

MEDIA RELEASE

Basel, July 20, 2017

Increased volumes and higher reported profits

The international freight forwarding and logistics company Panalpina recorded robust volume growth in both Air and Ocean Freight in the first half-year of 2017. As higher freight rates and margin pressure persisted in a continuously challenging market environment, Panalpina increased its reported EBIT from 34.7 million (adjusted half-year 2016: CHF 60.8 million) to CHF 42.0 million and the reported consolidated profit from CHF 21.8 million (adjusted HY 2016: 47.9 million) to CHF 29.9 million for January to June 2017.

“Thanks to strict cost management we improved EBIT quarter-on-quarter in the first half-year of 2017 and restored profitability in Ocean Freight in the second quarter,” says Panalpina CEO Stefan Karlen. “With the successful implementation of our new IT system in the key market Germany, we also gained further momentum in our operations transformation program.”

Panalpina Group: Results for the first half of 2017

(CHF million)	YTD 2017	YTD 2016
Net forwarding revenue	2,632.1	2,596.5
Gross profit	673.1	736.3
EBITDA reported	63.3	59.2
EBIT reported	42.0	34.7
Consolidated profit reported	29.9	21.8
<i>Non-recurring items</i>	-	(26.1)
EBITDA adjusted	63.3	85.3
EBIT adjusted	42.0	60.8
Consolidated profit adjusted	29.9	47.9

[Half-Year Results 2017 – Consolidated Financial Statements](#)

[Half-Year Results 2017 – Investor Presentation](#)

Higher reported EBIT and consolidated profit

As a result of continued margin pressure, group gross profit decreased 9% to CHF 673.1 million in the first half of 2017 (HY 2016: CHF 736.3 million). At the same time, costs were reduced considerably as total operating expenses decreased 6% to CHF 609.8 million (HY 2016: 651.0 million). Reported EBIT and consolidated profit increased year-on-year, but decreased when compared to respective 2016 figures adjusted for restructuring costs. Reported EBIT reached CHF 42.0 million compared to CHF 34.7 million a year before (adjusted HY 2016: CHF 60.8 million) and the EBIT-to-gross-profit margin stood at 6.2%, up from 4.7% (adjusted HY 2016: 8.3%) last year. The reported consolidated profit increased from CHF 21.8 million (adjusted HY 2016: CHF 47.9) to CHF 29.9 million.

Air Freight

Panalpina's Air Freight volumes increased 7% in the first six months of 2017, in line with an estimated market growth of about 8%. High demand for air freight capacity pushed up rates which put margins under continued pressure. Gross profit per ton decreased 10% to CHF 623 (HY 2016: CHF 690), resulting in a gross profit overall of CHF 294.6 million (HY 2016: CHF 304.5 million). Reported EBIT in Air Freight increased from CHF 33.1 million (adjusted HY 2016: CHF 45.7 million) to CHF 39.1 million. The reported EBIT-to-gross-profit margin for the first half of 2017 came in at 13.3% compared to 10.9% (adjusted HY 2016: 15.0%) a year before.

Ocean Freight

In Ocean Freight, Panalpina's volumes in the first half-year increased 5% year-on-year, which was above an estimated market growth of about 4%. However, gross profit per TEU decreased 12% to CHF 283 (HY 2016: CHF 323), resulting in a gross profit overall of CHF 214.6 million (HY 2016: CHF 232.9 million). Ocean Freight reported an EBIT loss of CHF 2.6 million for the first half-year, down from a profit of CHF 1.3 million in 2016 (adjusted HY 2016: CHF 10.9 million), but returned to profitability in the second quarter.

Logistics

As the turnaround of underperforming sites continued, the group's Logistics gross profit decreased 18% to CHF 163.9 million in the first half-year (HY 2016: CHF 198.9 million), but profitability increased further in the meantime: Logistics posted a reported EBIT of CHF 5.4 million for the first six months of 2017, compared to CHF 0.3 million (adjusted HY 2016: CHF 4.1 million) for the same period of last year.

Outlook

"We expect ocean carriers and airlines to be much more disciplined than in previous years in managing transport capacity and sustaining freight rates," says Karlen. "While we are confident that we can improve unit profitability in Ocean Freight in the second half of the year, unit profitability in Air Freight will remain under pressure. We will therefore concentrate on what we can influence directly: controlling cost very effectively and pushing ahead with our operations transformation program."

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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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