

## STRATEGY

# Strategy

**GRI**  
Standard Disclosures  
G4-3, G4-4

Panalpina's strategy is based on four pillars – operational improvement, organic growth, external growth and innovation. While our main focus in 2016 was on operational improvement, we are now turning our attention towards growth and innovation.



### Operational improvement

ERP Single Client implemented for 55% of transactions  
SAP TM implemented in four countries



### Organic growth

New office in Cambodia; additional offices in China and Japan  
~2% GP organic sales growth throughout industry verticals



### External growth

Successful integration of Panalpina Airflo



### Innovation

New solution for commodity trading customers

### Operational improvement

We have taken several measures since 2013 to improve operations:

### Management structure

We have simplified and significantly strengthened the top 100 population, with 64% of these managers newly appointed since 2013. We have equally developed our internal talents, and appointed the CEO and four executive committee members from within.

### Centralization and offshoring

The Global Business Services network was built up to handle Air and Ocean Freight processes at three central sites (Manila, Prague and Wuhan), which led to process standardization, productivity improvement, cost reductions and better quality.

### Finance and operational IT systems

We have continued to consolidate our disparate finance environments into a ERP Single Client system, increasing transparency and stability. The system is now implemented for 55% of total transactions and the roll-out is expected to be completed by the end of 2017. The SAP Transportation Management system, which supports our Air and Ocean Freight operations, was successfully implemented in Switzerland and Singapore in 2016. We also extended the system to Canada and Italy and started the rollout in Germany. Our aim is to have 60% of transactions in SAP TM by the end of 2018.

### Increase of return on sales

Starting in 2013, we implemented several measures to increase sales efficiency and effectiveness, including standardized sales processes, a sales academy and induction program, and a single CRM tool to drive opportunities. We further diversified our industry verticals and focused on innovative solution selling.

### Turnaround of loss-making units

Due to Panalpina's structured approach to loss-making operations, most of the top loss-making countries from 2013 are now showing positive EBIT. We have achieved full P&L visibility at regional, country, business unit and department level, allowing us to make the right management decisions.

### Cost control

We have kept our costs at the 2013 level and will strive to maintain this in the future.

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## Strategy continued

**Organic growth**

To grow Panalpina from within, our strategy is to increase our business with existing customers, to gain new customers and to continue to balance our industry mix. We increased sales efficiency and achieved 80% of GP through our global accounts and key country accounts. This approach paid off in 2016 with several large business wins with major companies over a wide range of verticals.

We have continued to expand our footprint in selected geographies and this year opened our first office in Cambodia, together with new offices in China and Japan. We have also invested in new facilities for perishables and pharmaceuticals in Amsterdam, Antwerp and Brussels. Our new facility in Dubai is now operational and will meet the increased demand for our innovative Logistics Manufacturing Services (LMS).

**External growth**

Our solid finances and the implementation of unified finance and operational IT systems have put us in a position where we can consider other companies for M&A. These would be bolt-on companies in areas that complement our current services and have strong potential for growth.

**Innovation**

The major disruptions within the technology and freight forwarding industries present tremendous opportunities for Panalpina. New ideas to fuel Panalpina's growth can come from within the company or from external sources. Panalpina's Innovation Board, now led by the chairman, meets every quarter to follow up on ongoing initiatives and evaluate new ideas. Suitable ideas are proposed to the Executive Board and, if accepted, are adopted by a sponsor. The process has generated several ideas such as the use of 3D printing in manufacturing, end-to-end e-commerce offerings and a new service to support commodity trading companies.

Panalpina extended its partnership with the Cardiff Business School and opened a joint Logistics Manufacturing Research Centre to investigate new approaches to distributed manufacturing, 3D printing, the circular economy, and digital manufacturing. Innovative ideas are also generated through internal meetings with managers and young talents, external conferences, workshops with selected customers and start-up companies or scanning of media to determine industry trends.



The Airflo company was successfully integrated in early 2016 under the brand Panalpina Airflo and was a major driver for increased perishables business.

**STRATEGY**

# Panalpina integrated business model

Our capitals					
<b>Financial investments</b> Financial management Strategic acquisitions	<b>Intellectual capital</b> New methodologies Management systems Advanced IT systems	<b>Human capital</b> Education and training Employee engagement Compliance and ethics	<b>Social</b> Trade organizations, customers, suppliers Philanthropy	<b>Manufactured capital</b> Building new facilities Adopting state-of-the-art technologies	<b>Natural capital</b> Energy utilization Material usage



Our impacts					
Operating profits Resources for investment Long-term stability	Optimized supply chains Effective management IT innovations	Well-trained workforce Commitment to ethics Sustainability awareness	Reputation Customer and supplier relationships Risk management	Changes to our footprint Innovation in transportation	Pollution from infrastructure Waste from operations Greenhouse gases

Our stakeholders				
<b>Customers</b>	<b>Suppliers and subcontractors</b>	<b>Shareholders</b>	<b>Employees</b>	<b>Communities</b>

**Our products**



**Air Freight**  
From paperless flights to temperature-controlled shipments, we deliver tailored transport services, worldwide and end-to-end.



**Ocean Freight**  
We are one of the world's largest providers of ocean freight services and are present in all major cities and ports.



**Logistics**  
We create more value for our customers' supply chains through integrated planning tools and Logistics Manufacturing Services.



**Energy and Project Solutions**  
We offer integrated turnkey project logistics and forwarding management services to oil and gas customers and various other industries on a global scale.