

ITALY: 80TH ANNIVERSARY OF PANALPINA ITALY

Milan, September 25, 2018

Speech by Stefan Karlen, President and CEO of Panalpina

Good afternoon ladies, gentlemen and honored guests, and thank you all for taking time out of your busy schedules to be here with us today to celebrate the 80th anniversary of Panalpina operations in Italy.

My hometown is not too far from here, on the other side of the Alps. I am from the Swiss canton of Valais, born in Visp, which is very close to one of the world's best-known landmarks, the Matterhorn, or Monte Cervino, as you call it. As you know, the Matterhorn, or Monte Cervino, stands on Swiss *and* Italian ground.

Unlike the Matterhorn, Panalpina is one of Switzerland's best kept secrets. People that know us are usually people like you: customers, partners, journalists.

We've been in business for 80 years in Italy. This is an achievement and testament to the dedication and hard work of our Italian teams – 180 employees in seven offices and two warehouses.

We operate in a business-to-business environment; our customers are companies – companies you will have heard of. Some of these Italian brands produce the high heels, bags, sunglasses or clothes that make Italy famous.

We help these companies get their products to their customers. For some of these companies, we fly highly sought after high fashion items from Milan to Asia; for others to the USA.

One area where we have a strong foothold in Italy is in high fashion, and this is an industry that lends itself to air freight. Air freight is in our DNA. Panalpina is one of the leading freight forwarders in terms of transported air freight volumes. In 2017, which was a very strong year for air freight in general, we transported almost one million tons of air freight globally for our customers.

Of course, in a country like Italy, surrounded by the Mediterranean Sea, I would be foolish not to mention ocean freight, too. We are also one of the largest freight forwarder in terms of transported ocean freight volumes. Panalpina transported 1.5 million twenty-foot containers globally in 2017.

Additionally, Panalpina is one of the world's leading providers of supply chain solutions. We manage every part of the supply chain. We also have highly specialized expertise in the area of heavy-lift and oversized transports, including transport engineering. We do a lot of industrial projects work and move a lot of big equipment – we call them #MajorMoves – for the Energy and Manufacturing sectors using all modes of transport in Italy and the world.

Let's focus now on Panalpina in Italy.

Italy is an export nation, and this is also reflected in Panalpina Italy's transport volumes: our Air Freight exports are five times higher than imports, and our Ocean Freight exports are double the imports.

Consumer and Retail, Fashion as well as Automotive and Manufacturing are the most important segments for us in Italy across all modes of transport. Other important segments are Healthcare, Energy and Technology.

The USA and China are the most important air freight origin and destination markets for Italy as a country, and also for Panalpina.

In Italy, we currently have a market share of around 3% in air freight, and of around 1% in ocean freight.

These figures show two things: 1) The freight forwarding market is still very fragmented and 2) there is a lot of room for us to grow in Italy – in both air and ocean freight, but also in the area of value-added warehousing and end-to-end distribution. Our managing director for Italy, Giuseppe Chiellino, will tell you a little more about the importance of having your own warehouses and reliable partners for overland distribution in Italy.

But back to Italy and air freight: The country is Europe's fourth largest air freight market, and 52% of Italy's air freight exports and imports run through Malpensa Airport. That makes Malpensa Italy's most important airport for cargo.

So far this year, Panalpina Italy's Air Freight volumes grew by 3-4%, twice as much as the market.

Air Freight growth for us mainly came from Fashion as well as Consumer and Retail.

Let's take Fashion as an example because fashion is one area where we excel, and it's an important industry for Italy. Increasingly, we are asked by Italian fashion companies to send their goods directly to the stores in the destination markets, bypassing local distribution centers. We pick up the products at the factory or distribution center here in Italy, organize last-mile delivery to the store in Hong Kong and even unpack and scan the products at the store and leave again with the empty boxes.

Speed matters. In the fast-paced age of ecommerce and social media, our customers are asking us to increase the speed of delivery and provide value-added services. Bypassing local distribution centers is one way to win time; another is to fly directly from Milan Malpensa to Hong Kong.

Technology is another word that is important at Panalpina. Technology comes in many forms these days, be it in the form of invisible algorithms that can optimize your inventories or forecast supply chain disruptions, omnipresent smartphones or a cargo aircraft like our *Spirit of Panalpina*, the gorgeous airplane parked outside and waiting for you.

This wonderful piece of machinery crosses oceans, entire continents and the Alps with ease.

At the time when our company was renamed Panalpina in 1960, the name signified the "conquest" of the Alps by haulage services linking northern and southern Europe.

The *Spirit of Panalpina* is without doubt our most valuable non-human ambassador. Plane spotters love to take pictures of the aircraft and share them via social media. Our customers love it because it delivers their products reliably, fast, on time and in optimum condition.

The *Spirit of Panalpina* is the backbone – but by far not the only element – of the Panalpina Charter Network.

Since 1990, Panalpina has been the only major freight forwarding company to offer its Charter Network for air freight. It is a unique asset that differentiates Panalpina from all other large freight forwarders. The Panalpina Charter Network accounts for approximately 15% of Panalpina's Air Freight each year.

Through our Charter Network, we organize around 1,500 dedicated charters per year. From this very airport we will operate at least three charter flights to New York in November and December, mainly for fashion customers.

One of the biggest benefits of the network is control, for example when handling high-value cargo for fashion or temperature sensitive cargo for healthcare customers.

We do not only control aircraft on specific routes, but we design and oversee processes on the ground as well, ensuring the best possible control from door-to-door, no matter what your product is.

And that brings me to my last point about air freight: In two weeks the global air freight peak season will begin.

Even though the air freight market is not quite as strong as in 2017, rates remain high. They continue to be 15-20% higher than last year and we will see further increases as we inch towards the fourth quarter of the year.

Same as last year, we have prepared meticulously for peak season in terms of securing capacity for our customers.

But this year, we are even taking it one step further; we also have a strong focus on readiness on the ground.

Not only have we been talking to customers and airlines, but also to ground handling agents at airports and trucking companies. For our customers, we are doing everything possible to prevent bottlenecks and potential delays on the ground.

Capacity alone will not save the day this year, smooth operations on the ground will be equally important.

Before I hand over to Giuseppe and before you get a chance to take a first-hand look at the *Spirit of Panalpina*, I'd like to say a big thank you again to our customers and partners who have joined us today. We value your business and the strong relationship we have built together.

At Panalpina we will always strive to give you the best service possible because we know that as you grow, so do we. We don't grow in isolation; we grow together.

So while we look back and celebrate our 80 years here, we also look forward to many more years and growing our business here in Italy.

To all staff, both past and present, to our partners, and to our customers I say “Grazie mille, buona serata e felice ottantesimo compleanno.”
