

MEDIA RELEASE

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Panalpina reports higher volumes as margins remained under pressure

Financial results for the first quarter 2017 came in below the previous-year period for Panalpina. The international freight forwarding and logistics company reported an EBIT of CHF 16.4 million (Q1 2016: CHF 24.0 million) and a consolidated profit of CHF 12.4 million (Q1 2016: CHF 17.3 million). Panalpina outperformed the air and ocean freight markets in terms of volume growth as margins remained under pressure.

“In the first three months of the year, we succeeded in outperforming the markets with volume increases of 8% in Air Freight and 7% in Ocean Freight. As expected, margins remained under pressure, however, they are slowly recovering since we saw an upturn in unit profitability in both Air and Ocean Freight compared to the last quarter of 2016,” says Panalpina CEO Stefan Karlen.

Panalpina Group: Results for the first quarter of 2017

(CHF million)	Q1 2017	Q1 2016
Net forwarding revenue	1277.2	1307.2
Gross profit	332.7	364.9
EBITDA	27.1	36.2
EBIT	16.4	24.0
Consolidated profit	12.4	17.3

[First Quarter Results 2017 – Consolidated Financial Statements](#)

[First Quarter Results 2017 – Investor Presentation](#)

EBIT decreased

In the first quarter of 2017, group gross profit decreased 9% to CHF 332.7 million (Q1 2016: CHF 364.9 million), while total operating expenses were reduced by 7% to CHF 305.7 million (Q1 2016: CHF 328.7 million) year on year. Panalpina achieved an EBIT of CHF 16.4 million (Q1 2016: CHF 24.0 million), a decrease of 32% compared to last year's first quarter. The EBIT-to-gross-profit margin came in at 4.9% (Q1 2016: 6.6%) and the consolidated profit of the group reached CHF 12.4 million (Q1 2016: CHF 17.3 million).

Air Freight

Panalpina's Air Freight volumes grew 8% in the first quarter compared to an estimated market growth of just above 6%. Volume growth was driven mainly by the Far East trade lanes. Gross profit per ton decreased 10% to CHF 620 year on year (Q1 2016: CHF 688), but was up versus the last quarter. Gross profit overall remained almost unchanged at CHF 144.7 million (Q1 2016: CHF 148.6 million). With an EBIT of CHF 17.1 million (Q1 2016: CHF 17.8 million) and an EBIT-to-gross-profit margin of 11.8% (Q1 2016: 12.0%), Air Freight kept previous-year profitability levels.

Ocean Freight

Panalpina's Ocean Freight volumes increased 7% year on year while the market grew by an estimated 4%. The Transatlantic and Far East trade lanes contributed to Panalpina's growth. However, gross profit per TEU decreased 17% to CHF 282 (Q1 2016: CHF 339), resulting in a gross profit of CHF 105.5 million (Q1 2016: CHF 118.1 million). Quarter on quarter, gross profit per TEU increased. As in the last quarter, EBIT and EBIT-to-gross profit margin were negative with CHF -3.2 million (Q1 2016: CHF 4.3 million) and -3.0% respectively (Q1 2016: 3.7%), though both showed an upward trend.

Logistics

The exit from more underperforming sites meant that the gross profit of the Group's Logistics product decreased 16% to CHF 82.5 million (Q1 2016: CHF 98.2 million), but with a strong end to the quarter and further improvements in underlying profitability, EBIT increased from CHF 1.8 million to CHF 2.4 million, resulting in the highest quarterly result recorded to date.

Outlook

"While the challenging market dynamics are expected to continue throughout 2017, we are well-positioned in the market and cautiously optimistic that we can keep up the strong volume growth in Air and Ocean Freight, further gaining market share," Karlen says. "In a market environment where rates are currently going up instead of down as last year, we also expect to make progress in yield management. One of our top priorities remains, of course, to restore profitability in Ocean Freight."

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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, as well as Logistics and Manufacturing to deliver globally integrated, tailor-made end-to-end solutions for eleven core industries. 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. Energy and Project Solutions is a specialized service for the energy and capital projects sector. The Panalpina Group operates a global network with some 500 offices in more than 70 countries, and it works with partner companies in another 100 countries. Panalpina employs approximately 14,500 people worldwide who deliver a comprehensive service to the highest quality standards – wherever and whenever.

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