

MEDIA RELEASE

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Panalpina reports higher volumes and reduced profit for 2016

While Panalpina recorded the highest Air Freight volumes since 2007, gross profit margins in both Air and Ocean Freight came under pressure in 2016. This resulted in lower full-year earnings for the international freight forwarding and logistics company. Adjusted for restructuring expenses of CHF 28 million, EBIT reached CHF 109.9 million (-6.3%) and consolidated profit CHF 80.2 million (-9.1%) in 2016.

“2016 represented a very challenging year. Much lower volumes from the oil and gas sector meant that we had to restructure that part of our business during the first half-year. In the second half, the Hanjin collapse and the very busy air freight peak season led to tight capacities and soaring rates which put strong pressure on our margins,” says Panalpina CEO Stefan Karlen. “While we continued to perform well on volumes, pressure on yields impacted our profits.”

Panalpina Group: Results for the Full Year 2016 and the fourth quarter

(CHF million)	2016	2015	Q4 2016	Q4 2015
Net forwarding revenue	5,196.0	5,855.5	1,332.5	1,446.2
Gross profit	1,424.6	1,473.8	332.9	366.5
Reported EBITDA	131.7	168.3	27.0	36.9
Reported EBIT	82.0	117.2	14.4	24.9
Reported consolidated profit	52.3	88.2	5.8	19.0
<i>Non-recurring items</i>	(28.0)	-	(1.9)	-
EBITDA adjusted	159.6	168.3	28.9	36.9
EBIT adjusted	109.9	117.2	16.3	24.9
Consolidated profit adjusted	80.2	88.2	7.7	19.0
Reported earnings per share (CHF)	2.29	3.69	0.27	0.78
Dividend per share (CHF)	* 3.75	3.5		

* Proposed to the Annual General Meeting

[Full-Year Results 2016 – Consolidated Financial Statements](#)

[Full-Year Results 2016 – Investor Presentation](#)

EBIT decreased

In 2016, Panalpina’s gross profit decreased 3.3% to CHF 1,424.6 million (2015: CHF 1,473.8 million). Adjusted for oil and gas related restructuring expenses of CHF 28.0 million, EBIT reached CHF 109.9 million (reported 2016: CHF 82.0 million; 2015: CHF 117.2 million). The adjusted EBIT-to-gross-profit margin came in at 7.7% (reported 2016: 5.8%; 2015: 8.0%) and the adjusted consolidated profit amounted to CHF 80.2 million (reported 2016: CHF 52.3 million; 2015: CHF 88.2 million).

Air Freight

Panalpina’s Air Freight volumes increased 10% (4% organic growth) in 2016, in a market that grew by an estimated 1-2%. The air freight industry had the busiest peak season since 2008 and

Panalpina recorded the highest air freight volumes since 2007. The company transported 921,400 tons of air cargo last year (2015: 836,200 tons). Gross profit per ton decreased 7.5% to CHF 646 (2015: CHF 699), resulting in a total gross profit of CHF 595.2 million (2015: CHF 584.1 million). On an operating profit level, Air Freight achieved an adjusted EBIT of CHF 93.5 million (reported 2016: CHF 80.8 million), compared to CHF 88.5 million the year before. The EBIT-to-gross profit margin in 2016 came in with 15.7% (reported 2016: 13.6%; 2015: 15.2%).

Ocean Freight

Panalpina's Ocean Freight volumes decreased 7% year-on-year, but increased from quarter to quarter as the year progressed. The market grew by an estimated 1% in 2016. Panalpina transported 1,488,500 TEUs (twenty-foot equivalent units) in 2016 (2015: 1,593,900 TEUs). When carriers tightened capacity following the Hanjin collapse in August, rates went up and margins came under pressure. Gross profit per TEU of Ocean Freight decreased slightly by 1.1% to CHF 298 (2015: CHF 301), resulting in a gross profit overall of CHF 443.8 million (2015: CHF 480.4 million). Ocean Freight posted an adjusted EBIT of CHF 10.9 million for the whole year (reported 2016: CHF -0.6 million), after an EBIT of CHF 26.6 million in 2015. The EBIT-to-gross profit margin dropped to 2.5% (reported 2016: -0.1%; 2015: 5.5%).

Logistics

In Logistics, gross profit decreased 5.8% to CHF 385.7 million (2015: CHF 409.3 million) and adjusted EBIT increased to CHF 5.6 million for 2016, compared to CHF 2.1 million last year (reported 2016: CHF 1.8 million). This marked the second positive year for Logistics on EBIT level.

Dividend

In light of the healthy net cash position and stable profitability, the board of directors will propose an increased (+7%) dividend payment of CHF 3.75 per share to the Annual General Meeting on May 3, 2017. This is equivalent to a dividend yield of 3% (based on the 2016 year-end share price).

Outlook

"The unusually strong air freight peak season, and the temporary capacity constraints in the ocean freight market in 2016, mean that we have to concentrate even more on improving our yield management, especially when it comes to our Ocean Freight operating model," says Karlen. "Yields have continued to remain under pressure in January and February and we expect the first quarter to come in below the previous year. Despite 2017 being a year of great political and macroeconomic uncertainties, we are keeping to our long-term goals and are confident that we can maintain stable costs to position the business for volume growth." Panalpina expects the air and ocean freight markets to grow by 2% in 2017.

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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 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 over 90 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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