

**A passion for solutions**

Panalpina Group

Basel, 4<sup>th</sup> November 2010

# 2010 Third Quarter Review



**Supply Chain Management**

Air Freight

Ocean Freight

Logistics

## Executive summary

- Strong YTD volume growth (Air freight: +27% y/y, Ocean freight: +16% y/y) – outpacing the market in Air and Ocean
- Gross profit per unit of cargo improving further on a currency neutral basis
- Gross profit +13% year-on-year, +19% currency adjusted
- Productivity remaining at high level, expenses growing to accommodate volume growth
- Significant year-on-year profitability improvement with underlying 3Q10 EBITDA of CHF 61 million (vs. underlying CHF 34 million in 3Q09)
- Net working capital intensity at record low level
- Free cash flow of CHF 79 million in 3Q10 (3Q09: CHF 46 million)
- Targets 2010 on track to be fully achieved
- U.S. anti-trust case has been settled with the Department of Justice for an amount of USD 12 million. Final settlement of FCPA case with U.S. authorities expected by the end of the year.

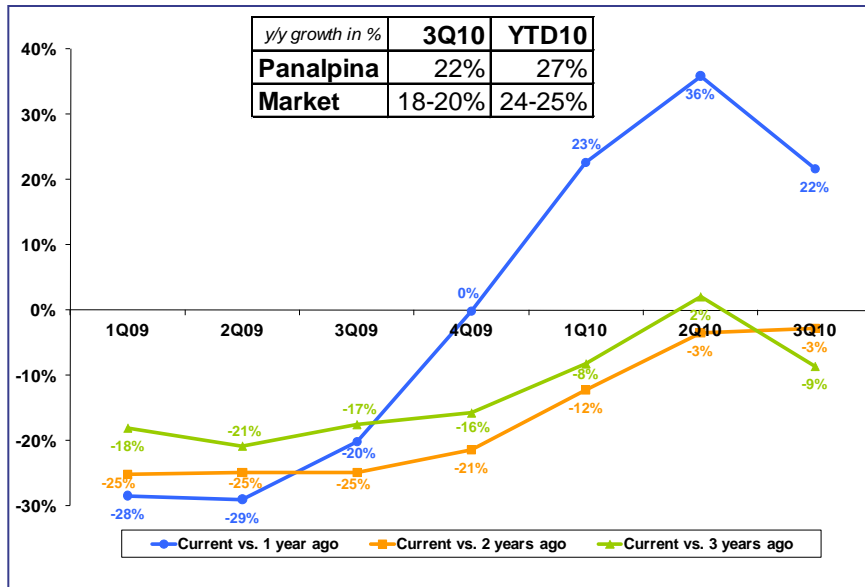
## Key figures

(CHF million)	Q3 2010	Q3 2009	Variance %		YTD 2010	YTD 2009	Variance %	
			CHF	Excl. FX			CHF	Excl. FX
<b>Net forwarding revenue</b>	<b>1'873.7</b>	<b>1'415.5</b>	32.4%	39.6%	<b>5'355.3</b>	<b>4'388.9</b>	22.0%	24.5%
Forwarding expenses	(1'492.1)	(1'077.5)			(4'266.0)	(3'323.5)		
<b>Gross profit</b>	<b>381.6</b>	<b>338.0</b>	12.9%	19.1%	<b>1'089.3</b>	<b>1'065.4</b>	2.2%	4.4%
<i>in % of net forwarding revenue</i>	20.4%	23.9%			20.3%	24.3%		
Total operating expenses	(322.2)	(316.3)	1.9%	8.0%	(1'083.4)	(992.2)	9.2%	11.4%
<b>EBITDA</b>	<b>59.4</b>	<b>21.7</b>	173.7%	181.9%	<b>5.8</b>	<b>73.2</b>	-92.0%	-90.6%
<i>in % of gross profit</i>	15.6%	6.4%			0.5%	6.9%		
Depreciation of property, plant and equipment	(8.0)	(8.2)			(28.2)	(25.2)		
Amortization of intangible assets	(1.8)	(2.2)			(6.3)	(8.3)		
Goodwill impairment	0.0	0.0			0.0	(1.8)		
<b>Operating result (EBIT)</b>	<b>49.5</b>	<b>11.3</b>			<b>(28.7)</b>	<b>37.9</b>		
<i>in % of gross profit</i>	13.0%	3.3%			-2.6%	3.6%		
Financial result	(3.3)	(5.6)			(6.2)	(8.8)		
<b>Earnings before taxes (EBT)</b>	<b>46.2</b>	<b>5.7</b>			<b>(34.9)</b>	<b>29.1</b>		
Income tax expenses	(12.5)	(1.1)			(24.0)	(7.5)		
<i>% of EBT</i>	27.1%	19.4%			-68.9% *	26.0%		
<b>Consolidated profit</b>	<b>33.7</b>	<b>4.6</b>			<b>(58.9)</b>	<b>21.5</b>		
<i>in % of gross profit</i>	8.8%	1.4%			-5.4%	2.0%		
<i>Non-recurring items:</i>								
Provision for FCPA, Anti-trust, compliance consulting					(128)			
Legal costs (FCPA, Anti-trust)	(2)	(12)			(15)	(44)		
Severance costs						(10)		
<b>underlying EBITDA</b>	<b>61.4</b>	<b>33.7</b>	82.2%		<b>148.8</b>	<b>127.2</b>	17.0%	
<i>in % of gross profit</i>	16.1%	10.0%			13.7%	11.9%		
<b>underlying EBIT</b>	<b>51.5</b>	<b>23.3</b>	121.1%		<b>114.3</b>	<b>91.9</b>	24.4%	
<i>in % of gross profit</i>	13.5%	6.9%			10.5%	8.6%		

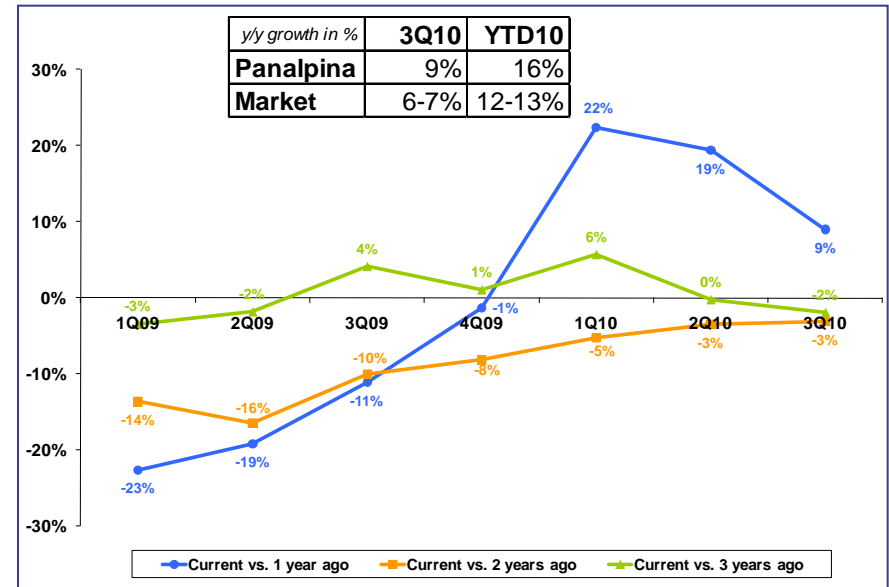
\* Note: YTD tax rate not representative due to non-deductible fines contained in CHF 128 million provision (included in 2Q10 operating expenses). Excluding this impact, the YTD tax rate is 25.8%.

# Volume growth outpacing market

**Air freight: current volumes vs. last three years**



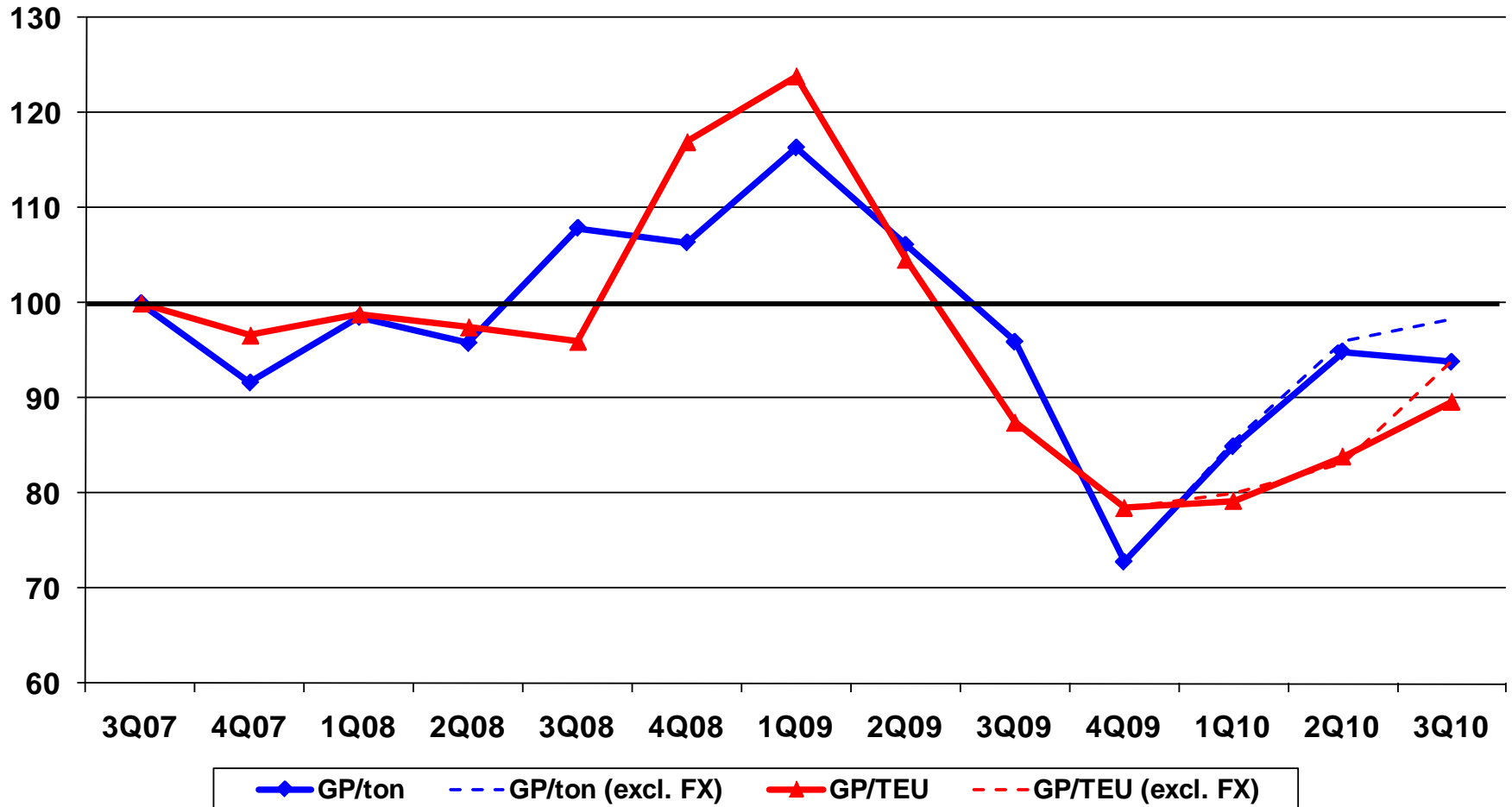
**Ocean freight: current volumes vs. last three years**



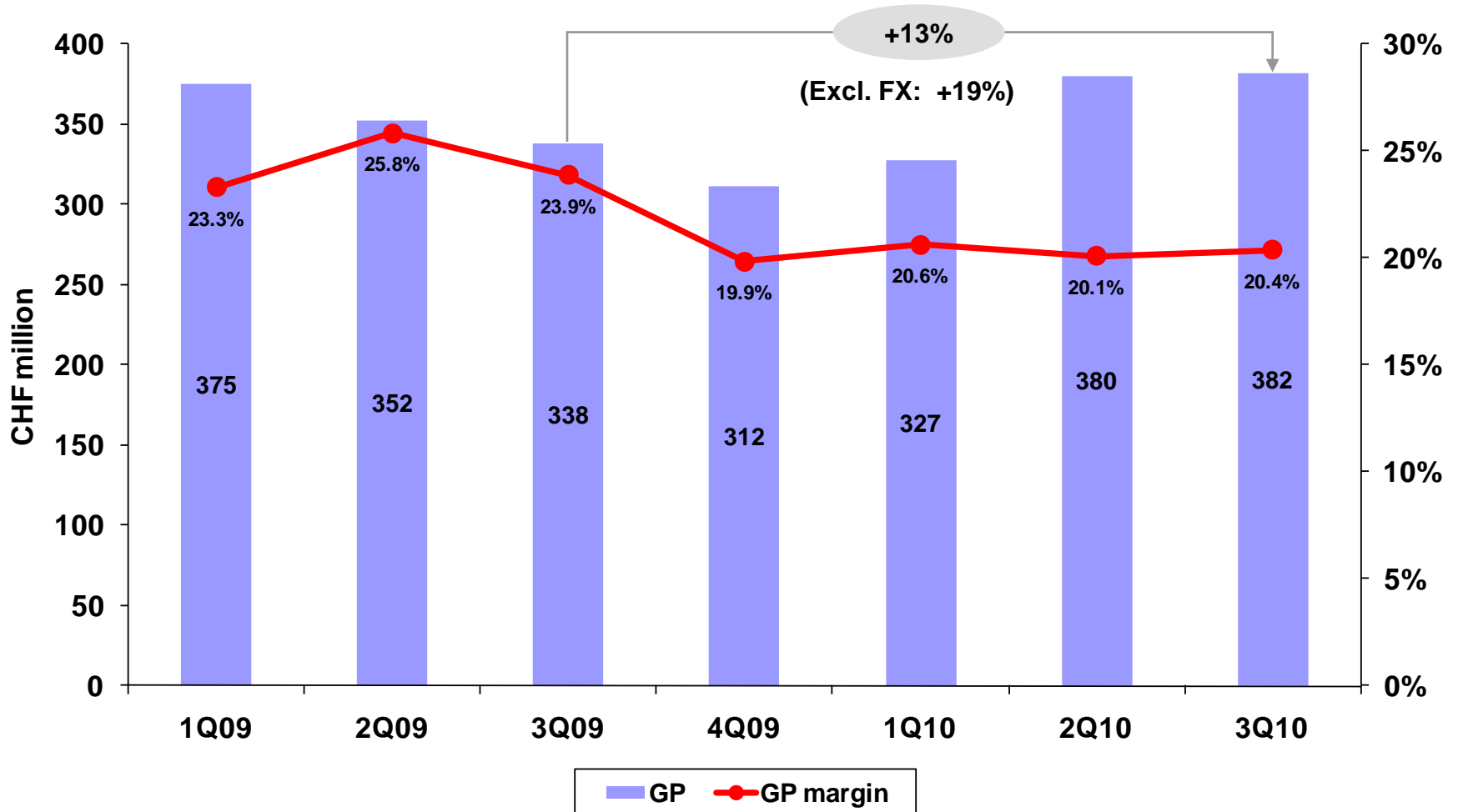
- Market-beating growth continued in third quarter
- Slowing pace due to less restocking, tougher comps and weak ocean peak season
- Volumes approaching but not back at pre-crisis peak levels yet

# Continuous improvement of unit profitability

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

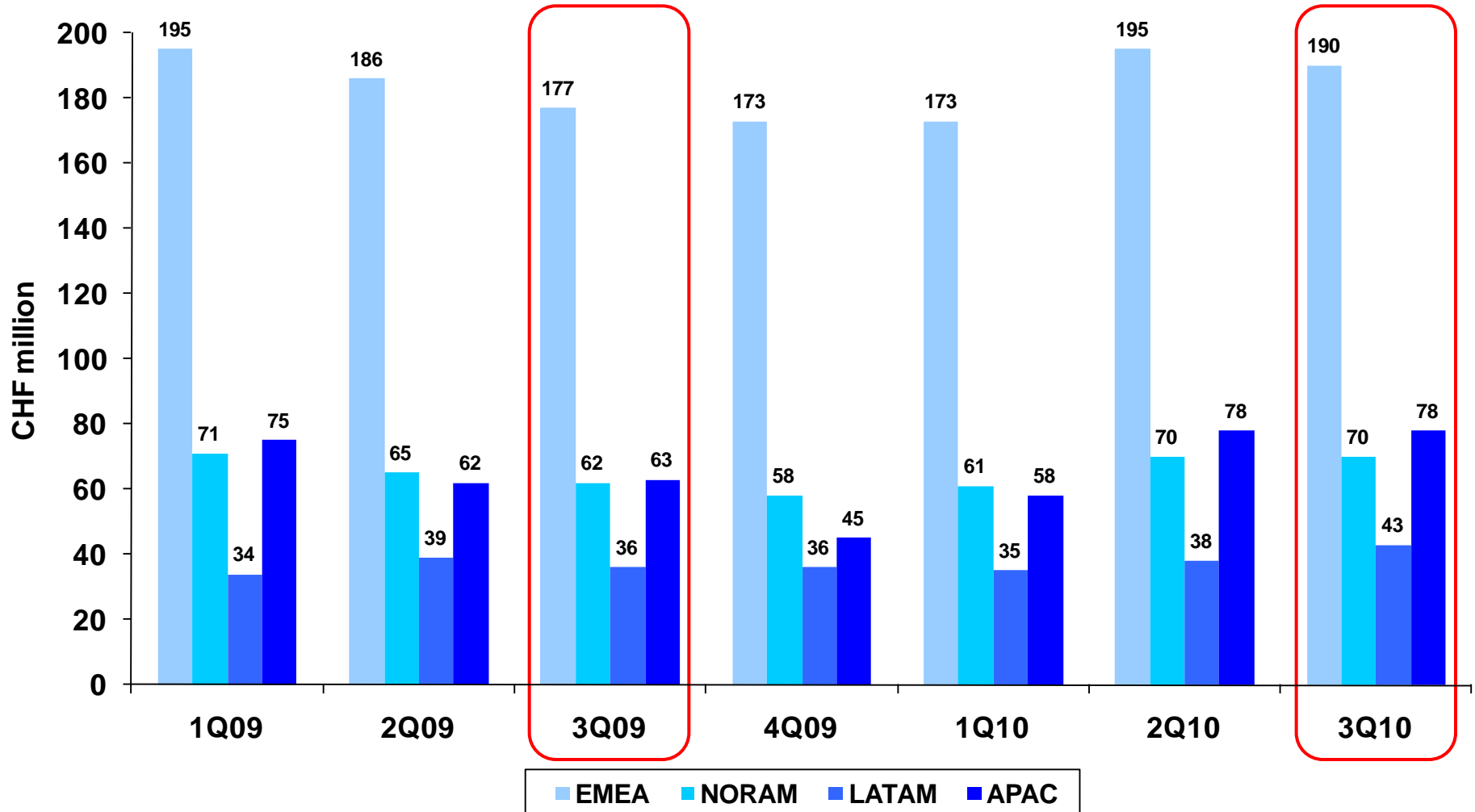


# Ongoing gross profit expansion, driven by improving volumes and unit profitability



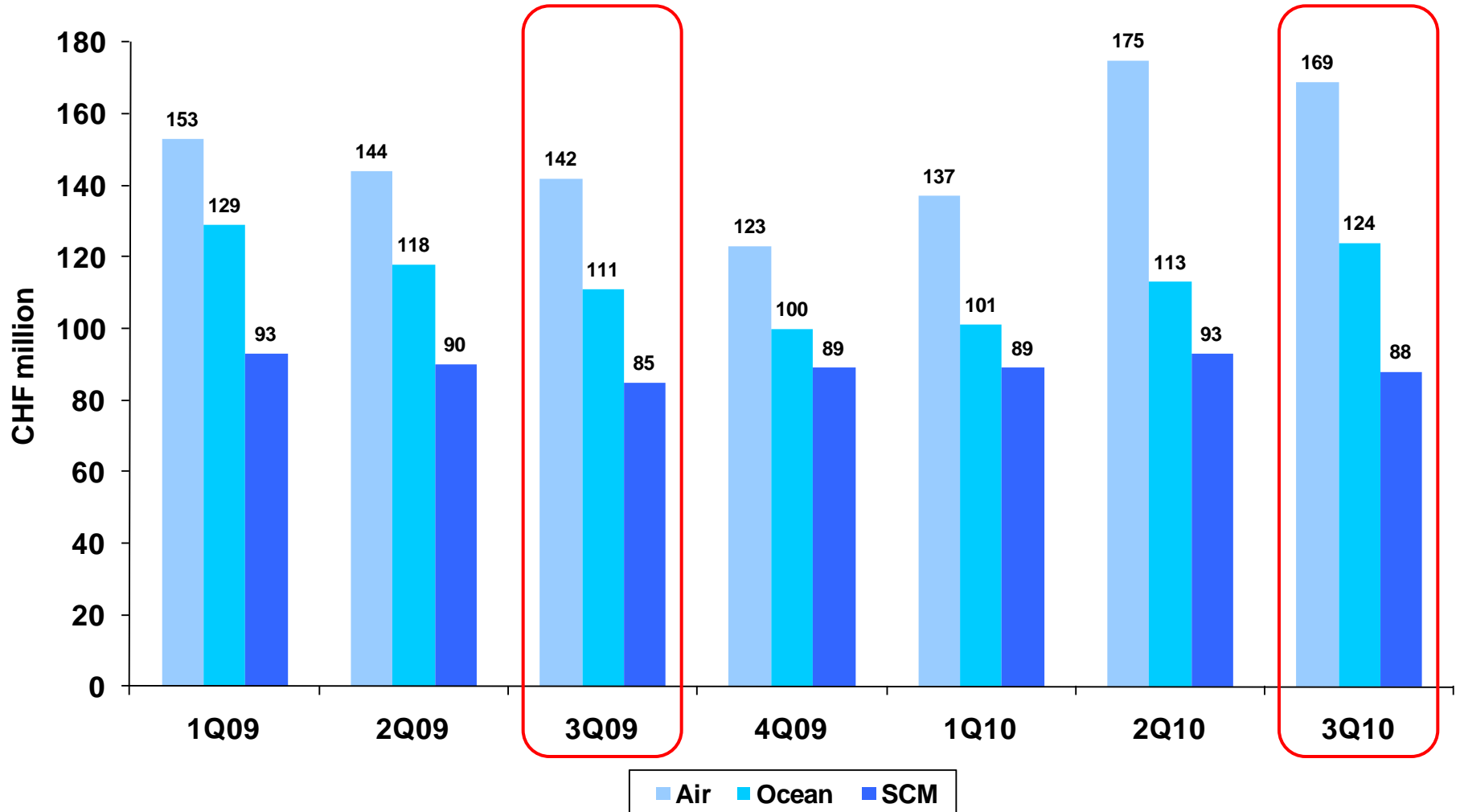
# Double-digit gross profit increase across all regions in local currencies

Δ y/y	GP	Excl. FX
EMEA	7.3%	16.9%
NORAM	12.9%	17.7%
LATAM	19.4%	22.2%
APAC	23.8%	23.8%



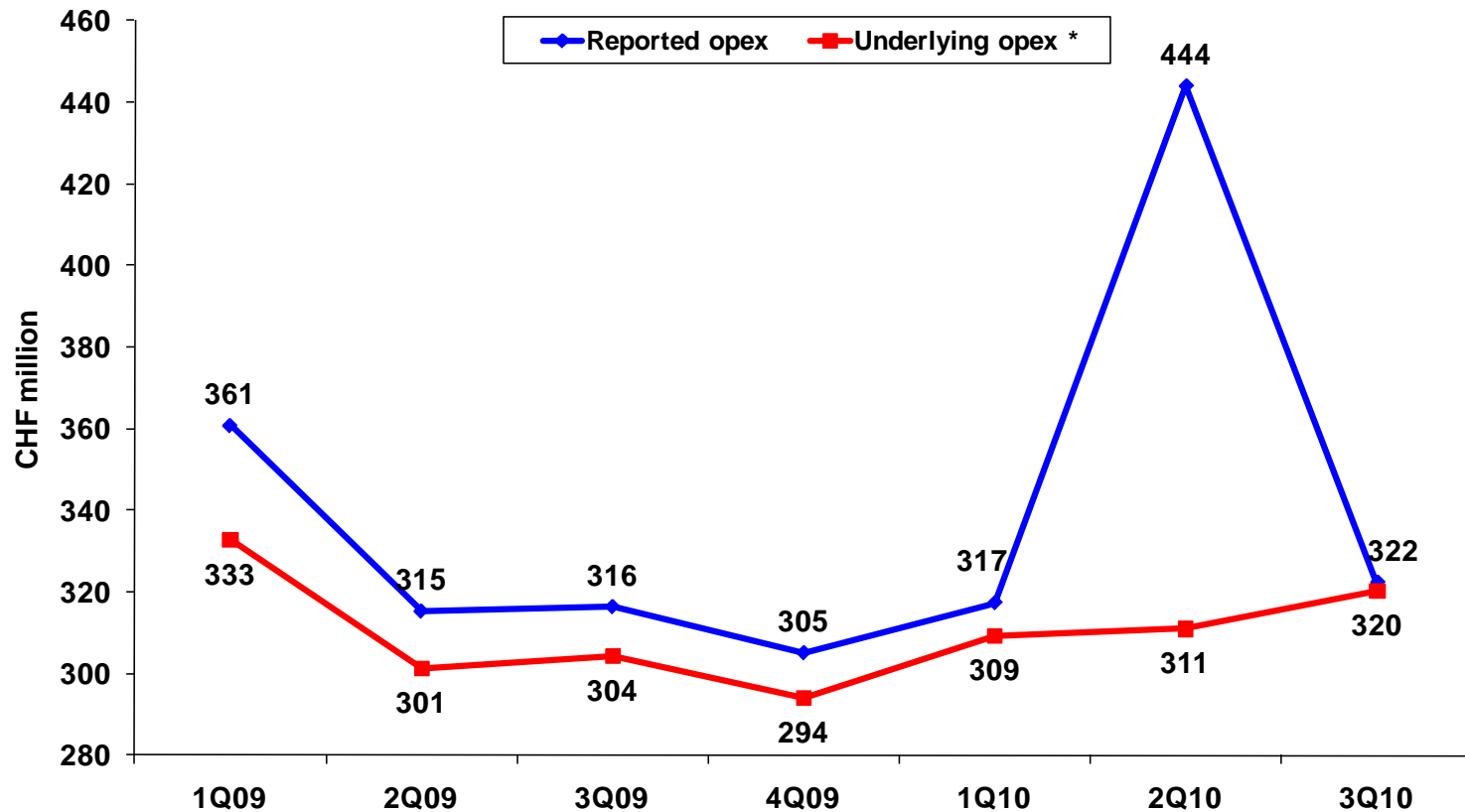
# Double-digit gross profit increase across all segments in local currencies

Δ y/y	GP	Excl. FX
Air	19.0%	24.6%
Ocean	11.7%	17.1%
SCM	3.5%	11.8%





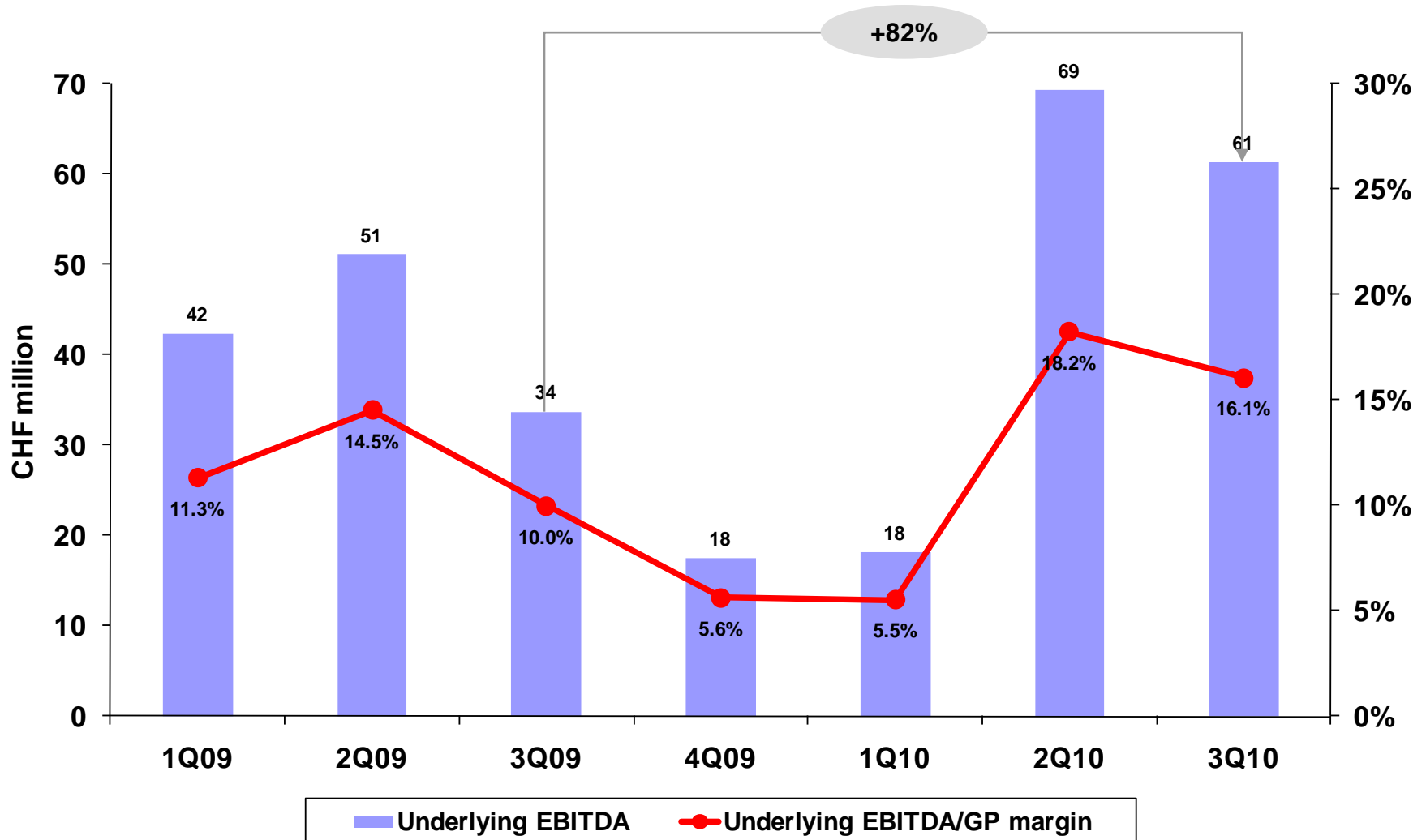
# Operating costs growing moderately in order to accommodate growth in shipments



	30 Sep 10	31 Dec 09	Δ	% Δ
<b>FTE</b>	14'631	13'773	+858	+6.2%

\* Adjusted for legal fees and expected fines related to pending legal claims in the United States (including CHF 128 million provision taken in 2Q10). Refer to appendix for details.

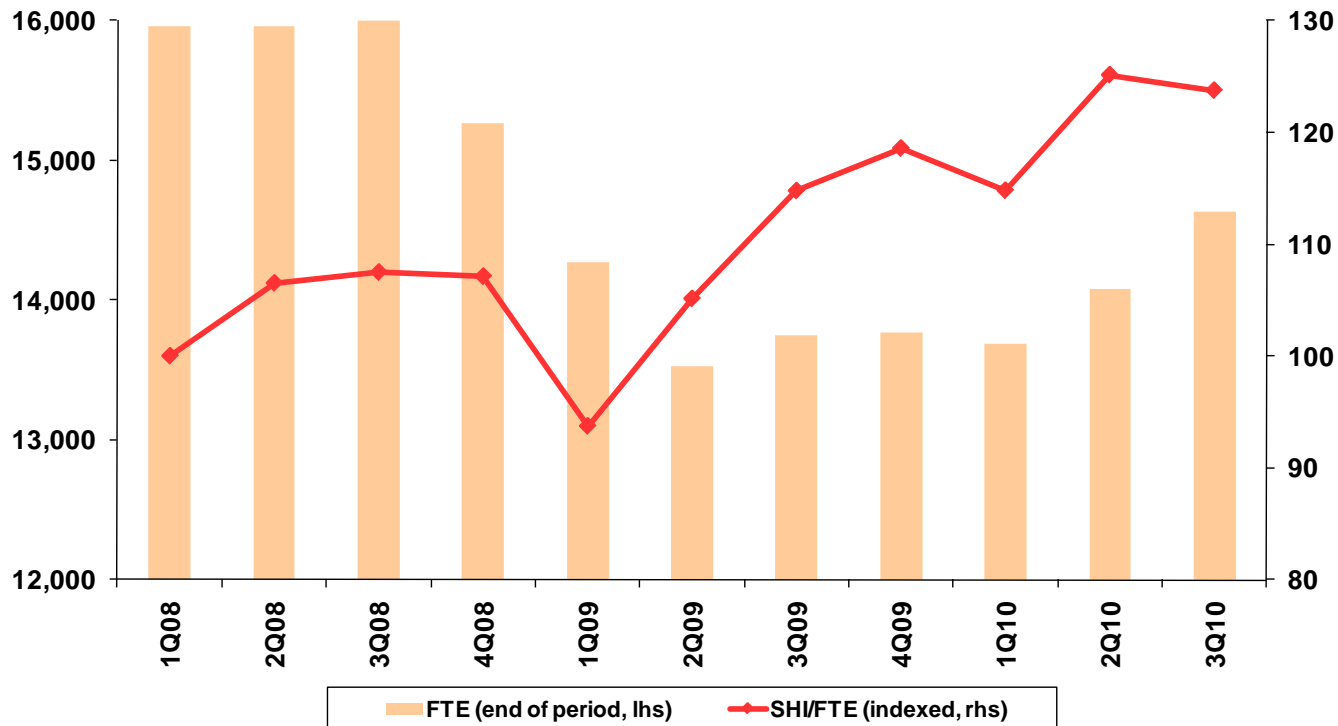
# Significant improvement of underlying\* Group EBITDA



\* Adjusted for legal fees and expected fines related to pending legal claims in the United States (including CHF 128 million provision taken in 2Q10). Refer to appendix for details.

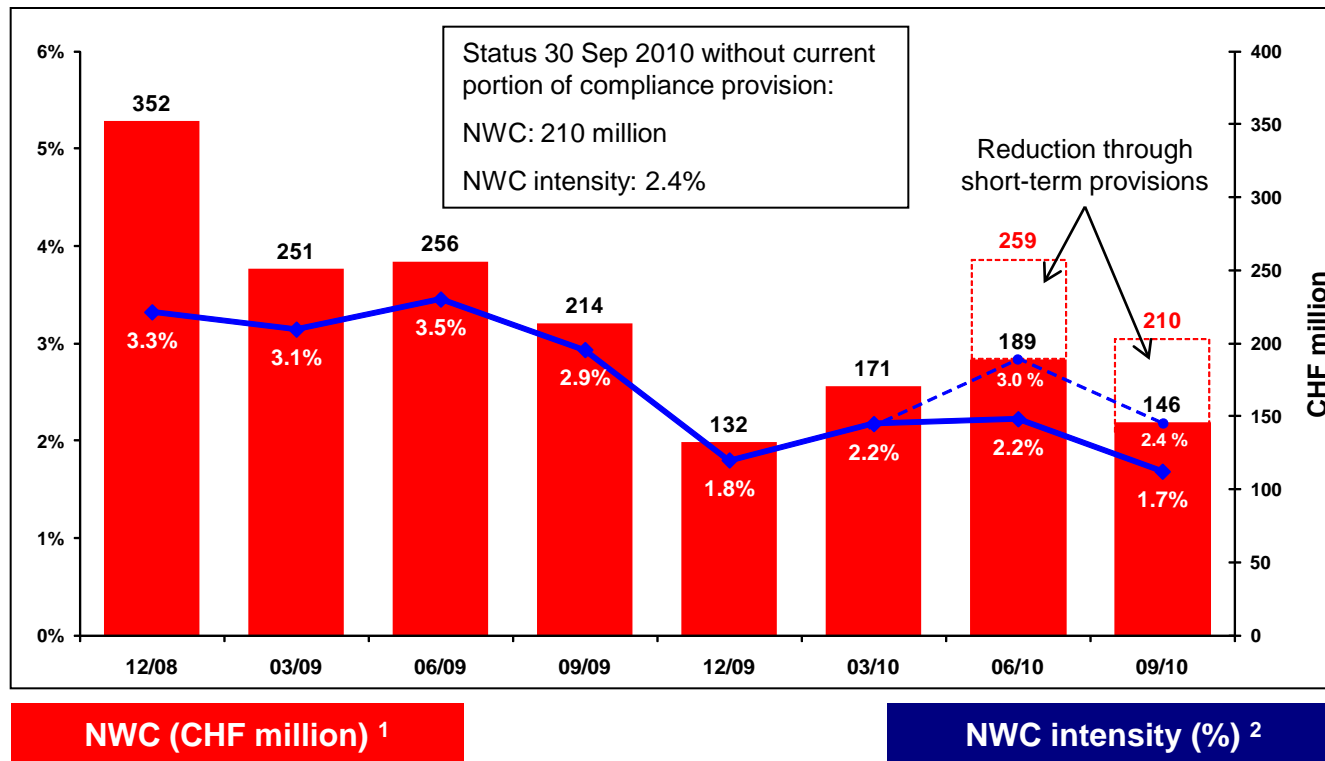
## Productivity sustained at high levels

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



- Productivity kept at very high level
- Limited scope for further productivity increases
- Further shipment increases to be accommodated with FTE increases

# Net working capital intensity at record low level



(# of days)	30 Sep 2010	30 Sep 2009
<b>DSO</b>	43.2	41.6
<b>DPO</b>	29.3	26.8
<b>Δ (DSO – DPO)</b>	13.9	14.8

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

<sup>2</sup> NWC intensity defined as NWC divided by gross forwarding revenue

## Strong third quarter free cash flow generation

Figures in CHF million

	Q3 2010	Q3 2009	YTD 2010	YTD 2009
Cash flow before changes in working capital	40.8	33.0	89.5	88.5
Changes in working capital	51.7	21.2	(61.1)	155.6
<b>Cash from operations</b>	<b>92.4</b>	<b>54.2</b>	<b>28.5</b>	<b>244.2</b>
Interest and income taxes paid	(5.9)	(12.2)	(20.5)	(46.7)
Net cash from operating activities	86.5	42.0	7.9	197.4
Net cash from investing activities	(7.3)	4.2	(14.9)	(18.0)
<b>Free cash flow</b>	<b>79.3</b>	<b>46.2</b>	<b>(7.0)</b>	<b>179.5</b>
Net cash used in financing activities	(1.4)	(14.8)	(5.2)	(59.1)
Effect of exchange rate changes	1.0	(4.3)	6.6	0.1
Cash and cash equivalents at beginning of period	447.4	455.8	531.8	362.4
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>78.8</b>	<b>27.0</b>	<b>(5.6)</b>	<b>120.5</b>
Cash and cash equivalents at end of period	526.2	482.9	526.2	482.9

## Approaching final settlements with U.S. authorities

- The U.S. antitrust case has been settled as per end of Q3 2010 for an amount of USD 12 million.
- FCPA-related investigations have been completed and finalization of the settlement formalities is expected by the end of the year.
- Both cases in the U.S. are covered by provisions of CHF 128 million which have been charged to the 2010 second quarter financial statements.
- These provisions do not cover the ongoing anti-trust investigations in Switzerland, the EU, New Zealand and Brazil 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 in July – no decision expected before mid-2011.

## Targets for 2010 on track to be fully achieved

	Targets / priorities for 2010	Current status
<b>Quantitative</b>	Volume growth $\geq$ market in aggregate	on track
	Tax rate < 26% *	on track
	NWC intensity < 4%	on track
<b>Qualitative</b>	Strengthen sales/procurement processes	Strong rebound of unit profitability in Air and Ocean
	Clear product (Air, Ocean, Logistics) accountability	Implementation of product driven and industry vertical led structure largely complete - 3 product heads recently appointed
	Extend expertise in product-crossing functions (Industry Verticals, Supply Chain Solutions)	Consistent focus on industry verticals resulting in continuous market share expansion
	Strict cost and cash control	Strong free cash flow generation
	Increase margins and productivity	Significant improvement of EBITDA; productivity sustained at high levels
	Leverage compliance leadership	Positioning initiative launched and ongoing

\* net of potential fines paid

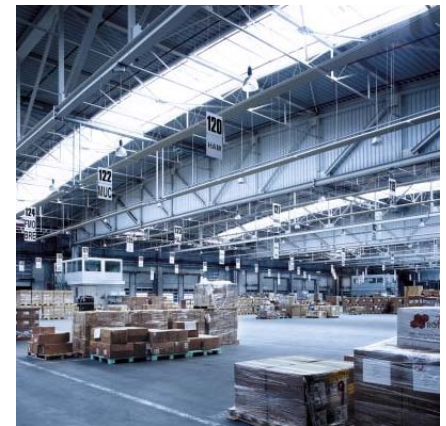
## Outlook

- Sharp deceleration of volume growth in Q4 2010 compared to first nine months of the year owing to various factors: tougher comparison base, less restocking and moderate (air) to weak (ocean) peak season
- Based on the strong year-to-date volume development, Panalpina expects the following market growth in 2010:
  - ▶ Air freight:  $\geq 15\%$
  - ▶ Ocean freight:  $\geq 10\%$
- Panalpina to outgrow the market
- Full achievement of 2010 targets



## SAVE THE DATE

- Panalpina investor day
- 30 June 2011
- Zurich
- More details to follow (no RSVP required at this stage)



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# Appendix

# Balance sheet

Figures in CHF million

	30-Sep-10	31-Dec-09	Variance	
			CHF	%
Cash, equivalents, other current financial assets	533.5	542.6	-9.1	-1.7%
Trade receivables, unbilled forwarding services	1'111.8	940.0	171.8	18.3%
Other current assets	107.4	116.1	-8.8	-7.5%
Property, plant and equipment	119.3	141.3	-22.0	-15.6%
Intangible assets	72.7	71.9	0.8	1.2%
Other non-current assets	119.2	112.7	6.4	5.7%
<b>Total assets</b>	<b>2'063.9</b>	<b>1'924.6</b>	<b>139.3</b>	<b>7.2%</b>
Short-term borrowings	8.5	12.0	-3.5	-28.9%
Trade payables, accrued cost of services	731.2	679.3	51.9	7.6%
Other current liabilities	334.8	241.2	93.7	38.8%
Long-term borrowings	0.5	0.9	-0.4	-40.6%
Other long-term liabilities	184.3	127.7	56.6	44.4%
<b>Total liabilities</b>	<b>1'259.5</b>	<b>1'061.1</b>	<b>198.4</b>	<b>18.7%</b>
Share capital	50.0	50.0	0.0	0.0%
Reserves, treasury shares	746.2	806.6	-60.3	-7.5%
Non-controlling interests	8.2	7.0	1.2	16.9%
<b>Total equity</b>	<b>804.4</b>	<b>863.6</b>	<b>-59.1</b>	<b>-6.8%</b>
<b>Total liabilities and equity</b>	<b>2'063.9</b>	<b>1'924.6</b>	<b>139.3</b>	<b>7.2%</b>
Net cash (debt)	524.5	529.7	-5.3	-1.0%
Asset intensity *	5.8%	7.3%		

\* Calculated as tangible fixed assets / total assets

## EBITDA reconciliation: reported vs. underlying

EBITDA in CHF million	Q3 2010 reported	compliance provision	legal fees	Q3 2010 underlying	Q3 2009 reported	legal fees	severance costs	Q3 2009 underlying
<b>Group</b>	<b>60</b>	<b>0</b>	<b>-2</b>	<b>62</b>	<b>21</b>	<b>-12</b>		<b>33</b>
<i>in % of gross profit</i>	15.7%			16.2%	6.2%			9.8%
<b>EMEA</b>	<b>27</b>			<b>27</b>	<b>7</b>			<b>7</b>
<i>in % of gross profit</i>	14.2%			13.8%	4.0%			4.0%
<b>NORAM</b>	<b>1</b>	<b>0</b>	<b>-1</b>	<b>2</b>	<b>-5</b>	<b>-6</b>		<b>1</b>
<i>in % of gross profit</i>	1.4%			2.9%	-8.1%			1.6%
<b>LATAM</b>	<b>8</b>			<b>8</b>	<b>4</b>			<b>4</b>
<i>in % of gross profit</i>	18.6%			18.6%	11.1%			11.1%
<b>APAC</b>	<b>25</b>			<b>25</b>	<b>19</b>			<b>19</b>
<i>in % of gross profit</i>	32.1%			32.1%	30.2%			30.2%
<b>CORPORATE</b>	<b>-1</b>	<b>0</b>	<b>-1</b>	<b>0</b>	<b>-4</b>	<b>-6</b>		<b>2</b>

EBITDA in CHF million	YTD 2010 reported	compliance provision	legal fees	YTD 2010 underlying	YTD 2009 reported	legal fees	severance costs	YTD 2009 underlying
<b>Group</b>	<b>6</b>	<b>-128</b>	<b>-15</b>	<b>149</b>	<b>73</b>	<b>-44</b>	<b>-10</b>	<b>127</b>
<i>in % of gross profit</i>	0.6%			13.7%	6.9%			11.9%
<b>EMEA</b>	<b>55</b>			<b>55</b>	<b>28</b>		<b>-7</b>	<b>35</b>
<i>in % of gross profit</i>	9.9%			9.9%	7.3%			6.3%
<b>NORAM</b>	<b>-51</b>	<b>-40</b>	<b>-5</b>	<b>-6</b>	<b>-18</b>	<b>-16</b>	<b>-1</b>	<b>-1</b>
<i>in % of gross profit</i>	-25.4%			-3.0%	-13.2%			-0.5%
<b>LATAM</b>	<b>18</b>			<b>18</b>	<b>15</b>		<b>-1</b>	<b>16</b>
<i>in % of gross profit</i>	15.5%			15.5%	20.5%			14.7%
<b>APAC</b>	<b>67</b>			<b>67</b>	<b>64</b>		<b>-1</b>	<b>65</b>
<i>in % of gross profit</i>	31.3%			31.3%	46.7%			32.5%
<b>CORPORATE</b>	<b>-83</b>	<b>-88</b>	<b>-10</b>	<b>15</b>	<b>-16</b>	<b>-28</b>		<b>12</b>

## Panalpina – reasons to invest

Global network with  
diversification  
across industries  
and trade lanes

Market leadership in  
freight forwarding &  
end-to-end supply  
chain solutions

High returns on  
capital due to asset-  
light business model

Industry leadership  
in terms of  
compliance



Excellent long-term  
industry growth  
prospects

Value delivery  
through globally  
standardized  
IT systems