

**A passion for solutions**

Panalpina Group

October 25, 2013

# 2013 Third Quarter Review



**Supply Chain Solutions**

Air Freight

Ocean Freight

Logistics



## Highlights and key figures

## Operating and financial review

## Outlook

## Growth in profitability and margins in the third quarter

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

- GP of the Group in Q3 2013 up 6% yoy
- Air Freight volumes up 4% yoy, ahead of market
- Continued market share gains in Ocean Freight, volumes up 8% yoy
- Double-digit growth in Logistics continued

### *Operating expenses and profit*

- Total operating expenses up 2% yoy on like-for-like basis primarily as a result of additional Logistics FTE, continued improvement of productivity in Air and Ocean
- Q3 EBITDA/GP margin of 12.0%, up from 8.0% a year ago

### *Cash flow and net working capital*

- Cash outflow of CHF 56 million year-to-date mainly a result of dividend payment and increasing net working capital
- Net working capital intensity at 2.5%

## Key figures

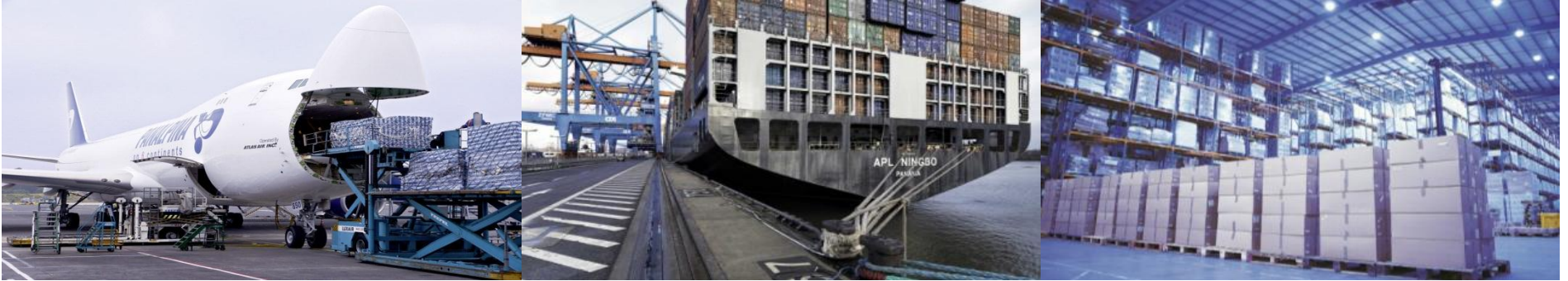
CHF million unless otherwise noted

	Q3 2013	Q3 2012	Non-recurring item (NRI)*	Q3 2012 before NRI	Δ in %		YTD 2013 actual	YTD 2012 actual	Non-recurring item (NRI)*	YTD 2012 before NRI	Δ in %	
					Actual	Excl. NRI					Actual	Excl. NRI
Net forwarding revenue	1'700.1	1'721.2		1'721.2	-1.2%	-1.2%	5'028.1	4'928.7		4'928.7	2.0%	2.0%
Gross profit	403.1	379.3		379.3	6.3%	6.3%	1'168.0	1'106.7		1'106.7	5.5%	5.5%
Total operating expenses	(354.8)	(361.8)	(12.7)	(349.1)	-1.9%	1.6%	(1'037.5)	(1'081.8)	(71.9)	(1'009.9)	-4.1%	2.7%
<b>EBITDA</b>	<b>48.3</b>	<b>17.5</b>	<b>(12.7)</b>	<b>30.2</b>	176.0%	59.9%	<b>130.5</b>	<b>24.9</b>	<b>(71.9)</b>	<b>96.8</b>	424.1%	34.8%
<i>in % of gross profit</i>	12.0%	4.6%		8.0%			11.2%	2.2%		8.7%		
<b>Operating result (EBIT)</b>	<b>34.4</b>	<b>6.3</b>	<b>(12.7)</b>	<b>19.0</b>	446.0%	81.1%	<b>93.2</b>	<b>(7.2)</b>	<b>(71.9)</b>	<b>64.7</b>		44.0%
<i>in % of gross profit</i>	8.5%	1.7%		5.0%			8.0%	-0.7%		5.8%		
<b>Consolidated profit</b>	<b>23.8</b>	<b>3.6</b>	<b>(7.5)</b>	<b>11.1</b>	561.1%	113.5%	<b>62.3</b>	<b>(20.6)</b>	<b>(66.7)</b>	<b>46.1</b>		35.0%
Earnings per share (CHF)	0.99	0.14		0.46	607.1%		2.63	-0.88		1.95		34.9%
Cash and cash equivalents (end of period)	337.3	456.9			-26.2%							
Equity ratio in % (end of period)	37.2%	38.9%										

*The charges of USD 35 million for the settlement of the U.S. antitrust class action lawsuit (as communicated in separate media release on October 23, 2013) are not included in Q3 results but will impact Q4 results.*

\* Antitrust fines of CHF 59.2 million (Q1 2012), provisions of CHF 12.7 million related to accrued salaries for redundancies (Q3 2012)

Note: Personnel expenses and income tax expenses in each quarter of 2012 have been restated due to the application of IAS 19 revised.



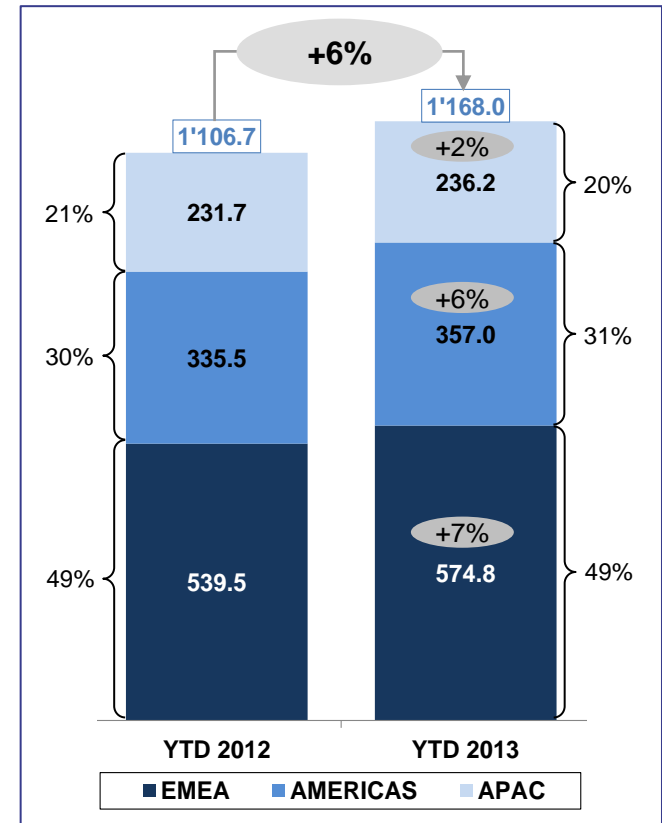
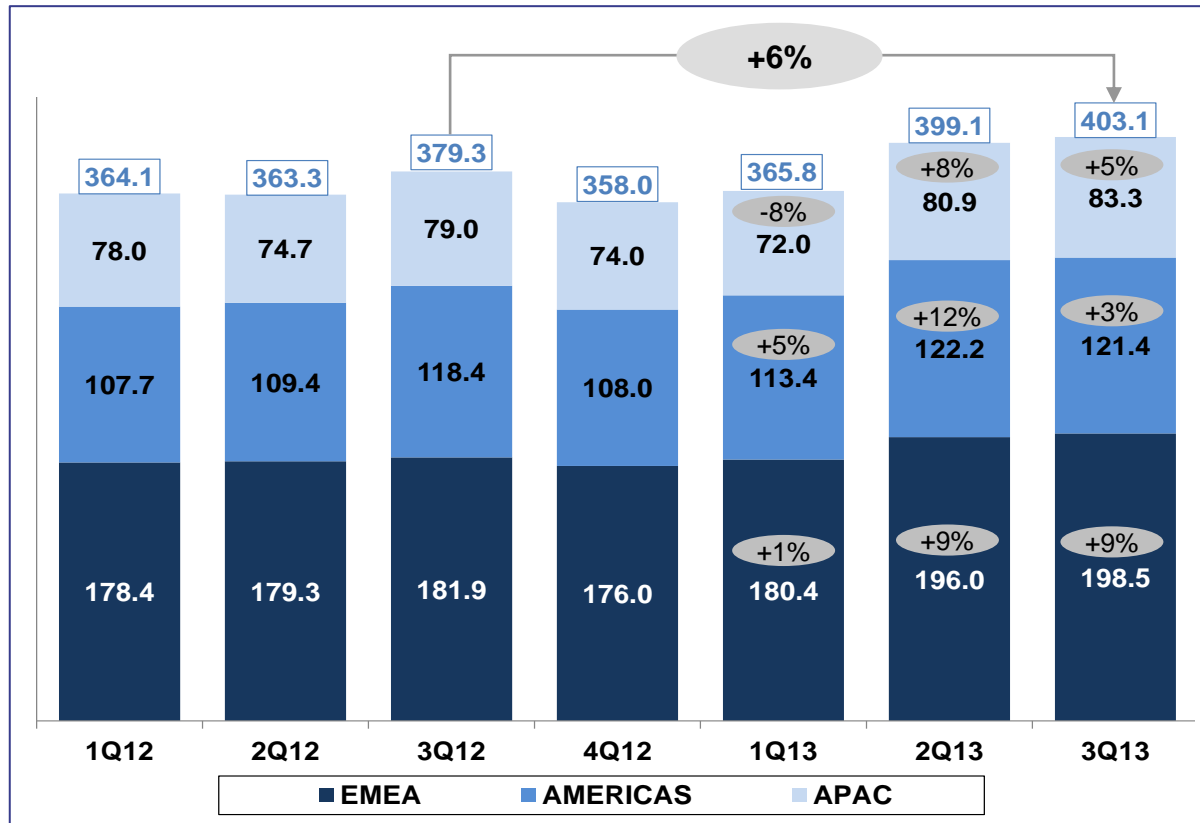
Highlights and key figures

Operating and financial review

Outlook

# GP growth in all Regions in the third quarter, led by EMEA

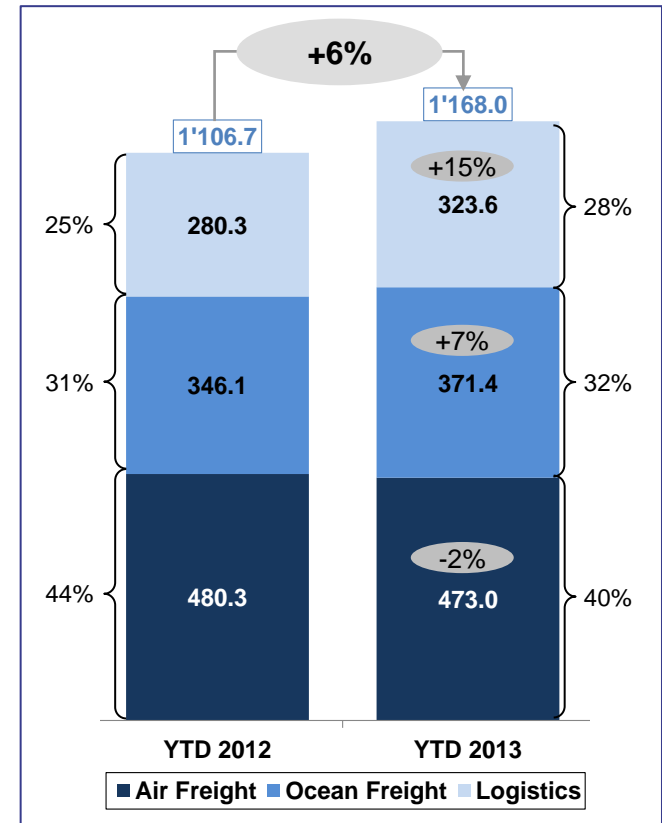
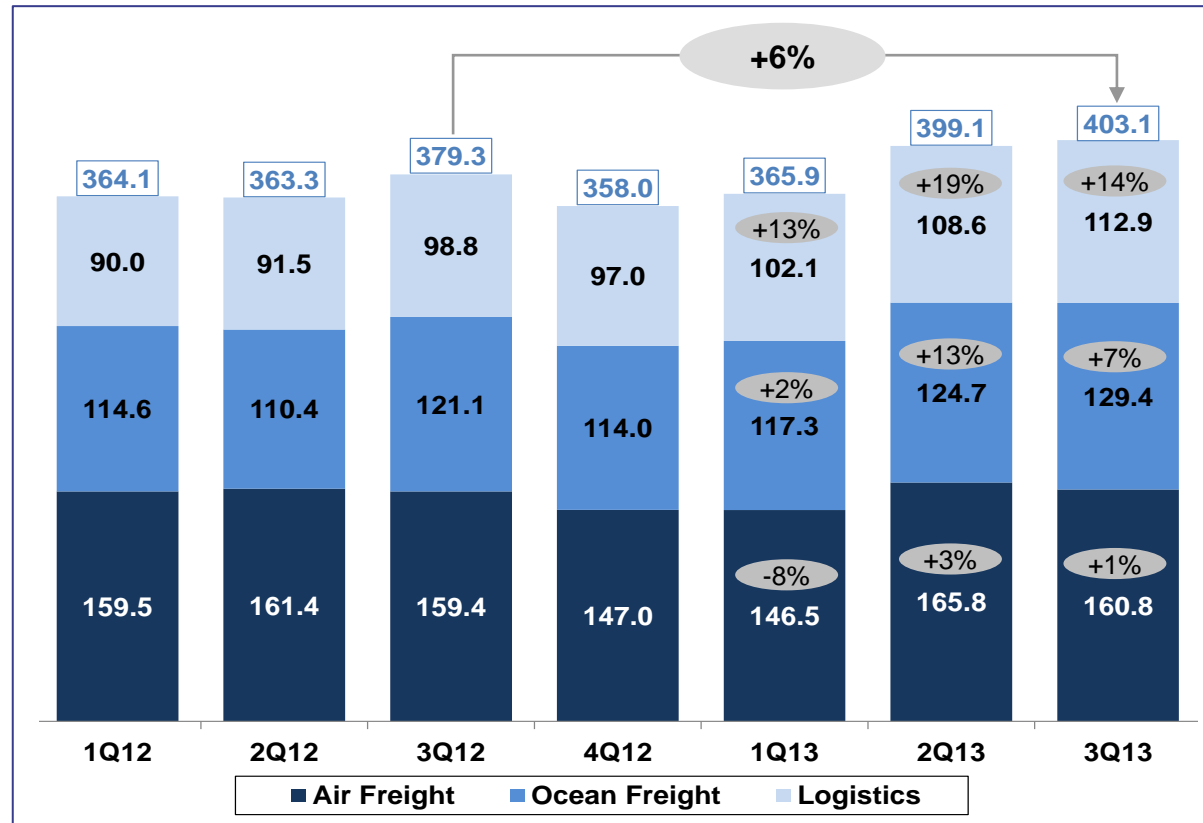
Gross profit in CHF million and year-on-year growth in %



- Gross profit of the Group in Q3 up 6% yoy (YTD: +6%)
- Asian export volumes to Europe growing again after a weak start in Q1
- Strong growth of Intra-Asia volumes

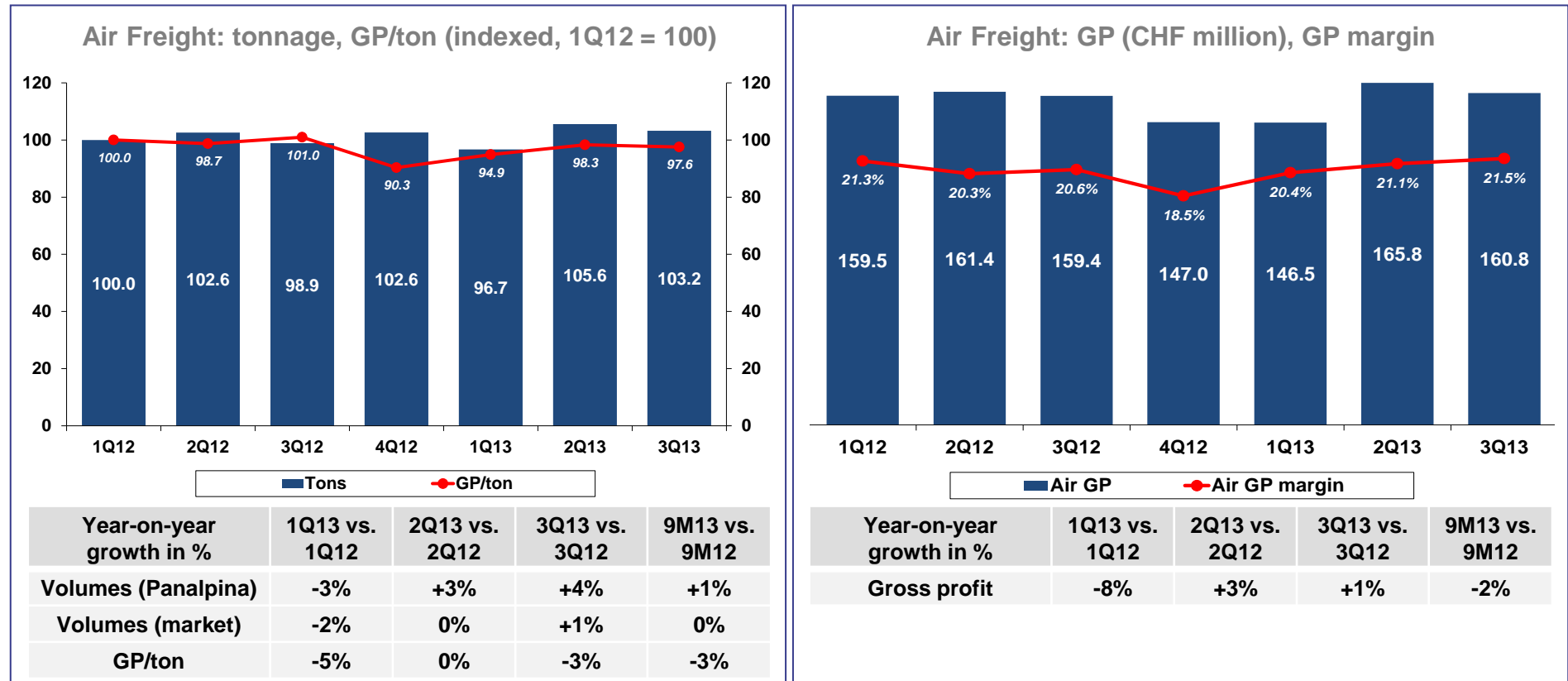
# Air GP improving, strong growth in Ocean and Logistics

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



- Moderate GP growth in Air Freight in third quarter, continued volume growth above market
- Solid GP growth in Ocean Freight supported by steady above market volume growth
- Continued double-digit growth of Logistics business

## Air Freight GP with moderate Q3 growth in slow environment

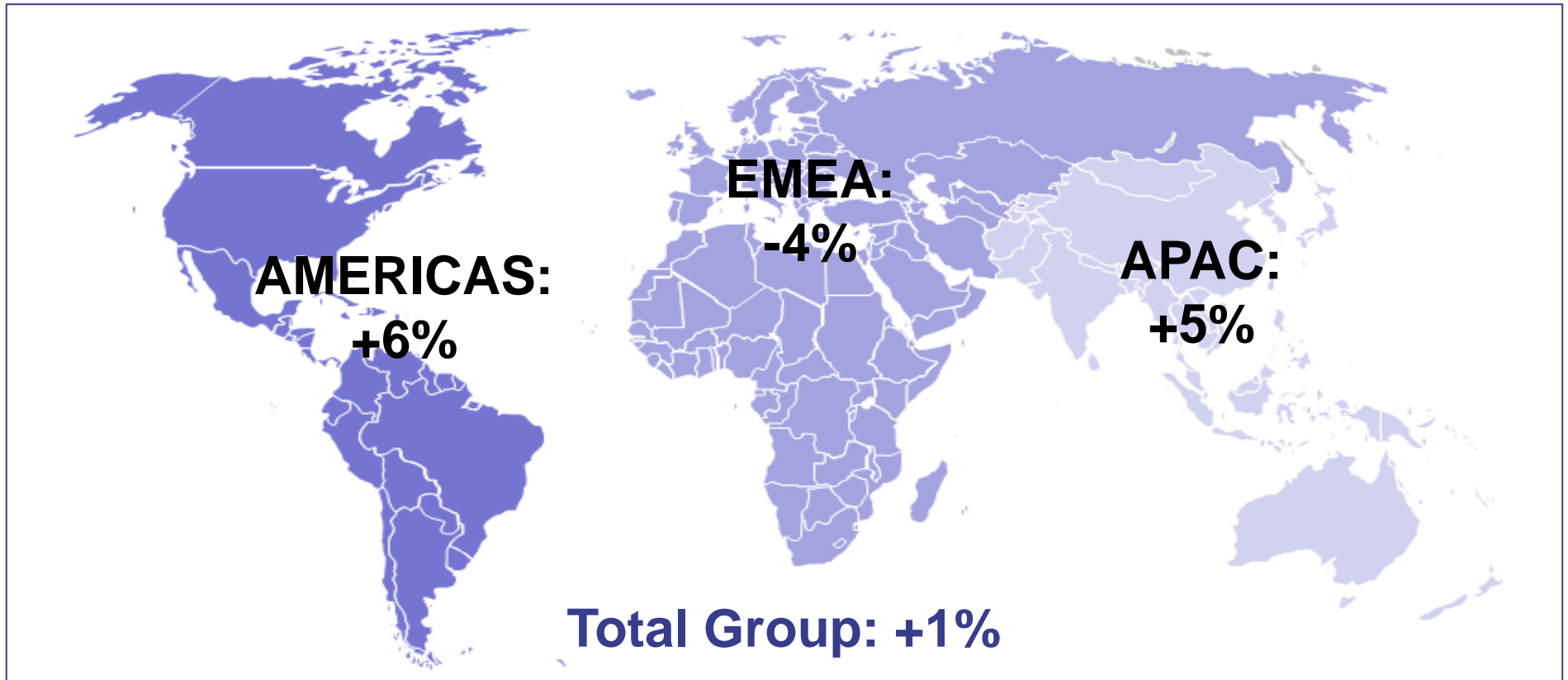


- Continued market share gains in third quarter with above average volume growth in Consumer & Retail, Healthcare and Oil & Gas
- GP per ton down vs. prior year as a result of carrier rate increases - stable vs. last quarter

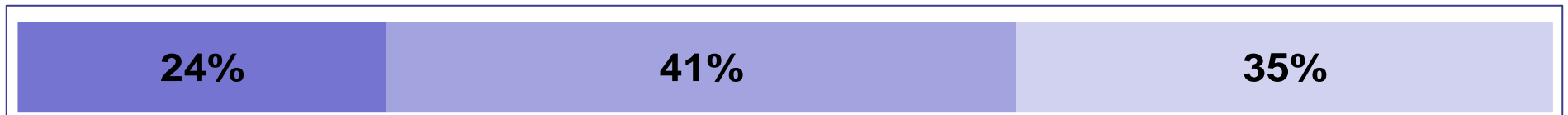


## Air Freight: volume development by Region

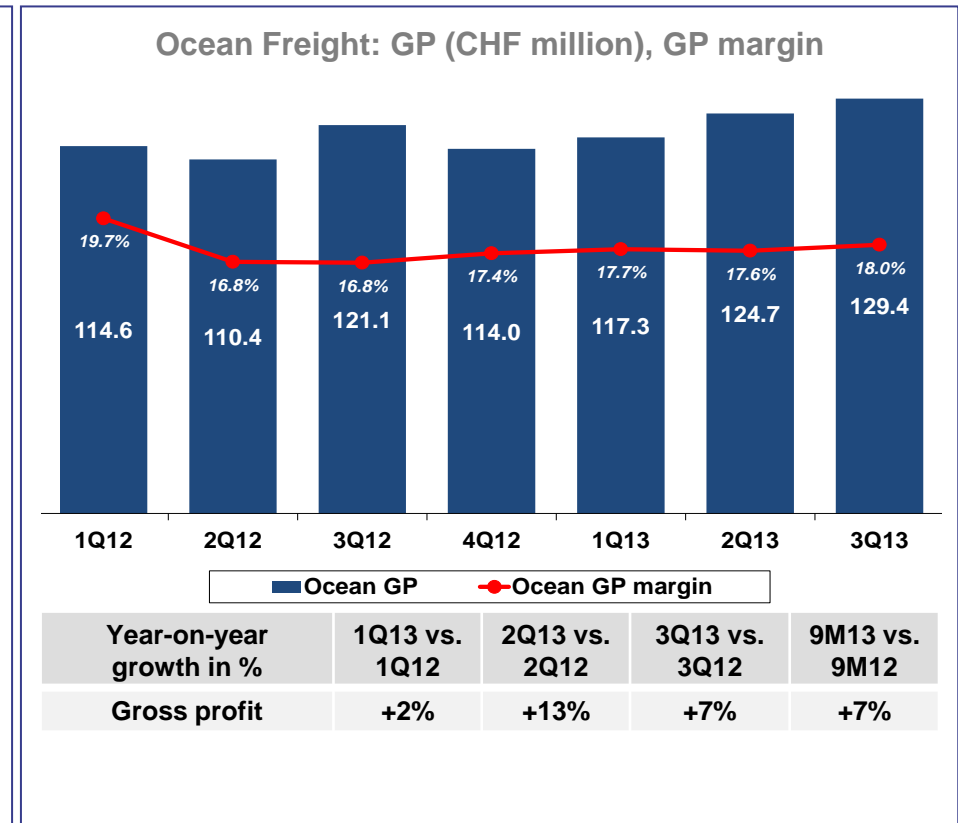
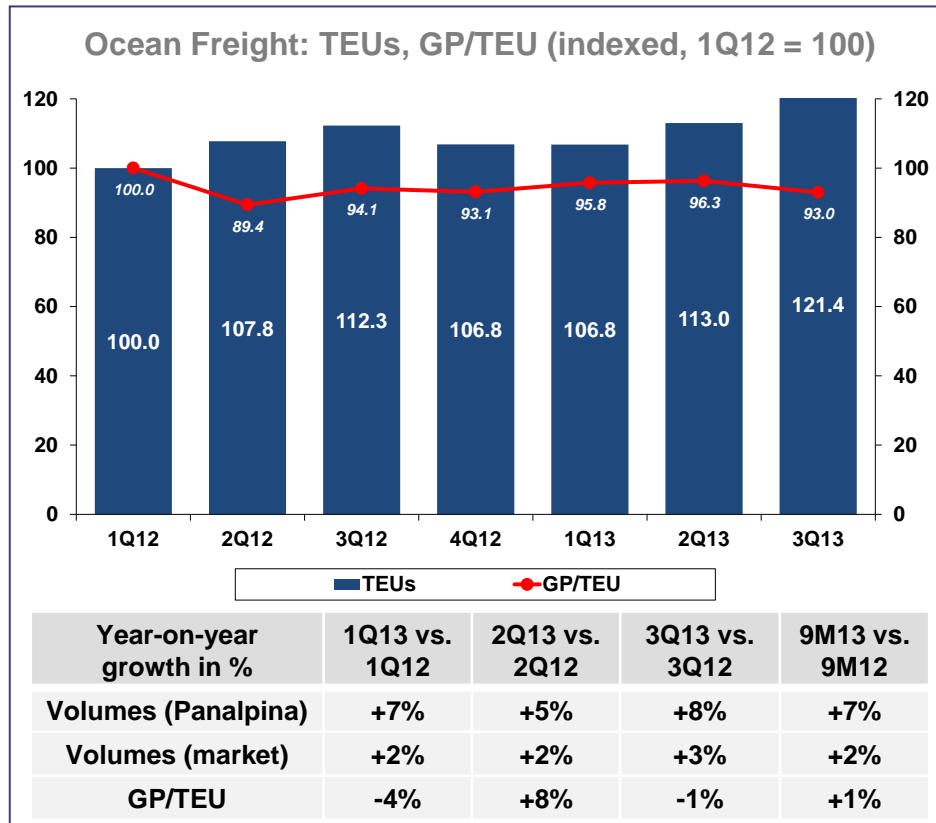
Year-on-year volume growth (Panalpina) for first nine months by export market



Relative volumes (Panalpina) per Region



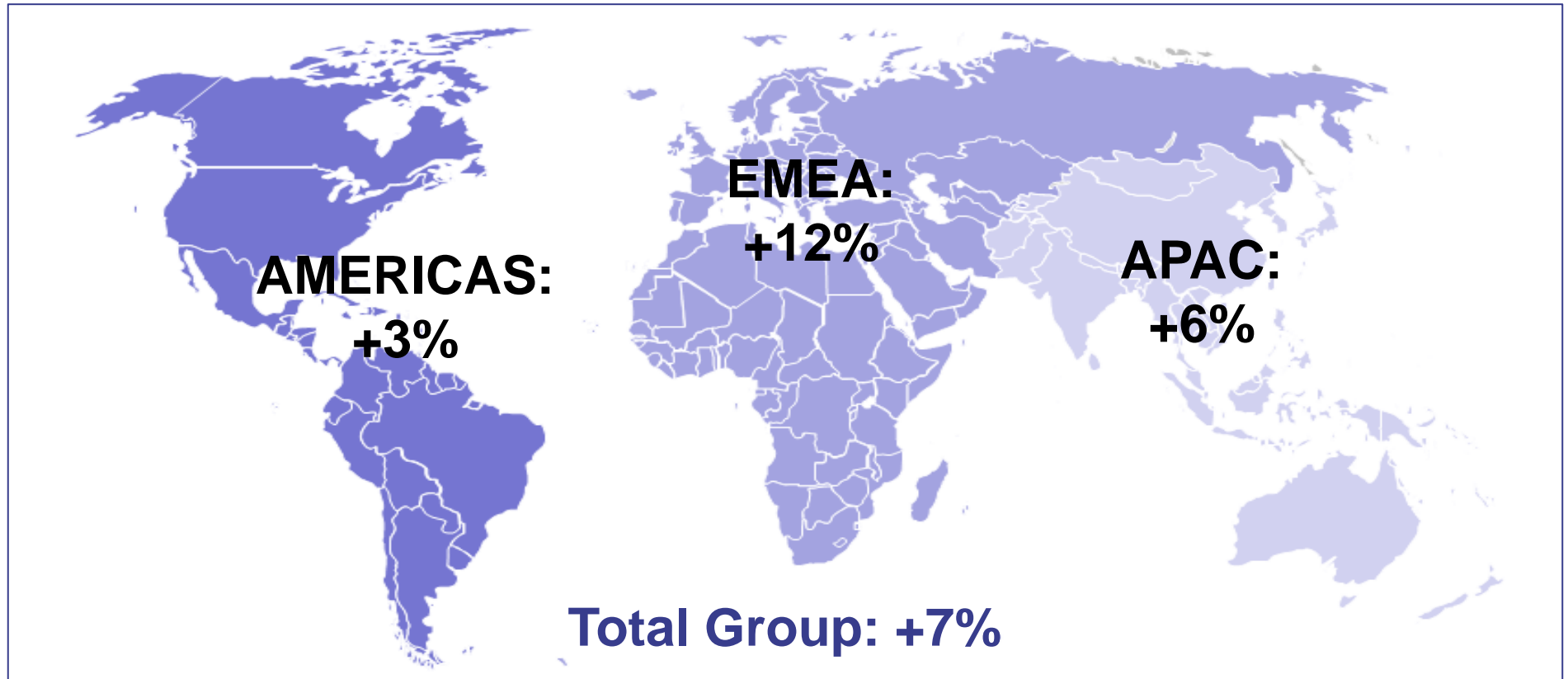
# Ocean Freight with continued above-market growth



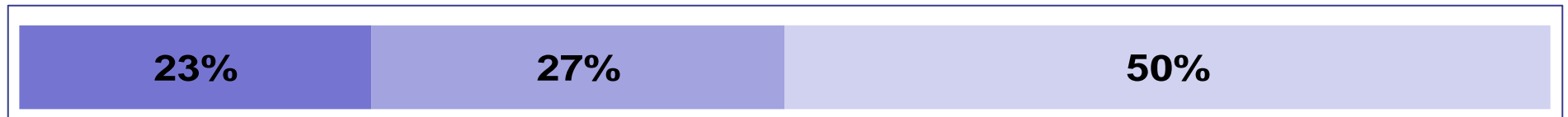
- Further market share gains in Ocean Freight leading to new quarterly volume record, supported by strong volumes in Consumer & Retail, Automotive & Manufacturing, Hi-Tech and Oil & Gas
- GP per TEU weaker vs. last quarter as a result of market rate volatility

## Ocean Freight: volume development by Region

Year-on-year volume growth (Panalpina) for first nine months by export market

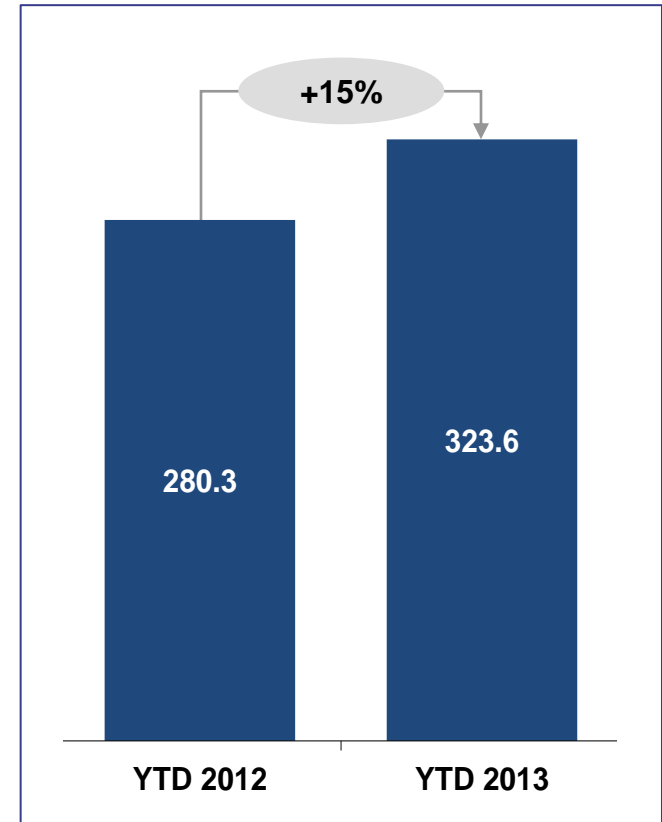
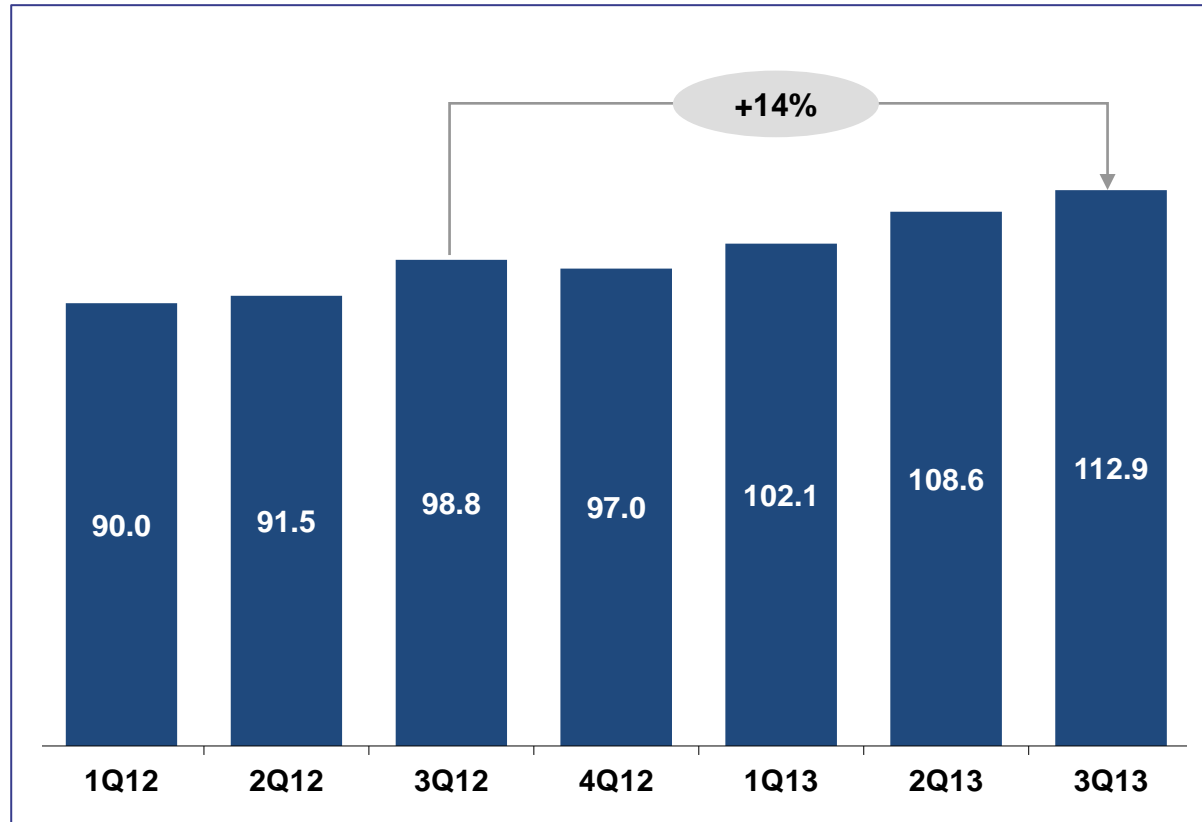


Relative volumes (Panalpina) per Region



## Logistics with further GP growth

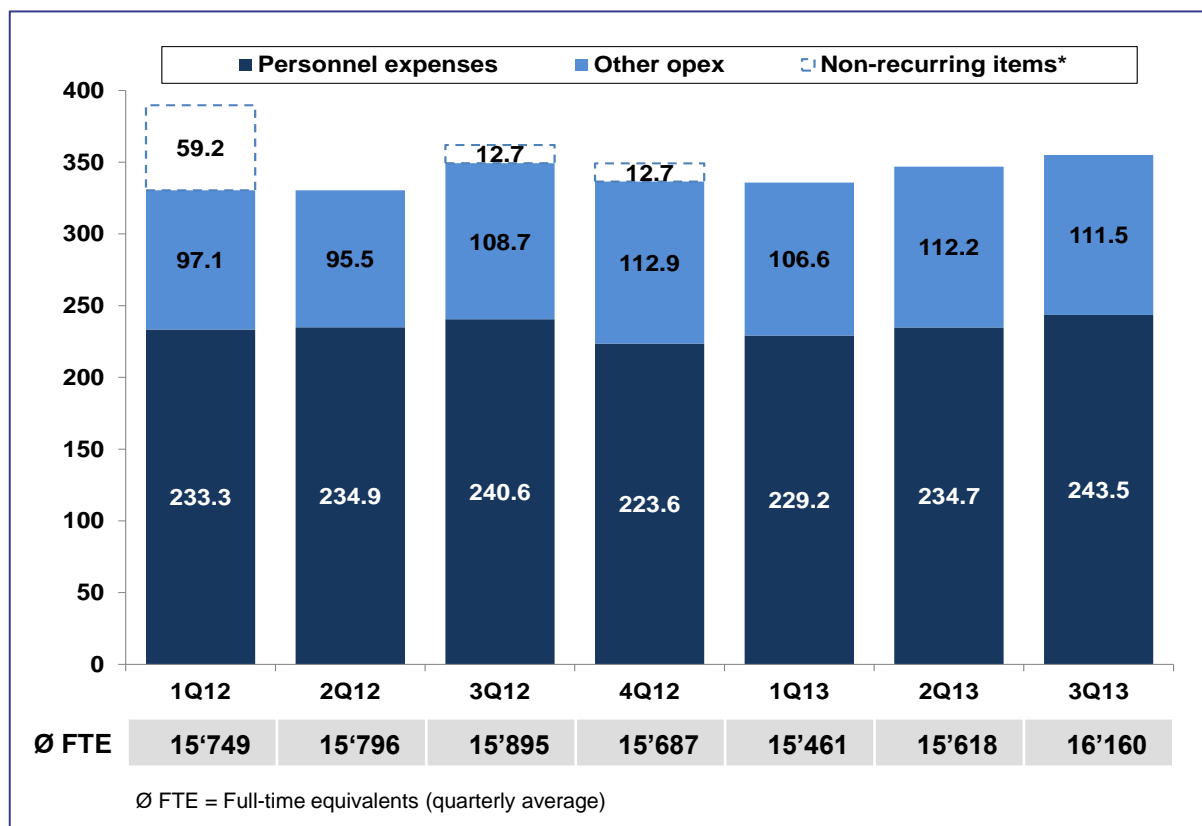
Gross profit in CHF million



- Continued investments in people and software, broadening of Logistics offering into Value-Added Services
- Further expansion of Warehousing & Distribution activities, particularly in Technology and Fashion

# Stable personnel expenses year-to-date versus prior year

Operating expenses in CHF million



	3Q13	3Q12	Δ%
PExp (adj.)	243.5	240.6	+1.2%
OOE	111.5	108.7	+2.6%
Total (adj.)	355.0	349.3	+1.6%

	YTD13	YTD12	Δ%
PExp (adj.)	707.5	708.8	-0.2%
OOE (adj.)	330.3	301.3	+9.6%
Total (adj.)	1'037.8	1'010.1	+2.7%

PExp = Personnel expenses  
OOE = Other operating expenses

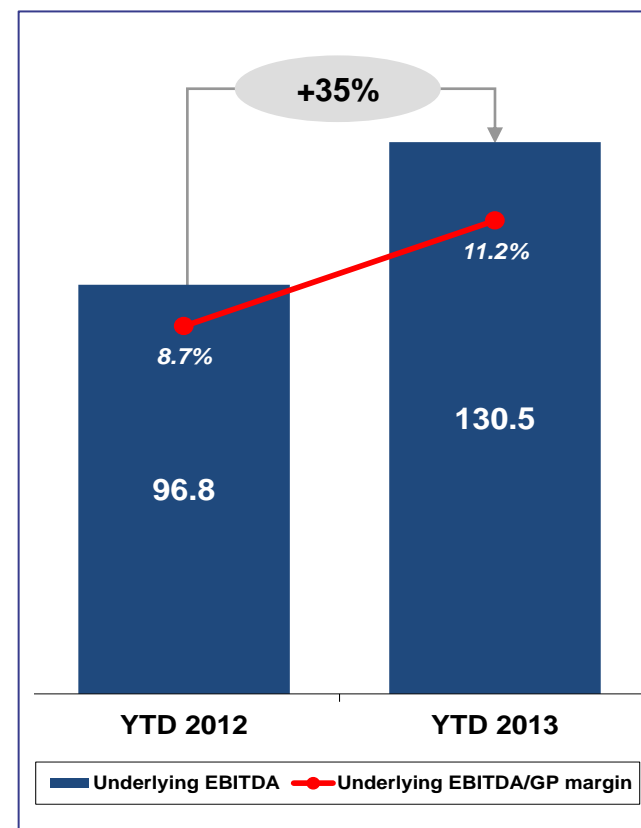
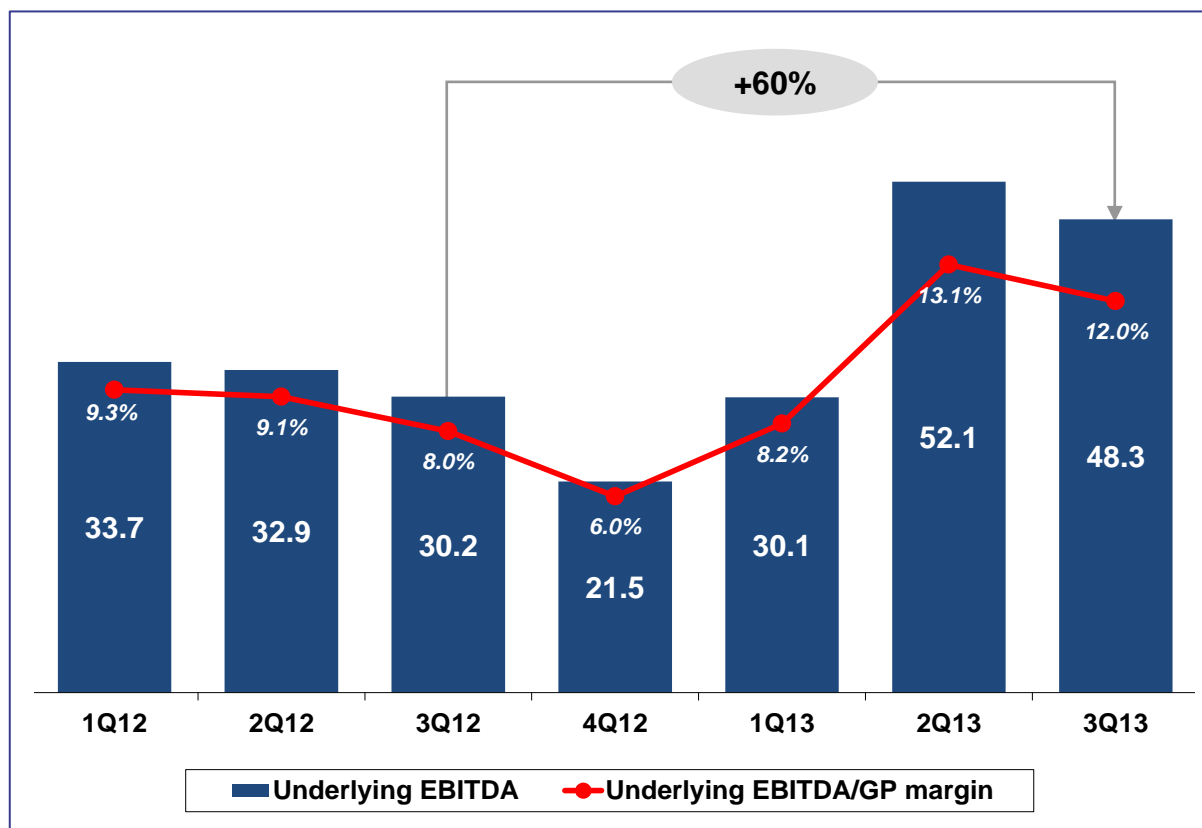
- Total operating expenses up 2% yoy primarily as a result of ongoing investments in business and IT
- Personnel expenses in Q3 slightly up due to additional FTEs (primarily Warehousing & Distribution)
- Productivity in Air Freight (YTD: +12% yoy) and Ocean Freight (YTD: +4%) further improving

\* Q1 2012 adjusted for antitrust fines of CHF 59.2 million. Q3/Q4 2012 each adjusted for provisions of CHF 12.7 million related to accrued salaries for redundancies.

Note: Personnel expenses in each quarter of 2012 have been restated due to the application of IAS 19 revised. The application resulted in an increase in personnel expenses of CHF 0.7 million per quarter.

## Growth in EBITDA continued in Q3

Underlying EBITDA in CHF million\*

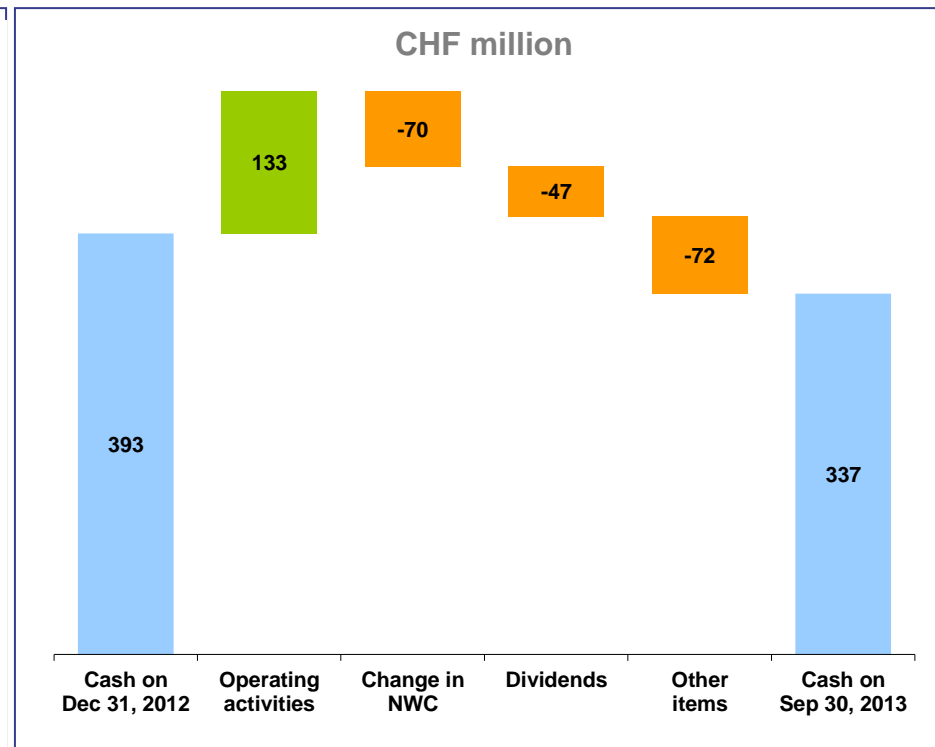
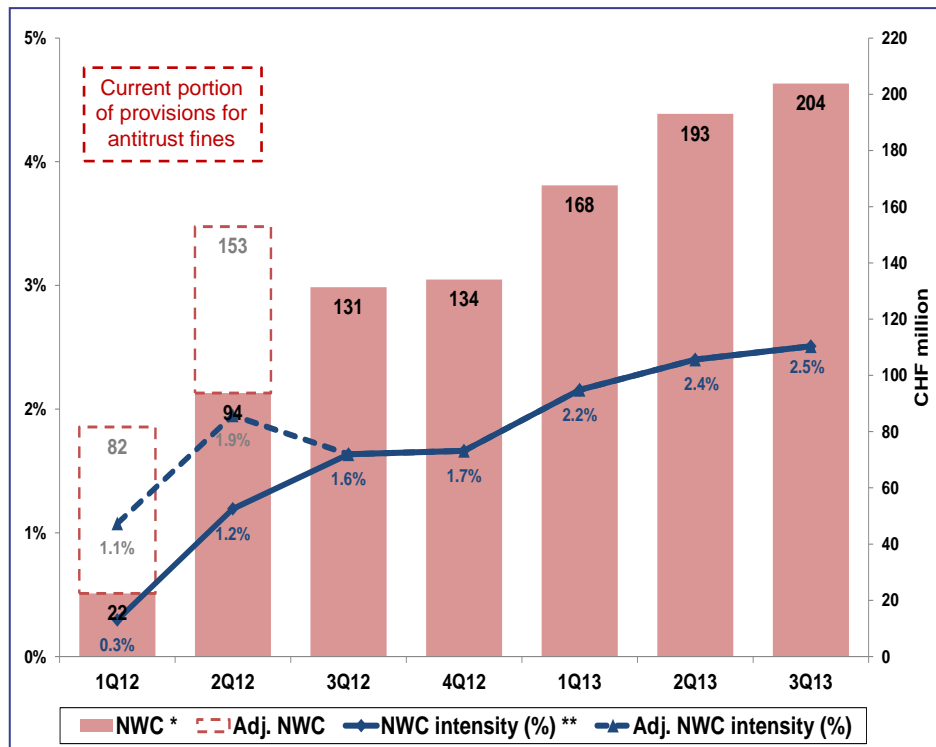


- Q3 EBITDA growth of 60% vs. prior year period (YTD: +35%)
- Sequential EBITDA decline mainly due to additional FTE investments to accommodate growth in Logistics (W&D)

\* Q1 2012 adjusted for antitrust fines of CHF 59.2 million. Q3/Q4 2012 each adjusted for provisions of CHF 12.7 million related to accrued salaries for redundancies.

Note: Personnel expenses in each quarter of 2012 have been restated due to the application of IAS 19 revised. The application resulted in a decrease in EBITDA of CHF 0.7 million per quarter.

## Net working capital intensity with first signs of stabilization



(# of days)	Sep 30, 2012	Jun 30, 2013	Sep 30, 2013
<b>DSO</b> (3-m-rolling)	45.6	47.5	45.5
<b>DPO</b> (3-m-rolling)	31.3	33.3	29.9
<b>Δ (DSO – DPO)</b>	14.3	14.2	15.6

- NWC intensity at 2.5%, up vs. 1.6% a year ago and stabilizing vs. last quarter
- DSO increasing as pressure from customers for longer payment terms continues

\* 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



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# Outlook for 2013

## Air Freight



## Ocean Freight



## Logistics



Volume growth  
(market)

Old: 0%  
New: 1%

Old: 2 – 3%  
New: 3%

Volume growth  
(Panalpina)

Old:  $\geq$  market  
New:  $>$  market

Old:  $>$  market  
New:  $>$  market

Priorities

- Overall: profitable growth
- Sales: focus on growth of strategic trade lanes and balancing the customer portfolio
- Costs: continued focus on cost management
- Investments: selective investments in business platform

# Panalpina Capital Markets Day on November 20, 2013

- For more information go to [www.panalpina.com/CMD2013](http://www.panalpina.com/CMD2013)



Invitation

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## Panalpina Capital Markets Day 2013

Zurich, November 20, 2013

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### Agenda

Time	Presentation	Speaker
08:30–09:00 h	Registration and welcome coffee	
09:00–09:40 h	Overview of corporate strategy and critical success factors (incl. Q & A)	Peter Ulber, Chief Executive Officer
09:40–10:15 h	Air Freight: Leveraging a unique model (incl. Q & A)	Lucas Kuehner, Global Head of Air Freight
10:15–10:45 h	<i>Guest speaker: Baker Hughes (incl. Q &amp; A)</i>	<i>John Newcaster, VP, Distribution &amp; Logistics</i>
10:45–11:15 h	<b>Coffee Break</b>	
11:15–11:45 h	Ocean Freight: Unlocking the full potential (incl. Q & A)	Frank Hercksen, Global Head of Ocean Freight
11:45–12:20 h	Logistics: Delivering tailor-made solutions (incl. Q & A)	Mike Wilson, Global Head of Logistics
12:20–12:50 h	Sales: Realizing the commercial opportunity (incl. Q & A)	Karl Weyeneth, Chief Operating Officer
12:50–14:00 h	<b>Buffet Lunch</b>	
14:00–14:50 h	IT: Enabling the business transformation (incl. Q & A)	Rod Angwin, Chief Information Officer
	<i>Guest speaker: SAP</i>	<i>Franz Hero, SVP, Transport &amp; Logistics</i>
14:50–15:20 h	Boosting productivity and measuring success (incl. Q & A)	Robert Erni, Chief Financial Officer
15:20–15:30 h	Wrap-up and concluding remarks	Peter Ulber, Chief Executive Officer
15:30–16:00 h	Coffee and cookies / End of Event	

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**A passion for solutions**

Panalpina Group

# Appendix



**Supply Chain Solutions**

Air Freight

Ocean Freight

Logistics

# Income statement

Figures in CHF million

	Q3 2013	Q3 2012	Non-recurring item (NRI)*	Q3 2012 before NRI	Δ in %		YTD 2013 actual	YTD 2012 actual	Non-recurring item (NRI)*	YTD 2012 before NRI	Δ in %	
					Actual	Excl. NRI					Actual	Excl. NRI
<b>Net forwarding revenue</b>	<b>1'700.1</b>	<b>1'721.2</b>		<b>1'721.2</b>	-1.2%	-1.2%	<b>5'028.1</b>	<b>4'928.7</b>		<b>4'928.7</b>	2.0%	2.0%
Forwarding expenses	(1'297.0)	(1'341.9)		(1'341.9)			(3'860.1)	(3'822.0)		(3'822.0)		
<b>Gross profit</b>	<b>403.1</b>	<b>379.3</b>		<b>379.3</b>	6.3%	6.3%	<b>1'168.0</b>	<b>1'106.7</b>		<b>1'106.7</b>	5.5%	5.5%
<i>in % of net forwarding revenue</i>	23.7%	22.0%		22.0%			23.2%	22.5%		22.5%		
Personnel expenses	(243.5)	(253.3)	(12.7)	(240.6)	-3.9%	1.2%	(707.5)	(721.5)	(12.7)	(708.8)	-1.9%	-0.2%
<i>in % of gross profit (PGP)</i>	60.4%	66.8%		63.4%			60.6%	65.2%		64.0%		
Other operating expenses	(111.5)	(108.7)		(108.7)	2.6%	2.6%	(330.3)	(360.5)	(59.2)	(301.3)	-8.4%	9.6%
<i>in % of gross profit (OGP)</i>	27.7%	28.7%		28.7%			28.3%	32.6%		27.2%		
Gains (losses) on sales of non-current assets	0.2	0.2		0.2			0.3	0.2		0.2		
Total operating expenses	(354.8)	(361.8)	(12.7)	(349.1)	-1.9%	1.6%	(1'037.5)	(1'081.8)	(71.9)	(1'009.9)	-4.1%	2.7%
<b>EBITDA</b>	<b>48.3</b>	<b>17.5</b>	<b>(12.7)</b>	<b>30.2</b>	176.0%	59.9%	<b>130.5</b>	<b>24.9</b>	<b>(71.9)</b>	<b>96.8</b>	424.1%	34.8%
<i>in % of gross profit</i>	12.0%	4.6%		8.0%			11.2%	2.2%		8.7%		
Depreciation of property, plant and equipment	(8.4)	(7.9)		(7.9)			(25.6)	(22.5)		(22.5)		
Amortization of intangible assets	(5.5)	(3.3)		(3.3)			(11.7)	(9.6)		(9.6)		
<b>Operating result (EBIT)</b>	<b>34.4</b>	<b>6.3</b>	<b>(12.7)</b>	<b>19.0</b>	446.0%	81.1%	<b>93.2</b>	<b>(7.2)</b>	<b>(71.9)</b>	<b>64.7</b>		44.0%
<i>in % of gross profit</i>	8.5%	1.7%		5.0%			8.0%	-0.7%		5.8%		
FX result	(2.6)	(0.1)		(0.1)			(8.3)	(4.5)		(4.5)		
Financial result	(0.1)	(0.2)		(0.2)			(2.0)	5.0		5.0		
<b>Earnings before taxes (EBT)</b>	<b>31.7</b>	<b>6.0</b>	<b>(12.7)</b>	<b>18.7</b>	428.3%	69.5%	<b>82.9</b>	<b>(6.7)</b>	<b>(71.9)</b>	<b>65.2</b>		27.1%
Income tax expenses	(7.9)	(2.4)		(7.6)			(20.6)	(13.9)		(19.1)		
<i>% of EBT</i>	24.9%	40.4%		40.4%			24.8%	-207.5%		29.2%		
<b>Consolidated profit</b>	<b>23.8</b>	<b>3.6</b>	<b>(7.5)</b>	<b>11.1</b>	561.1%	113.5%	<b>62.3</b>	<b>(20.6)</b>	<b>(66.7)</b>	<b>46.1</b>		35.0%
Earnings per share (CHF)	0.99	0.14		0.46	607.1%		2.63	-0.88		1.95		34.9%

\* Antitrust fines of CHF 59.2 million (Q1 2012), provisions of CHF 12.7 million related to accrued salaries for redundancies (Q3 2012)

Note: Personnel expenses and income tax expenses in each quarter of 2012 have been restated due to the application of IAS 19 revised.

## Balance sheet

Figures in CHF million

	30-Sep-13	31-Dec-12	Change	
			CHF	%
Cash and cash equivalents, other current financial assets	337.3	393.1	-55.8	-14.2%
Trade receivables, unbilled forwarding services	1'168.4	1'118.2	50.2	4.5%
Other current assets	134.4	84.0	50.4	60.0%
Property, plant and equipment	123.1	130.2	-7.1	-5.5%
Intangible assets	137.5	134.1	3.4	2.5%
Other non-current assets	99.8	97.4	2.4	2.5%
<b>Total assets</b>	<b>2'000.5</b>	<b>1'957.0</b>	<b>43.5</b>	<b>2.2%</b>
Short-term borrowings	3.9	1.6	2.3	143.8%
Trade payables, accrued cost of services	782.3	773.1	9.2	1.2%
Other current liabilities	314.2	293.3	20.9	7.1%
Long-term borrowings	0.3	0.3	0.0	0.0%
Other long-term liabilities	156.0	144.9	11.1	7.7%
<b>Total liabilities</b>	<b>1'256.7</b>	<b>1'213.2</b>	<b>43.5</b>	<b>3.6%</b>
Share capital	2.4	2.4	0.0	0.0%
Reserves, treasury shares	729.4	732.2	-2.8	-0.4%
Non-controlling interests	12.0	9.2	2.8	30.4%
<b>Total equity</b>	<b>743.8</b>	<b>743.8</b>	<b>0.0</b>	<b>0.0%</b>
<b>Total equity and liabilities</b>	<b>2'000.5</b>	<b>1'957.0</b>	<b>43.5</b>	<b>2.2%</b>
Net cash	333.1	391.2	-58.1	-14.9%

Note: The items 'Other long-term liabilities' and 'Reserves, treasury shares' in 2012 have been restated due to the application of IAS 19 revised.

## Cash flow

Figures in CHF million

	Q3 2013	Q3 2012	YTD 2013	YTD 2012
Cash flow before changes in working capital	102.8	(10.4)	163.5	27.0
Changes in working capital *	(72.3)	(8.5)	(104.6)	(48.2)
<b>Cash from operations</b>	<b>30.5</b>	<b>(18.9)</b>	<b>58.9</b>	<b>(21.2)</b>
Interest and income taxes paid	(11.5)	(13.3)	(28.2)	(29.3)
Net cash from operating activities	19.0	(32.2)	30.7	(50.5)
Net cash from investing activities	(11.1)	(25.4)	(38.2)	26.9
<b>Free cash flow (FCF)</b>	<b>7.9</b>	<b>(57.6)</b>	<b>(7.5)</b>	<b>(23.6)</b>
FCF adj. for repayments of loans and other financial assets	6.0	(58.7)	(11.4)	(107.4)
Net cash used in financing activities	5.4	(45.7)	(40.6)	(96.6)
Effect of exchange rate changes	(8.8)	2.3	(7.7)	3.5
Cash and cash equivalents at beginning of period	332.7	557.9	393.1	573.6
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>4.5</b>	<b>(101.0)</b>	<b>(55.8)</b>	<b>(116.7)</b>
Cash and cash equivalents at end of period	337.2	456.9	337.3	456.9

\* Excluding income taxes paid and short-term provisions