

MEDIA RELEASE

Basel, May 4, 2012

EU fine turns operating profit into loss

Provisions for the EU and Swiss antitrust fines of CHF 59 million resulted in a loss of CHF 40 million for the Panalpina Group in the first quarter of 2012. Panalpina has decided to appeal the European Commission's decision to the European General Court. The Group reported a gross profit decrease of 3% (+1% currency adjusted) compared to the first quarter of 2011. Gross profit margin increased to 23.6%. Volumes in Ocean Freight reached a record high and continued to outperform the market (+7% year-on-year). Volumes in Air Freight were affected by a negative market and the profitability restoration program (-8% year-on-year).

"While we did very well in Ocean Freight, gaining market share, we knew that the first quarter would be a difficult one for Air Freight, especially in comparison to last year's exceptional first quarter. In anticipation of the difficult market environment and a challenging 2012 we already reacted last year and introduced cost containment measures. This led to a flat development of the operating expenses quarter-on-quarter", said CEO Monika Ribar. The Group has decided to appeal the European Commission's decision on the antitrust fine. "We believe the amount is not justified, which is why we are going to appeal the decision to the European General Court", said Ribar.

Provisions resulted in loss of CHF 40 million

On March 28, 2012, Panalpina, along with its major competitors, was reportedly fined by the EU Commission for antitrust violations related to isolated air freight surcharges for certain European trade lanes during limited periods of time prior to 2008. Provisions of CHF 59 million for the EU and the Swiss antitrust fines together resulted in a group loss of CHF 40 million in the first quarter. Net forwarding revenue in the first quarter was down by 7% to CHF 1,540 million (-3% currency adjusted). Gross profit amounted to CHF 364 million, a decrease of 3%. Currency adjusted, gross profit was up by 1% despite a negative air freight market. Gross profit margin increased to 23.6% (22.6% in Q1 2011).

Panalpina Group: Results for the first quarter of 2012

(CHF million)	Q1 2012	Q1 2011
Net forwarding revenue	1,539.8	1,651.9
Gross profit	364.1	373.4
EBITDA	(24.8)	55.6
EBIT	(34.9)	46.4
Consolidated profit	(40.4)	34.9
<i>Non-recurring items:</i>	(59.2)	
underlying EBITDA	34.4	55.6
underlying EBIT	24.3	46.4

[First Quarter Results 2012 – Datasheet](#)
[First Quarter Results 2012 – Investor Presentation](#)

Gross profit growth driven by emerging markets

Asia Pacific showed continued growth going into 2012. First quarter gross profit in this region reached a new record of CHF 78 million, a plus of 4%. Latin America also recorded further organic growth. Currency adjusted, gross profit in this region was up by 2.4% and came in at CHF 40 million. Weak consumer markets in the EMEA and North America led to stagnation in these regions (0% currency adjusted) with CHF 178 million and CHF 68 million respectively.

Record volumes in Ocean Freight

In Ocean Freight, volumes reached a new Q1 record level. Panalpina shipped 7% more TEUs (twenty-foot equivalent units) than the year before, growing more than twice as fast as the market (market: +3%). Gross profit per TEU of Ocean Freight was below prior year (-5%, currency adjusted -1%) due to the low (but recently rising) level of rates. The lower unit profitability was more than offset by the higher volumes, leading to an increase of gross profit. Gross profit increased by 2% (+5% currency adjusted) to CHF 115 million.

In Air Freight, volume growth was affected by the negative market (market: -3%). Q1 2012 was also the last quarter that showed a year-on-year impact on volumes from the profitability restoration program – the expiry of selected high-volume but low-margin customer contracts as per end of Q1 2011. The lower volumes in Air Freight (-8%) led to a contraction of gross profit. It decreased by 7% (-4% currency adjusted) to CHF 159 million in the first quarter of 2012. The contraction of gross profit was partly compensated by improved unit profitability, with gross profit per ton of air freight growing by 1% (+5% currency adjusted).

In Logistics, profitability improvement initiatives in warehousing and distribution showed first positive effects. Organically, gross profit grew solidly by 4% and reached CHF 90 million.

EBITDA impacted by low Air Freight volumes and investments in 2011

The seasonally low Air Freight volumes in the first quarter of 2012 as well as the higher cost base due to investments in Sales and Logistics that were made in the course of 2011, led to a decline of EBITDA. The underlying EBITDA dropped by 38% to CHF 34 million in Q1 (-35% currency adjusted). The underlying EBITDA-to-gross profit margin decreased to 9.5% from 14.9% in the previous year.

Outlook

“The economic environment remains volatile and visibility low, but we remain confident that we can reach our targets”, said Ribar. “We have acquired a lot of new business and demonstrated cost discipline. The focus on group-wide cost containment measures and productivity increases will continue. At the same time it is crucial that we keep investing in Sales, Logistics and IT.” Panalpina expects the air freight market to decline in the first half of 2012 resulting in an anticipated market growth of 0% for the full year. In ocean freight, Panalpina expects a market growth of 4-5%. The Group’s target is to outperform the market – in air freight as of the second quarter.

The Panalpina Group

The Panalpina Group is one of the world's leading providers of supply chain solutions, combining intercontinental Air and Ocean Freight with comprehensive Value-Added Logistics Services and Supply Chain Services. Thanks to its in-depth industry know-how and customized IT systems, Panalpina provides globally integrated end-to-end solutions tailored to its customers' supply chain management needs. The Panalpina Group operates a global network with some 500 branches in more than 80 countries. In a further 80 countries, it cooperates closely with partner companies. Panalpina employs approximately 15,500 people worldwide.

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