

A passion for solutions

Panalpina Group

Basel, August 4, 2011

2011 Second Quarter Review



Supply Chain Solutions

Air Freight

Ocean Freight

Logistics

Q2 2011 – key developments

- Gross profit of the Group up 10% year-on-year net of FX, supported by organic growth across all regions and segments
- GP margin rising to 22.8% (2Q10: 20.1%) due to yield management
- Cargo volumes (AF: -9%, OF: +3%) affected by profitability restoration program initiated in 2010
- Yield focus leading to further increase in Air Freight GP/ton despite adverse impact from strong CHF – up 9% yoy in CHF, up 20% net of FX.
- Ocean Freight GP/TEU down 7% yoy in CHF, up 6% net of FX.
- Operating expenses held stable
- Market growth outlook 2011 revised downwards
- Financial targets 2014 confirmed

Key figures

CHF million

	Q2 2011	Q2 2010	Variance %		YTD 2011	YTD 2010	Variance %	
			CHF	Excl. FX			CHF	Excl. FX
Net forwarding revenue	1'628.9	1'893.8	-14.0%	-3.5%	3'280.8	3'481.6	-5.8%	3.2%
Forwarding expenses	(1'258.0)	(1'513.5)			(2'536.6)	(2'773.9)		
Gross profit	370.9	380.3	-2.5%	9.5%	744.3	707.7	5.2%	15.1%
<i>in % of net forwarding revenue</i>	22.8%	20.1%			22.7%	20.3%		
Total operating expenses	(317.1)	(443.9)	-28.6%	-20.4%	(634.9)	(761.3)	-16.6%	-9.3%
EBITDA	53.7	(63.6)			109.4	(53.6)		
<i>in % of gross profit</i>	14.5%	-16.7%			14.7%	-7.6%		
Operating result (EBIT)	44.3	(77.6)			90.7	(78.2)		
<i>in % of gross profit</i>	12.0%	-20.4%			12.2%	-11.0%		
Consolidated profit	32.0	(92.6)			66.9	(92.5)		
<i>in % of gross profit</i>	8.6%	-24.3%			9.0%	-13.1%		
<i>Non-recurring items:</i>								
Fines and related costs, reorganization costs		(128)				(128)		
Legal costs (FCPA, Anti-trust)		(5)				(13)		
underlying EBITDA	53.7	69.4	-22.5%	-8.9%	109.4	87.4	25.1%	42.0%
<i>in % of gross profit</i>	14.5%	18.2%			14.7%	12.4%		
underlying EBIT	44.3	55.4	-19.9%	-4.7%	90.7	62.8	44.4%	65.4%
<i>in % of gross profit</i>	12.0%	14.6%			12.2%	8.9%		

- Gross profit increase of 9.5% net of FX in 2Q11, 15.1% in 1H11
- EBIT of CHF 44 million in 2Q11 (-4.7% yoy net of FX), CHF 91 million in 1H11 (+65.4% yoy net of FX)

Strength of the CHF severely depressing financial results

Impact on net forwarding revenue from average FX development to CHF

Currency	Weight	Ø exch. rates to CHF		Δ in %
		1Q11	1Q10	
EUR	33.1%	1.2864	1.4637	-12.1%
USD	17.1%	0.9416	1.0587	-11.1%
BRL	6.0%	0.5648	0.5874	-3.8%
CNY	5.6%	0.1430	0.1551	-7.8%
CHF	5.6%	1.0000	1.0000	0.0%
CAD	4.1%	0.9551	1.0175	-6.1%
Others	28.6%			-1.0%
Total	100.0%	Impact on NFR		-7.1%

Currency	Weight	Ø exch. rates to CHF		Δ in %
		2Q11	2Q10	
EUR	32.0%	1.2532	1.4107	-11.2%
USD	18.0%	0.8710	1.1079	-21.4%
BRL	6.1%	0.5459	0.6173	-11.6%
CNY	5.9%	0.1340	0.1623	-17.5%
CHF	5.2%	1.0000	1.0000	0.0%
CAD	3.3%	0.9003	1.0780	-16.5%
Others	29.5%			-2.6%
Total	100.0%	Impact on NFR		-10.5%

Currency	Weight	Ø exch. rates to CHF		Δ in %
		1H11	1H10	
EUR	32.8%	1.2694	1.4363	-11.6%
USD	17.7%	0.9055	1.0841	-16.5%
BRL	6.1%	0.5552	0.6029	-7.9%
CNY	5.8%	0.1384	0.1588	-12.9%
CHF	5.4%	1.0000	1.0000	0.0%
CAD	3.7%	0.9271	1.0488	-11.6%
Others	28.5%			-2.0%
Total	100.0%	Impact on NFR		-9.0%

FX impact on other key metrics (1Q11):

- Gross profit: -7.6%
- Operating expenses: -6.2%
- EBITDA/GP margin: -0.4%

FX impact on other key metrics (2Q11):

- Gross profit: -12.0%
- Operating expenses: -8.2%
- EBITDA/GP margin: -0.7%

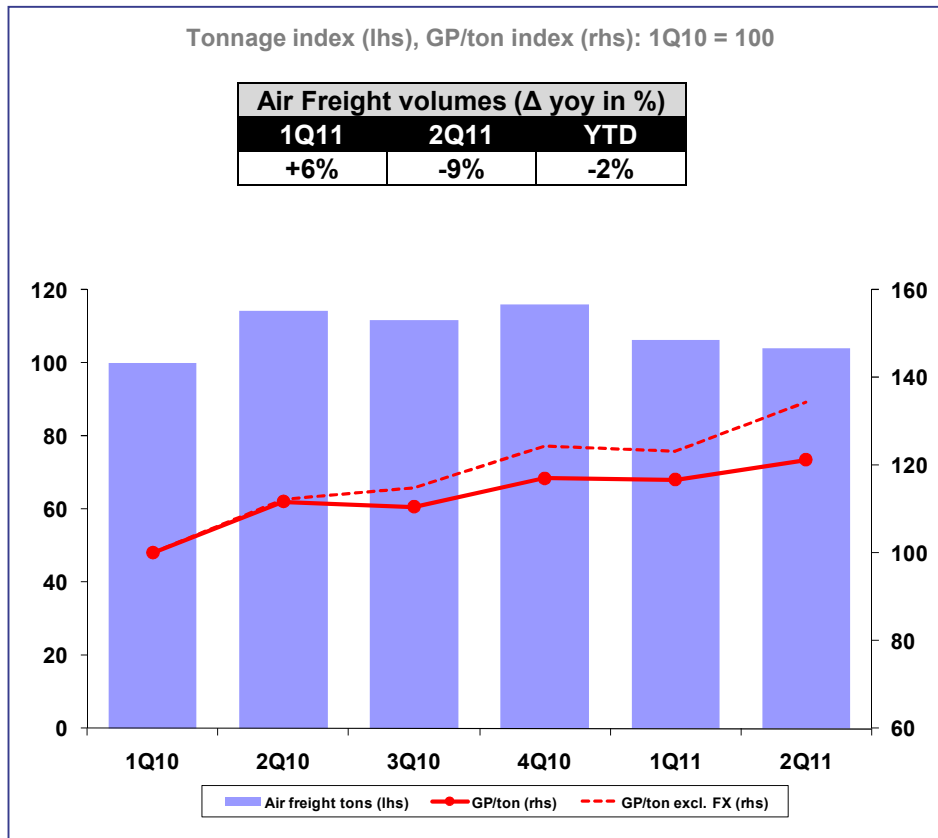
FX impact on other key metrics (1H11):

- Gross profit: -9.9%
- Operating expenses: -7.3%
- EBITDA/GP margin: -0.5%

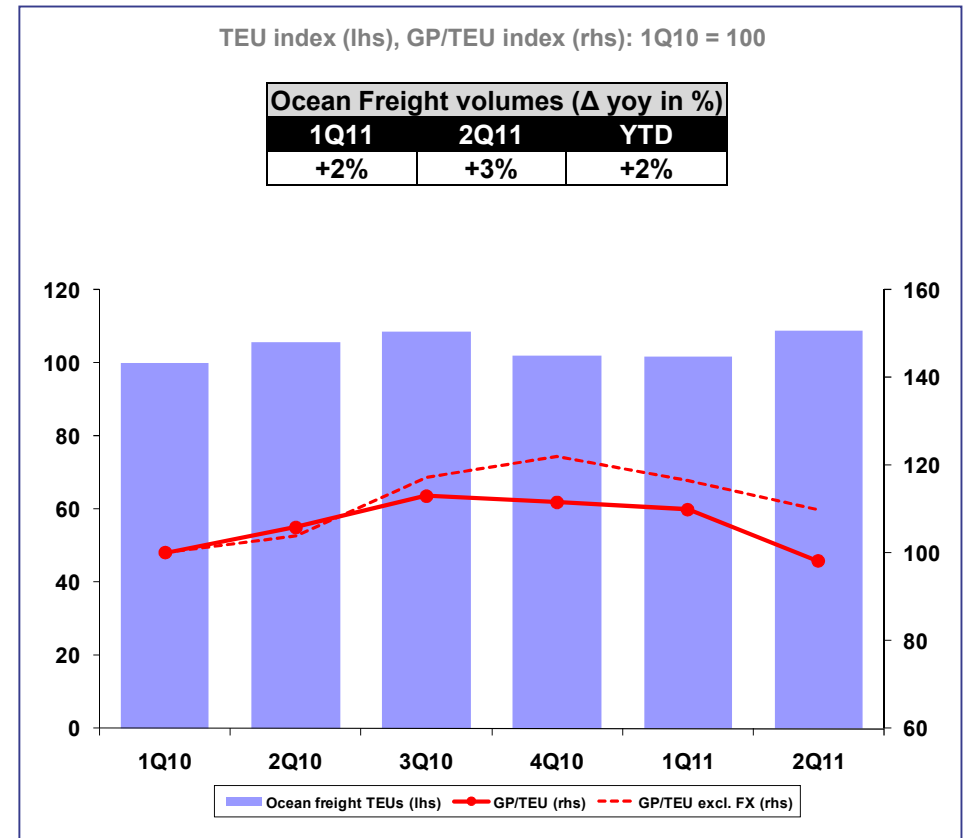
- 2Q11 with the strongest negative FX impact ever
- Natural FX hedge b/w revenues and costs – FX fluctuations with relatively minor impact on margins
- Transaction risk selectively hedged, translation risk not hedged

Strong focus on unit profitability with effect on volume growth

Air Freight: tonnage vs. GP/ton development



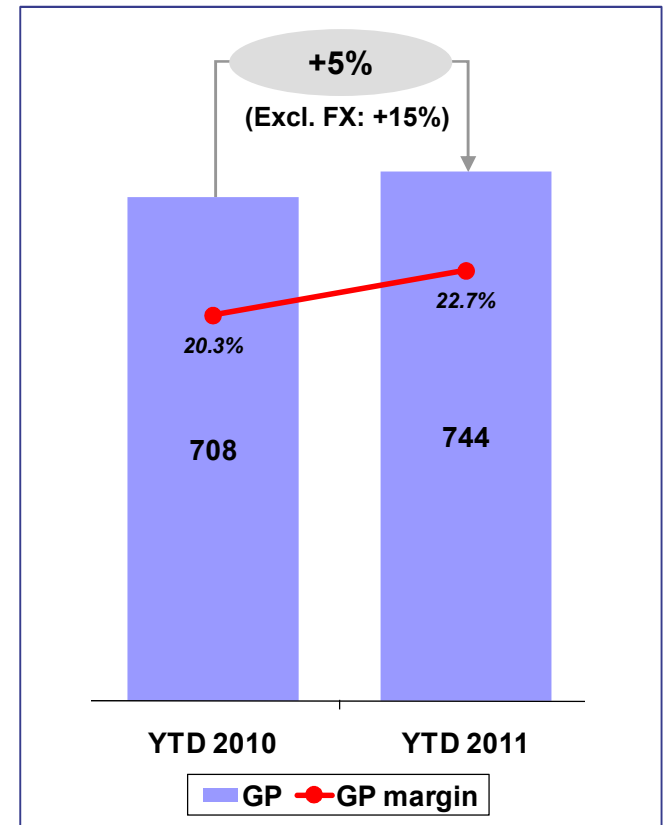
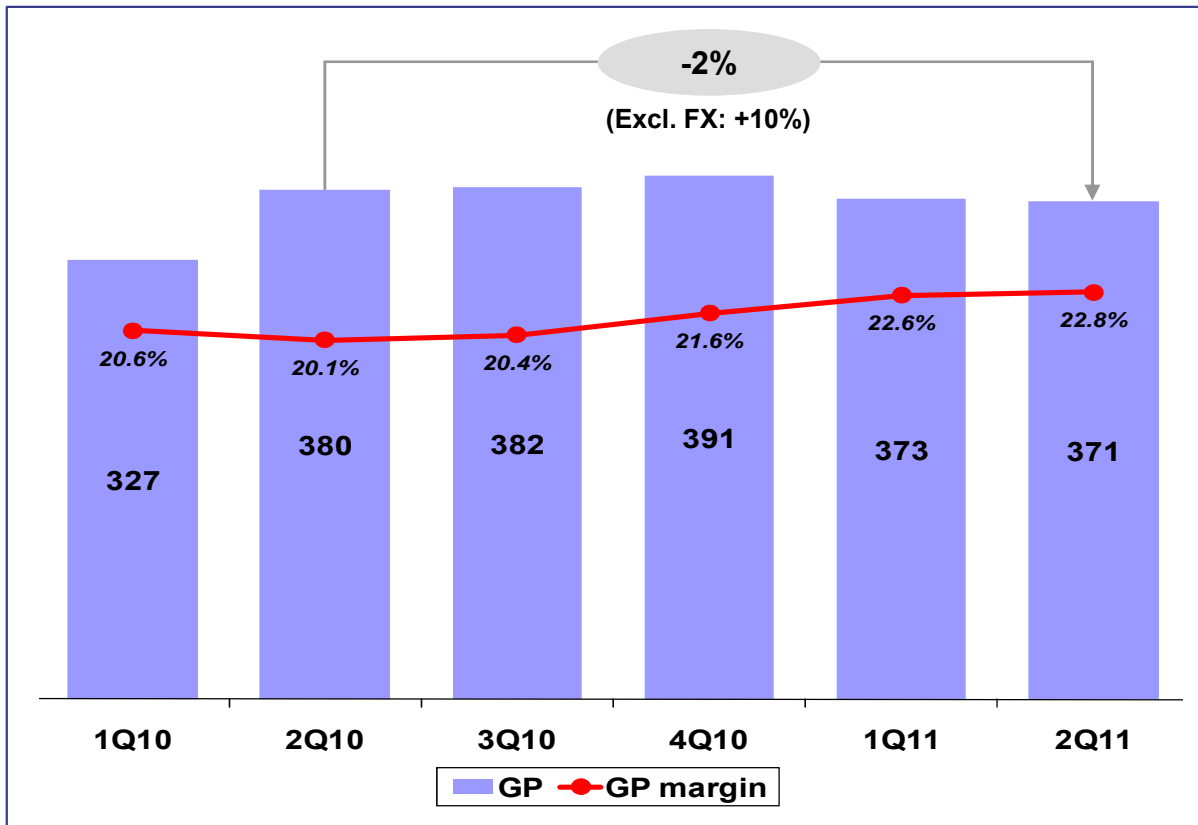
Ocean Freight: TEU vs. GP/TEU development



- Volume growth affected by tough prior year comparatives and profitability restoration program initiated in 2010 (termination of certain high-volume, low-margin customer contracts), particularly in Air Freight
- Yield focus leading to further increase in GP per ton despite adverse impact from strong CHF

Ongoing expansion of gross profit margin

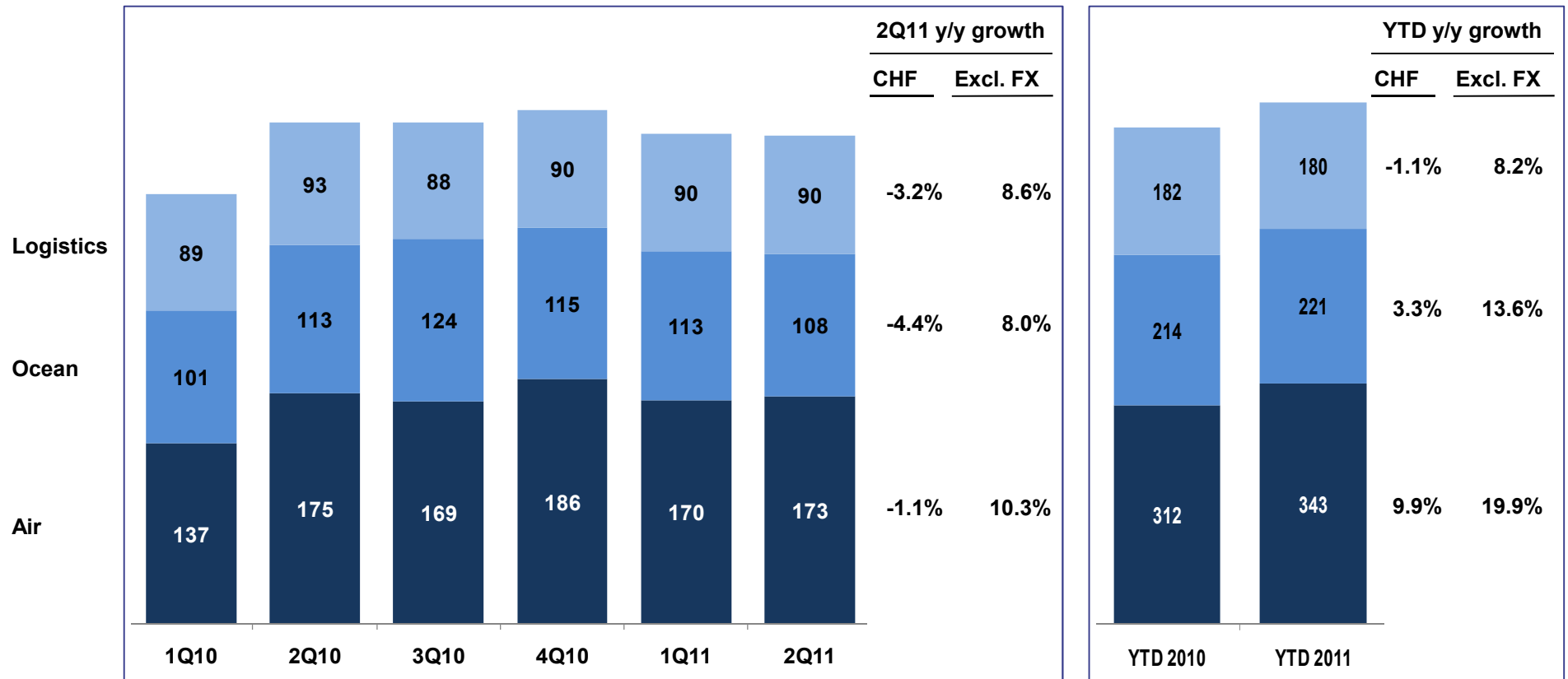
Gross profit in CHF million



- Double-digit growth in gross profit when excluding FX
- Further rise in GP margin due to yield management

GP growth across all segments net of FX, led by Air Freight

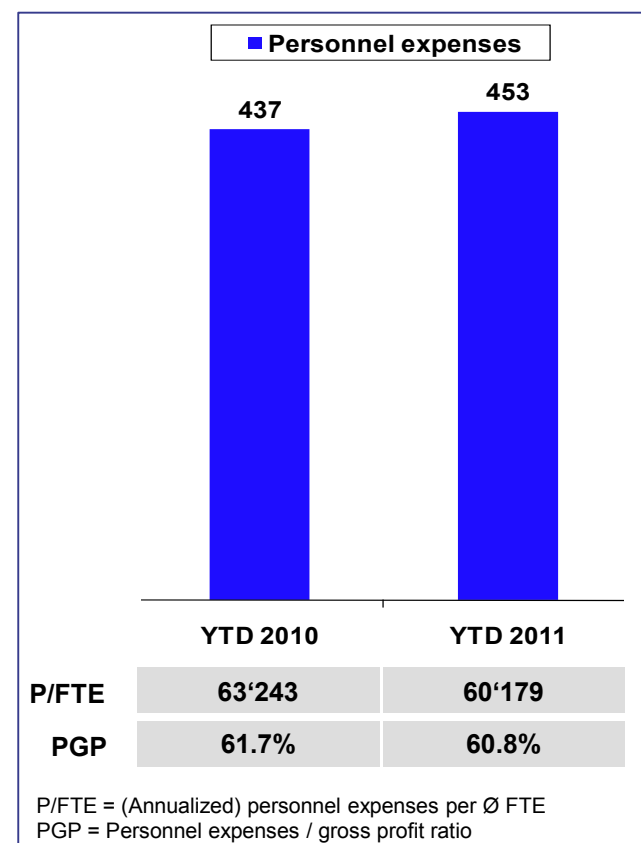
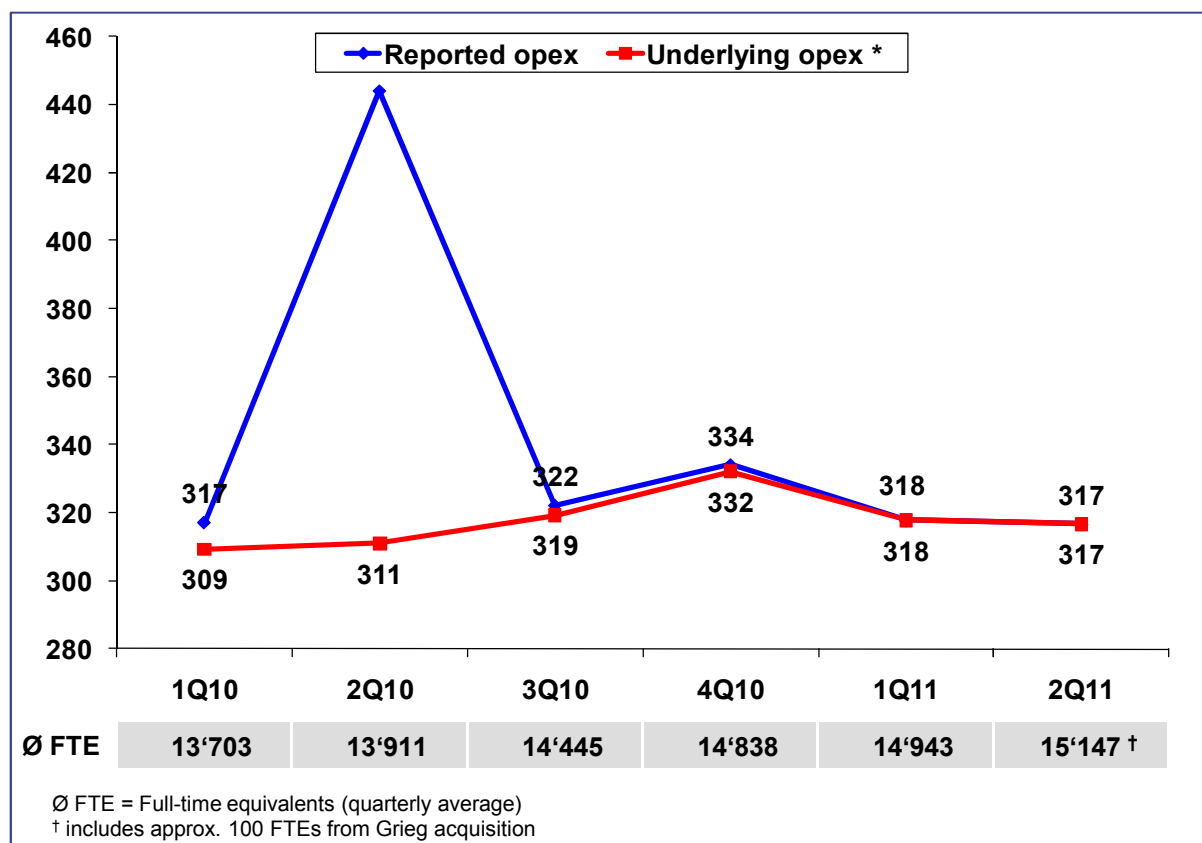
Gross profit in CHF million



- Organic gross profit increase in all segments
- Air Freight performance mainly driven by strong yields – slowing environment in second quarter
- Strength of CHF with a significantly negative impact on all segments

Controlled development of costs

Operating expenses in CHF million

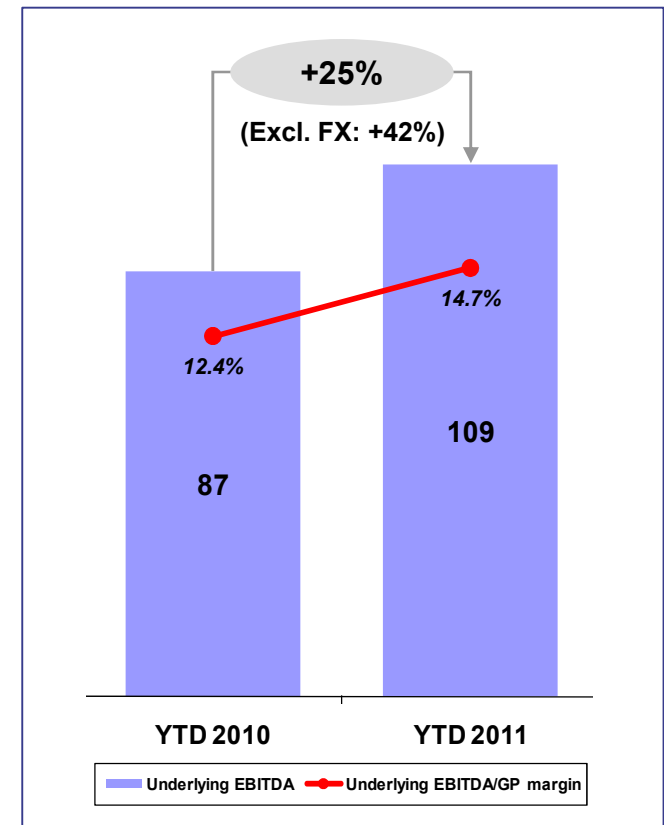
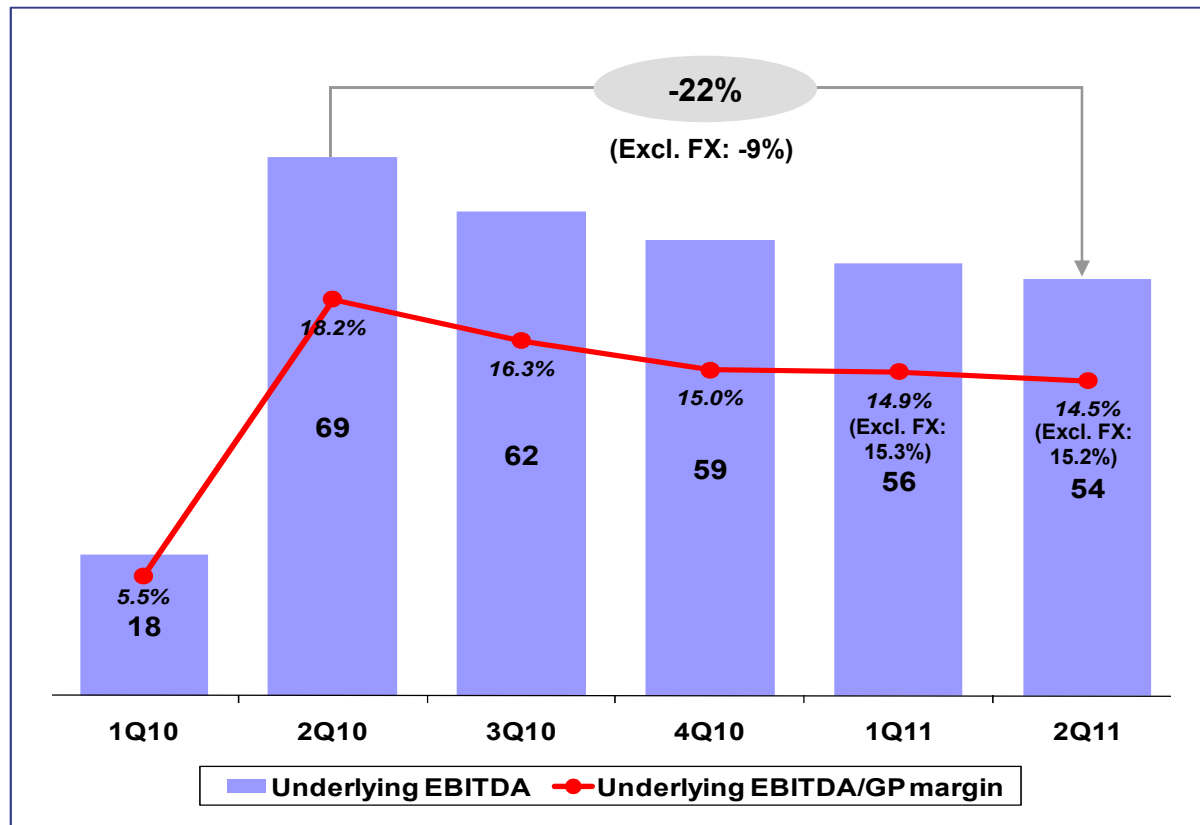


- Operating expenses held stable sequentially in 2Q11, up 2% yoy
- Reduction of PGP ratio from 61.7% in 1H10 to 60.8% in 1H11

* 2010 numbers adjusted for fines and related costs, legal fees and charges related to internal reorganization project

Sequentially stable EBITDA/GP margin despite slowing environment

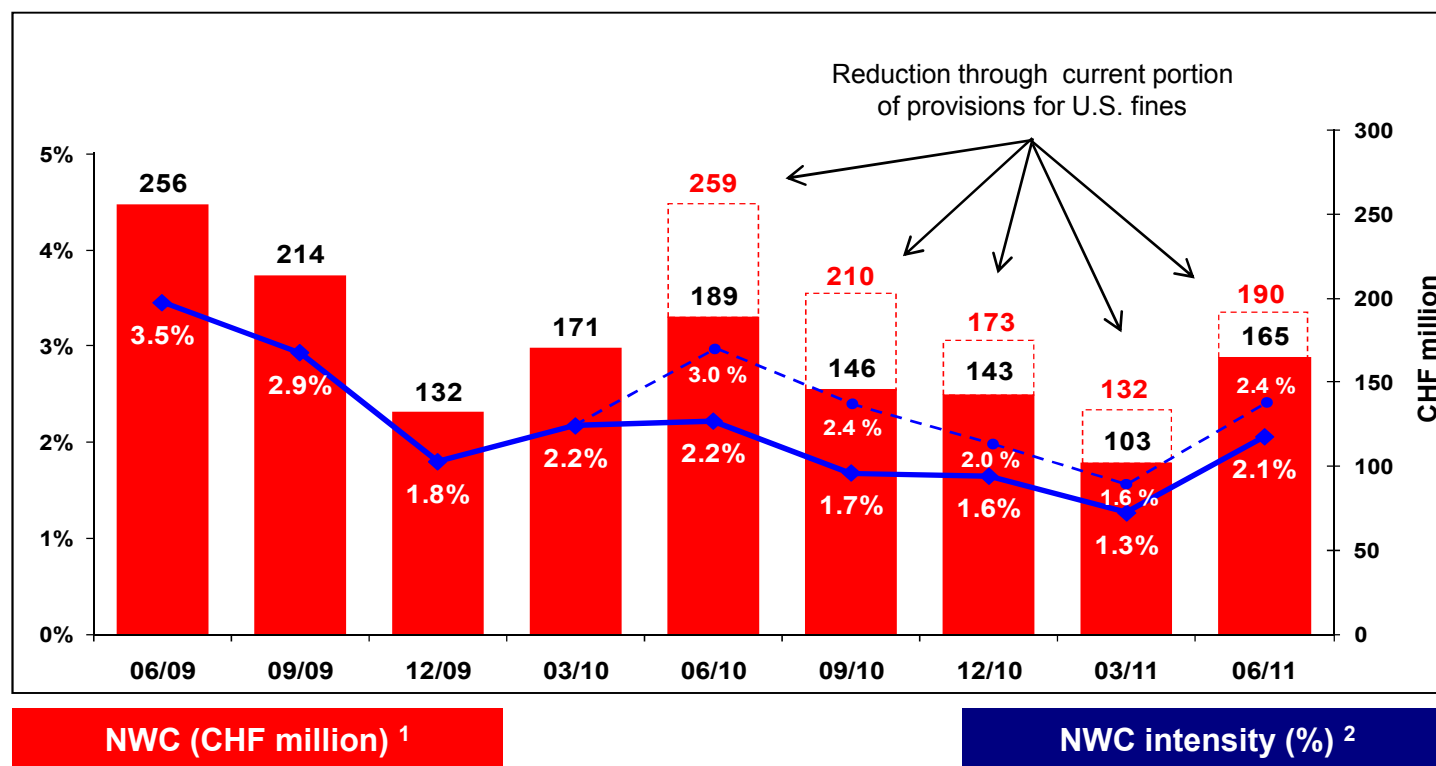
EBITDA in CHF million



- A mix of volumes, yield management and stable costs led to significant YTD margin expansion
- In Q2 and H1 2011, CHF 9 million and CHF 15 million of EBITDA were lost due to negative FX translation

Note: 2010 numbers adjusted for fines and related costs, legal fees and charges related to internal reorganization project

Net working capital intensity kept at targeted level



(# of days)	June 30, 2011	June 30, 2010
DSO (3-m-rolling)	40.9	42.2
DPO (3-m-rolling)	27.0	27.8
Δ (DSO – DPO)	13.9	14.4

- Sequential increase of NWC mainly related to reduction of payables and short-term provisions
- Gap between DSO and DPO further reduced compared to prior year

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

Cash flow reflecting a number of planned investment outflows

Figures in CHF million

	Q2 2011	Q2 2010	YTD 2011	YTD 2010
Cash flow before changes in working capital	16.0	22.8	86.6	48.8
Changes in working capital	(31.9)	(73.5)	5.7	(112.7)
Cash from operations	(15.9)	(50.7)	92.4	(64.0)
Interest and income taxes paid	(11.4)	(7.3)	(24.6)	(14.6)
Net cash from operating activities	(27.3)	(58.0)	67.8	(78.6)
Net cash from investing activities	(136.2)*	(4.9)	(195.0)*	(7.7)
Free cash flow	(163.5)	(63.0)	(127.1)	(86.2)
Net cash used in financing activities	(0.9)	(1.5)	(2.3)	(3.8)
Effect of exchange rate changes	(13.7)	1.1	(14.8)	5.6
Cash and cash equivalents at beginning of period	562.8	510.7	528.9	531.8
Net increase (decrease) in cash and cash equivalents	(178.1)	(63.4)	(144.3)	(84.4)
Cash and cash equivalents at end of period	384.7	447.4	384.7	447.4

* includes outflow of CHF 50/72 million in Q1/Q2 for money market investments with a maturity of more than three months, as well as an outflow of CHF 57 million in Q2 related to the recent Grieg acquisition.

Planning assumptions and outlook for 2011

Air Freight



Market

- 1-2% growth (previously 5-6%)
- No peak season
- No capacity bottlenecks expected

Panalpina

- Increase of GP per ton vs. 2010
- Volume growth < market growth (effect of profitability restoration program in 2010)

World trade
growth 2011:
~3%

Ocean Freight



Market

- 5% growth (previously 6-7%)
- No peak season
- Oversupply – limited scope for rate increases

Panalpina

- Increase of GP per TEU vs. 2010 (excl. FX)
- Volume growth < market growth (effect of profitability restoration program in 2010)

Logistics



- Stable GP margin
- Continued investments in line with corp. strategy

Targeting a 20% EBITDA conversion ratio by 2014

	2010	YTD 2011	2014
EBITDA/GP	▪ 14% *	▪ 15%	▪ 20%
Tax rate	▪ 26% *	▪ 25%	▪ 25%
NWC intensity (end of period)	▪ 2% *	▪ 2%	▪ ≤2%
Capex (% of NFR)	▪ 0.6%	▪ 0.4%	▪ 0.8% **

Based on following assumptions:

- Steady growth of core markets. Assumed market volume CAGR 2011-14:
 - ❖ Air Freight: 5%
 - ❖ Ocean Freight: 7%
 - ❖ Logistics: 5%
- Panalpina to outperform market
- On average, stable unit profitability (currency neutral) compared to 2010

* 2010 adjusted for non-recurring items

** related to higher IT investments

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A passion for solutions

Panalpina Group

Basel, August 4, 2011

Appendix



Supply Chain Solutions

Air Freight

Ocean Freight

Logistics

Detailed figures including currency impact

in CHF million

	Q2 2010	YTD 2010	Q2 2011	Δ y/y	Q2 2011 (excl. FX)	Δ y/y	YTD 2011	Δ y/y	YTD 2011 (excl. FX)	Δ y/y
Net forwarding revenue	1'893.8	3'481.6	1'628.9	-14.0%	1'827.9	-3.5%	3'280.8	-5.8%	3'591.3	3.2%
Forwarding expenses	(1'513.5)	(2'773.9)	(1'258.0)		(1'411.6)		(2'536.6)	-8.6%	(2'776.6)	
Gross profit	380.3	707.7	370.9	-2.5%	416.3	9.5%	744.3	5.2%	814.7	15.1%
<i>in % of net forwarding revenue</i>	20.1%	20.3%	22.8%		22.8%		22.7%		22.7%	
Personnel expenses	(222.7)	(436.6)	(226.2)	1.6%	(251.3)	12.9%	(452.7)	3.7%	(492.0)	12.7%
<i>in % of gross profit (PGP)</i>	58.6%	61.7%	61.0%		60.4%		60.8%		60.4%	
Other operating expenses	(221.7)	(324.9)	(90.4)	-59.2%	(101.4)	-54.3%	(181.8)	-44.0%	(198.1)	-39.0%
<i>in % of gross profit (OGP)</i>	58.3%	45.9%	24.4%		24.4%		24.4%		24.3%	
Gains (losses) on sales of non-current assets	0.5	0.2	(0.5)		(0.5)		(0.4)		(0.4)	
Total operating expenses	(443.9)	(761.3)	(317.1)	-28.6%	(353.2)	-20.4%	(634.9)	-16.6%	(690.6)	-9.3%
EBITDA	(63.6)	(53.6)	53.7	-184.4%	63.2	-199.2%	109.4	-304.2%	124.2	-331.8%
<i>in % of gross profit</i>	-16.7%	-7.6%	14.5%		15.2%		14.7%		15.2%	
<i>in % of net forwarding revenue</i>	-3.4%	-1.5%	3.3%		3.5%		3.3%		3.5%	
Depreciation of property, plant and equipment	(11.7)	(20.1)	(7.0)	-40.5%	(7.8)	-33.8%	(14.5)	-28.0%	(15.8)	-21.5%
Amortization of intangible assets	(2.3)	(4.5)	(2.4)	8.0%	(2.6)	16.8%	(4.2)	-7.1%	(4.4)	-0.7%
Operating result (EBIT)	(77.6)	(78.2)	44.3	-157.1%	52.8	-168.0%	90.7	-216.1%	103.9	-232.9%
<i>in % of gross profit</i>	-20.4%	-11.0%	12.0%		12.7%		12.2%		12.8%	
Financial result	(3.5)	(2.9)	(1.5)	-56.3%			(1.3)	-54.7%		
Earnings before taxes (EBT)	(81.2)	(81.0)	42.8	-152.7%			89.4	-210.4%		
Income tax expenses	(11.4)	(11.5)	(10.8)	-5.3%			(22.5)	95.8%		
<i>% of EBT</i>	-14.1%	-14.2%	25.3%				25.2%			
Consolidated profit	(92.6)	(92.5)	32.0	-134.6%			66.9	-172.3%		
<i>in % of gross profit</i>	-24.3%	-13.1%	8.6%				9.0%			
<i>Non-recurring items:</i>										
Fines and related costs, reorganization costs	(128)	(128)								
Legal costs (FCPA, Anti-trust)	(5)	(13)								
underlying EBITDA	69.4	87.4	53.7	-22.5%	63.2	-8.9%	109.4	25.1%	124.2	42.0%
<i>in % of gross profit</i>	18.2%	12.4%	14.5%		15.2%		14.7%		15.2%	
underlying EBIT	55.4	62.8	44.3	-19.9%	52.8	-4.7%	90.7	44.4%	103.9	65.4%
<i>in % of gross profit</i>	14.6%	8.9%	12.0%		12.7%		12.2%		12.8%	

Balance sheet

Figures in CHF million

	30-Jun-11	31-Dec-10	Variance	
			CHF	%
Cash, equivalents, other current financial assets	512.6	535.0	-22.4	-4.2%
Trade receivables, unbilled forwarding services	1'012.4	1'032.9	-20.4	-2.0%
Other current assets	95.9	118.4	-22.5	-19.0%
Property, plant and equipment	103.2	113.8	-10.6	-9.3%
Intangible assets	128.8	78.1	50.7	64.9%
Other non-current assets	95.3	111.0	-15.7	-14.1%
Total assets	1'948.3	1'989.2	-41.0	-2.1%
Short-term borrowings	7.2	9.3	-2.2	-23.3%
Trade payables, accrued cost of services	652.5	696.0	-43.6	-6.3%
Other current liabilities	287.7	296.8	-9.1	-3.1%
Long-term borrowings	0.4	0.4	0.0	-6.9%
Other long-term liabilities	155.2	174.5	-19.4	-11.1%
Total liabilities	1'102.9	1'177.1	-74.2	-6.3%
Share capital	50.0	50.0	0.0	0.0%
Reserves, treasury shares	786.9	754.3	32.7	4.3%
Non-controlling interests	8.4	7.9	0.6	7.0%
Total equity	845.4	812.2	33.2	4.1%
Total liabilities and equity	1'948.3	1'989.2	-41.0	-2.1%
Net cash (debt)	505.1	525.3	-20.2	-3.9%
Asset intensity *	5.3%	5.7%		

* Calculated as tangible fixed assets / total assets

Panalpina – reasons to invest

Global network with
diversification across
industries and trade
lanes

Market leadership in
delivering end-to-end
supply chain solutions

High returns on capital
due to asset-light
business model

Industry leadership in
terms of compliance



Value delivery through
customized IT
solutions

Excellent long-term
industry growth
prospects