

OPENING OF NEW LOGISTICS FACILITY

Singapore, July 9, 2018

Speech by Stefan Karlen, President and CEO of Panalpina

Good morning ladies and gentlemen

I am thrilled to be back again in Singapore for the opening of Panalpina's brand-new logistics facility.

I would like to welcome His Excellency, Mr Fabrice Filliez, the Swiss Ambassador to Singapore, Ng Wee Suan and Wu Junli of the Singapore Economic Development Board, Dean Tan and Chan Xue Lin of the Jurong Town Corporation, Dave Soh and his team of the construction and development company SHDB, as well as our valued customers and partners.

I must admit that I would have loved to welcome you on the rooftop of this building with its unique yard and container storage area, but for weather reasons, we thought it was wiser to kick this event off here on the first floor where we have lovely air conditioning.

When Panalpina made the decision to invest in this build-to-suit facility a couple of years ago, I was Panalpina's regional CEO for Asia-Pacific, based in Singapore. Today, I am especially delighted to be returning for the official opening of the facility here at Pioneer View in West Singapore.

Panalpina is a global company and a pioneer of the international freight forwarding and logistics industry. Our history goes back more than 100 years. 96 out of our top 100 customers globally have a base in Singapore, so it makes perfect sense to extend our capabilities in this dynamic city-state.

On six floors, our brand-new facility offers 25,800 m² of usable warehouse space to our customers across many different industries. Now if you've worked in logistics for as long as I have, you have a pretty good idea of how much space that is – but if not, let me illustrate it for you. And since we are in the hot phase of the football World Cup, what better way to do this than with a comparison to a football field. 25,800 m² correspond to 3.5 FIFA-normed football pitches.

Of course, we are not going to play football in here nor on the rooftop. No, Panalpina has bigger plans and ambitions.

Singapore is a very important consolidation hub for ocean and air freight. In 2017, Changi Airport's air freight volumes crossed the full-year threshold of 2 million tons for the first time, as throughput reached 2.1 million tons. Full-year throughput at the port of Singapore reached 33.3 million TEU. And Singapore is investing in the expansion of its ports. A fifth runway is under construction at Changi Airport and the sea port is being relocated to Tuas from Keppel. Against this backdrop, Panalpina plans to offer Air and Ocean Freight services including value-added logistics services to companies particularly in the energy, healthcare, high tech, manufacturing, consumer and retail as well as fashion industries. We will also service customers such as global telecom equipment manufacturers, sporting goods retailers and medical equipment companies. These are industry verticals that Panalpina specializes in and where we can add value to our customers to maximize their profits and stay ahead of the competition.

Two thirds of the space of the multi-purpose facility are already rented out to customers, and we are confident that we will attract further companies for the remaining space. More than one third of the space is occupied by two customers alone.

One, actually the very first customer of this facility, is a local company, the other a large multinational.

Let me tell you a bit more about those customers.

The local customer, and I am delighted that this customer is here with us today, is a local hero called Metro.

For Metro, we are providing the whole range of services, from Ocean Freight and Air Freight to warehousing and distribution.

We will also provide last-mile delivery and assembly services for iLoom furniture. iLoom is one of the latest additions for Metro, a leading furniture brand from Korea that brings innovative, functional and adaptable furniture to Singapore.

The second customer is Royal Dutch Shell. In this case, we provide services for their downstream business. Shell has awarded Panalpina with a new warehouse management and freight deal that will transform Shell's supply chain in and out of Singapore into a full end-to-end operation. Panalpina now handles the international transport and local deliveries in addition to warehousing for its Tuas plant.

Shell's integrated lubricants and grease production facility in Tuas has a size equivalent to almost 25 football fields. It is Shell's third largest lubricants plant in the world and the second largest in Asia-Pacific, capable of producing up to 430 million liters of lubricants and greases every year – enough to change the engine oil of over 12,000 cars, every hour, every day.

In a nutshell, what we do for Shell Lubricants is plant logistics in Tuas where we manage the internal movement of finished goods from the production line for dispatch to this facility which acts as a regional distribution center, and we manage transport between the plant and here and delivery to the end customer.

Metro and Shell are two completely different companies, but they show that we can serve all kinds of companies across all kinds of segments. What both companies have in common is their desire to work with a quality logistics provider such as Panalpina. I thank both of them for the trust they put in us and I can guarantee you that my teams will do everything so that you can reach your goals.

Technology is very, very important for Panalpina. Technology helps us to work more efficiently and to achieve the best results for our customers and we are committed to using it here in this new facility. Thanks to our global warehouse management system, JDA, we can offer accurate and real-time inventory management with full visibility of stock movements. It is thanks to this information that Metro will benefit from shorter delivery times for the daily stock replenishment of their three department stores in Singapore. Panalpina has also developed an inventory forecasting application called '*Demand-Driven Inventory Dispositioning*', in short "D Squared ID" that helps customers manage, forecast and reduce inventory levels in their supply chains.

But there are many other technologies that we will test and put to use here in Singapore, based on best practices and customer requirements. The Internet of Things, IoT, can be used to further optimize inventories using sensors on goods. Automation can help with container unloading on our roof-top or with storing and retrieving goods. The picking process can also be streamlined using special glasses, in other words using augmented reality technology. Automated Guided Vehicle (AGV) systems come to mind, too.

Some technologies have implications that go far beyond the walls of this facility and impact entire supply chains: 3D printing for example. 3D printing is also referred to as additive manufacturing or digital manufacturing. This is an area where Panalpina conducts industry-leading research in collaboration with Cardiff University in the UK. 3D printing is very much about reducing inventory too, it is about turning physical inventory into digital inventory, and more...

Today, customers demand the latest products, and fast. The demand for speed is reflected in the growing availability of same-day and even same-hour delivery services, and the latter is becoming increasingly feasible with improved 3D printing technologies.

But this is just the tip of the iceberg. Bigger changes are occurring in global manufacturing and supply chains to respond to these new customer demands. Companies have already started to move their production closer to demand in an effort to increase their speed to market; a strategy known as distributed manufacturing.

And companies are looking for ways to integrate 3D printing into their supply chain processes to allow them to respond to the growing demand for personalized products.

The steady advancement of 3D printing technology, to the point today where it is possible to print complex products in a huge variety of materials and colors, is making it increasingly attractive for industrial manufacturing.

In fact, this facility could potentially host industrial 3D printers for customers. Our job would be to run the machines, print products, do post-production and distribute the finished products. The facility you are standing in could become a regional hub for distributed manufacturing.

Indeed, manufacturing and global supply chains are changing faster than they have ever done before. In the future, they will change faster than we can even imagine today. The key to success will be in flexibility and adaptability – two characteristics that are built into the design of our multi-purpose facility. Companies will need to be able to change fast in order to survive. We can facilitate that change – because as you saw in the video – we are changing the way the world moves. We are designing and refining global supply chains that are fit for the future.

Last year, we celebrated 40 years of doing business in Singapore and our investment in this facility is in the range of 40 million Swiss francs, making it Panalpina's largest ever warehousing investment outside Europe. We are proud landlords of this world-class facility and therefore in for the long-haul, for you, valued customers, and for Singapore and South-East Asia.

A big thank you goes to the Singapore Economic Development Board for their support in this project, to Jurong Town Corporation for giving us the land and to SHDB, the construction and development company, for building on it and turning bold plans into beautiful reality.

I now invite His Excellency, Mr Fabrice Filliez, Swiss Ambassador to Singapore, onto the stage to speak.
