

MEDIA RELEASE

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Panalpina reports disappointing full-year results despite progress in Ocean Freight and Logistics

The Panalpina Group looks back on a challenging year. Panalpina's exposure to Air Freight and Europe-related trade lanes meant that Group gross profit did not gain altitude in the past year. While gross profit remained practically unchanged at CHF 1,465 million, higher costs and various non-recurring charges totalling CHF 114 million impacted the bottom line. The provider of supply chain solutions reported a Group loss of CHF 70 million. While Air Freight disappointed, Logistics and Ocean Freight did better. Ocean Freight grew twice as fast as the market with volumes reaching a new record high of almost 1.4 million shipped containers. In view of the healthy net cash position, Panalpina plans an unchanged dividend payment of CHF 2.00 per share.

"Our 2012 results are unsatisfactory," said CEO Monika Ribar. "We did not manage to compensate for the setback in Air Freight. In Ocean Freight and Logistics we considerably expanded our business despite a slowing market growth, but it was simply not sufficient. On the cost side we did not react fast enough."

Gross profit impacted by weak Air Freight and weak European imports

Net forwarding revenue in 2012 increased by 2% to CHF 6,617 million (CHF 6,500 million in 2011). Group gross profit came down slightly by 1% to CHF 1,465 million (CHF 1,477 million in 2011). Solid organic gross profit growth in Logistics (+8% to CHF 378 million) and Ocean Freight (+5% to CHF 460 million) was overshadowed by a set-back in Air Freight where gross profit decreased by 9% to CHF 627 million in 2012. Accordingly, the contribution of Air Freight to Group gross profit decreased in 2012 while the share of Ocean Freight and Logistics increased: In 2012, Panalpina generated 43% of its gross profit in Air Freight (47% in 2011), 31% in Ocean Freight (29% in 2011) and 26% in Logistics (24% in 2011).

The region Americas recorded gross profit growth of 3% to CHF 444 million. U.S. imports slowed in the fourth quarter of 2012 but were comparatively strong over the whole year. Latin American imports and exports slowed but still grew. European imports, particularly from Asia, as well as exports, were weak throughout the year. The EMEA region recorded a gross profit of CHF 716 million, 2% less than in 2011. In Asia Pacific gross profit decreased by 3% to CHF 304 million in 2012.

Panalpina Group: Results for the Full Year 2012 and the fourth quarter

(CHF million)	2012	2011	Q4 2012	Q4 2011
Net forwarding revenue	6,616.6	6,499.6	1,688.0	1,647.9
Gross profit	1,465.0	1,477.0	358.4	376.7
EBITDA	36.5	212.1	9.5	48.5
EBIT	(37.4)	174.2	(32.3)	38.7
Consolidated profit	(70.2)	127.4	(51.2)	28.8
<i>Non-recurring items:</i>				
<i>operating expenses</i>	(84.6)	-	(12.7)	-
<i>impairment of intangible assets</i>	(11.6)	-	(11.6)	-
<i>goodwill impairment</i>	(18.0)	-	(18.0)	-
underlying EBITDA	121.1	212.1	22.2	48.5
underlying EBIT	76.8	174.2	10.0	38.7

[Full Year Results 2012 – Investor Presentation](#)
[Online Annual Report 2012](#)

Air Freight suffered from exposure in Hi-tech and Telecom

With a decrease of more than 2%, the global air freight market shrank for the second year in a row in 2012. Perishables and fashion goods were the only commodities showing market volume growth in 2012, whereas the high-tech and telecoms sectors, where Panalpina has a high exposure, saw the heaviest declines. Panalpina, being traditionally strong in Europe, also suffered from the fact that only one Europe-related trade lane, namely Latin America to Europe, saw market growth. Latin American exports and Intra-Asia were in fact the only trade lanes where the market grew last year. In 2012, Panalpina transported 801,000 tons of Air Freight, 6% less than in 2011. The weight and size per shipment in Air Freight decreased substantially in 2012, particularly in Hi-tech and Telecom, but stabilized in the last quarter of 2012. As a result, Hi-tech and Telecom accounted for 31% of Panalpina's Air Freight tonnage in 2012, down from 36% in 2011. Gross profit per ton decreased by 4% to CHF 782 compared to CHF 811 in the previous year. Pressure on GP per ton in the last quarter came mostly from increasing carrier rates and a small number of high-volume customers.

Ocean Freight gained market shares and recorded highest volumes ever

Global container traffic (market) grew by approximately 3% in 2012. None of the European import trade lanes grew in 2012 and U.S. exports also decreased. Significantly more containers were shipped between Asia and Africa (both ways), Asia and Latin America (both ways), from the Middle East to Asia and from Europe to Latin America as well as Africa. Panalpina's Ocean Freight division transported 1,388,000 TEUs (twenty-foot equivalent units) in 2012, 6% more than in 2011 and a new record for the company. Gross profit per TEU of Ocean Freight remained practically stable at CHF 332 (-1%). Carriers' freight rates gradually softened after steep increases in the year's first-half.

Logistics expanded footprint

In Logistics, Panalpina further expanded its warehousing and distribution activities including Value-Added Services (VAS). VAS is the collective term for Panalpina's inbound, warehousing, production, distribution and aftermarket activities. In short, whenever a box is opened or handled, Panalpina takes action to add value to it. Panalpina's new approach to Logistics has proven successful as the division expanded its footprint. In 2012, Panalpina introduced the software RedPrairie as a global standardized Logistics platform, established four Logistics Competence Centers and opened several new logistics centers bringing the total warehousing space under management to more than 1.2 million square meters.

Higher costs and various non-recurring charges

Personnel expenses before non-recurring items increased by 4% to CHF 930 million for the whole year compared to 2011. However, personnel expenses started to decline in the fourth quarter as the Group's profitability improvement program showed first effects. The increase in other operating expenses (before non-recurring items) in 2012 by 11% to CHF 414 million can mainly be attributed to the expansion of the Logistics business (warehousing and distribution facilities) and increasing IT costs.

Extraordinary provisions for EU and Swiss antitrust fines (CHF 59.2 million) had to be made in the first quarter of 2012 and for accrued salaries of leaving employees in the third and fourth quarter (CHF 12.7 million each). Together with the goodwill write-off for Grieg Logistics of CHF 29.6 million in the fourth quarter the total of non-recurring charges in 2012 amounted to CHF 114.2 million.

Underlying EBITDA of CHF 121 million

Due to the weak Air Freight and higher cost base the underlying EBITDA fell to CHF 121 million (-43% from CHF 212 million in 2011). The underlying EBITDA-to-gross profit margin decreased to 8.3%, down from 14.4% in 2011. The higher cost base and various non-recurring charges led to a Group loss of CHF 70 million in 2012 (consolidated profit of CHF 127 million in 2011).

Proposals to the Annual General Meeting

In light of the healthy net cash position, the Board of Directors is going to propose an unchanged dividend payment of CHF 2.00 per share to the Annual General Meeting on May 15, 2013. This is equivalent to an amount of approximately CHF 47.3 million and a dividend yield (based on 2012 year-end share price) of 2.2%.

Outlook

"The market environment will remain difficult and volatile and we are therefore very cautious regarding forecasts for 2013. We will have to stay very vigilant so that we can take necessary actions fast," said Monika Ribar. "We have already introduced a number of important measures aimed at reducing costs and improving our operating margins. Given our high exposure to cyclical industries and the trend to lighter shipments in certain product categories, we are also critically reviewing our customer portfolio in Air Freight. In Ocean Freight, we will build on the positive development." In 2013, Panalpina will continue to invest in Logistics to grow this part of the business.

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About Panalpina

The Panalpina Group is one of the world's leading providers of supply chain solutions. The company combines its core products of Air Freight, Ocean Freight, and Logistics to deliver globally integrated, tailor-made end-to-end solutions. Drawing on in-depth industry know-how and customized IT systems, Panalpina manages the needs of its customers' supply chains, no matter how demanding they might be. The Panalpina Group operates a global network with some 500 offices in more than 80 countries, and it works with partner companies in a further 80 countries. Panalpina employs around 15,000 people worldwide who deliver a comprehensive service to the highest quality standards – wherever and whenever.

www.panalpina.com

For more details, please contact:

Media Relations
Sandro Hofer
Tel. +41 61 226 11 66
sandro.hofer@panalpina.com

Investor Relations
Jürg Vogt
Tel. +41 61 226 15 44
juerg.vogt@panalpina.com

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