A passion for solutions

Panalpina Group

Basel, March 6, 2013

2012 Full Year Review

PANALPINA
on 6 continents

Supply Chain Solutions

Air Freight	Ocean Freight	Logistics

Highlights and key figures

Operating and financial review

Outlook

2012 – a challenging year with investments in products and structures

- Difficult and volatile macro environment with particular challenges in Air Freight
  - Move to lean inventories and accelerated shift to other freight modes
  - Weight per shipment decreasing, particularly in industries where Panalpina has a large footprint
  - Situation in Eurozone affecting Europe-related trade lanes (approx. $^{2}/_{3}$ of Panalpina's Air Freight volumes)
- Completion of organizational structure
  - Implementation of regional set-ups under the lead of Regional CEOs
  - New CFO and CIO hired, new Head of Air Freight appointed
- Investments in product innovation and customer orientation
  - Extension of cool chain network (Air Freight), extension of LCL network (Ocean Freight)
  - Logistics: Expansion of Value-Added Services (VAS) offering, opening of four Logistics Competence Centers, roll-out of globally standardized logistics platform
- Various non-recurring charges totalling CHF 114.2 million
  - Anti-trust fines in EU and Switzerland: CHF 59.2 million*
  - Impairment of goodwill and intangible assets related to Grieg Logistics: CHF 29.6 million**
  - Provisions related to accrued salaries for leaving employees: CHF 25.4 million***

* As communicated in press release on March 28, 2012
** As communicated in press release on December 21, 2012
*** Of which CHF 12.7 million communicated in press release on November 2, 2012

Q4 – disappointing Air Freight performance impacting Group result and margins

- Gross profit of the Group down 5% yoy in Q4 (FY 2012: -1%) – growth in Ocean Freight and Logistics fail to compensate disappointing performance in Air Freight
- Market share gains in Ocean Freight lead to record fourth-quarter and full-year volumes
- Solid GP growth in Logistics as investments done during the year start to unfold
- Non-recurring charges in Q4:
  - Personnel expenses of CHF 12.7 million (accrued salaries for leaving employees)
  - Impairment of goodwill and intangible assets related to Grieg Logistics of CHF 29.6 million*
- Underlying EBITDA/GP margin in Q4 at 6% (FY 2012: 8%) – delivered quarter-on-quarter cost savings overshadowed by decline in GP
- Proposal to the Annual General Meeting to pay a dividend of CHF 2.00 per share

* As communicated in press release on December 21, 2012

Key figures

CHF million

	Q4 2012	Q4 2011	Variance % CHF	Variance % Excl. FX	FY 2012		FY 2011	Variance % CHF	Variance % Excl. FX
Net forwarding revenue	**1'688.0**	**1'647.9**	2.4%	1.7%	**6'616.6**		**6'499.6**	1.8%	0.3%
Forwarding expenses	(1'329.6)	(1'271.2)			(5'151.6)		(5'022.6)		
Gross profit	**358.4**	**376.7**	-4.9%	-5.8%	**1'465.0**		**1'477.0**	-0.8%	-2.6%
in % of net forwarding revenue	*21.2%*	*22.9%*			*22.1%*		*22.7%*		
Total operating expenses	(348.8)	(328.1)	6.3%	5.6%	(1'428.6)	*	(1'265.0)	12.9%	11.5%
EBITDA	**9.5**	**48.5**	-80.4%	-82.8%	**36.5**		**212.1**	-82.8%	-86.3%
in % of gross profit	*2.7%*	*12.9%*			*2.5%*		*14.4%*		
Operating result (EBIT)	**(32.3)**	**38.7**	-183.5%	-184.7%	**(37.4)**		**174.2**	-121.5%	-125.0%
in % of gross profit	*-9.0%*	*10.3%*			*-2.6%*		*11.8%*		
Financial result	(5.0)	(0.4)			(4.5)		(5.6)		
Earnings before taxes (EBT)	**(37.4)**	**38.3**			**(41.9)**		**168.6**		
Income tax expenses	(13.8)	(9.5)			(28.3)		(41.2)		
% of EBT	*-37.0%*	*24.9%*			*-67.5%*	**	*24.4%*		
Consolidated profit	**(51.2)**	**28.8**			**(70.2)**		**127.4**		
in % of gross profit	*-14.3%*	*7.6%*			*-4.8%*		*8.6%*		
Non-recurring items allocated to:									
Operating expenses	*(12.7)*	-			*(84.6)*	*	-		
Impairment of goodwill and intangible assets (Grieg Logistics)	*(29.6)*	-			*(29.6)*		-		
EBITDA before non-recurring items	**22.2**	**48.5**	-54.2%	-56.8%	**121.1**		**212.1**	-42.9%	-46.2%
in % of gross profit	*6.2%*	*12.9%*			*8.3%*		*14.4%*		
EBIT before non-recurring items	**10.0**	**38.7**	-74.1%	-76.9%	**76.8**		**174.2**	-55.9%	-59.5%
in % of gross profit	*2.8%*	*10.3%*			*5.2%*		*11.8%*		

- Weak performance in Air Freight impacting Group GP, overshadowing growth in Ocean Freight and Logistics
- EBIT in Q4 2012 impacted by CHF 42.3 million (FY 2012: CHF 114.2 million) of non-recurring items
- First personnel cost reductions visible in Q4

* Operating expenses in 2012 include extraordinary provisions totaling CHF 84.6 million (of which CHF 59.2 million are not tax-deductible).

** The underlying tax rate (i.e. excluding non tax-deductible items) for 2012 was 22.8%.

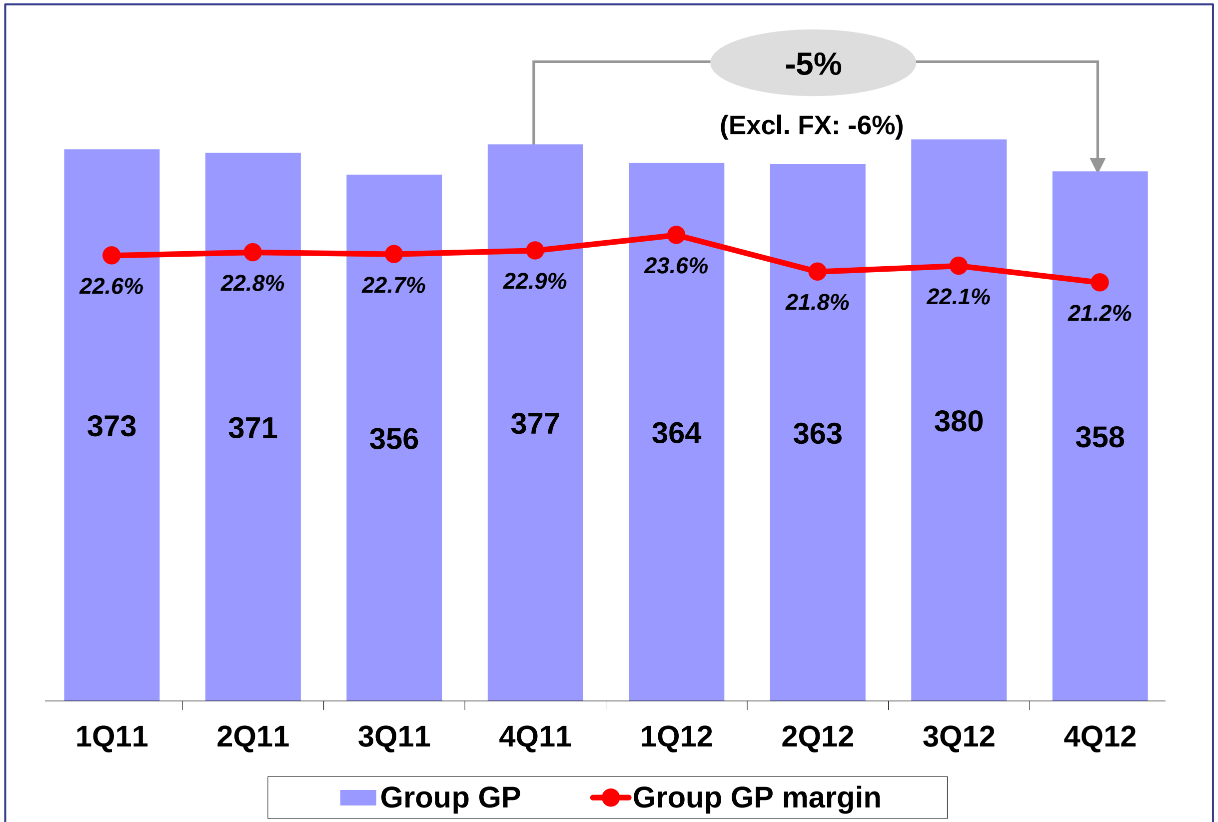
Highlights and key figures

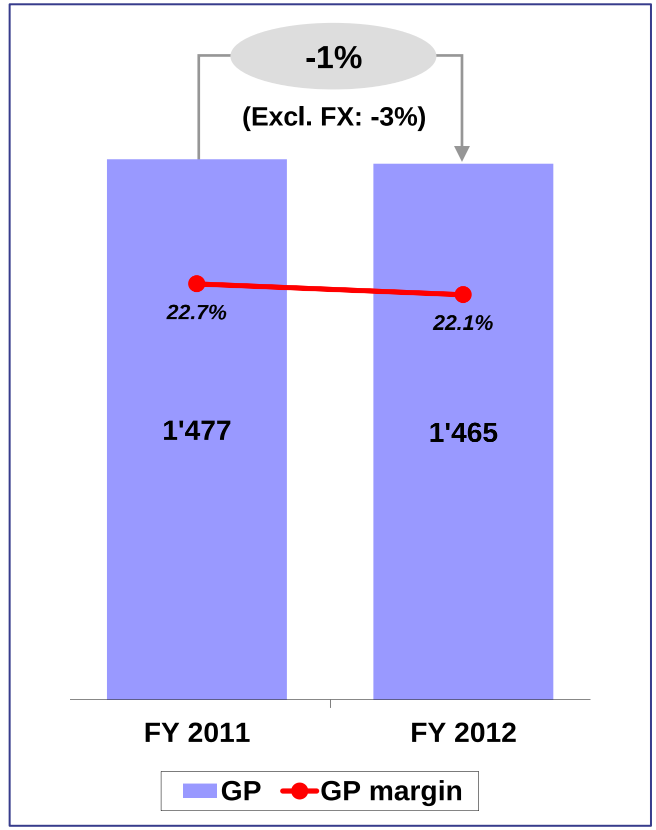
Operating and financial review

Outlook

Group GP pulled down by weak Air Freight

Gross profit in CHF million

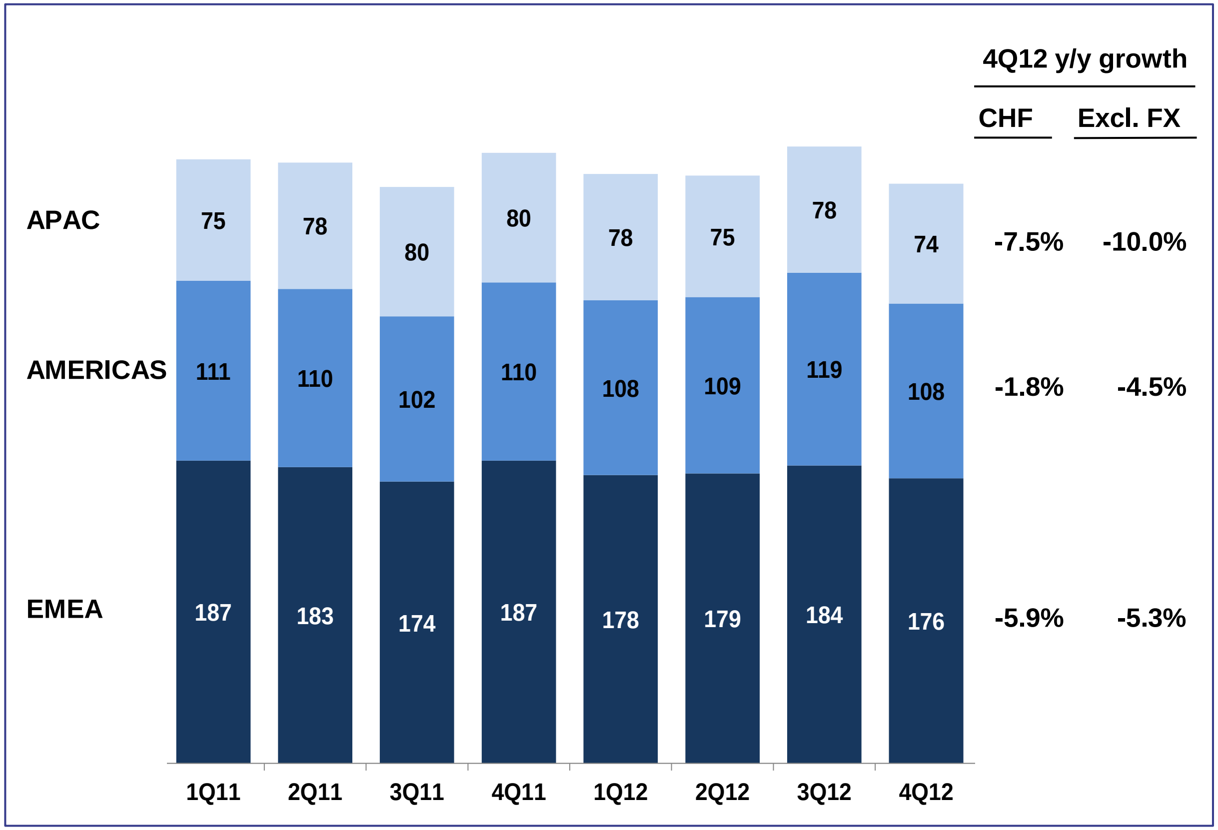


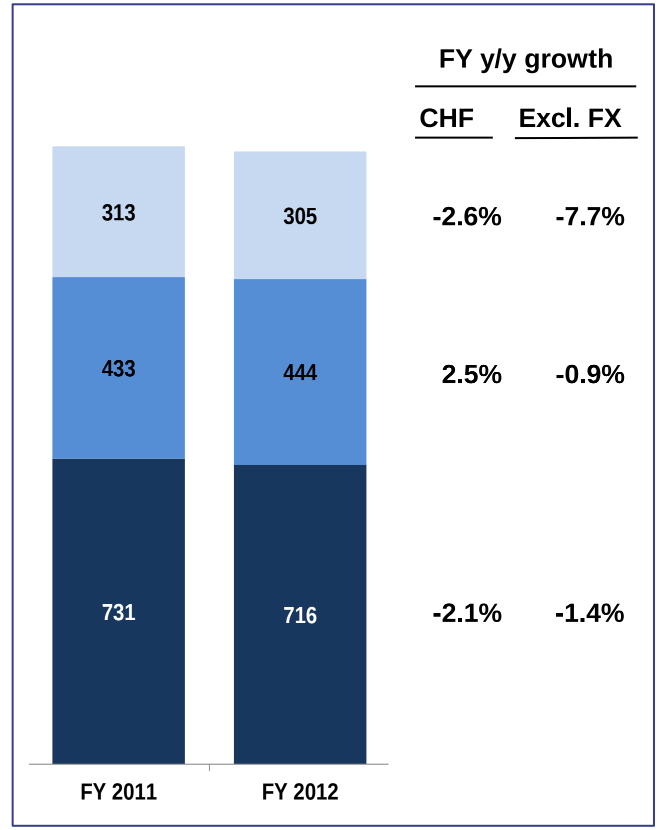


- Gross profit of the Group down 5% yoy in Q4 (FY 2012: -1%)
- Solid organic growth in Logistics and Ocean Freight
- Disappointing performance in Air Freight (43% of Group GP in 2012) impacts Group result

Weak European imports affecting GP in EMEA and APAC

Gross profit in CHF million

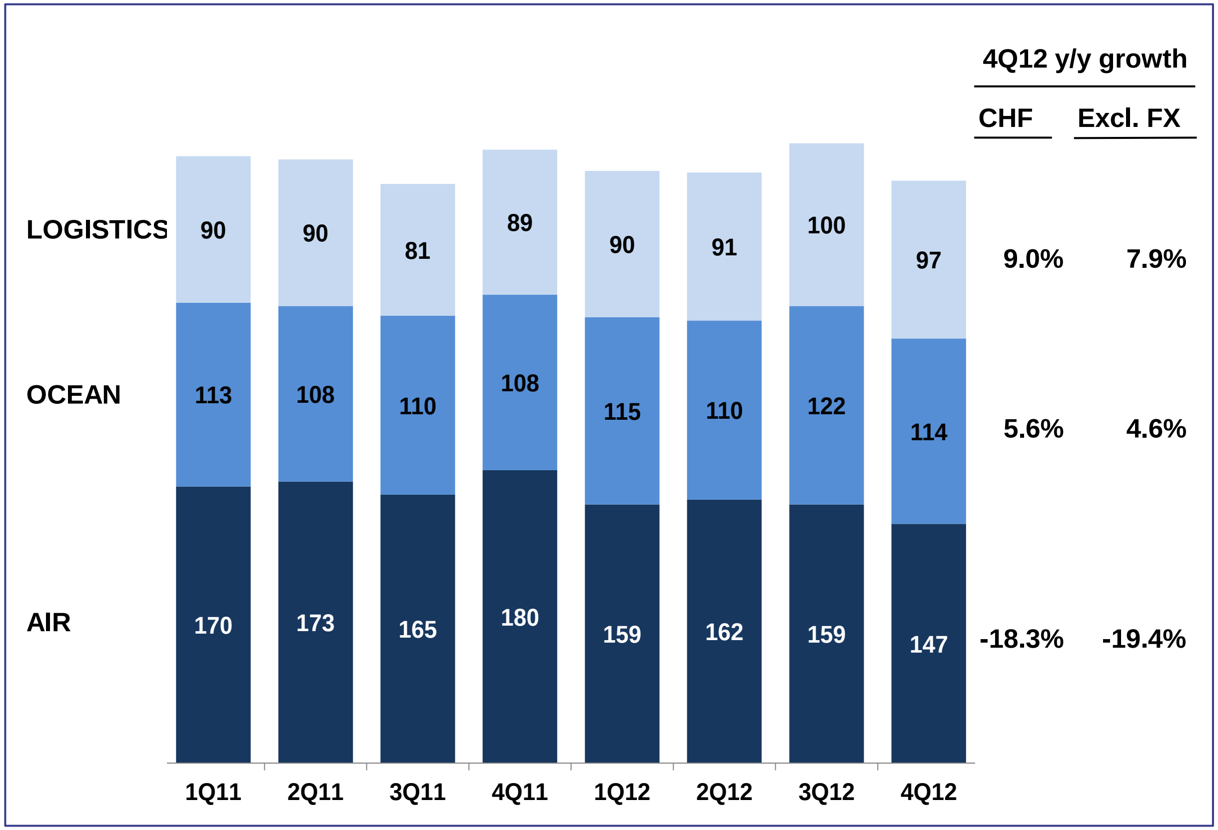


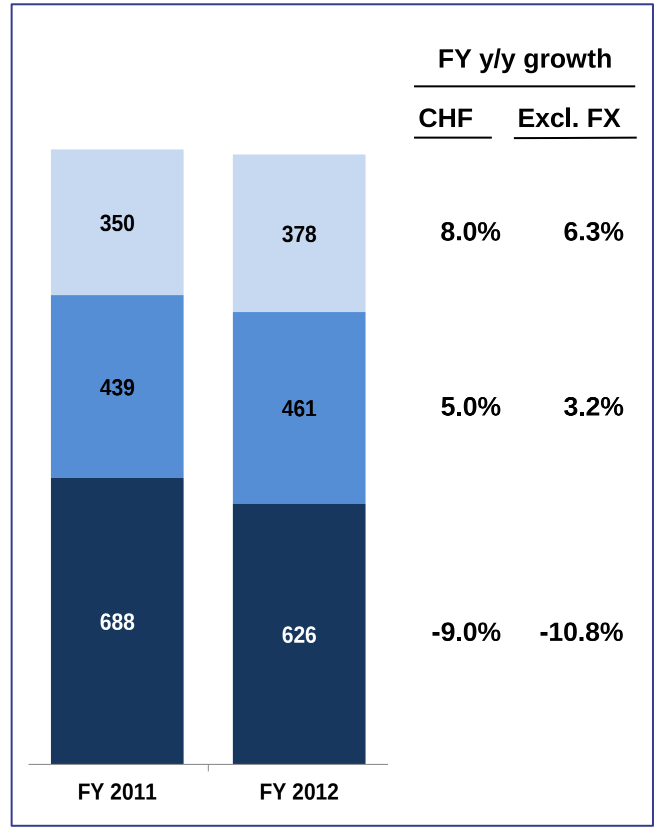


- European imports, particularly from Asia, were weak throughout the year
- U.S. imports comparatively strong although slowing in fourth quarter
- Latam traffic decelerating but generally still growing

Growth in Ocean and Logistics fail to compensate weakness in Air

Gross profit in CHF million

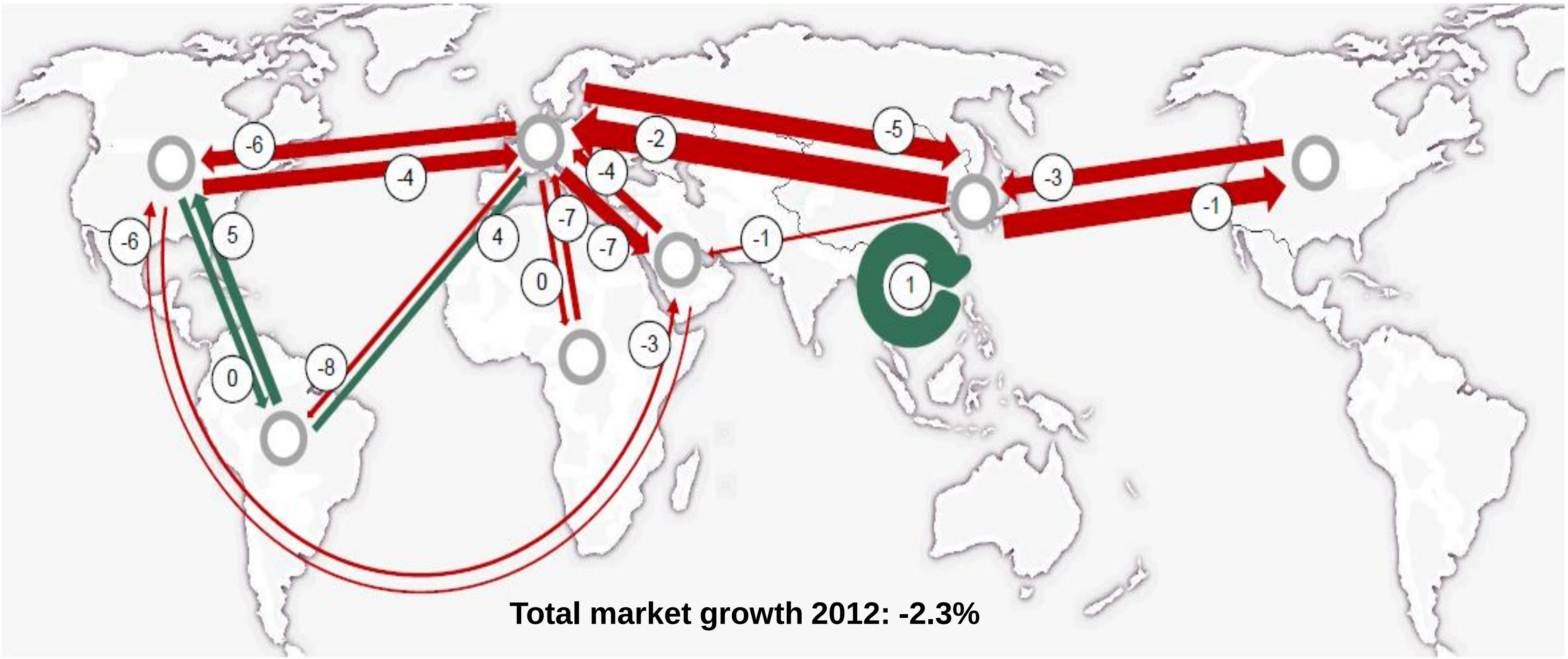




- GP decline in Air Freight mainly driven by lower GP/ton due to carrier rate increases, intensifying competition
- GP growth in Ocean Freight primarily a result of strong volume growth
- GP growth in Logistics driven by progress in Warehousing & Distribution (incl. Value-Added Services)

Global air freight traffic in 2012 shrinking for second year in a row

Air freight market growth in 2012 (tonnage growth in %)

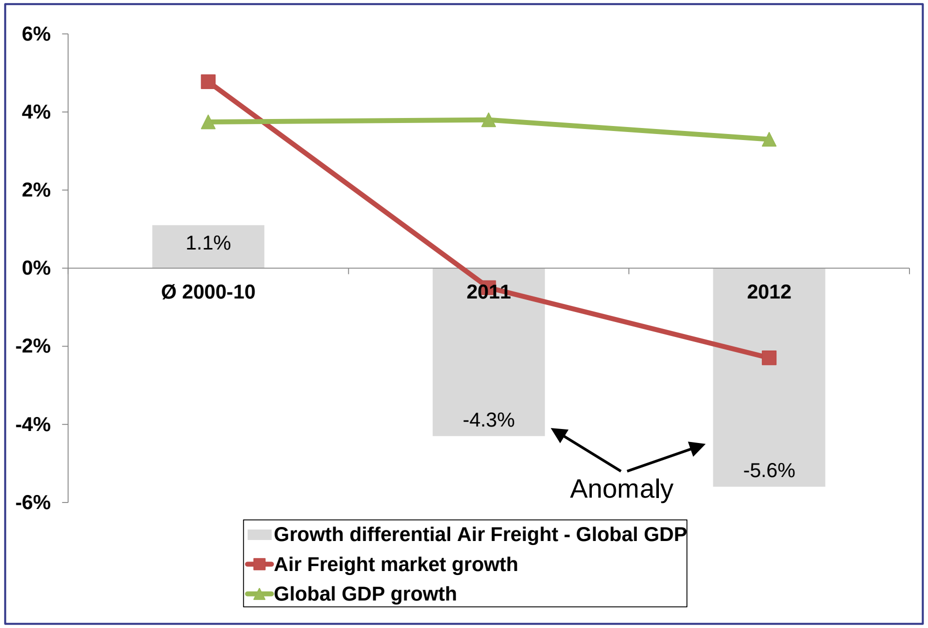


- International air freight traffic in 2012 declined approx. 2% after already shrinking 1% in the year before. Market growth of 0-1% is currently forecast for 2013.
- Perishables and fashion goods were the only commodities posting volume growth in 2012, whereas Hi-Tech, Telecom and Chemicals were the industry sectors suffering the heaviest declines.
- Intra-Asia and Latin American exports were the only trade lanes growing in 2012.

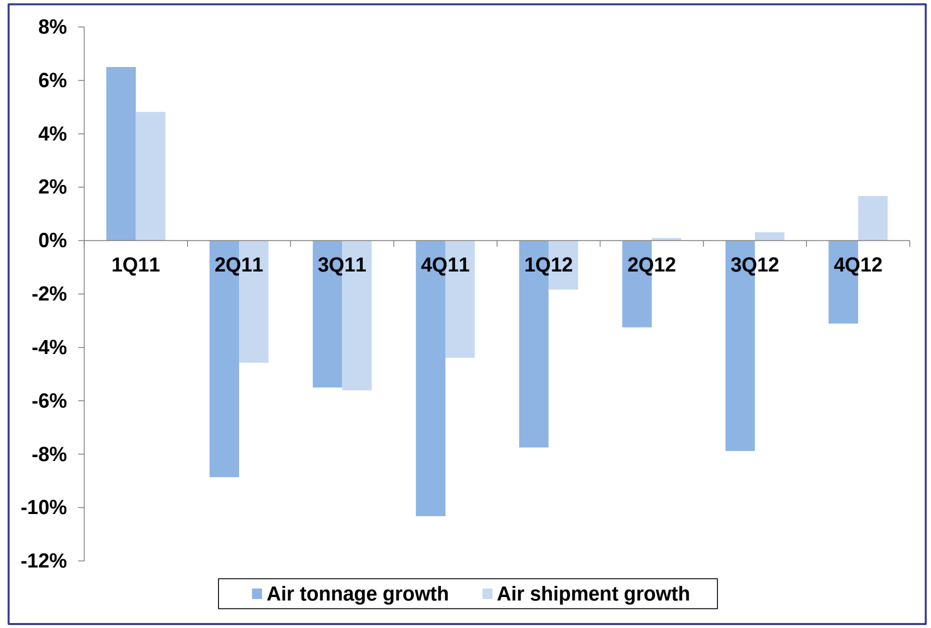
Source: Seabury (November 2012), IATA (January 2013)

Structural changes in freight markets have led to growth anomaly in air freight market vs. global GDP in 2011 and 2012

Global air freight vs. GDP: growth anomaly over last two years



Air freight shipment growth less volatile than tonnage growth



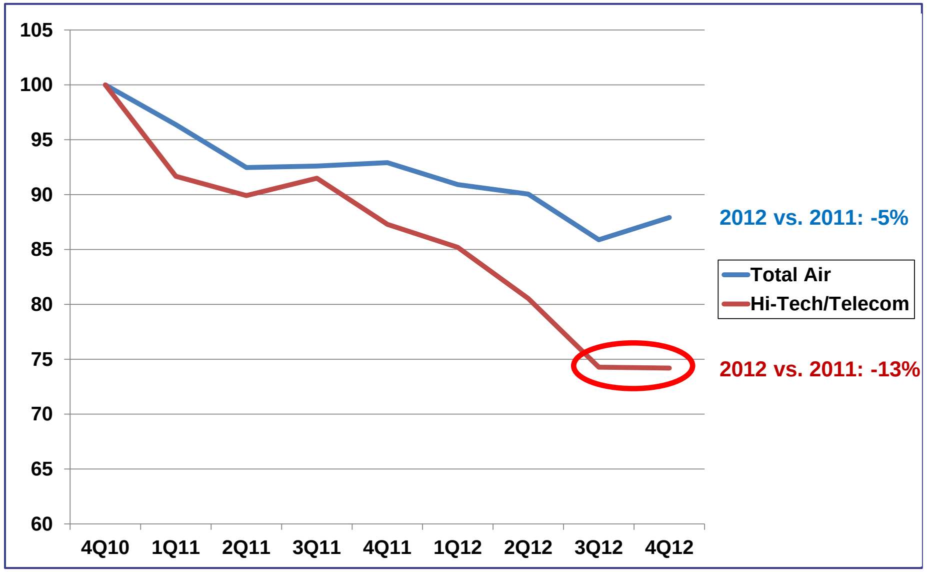
Panalpina Air Freight figures (year-on-year growth in %)

- Air freight market developing well below global GDP over the last two years – disconnect mainly driven by 1. Strongly declining weight per shipment in certain industries; 2. Move to lean inventories; 3. Accelerated shift from air freight to other freight modes (e.g. air express, ocean).
- Strong disconnect between growth of global air freight market vs. GDP expected to eventually disappear.

Source: IMF, IATA, Seabury, Panalpina

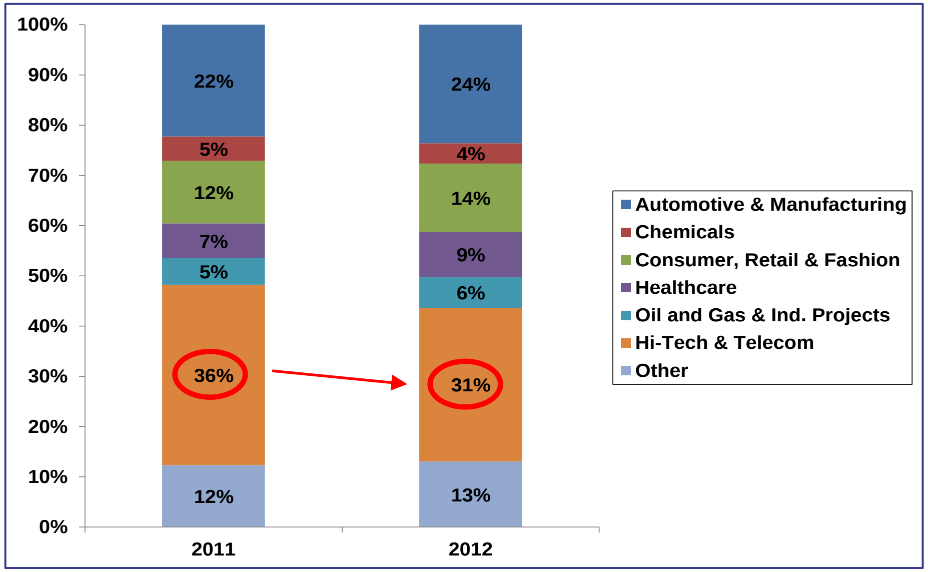
Weight per shipment in Air Freight decreasing in 2012, particularly in the tech segment, leading to more balanced industry mix

Weight per Air Freight shipment (4Q10 = 100)



Panalpina Air Freight figures

Industry Vertical exposure by weight in Air Freight

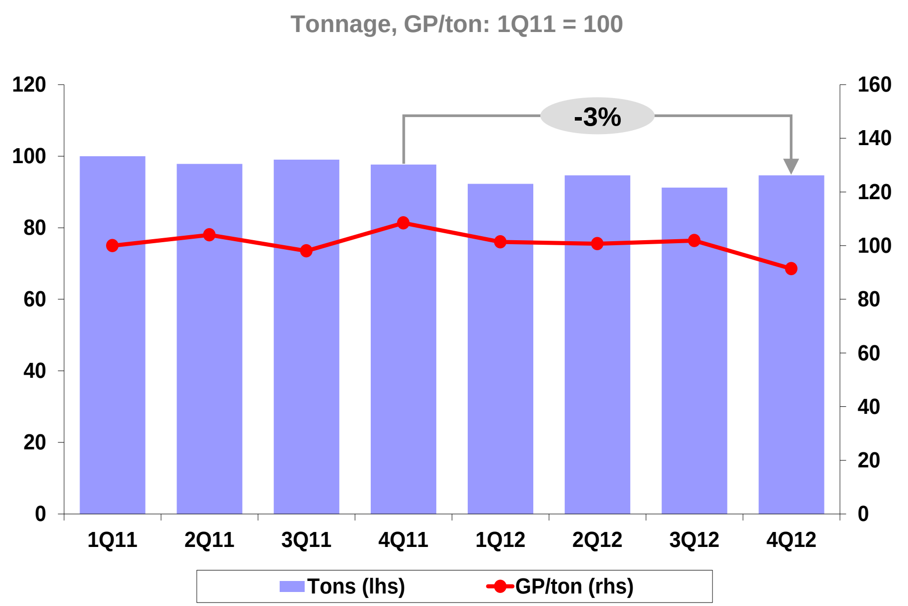


Panalpina Air Freight figures

- Trend to smaller shipments in Air Freight accelerated over the last two years – stabilization in last quarter.
- Approx. one third of Panalpina's Air Freight tonnage is generated with customers in the Hi-Tech/Telecom industries – the segment which saw the sharpest contraction in weight per shipment.
- As a result, the relative importance of less cyclical industry verticals increased during 2012.

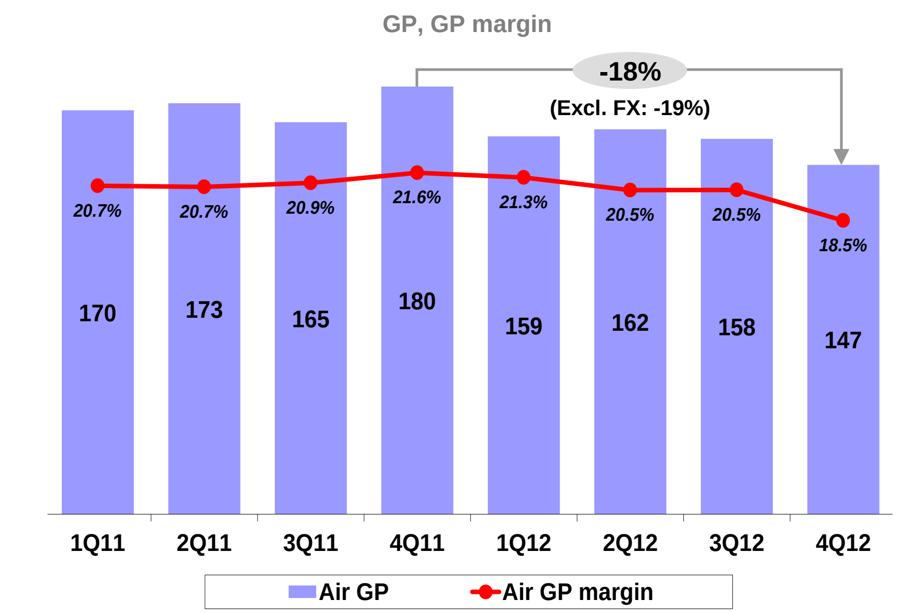
Air Freight GP impacted by significant volume declines in certain industry verticals, pressure on GP per ton

Air Freight: tonnage vs. GP/ton development



	2011	2012	Δ (%)	Excl. FX (%)
Tons ('000)	848	801	-6%	
GP/ton (CHF)	811	782	-4%	-6%

Air Freight: GP development



	2011	2012	Δ (%)	Excl. FX (%)
GP (CHF m)	688	626	-9%	-11%

- Double-digit volume declines in Hi-Tech, Telecom, Chemicals (accounting for more than one third of the Group's Air Freight volumes)
- Pressure on GP/ton due to intensifying competition, carrier rate increases following seasonal uptick in volumes

Global container traffic also growing slower than previously

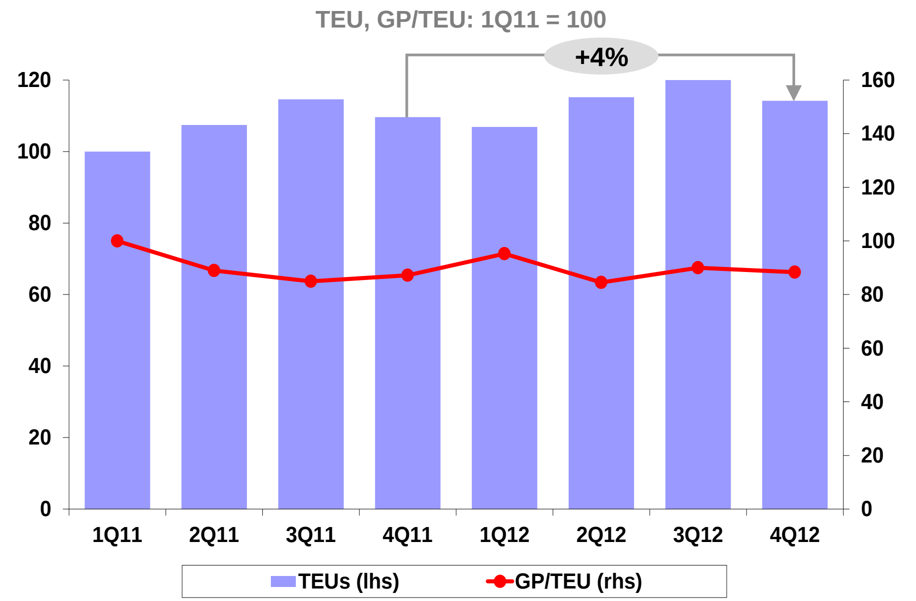
Ocean freight market growth in 2012 (containerized volume growth in %)

- Global container traffic in 2012 grew approximately 3%. A growth rate of 2-4% is currently forecast for 2013.
- No growth seen on any European import trade lane in 2012, U.S. exports also weak.
- Growth mainly driven by non-core trades and Intra-Asia.

Source: Seabury (January 2013), Panalpina

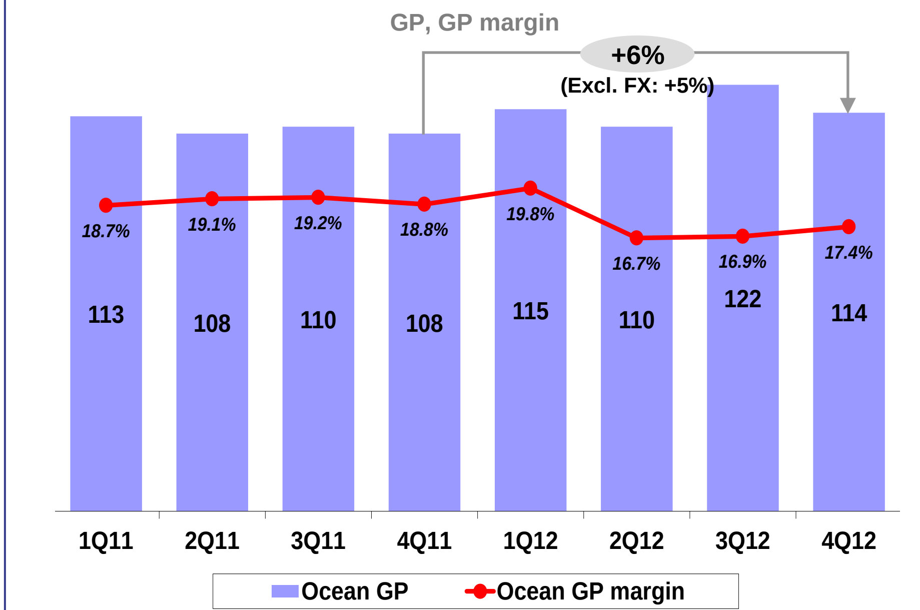
Ocean Freight – market share gains lead to new volume record

Ocean Freight: TEU vs. GP/TEU development



	2011	2012	Δ (%)	Excl. FX (%)
TEUs ('000)	1'313	1'388	+6%	
GP/TEU (CHF)	334	332	-1%	-2%

Ocean Freight: GP development

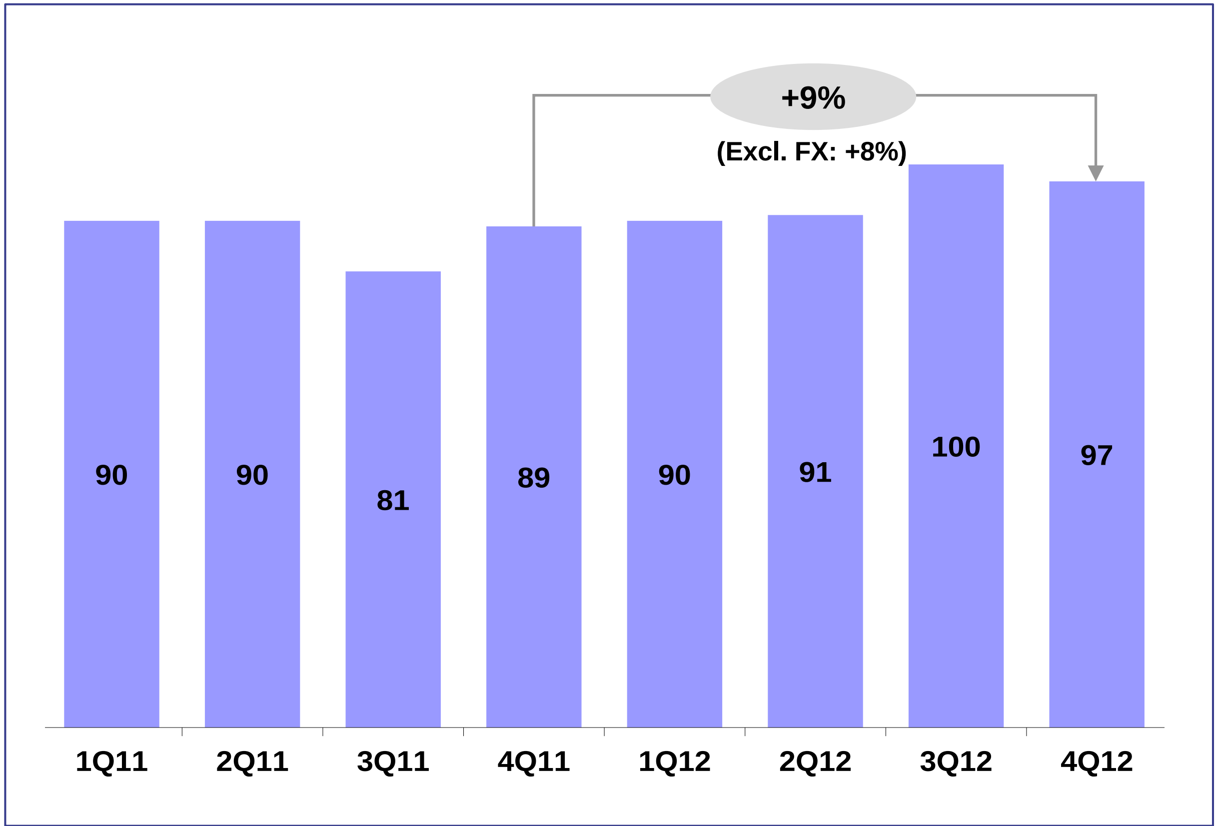


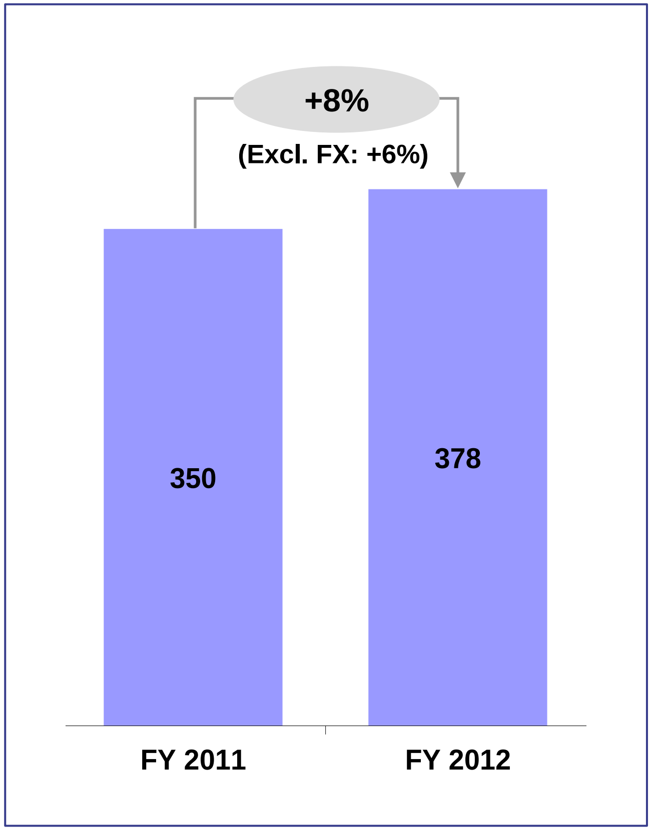
	2011	2012	Δ (%)	Excl. FX (%)
GP (CHF m)	439	461	+5%	+3%

- Further market share gains in Ocean Freight leading to highest fourth-quarter and full-year volumes in the Group's history – nearly 1.4 million TEUs transported in 2012.
- GP per TEU relatively stable as freight rates were gradually softening after steep increases in year's first-half.

Logistics – solid GP growth following strategy execution

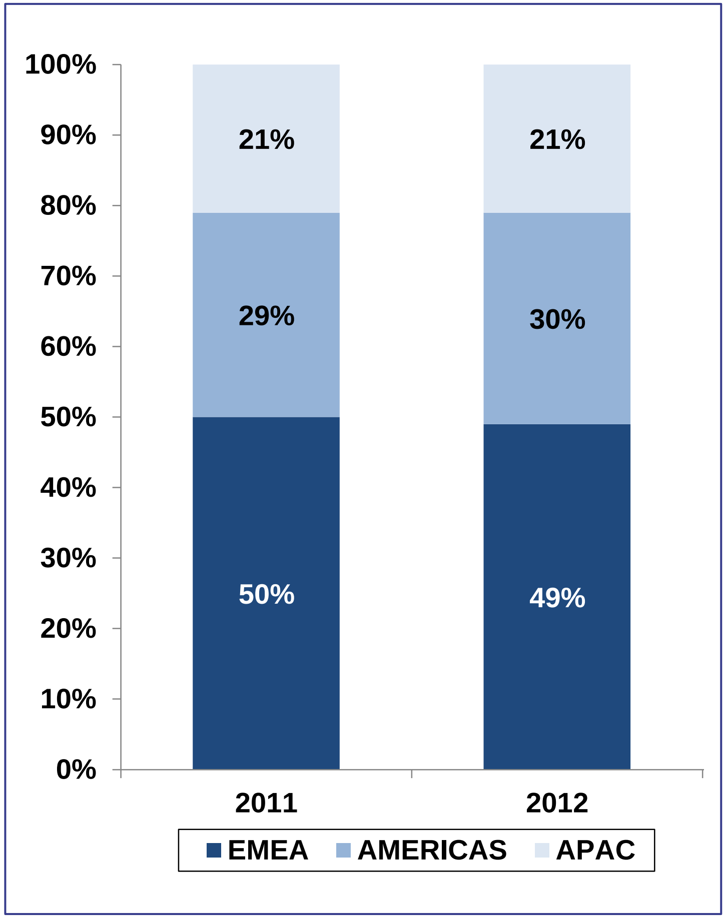
Gross profit in CHF million



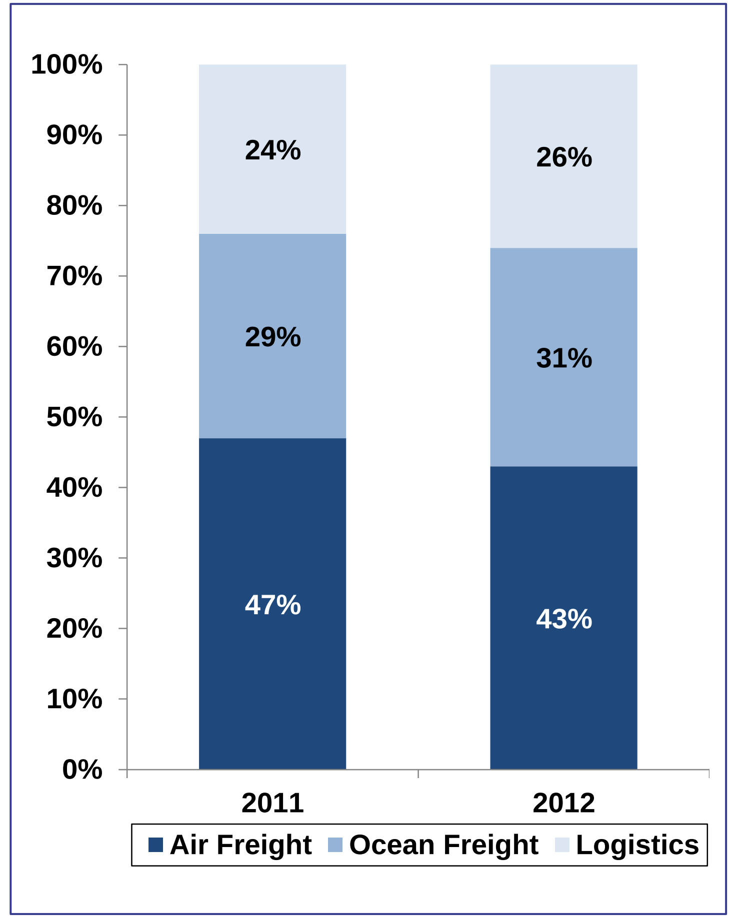


- Continued investments in people and software and broadening of Logistics offering into Value-Added Services
- Further expansion of Warehousing & Distribution activities; opening of several new logistics centers bringing total warehousing space under management to more than 1.2 million m^2.

Gross profit – relative contribution by region and product division



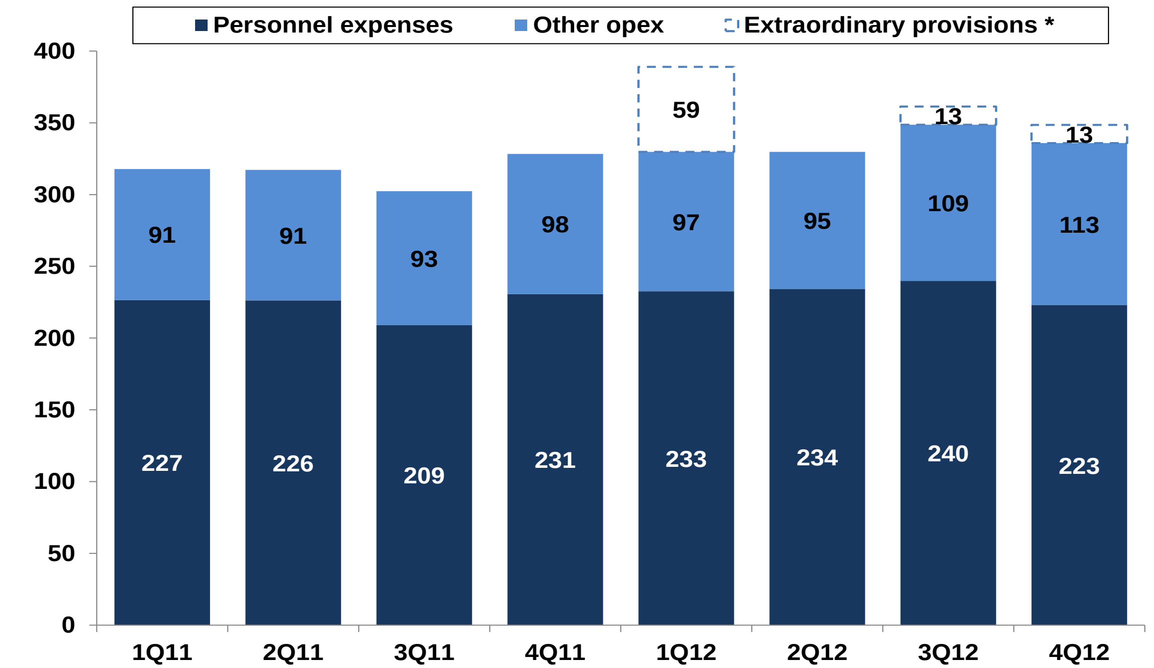
Gross profit 2012:
CHF 1,465 million



- No major shifts on regional level
- Contribution of Air Freight to Group GP decreasing during 2012 – share of Ocean Freight and Log. increasing

First personnel cost reductions visible in Q4

Operating expenses in CHF million



Ø FTE	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12
Ø FTE	14‘943	15‘147	15‘375	15‘676	15‘749	15‘796	15’895	15’687

Ø FTE = Full-time equivalents (quarterly average)

	4Q12	4Q11	Δ%	Excl. FX
PExp (adj.)	223	231	-3%	-4%
OOE	113	98	+15%	+15%
Total (adj.)	336	328	+2%	+3%

	FY12	FY11	Δ%	Excl. FX
PExp (adj.)	930	892	+4%	+3%
OOE (adj.)	414	372	+11%	+10%
Total (adj.)	1’344	1’265	+6%	+5%

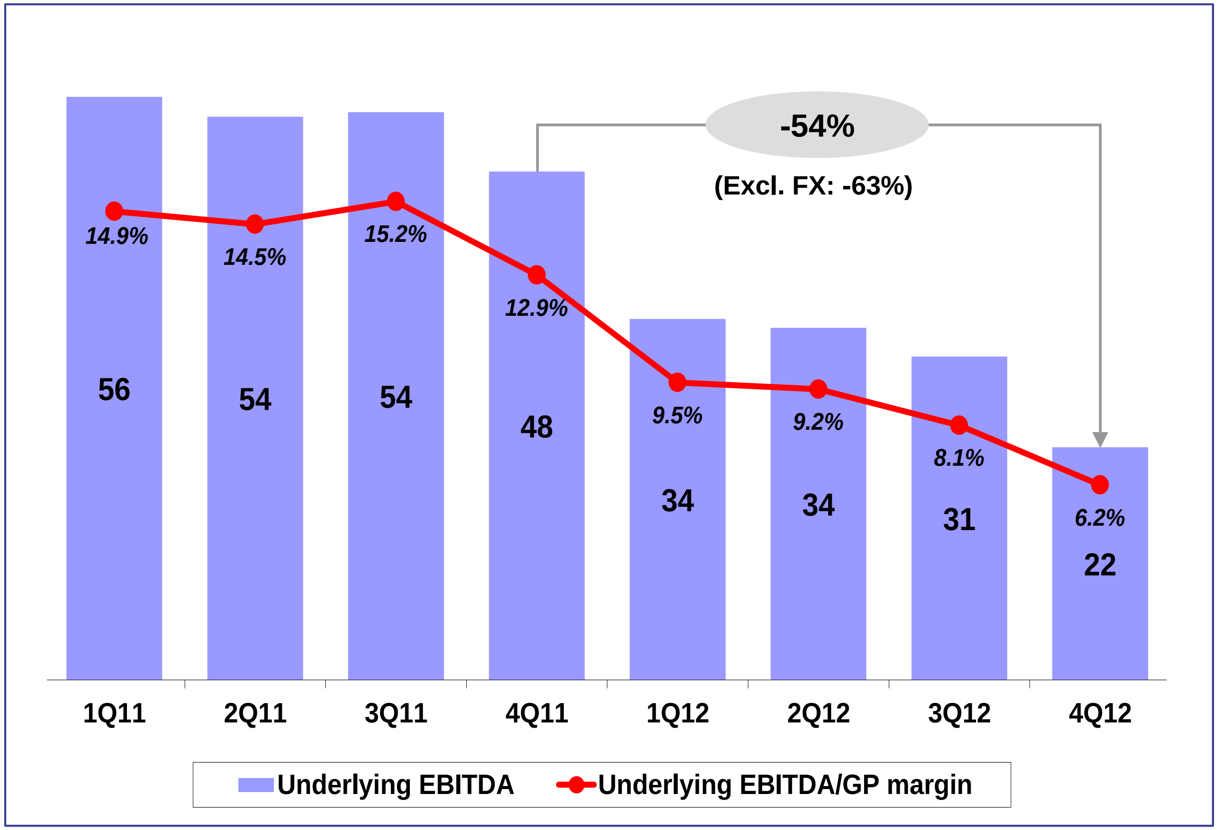
PExp = Personnel expenses
OOE = Other operating expenses

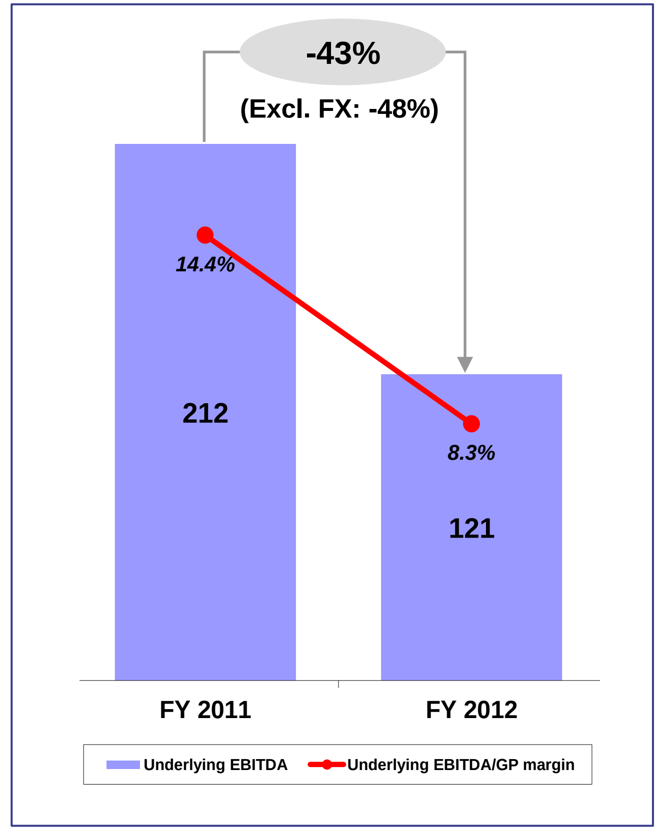
- Year-on-year increase in total operating expenses reflecting investments in personnel, Logistics and IT
- Underlying personnel expenses in Q4 at lowest level since Q3 2011
- Increase in other operating expenses mainly related to expanding Logistics business (W&D facilities)

* Q1: Provisions for EU/Swiss antitrust fines; Q3/Q4: Provisions for accrued salaries of leaving employees

EBITDA falling due to weak Air Freight and higher cost base

Underlying EBITDA in CHF million*

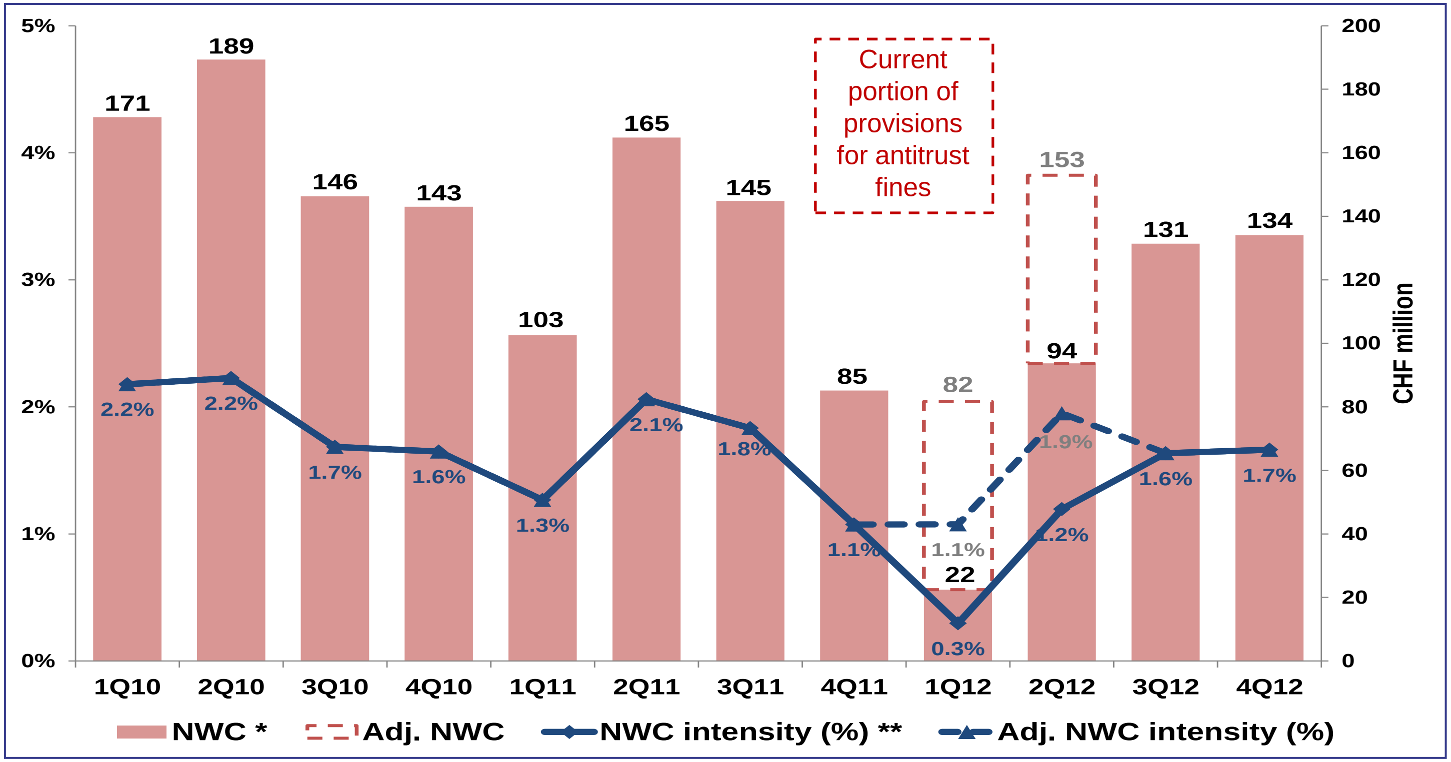




- EBITDA decline vs. prior year period due to weak Air Freight business and higher cost base
- Cost reduction program started in third quarter resulting in decrease of personnel expenses
- High focus on cost management in 2013

* EBITDA in Q1 2012 adjusted for extraord. provisions of CHF 59.2 million, EBITDA in Q3/Q4 2012 each adjusted for extraord. provision of CHF 12.7 million.

Net working capital intensity kept at low level



(# of days)	**Dec 31, 2012**	**Dec 31, 2011**
DSO (3-m-rolling)	44.8	44.1
DPO (3-m-rolling)	29.7	32.2
Δ (DSO – DPO)	15.1	11.9

- NWC intensity at 1.7% as per year-end 2012
- DPO increasing vs. prior year mainly due to earlier payments to airlines (pre-defined CASS payment schedule)

* 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

Business performance in 2012

- Air Freight: pressure on volume and gross profit
  - high exposure to cyclical industries and Europe-related trade lanes, concentrated customer base
  - trend towards smaller shipment sizes
  - overcapacity situation in the market compromising contribution from own-controlled network
  - Pressure on GP/ton due to intensifying competition and rate increases following seasonal volume uptick
- Ocean Freight: sizeable business expansion despite slowing market growth
  - Volumes growing twice as fast as the market leading to new volume record
  - Gross profit per container impacted by hefty rate increases earlier in the year
- Logistics:
  - Continued investments in people and software
  - Further expansion of Warehousing & Distribution activities (incl. Value-Added Services)
- Mismatch between rise in cost base and development of gross profit:
  - Investments in Logistics, Ocean Freight and sales structures not yielding planned increase of business
  - Implementation of regional set-up not yet cost-neutral

Highlights and key figures

Operating and financial review

Outlook

Panalpina's priorities in 2013

- Air Freight: critical review of business model and customer structure
  - Review of customer and industry vertical (IV) portfolio as a result of structural changes in market
  - Increased focus on high-yield trade lanes
  - Optimization of own-controlled business and gateway utilization
- Ocean Freight: profitable growth
  - Growth of order and freight management business
  - Expansion of LCL business
- Logistics: profitable growth
  - Ramp-up of existing business, focus on Value-Added Services
  - Reduction of operating expenses through software migration
- Priorities on Group level:
  - Sales focus: growth of strategic trade lanes, medium-sized customer accounts and less cyclical IV's
  - Cost management: introduction of new forecasting process with focus on short-term business planning in order to align cost base faster to top-line developments; leverage full potential of regional structure

► Improve operating margins!

Selective investments in business platform will continue

- SAP TM:
  - One global, integrated system with workflows and centralized rate and tariff engine
  - Pilots completed in 2012, roll-out in progress. Driving standardization, improving customer service.
  - Opex increase of approx. CHF 15 million in 2013 entailed by roll-out.
  - Amortization charge related to capitalized costs of project is expected at approx. CHF 5 million in 2013 and will rise to approx. CHF 10 million in following years.
- Logistics:
  - Selling innovative and customized solutions to market
  - Roll-out of IT tools (e.g. Red Prairie – standardized global logistics platform)
- Organization:
  - Investments largely complete
  - Selective additions to be compensated by corresponding headcount reductions elsewhere

Proposals to the AGM

- In light of the healthy net cash position, the Board of Directors proposes to pay a dividend of CHF 2.00 per share
- Equivalent to an amount of CHF 47.3 million
- Dividend yield (based on 2012 year-end share price) of 2.2%

Panalpina Capital Markets Day 2013 – SAVE THE DATE

- Thursday, September 12, 2013 => **note: change of date!**
- Zurich
- Opportunity to meet with top management
- More details to follow

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A passion for solutions

Panalpina Group

Appendix

PANALPINA on 6 continents

Supply Chain Solutions

Air Freight	Ocean Freight	Logistics

Balance sheet

Figures in CHF million

	31-Dec-12	31-Dec-11	Variance CHF	Variance %
Cash and cash equivalents, other current financial assets	393.1	593.6	-200.5	-33.8%
Trade receivables, unbilled forwarding services	1'118.2	1'061.8	56.5	5.3%
Other current assets	84.0	90.0	-6.0	-6.7%
Property, plant and equipment	130.2	113.2	17.0	15.0%
Intangible assets	134.1	141.7	-7.6	-5.4%
Other non-current assets	97.4	135.0	-37.6	-27.8%
Total assets	1'957.1	2'135.3	-178.3	-8.3%
Short-term borrowings	1.6	7.3	-5.7	-77.9%
Trade payables, accrued cost of services	773.1	772.6	0.4	0.1%
Other current liabilities	293.4	293.6	-0.2	-0.1%
Long-term borrowings	0.3	0.2	0.0	11.3%
Other long-term liabilities	138.9	146.7	-7.8	-5.3%
Total liabilities	1'207.2	1'220.4	-13.2	-1.1%
Share capital	2.4	50.0	-47.6	-95.3%
Reserves, treasury shares	738.2	855.8	-117.6	-13.7%
Non-controlling interests	9.2	9.1	0.2	1.8%
Total equity	749.8	914.9	-165.1	-18.0%
Total equity and liabilities	1'957.1	2'135.3	-178.3	-8.3%
Net cash (debt)	391.2	586.1	-194.9	-33.2%

Cash flow

Figures in CHF million

	Q4 2012	Q4 2011	FY 2012	FY 2011
Cash flow before changes in working capital	(15.6)	10.3	11.4	161.7
Changes in working capital	(2.9)	47.2	(51.1)	67.4
Cash from operations	**(18.4)**	**57.5**	**(39.6)**	**229.1**
Interest and income taxes paid	(2.6)	(4.2)	(31.9)	(35.6)
Net cash from operating activities	(21.0)	53.2	(71.5)	193.5
Net cash from investing activities	(37.2)	75.1	(10.4)	(151.6)
Free cash flow (FCF)	**(58.2)**	**128.3**	**(81.9)**	**41.9**
FCF adj. for payment of various fines	(41.2)	128.3	(8.7)	41.9
Net cash used in financing activities	(0.2)	0.4	(96.6) *	(3.8)
Effect of exchange rate changes	(5.5)	13.5	(2.0)	6.5
Cash and cash equivalents at beginning of period	456.9	431.4	573.6	528.9
Net increase (decrease) in cash and cash equivalents	**(63.9)**	**142.2**	**(180.5)**	**44.6**
Cash and cash equivalents at end of period	393.1	573.6	393.1	573.6

* 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.