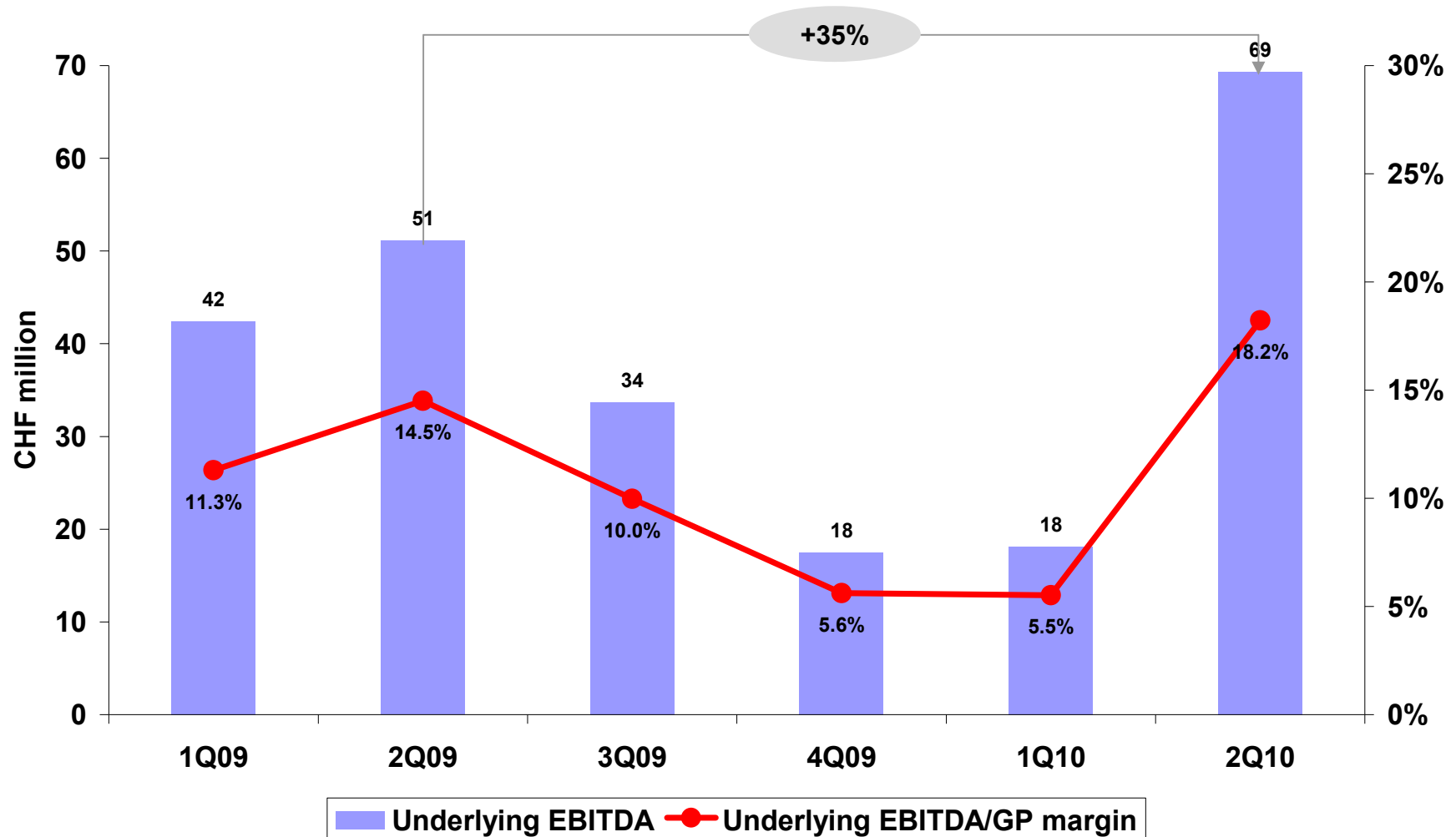
Operating costs well under control – 2Q10 impacted by compliance provision of CHF 128 million



	30 Jun 10	31 Dec 09	Δ	% Δ
FTE	14'083	13'773	+310	+2.3%

* Adjusted for legal fees related to pending legal claims. 2Q10 additionally adjusted for provision of CHF 128 million to cover settlement costs for the FCPA case and the anti-trust investigation in the U.S., including expenses for compliance consulting. Refer to appendix for details.

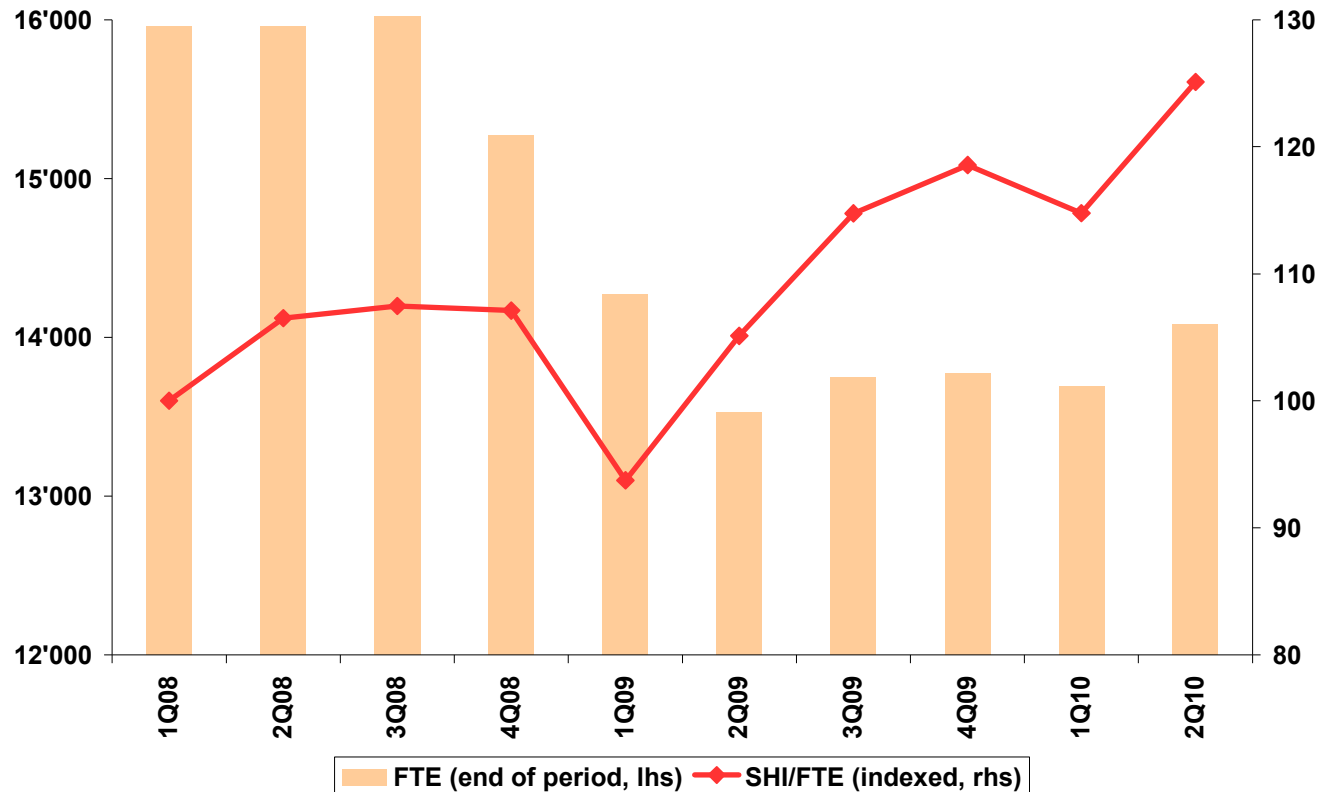
Development of underlying* Group EBITDA



* Adjusted for legal fees related to pending legal claims. 2Q10 additionally adjusted for provision of CHF 128 million to cover settlement costs for the FCPA case and the anti-trust investigation in the U.S., including expenses for compliance consulting. Refer to appendix for details.

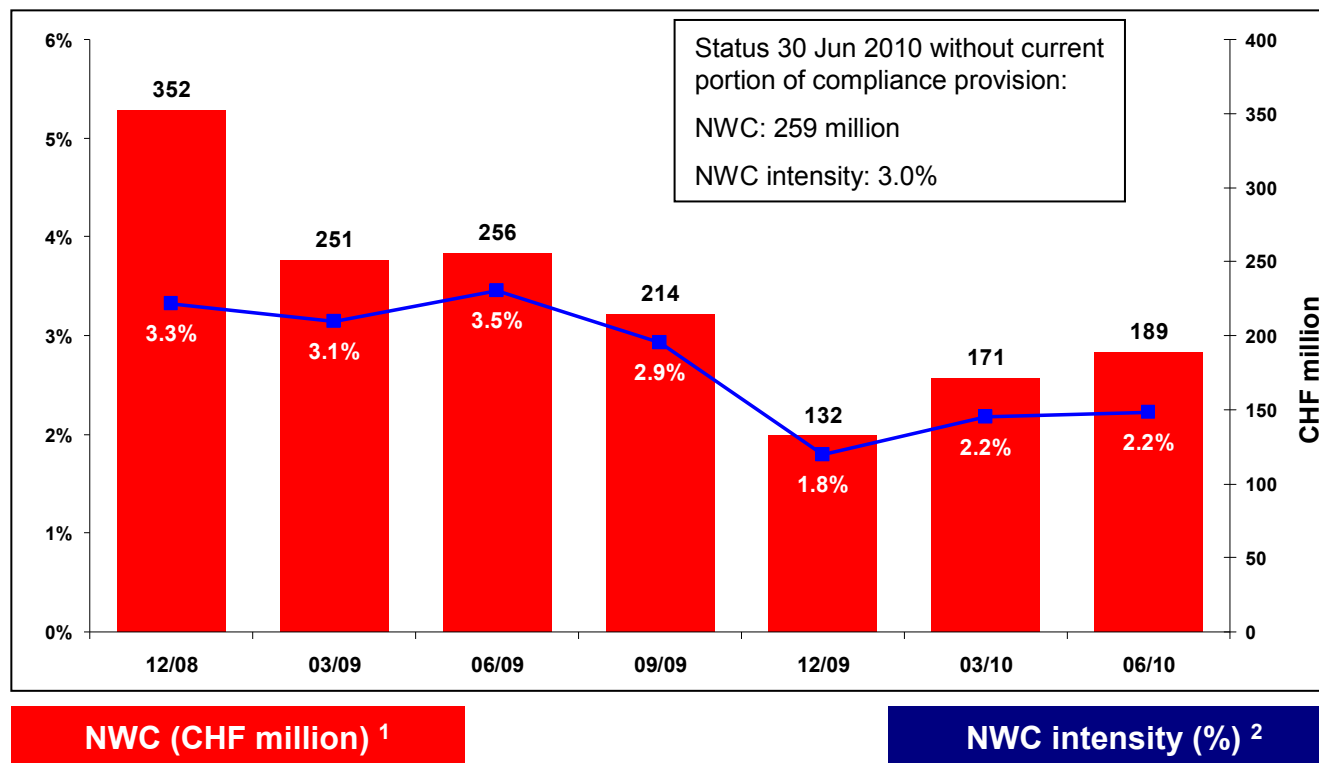
Productivity further improved

Development of FTE's and FTE productivity
(shipments handled per FTE, 1Q08 = 100)



- Productivity in 2Q10 at all-time high
- Limited scope for further productivity increases
- Further volume increases to be accommodated with FTE increases

NWC on the rise due to increased turnover and higher DSO; NWC intensity kept at low levels helped by increase in short-term provisions



(# of days)	30 Jun 2010	30 Jun 2009
DSO	45.7	39.8
DPO	30.4	23.5
Δ (DSO – DPO)	15.3	16.3

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

² NWC intensity defined as NWC divided by gross forwarding revenue

Free cash flow and cash balance development

Figures in CHF million

	Q2 2010	Q2 2009	H1 2010	H1 2009
Cash flow before changes in working capital	22.8	25.6	48.8	55.5
Changes in working capital	(73.5)	(4.0)	(112.7)	134.5
Cash from operations	(50.7)	21.6	(64.0)	190.0
Interest and income taxes paid	(7.3)	(14.4)	(14.6)	(34.5)
Net cash from operating activities	(58.0)	7.1	(78.6)	155.5
Net cash from investing activities	(4.9)	(14.8)	(7.7)	(22.2)
Free cash flow	(63.0)	(7.6)	(86.2)	133.3
Net cash used in financing activities	(1.5)	(41.0) *	(3.8)	(44.3) *
Effect of exchange rate changes	1.1	(3.6)	5.6	4.4
Cash and cash equivalents at beginning of period	510.7	508.1	531.8	362.4
Net increase (decrease) in cash and cash equivalents	(63.4)	(52.3)	(84.4)	93.4
Cash and cash equivalents at end of period	447.4	455.8	447.4	455.8

* includes dividend payout of CHF 44.9 million

Legal update

- FCPA investigation has been completed.
- Formal finalization of settlement agreement with U.S. authorities delayed – Panalpina expects to finalize the settlement formalities related to both the FCPA and anti-trust cases in the U.S. by the second semester 2010.
- Total provisions to cover both cases in the U.S., including expenses for compliance consulting, amount to CHF 128 million and have been charged to the 2010 Half Year financial statements.
- These provisions do not cover the other ongoing anti-trust investigations (namely in Switzerland, the EU and New Zealand) as Panalpina is unable to predict the amount of any potential fine.
- A statement of objections was received from EU competition authorities in February 2010, and Panalpina has submitted a written response end of April. An oral hearing before the Commission's case team took place during the first week of July – no decision expected before 2011.
- A comprehensive compliance positioning initiative with clients and other business partners has been launched and is ongoing.

Review of targets and priorities for 2010

	Targets / priorities for 2010	Current status
Quantitative	Volume growth \geq market in aggregate	on track
	Tax rate < 26% *	on track
	NWC intensity < 4%	on track
Qualitative	Strengthen sales/procurement processes	Full implementation of product driven and industry vertical led structure under way
	Clear product (Air, Ocean, Logistics) accountability	Focus on profitability improvement - positive impact visible
	Extend expertise in product-crossing functions (Industry Verticals, Supply Chain Solutions)	Sharpening of industry vertical strategies under way
	Strict cost and cash control	Underlying cost base growing less than turnover
	Increase margins and productivity	Margins on recovery path, productivity at record-high level
	Leverage compliance leadership	Positioning initiative launched and ongoing

* net of potential fines paid

Outlook

- Volume growth in H2 2010 will decelerate compared to H1 2010 owing to various factors: tougher comparison base, fading impacts from restocking and government stimulus programs
- Based on the strong volume development in H1 2010, Panalpina expects the following market growth in 2010:
 - ▶ Air freight: $\geq 15\%$
 - ▶ Ocean freight: $\geq 10\%$
- The focus in 2010 remains on profitability improvement, although for H2 2010 no further material expansion of yields is expected
- Cost base likely to increase in order to accommodate growth; limited scope for further productivity increases

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<h1>Appendix</h1>			
		A PASSION FOR SOLUTIONS	
		Air Freight	Ocean Freight

Balance sheet

Figures in CHF million

	30-Jun-10	31-Dec-09	Variance	
			CHF	%
Cash, equivalents, other current financial assets	456.6	542.6	-86.1	-15.9%
Trade receivables, unbilled forwarding services	1'160.2	940.0	220.2	23.4%
Other current assets	129.9	116.1	13.8	11.9%
Property, plant and equipment	125.4	141.3	-15.8	-11.2%
Intangible assets	72.4	71.9	0.5	0.7%
Other non-current assets	117.2	112.7	4.5	4.0%
Total assets	2'061.7	1'924.6	137.1	7.1%
Short-term borrowings	9.7	12.0	-2.3	-18.9%
Trade payables, accrued cost of services	754.1	679.3	74.8	11.0%
Other current liabilities	324.3	241.2	83.1	34.5%
Long-term borrowings	0.6	0.9	-0.3	-30.6%
Other long-term liabilities	182.5	127.7	54.8	42.9%
Total liabilities	1'271.3	1'061.1	210.3	19.8%
Share capital	50.0	50.0	0.0	0.0%
Reserves, treasury shares	732.5	806.6	-74.0	-9.2%
Non-controlling interests	7.9	7.0	0.9	12.4%
Total equity	790.4	863.6	-73.2	-8.5%
Total liabilities and equity	2'061.7	1'924.6	137.1	7.1%
Net cash (debt)	446.2	529.7	-83.5	-15.8%
Asset intensity *	6.1%	7.3%		

* Calculated as tangible fixed assets / total assets

EBITDA reconciliation: reported vs. underlying

EBITDA in CHF million	Q2 2010 reported	compliance provision	legal fees	Q2 2010 underlying	Q2 2009 reported	legal fees	severance costs	Q2 2009 underlying
Group	(64)	(128)	(5)	69	38	(14)		52
<i>in % of gross profit</i>	-16.8%			18.1%	10.8%			7.1%
EMEA	25			25	15			15
<i>in % of gross profit</i>	12.8%			12.8%	8.1%			3.9%
NORAM	(42)	(40)	(1)	(1)	(5)	(6)		1
<i>in % of gross profit</i>	-60.0%			-1.4%	-7.7%			0.7%
LATAM	5			5	9			9
<i>in % of gross profit</i>	13.2%			13.2%	23.1%			12.3%
APAC	30			30	21			21
<i>in % of gross profit</i>	38.5%			38.5%	33.9%			15.3%
CORPORATE	(82)	(88)	(4)	10	(2)	(8)		6

EBITDA in CHF million	H1 2010 reported	compliance provision	legal fees	H1 2010 underlying	H1 2009 reported	legal fees	severance costs	H1 2009 underlying
Group	(54)	(128)	(13)	87	52	(32)	(10)	94
<i>in % of gross profit</i>	-7.6%			12.3%	7.1%			12.9%
EMEA	28			28	21		(7)	28
<i>in % of gross profit</i>	7.6%			7.6%	5.5%			7.3%
NORAM	(52)	(40)	(4)	(8)	(13)	(10)	(1)	(2)
<i>in % of gross profit</i>	-39.7%			-6.1%	-9.6%			-1.5%
LATAM	10			10	11		(1)	12
<i>in % of gross profit</i>	13.7%			13.7%	15.1%			16.4%
APAC	42			42	45		(1)	46
<i>in % of gross profit</i>	30.9%			30.9%	32.8%			33.6%
CORPORATE	(82)	(88)	(9)	15	(12)	(22)		10

Panalpina – reasons to invest

