Survey Summary

Present & Expected Volume Spread Widens; Index Positive, But Sequential Decline Continues

In February, the Stifel Logistics Confidence Index reading maintained its positive footing, with results in both air and sea freight exceeding the 50.0 threshold. However, sequential readings for the present situation continue to decline from December's record levels. Prepared in conjunction with U.K.-based Transport Intelligence, the overall index is a survey-based measure of activity in major European import and export trade lanes. Results are a blended indicator of present conditions and six-month expectations in both airfreight and ocean freight volumes. The current period tends to be muddled by the impact of Chinese New Year, and we await next month's results for a clearer picture of how freight is developing in early 2014. Y/Y results continue to show improvement in both air and sea freight forwarding, and the outlook for 2H14 is one for expansion, but growth continues to remain slow, in our view.

- **Overall Logistics Confidence, a composite of the current situation and the six-month outlook for both intercontinental modes, was 7.5% above last year's 52.1 reading, as market sentiment continues to be more favorable now than at the beginning of 2013.** However, sequential performance continues to slide from December's record levels. We note that the timing of Chinese New Year may have muddled results, but continue to believe that near-term growth in the European forwarding market should be positive but slow. Since December, the spread between present volumes and expected 6-month volumes continues to widen.
- **Sea freight contracted sequentially on all four monitored lanes, repeating last month's pattern. For the current situation, volumes were below normal seasonal expectations on all lanes except Asia-Europe.** This result offset a slight increase in the 6 month outlook, and drove a 1.1% decline in the overall sea freight confidence index. Once again, the driver seems to be overcapacity and erratic underlying carrier rates. Based on the Shanghai Containerized Index, China to Europe average rates declined 7.8% from the beginning of January 2014 to the end of the month, while average rates on the China to U.S. West Coast lane increased almost 13% for the same period. However, compared to same period for 2013, China to Europe average rates are 19.2% higher at the end of January 2014 whereas average rates for the China to U.S. West Coast are 15.6% lower.
- **Results for the present situation in air were likewise below normal seasonal expectations in all measured lanes except for the Asia-Europe lane.** Sequentially, almost all trade lanes recorded declines in the present situation except for the U.S. to Europe lane, which registered a 0.8 point sequential increase. Capacity remains elevated, in our view, as passenger demand drives an increase in available belly cargo space.
- **In the most recent one-off question, we asked respondents whether they expected a decline in freight capacity given the growing availability of commercial belly space**. Some 38% expected to see capacity remain stable, while ~23% expected growth in freighter capacity and 24% anticipate a decline. Slightly more than 15% were not sure.
- **Investment Conclusions**: We interpret this month's results as evidence of continued, but slow recovery off of last year's results, but refrain from reading too deeply into February numbers given the effect of Chinese New Year. Trade remains steady and the consensus outlook seems to be one for growth, but challenges in the underlying carrier markets, including excess capacity in both air and ocean, may continue to serve as headwinds to forwarder performance. We maintain our view that valuation of public forwarders remains fair to full, and retain our Hold rating on common shares of Deutsche Post DHL (DPW, EUR 26.30, Hold), Kuehne + Nagel (KNIN-SIX, CHF 119.90, Hold), and Panalpina (PWTN-SIX, CHF 148.40, Hold). *Prices are U.S. market close, 2/13/2014.*

- **** To participate in next month's survey, and in order to receive an advanced copy of the results, please use the***

David G. Ross, CFA dross@stifel.com (443) 224-1316
J. Bruce Chan chanb@stifel.com (443) 224-1386
Stifel Equity Trading Desk (800) 424-8870

following link: https://www.surveymonkey.com/s/FebMar14

STIFEL

Logistics Confidence Index

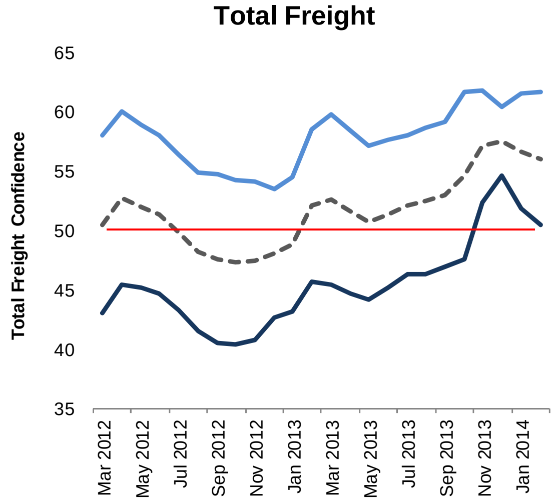
Overview – February 2014

While the present situation for both air and sea rated above the neutral 50 mark, both modes fell from the figures recorded in January. The month's Logistics Confidence Index also slipped for the second consecutive month.

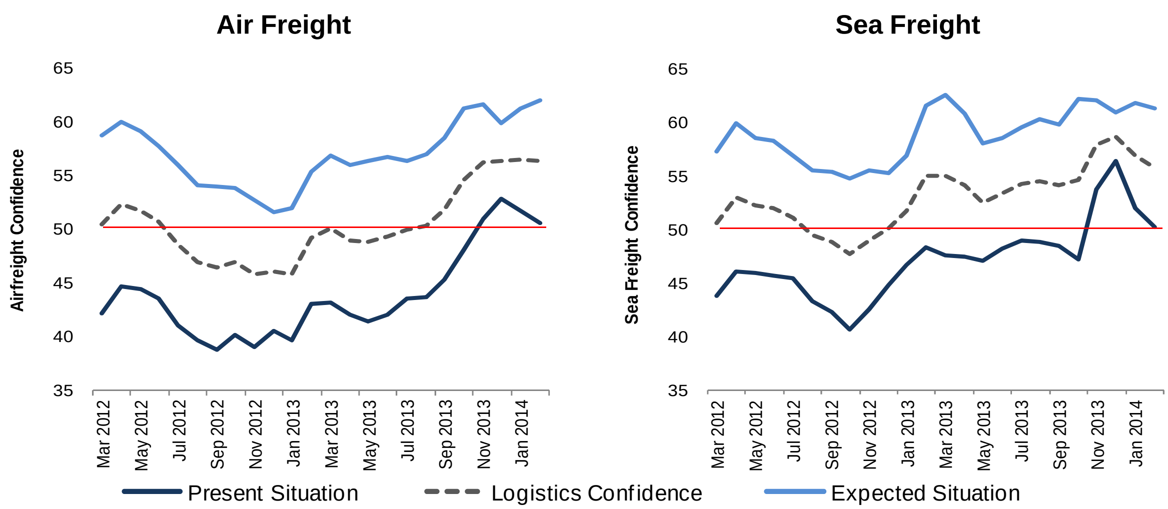
At 56.0, the Logistics Confidence Index score recorded in February was 0.6 index points lower than the mark recorded in January, although the index did remain above the 50-mark for a thirteenth consecutive month.

In terms of the present situation, the total freight index declined 1.4 points to 50.4 in February. The index for sea freight fell 1.7 points from January to 50.2. Meanwhile, the air freight index decreased 1.1 points to 50.6 for the month. For total freight, the expected situation index rose 0.1 index points to 61.6.

For February's one off question, we asked survey participants whether, with commercial belly space growing, they expected freighter capacity to shrink, grow or remain stable. Some 38% expected to see stable capacity, 23% expected growth, 24% anticipated shrinking freighter capacity with 15% unsure.



The logistics situation index illustrates current condition faced by forwarders, while the logistics expectations index shows how the situation is expected to develop over the next six months. The logistics confidence index, an average of both the present situation and expected situation indices, expresses overall confidence in the market.



	Present Situation	Expected Situation	Confidence
Mode	**Feb 2014**	**Aug 2014**	**Average**
Air Freight	50.6	62.0	56.3
Sea Freight	50.2	61.2	55.7
Total Freight	**50.4**	**61.6**	**56.0**

Source for all data and graphs: Stifel Logistics Confidence Index

STIFEL

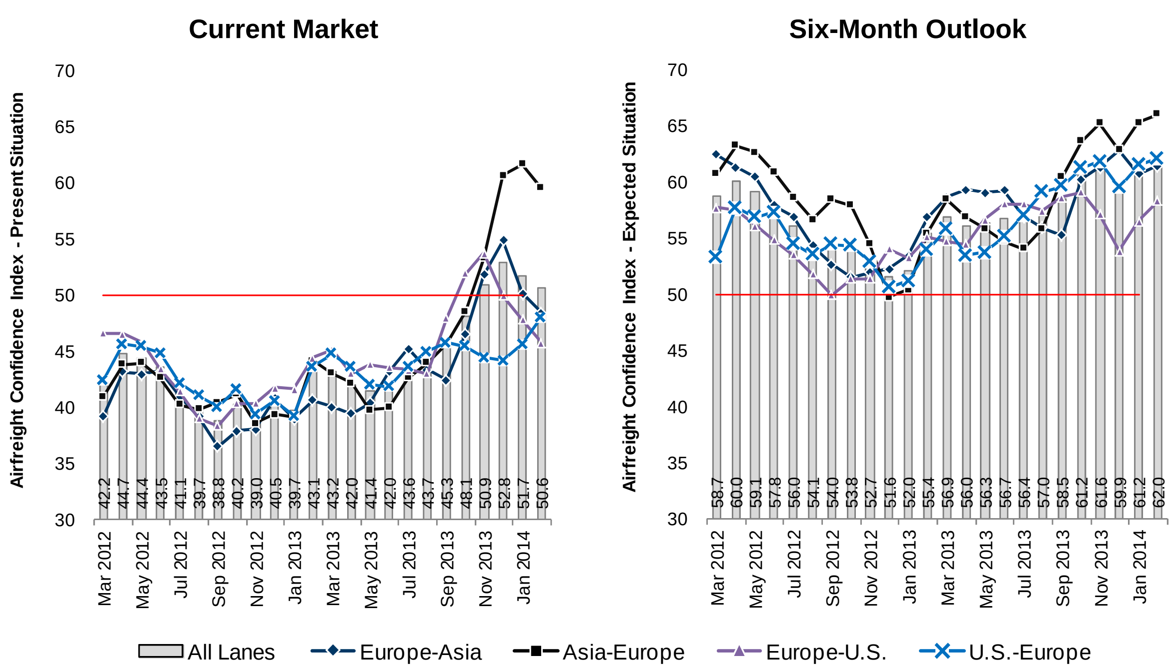
Logistics Confidence Index

Air Freight Confidence Index

The logistics confidence index for air freight decreased slightly by 0.2 points to 56.3 in February 2014. When compared with February 2013, the index was 7.1 points higher.

In terms of the present situation, the total air index registered 50.6 for the month, compared with 51.7 in January. Only one lane – US to Europe – saw growth, up 2.4 points to 48.0. The Europe to Asia route fell 1.7 points to 48.4, Asia to Europe declined by 2.1 index points to 59.5. The Europe to US lane also fell 2.1 index points to 45.7.

Looking ahead six months, the expected situation index for total air freight increased 0.8 points to 62.0 in January. All lanes showed increases, with the index for the Europe to US lane growing the most, up 1.8 points to 58.3. The Europe to Asia lanes increased 0.7 points to 61.4 for the month, while the Asia to Europe lane also grew 0.7 points to 66.0. The US to Europe lane saw an increase of 0.6 points to 62.1. Each lane remained above 50 in January, with three seeing index scores in excess of 60 points, indicating that forwarders' maintain optimism in the airfreight market over the next six months.



	Air Freight		
Trade Lane	**Feb 2014**	**Aug 2014**	**Confidence**
Europe-Asia	48.4	61.4	54.9
Asia-Europe	59.5	66.0	62.8
Europe-U.S.	45.7	58.3	52.0
U.S.-Europe	48.0	62.1	55.1
Total Index	**50.6**	**62.0**	**56.3**

Source for all data and graphs: Stifel Logistics Confidence Index

STIFEL

Logistics Confidence Index

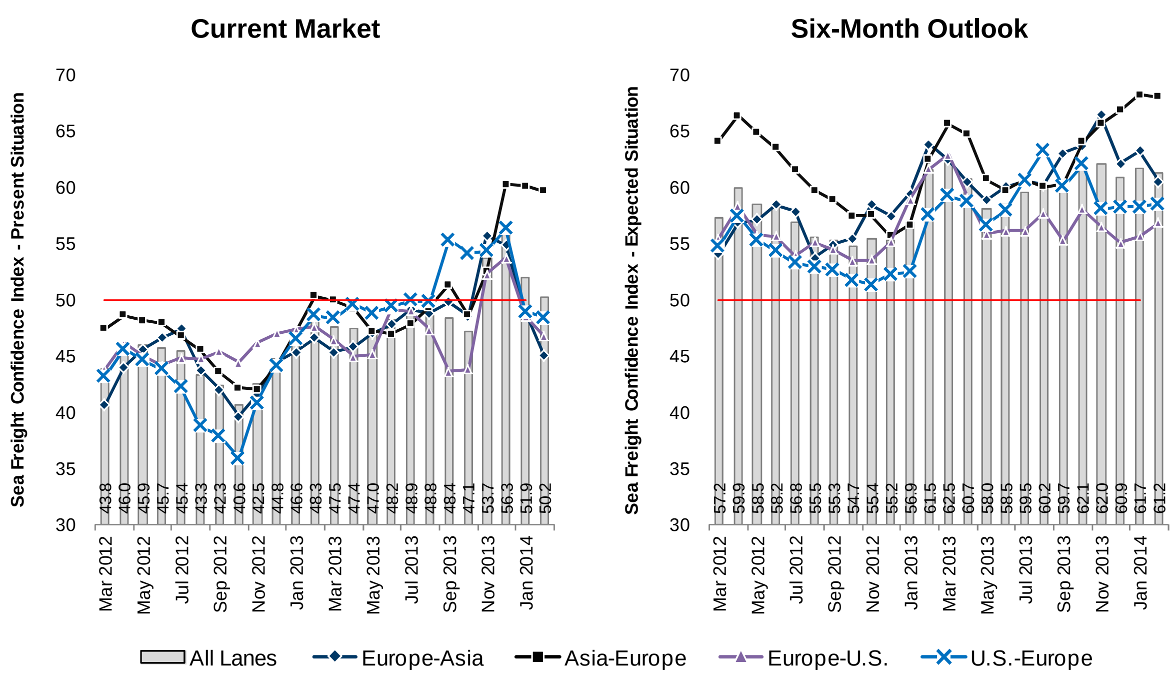
Sea Freight Confidence Index

For sea freight, the logistics confidence index decreased 1.1 points to 55.7 in February. Compared with the same month in 2012, the index was 0.8 points higher.

For the present situation, the index noted declines across all lanes for the second consecutive month. The Asia to Europe recorded a fall of 0.5 index points to 59.6 in February, while the Europe to Asia lane fell more sharply, down 3.9 points to 45.0. The Europe to US route decreased 1.8 index points to 46.7, while the US to Europe lane saw a slighter decrease of 0.5 points, leaving the index at 48.4 in February.

Sea forwarders revealed some doubts about the next six months with two lanes recording falls; the expected situation index for sea freight fell 0.5 points to 61.2 as a result.

The Europe to Asia lane decreased 2.7 points to 60.5 for the month. Forwarders on the Asia to Europe lane noted a decline of 0.2 points to 68.0. Meanwhile, the Europe to US lane increased 1.2 points to 56.8, while the US to Europe lane also grew, up 0.3 points to 58.5.



	Sea Freight		
Trade Lane	**Jan 2014**	**Jul 2014**	**Confidence**
Europe-Asia	48.9	63.2	56.1
Asia-Europe	60.1	68.2	64.2
Europe-U.S.	48.5	55.6	52.1
U.S.-Europe	48.9	58.2	53.6
Total Index	**51.9**	**61.7**	**56.8**

Source for all data and graphs: Stifel Logistics Confidence Index

STIFEL

Logistics Confidence Index

Methodology

The Stifel Logistics Confidence Index is calculated based on responses from a monthly survey, completed by a number of logistics professionals. The survey questions participants as to volumes that they are currently experiencing, relative to the time of year, as well as how they expect volumes to develop over the next six months. The total index covers four European based trade lanes, including:

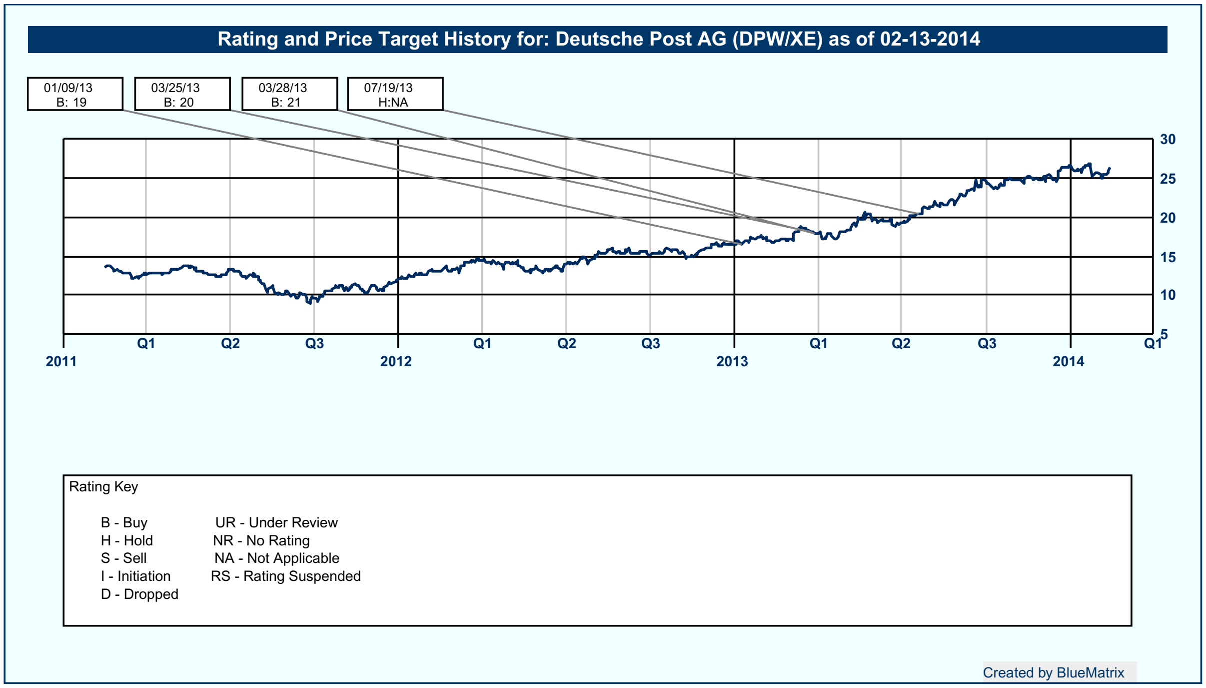
- Europe to Asia
- Asia to Europe
- Europe to U.S.
- U.S. to Europe

These trade lanes form four sub-indices, from which an overall index for both the airfreight industry and sea freight industry is calculated. An index value of 50 indicates no change in the volumes of partaking logistics companies; above 50 indicates higher volumes, while below 50 indicates lower volumes.

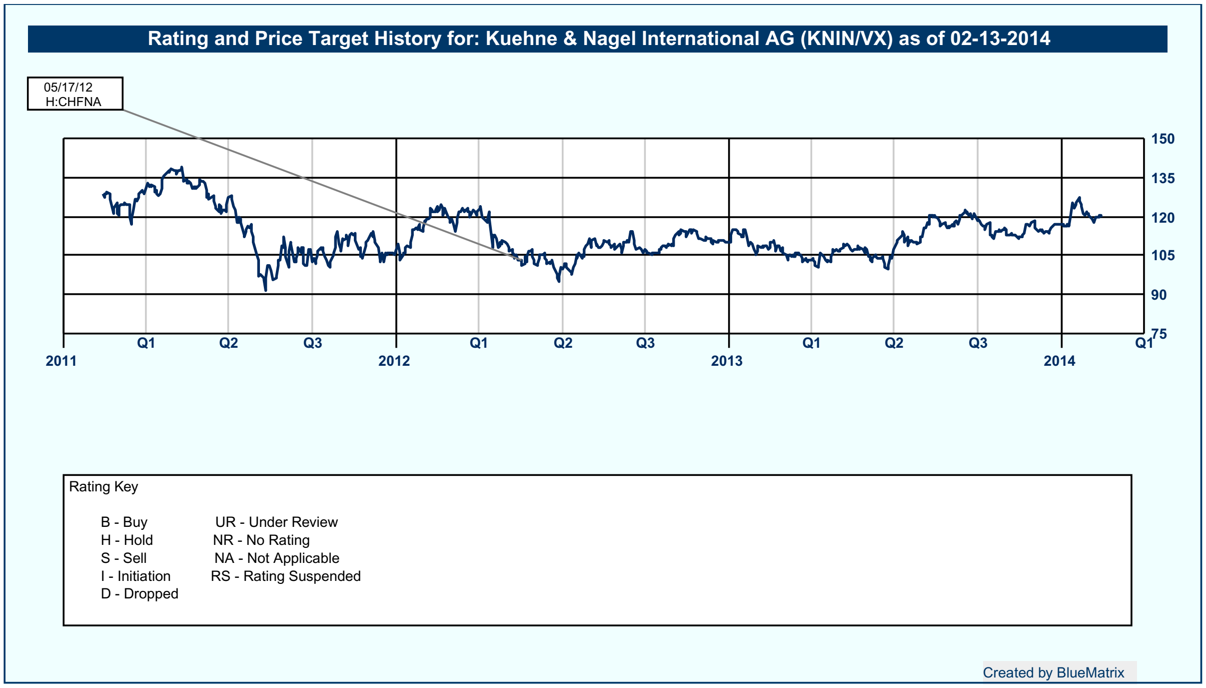
***To participate in next month's survey, and in order to receive an advanced copy of the results, please use the following link:* https://www.surveymonkey.com/s/FebMar14**

Important Disclosures and Certifications

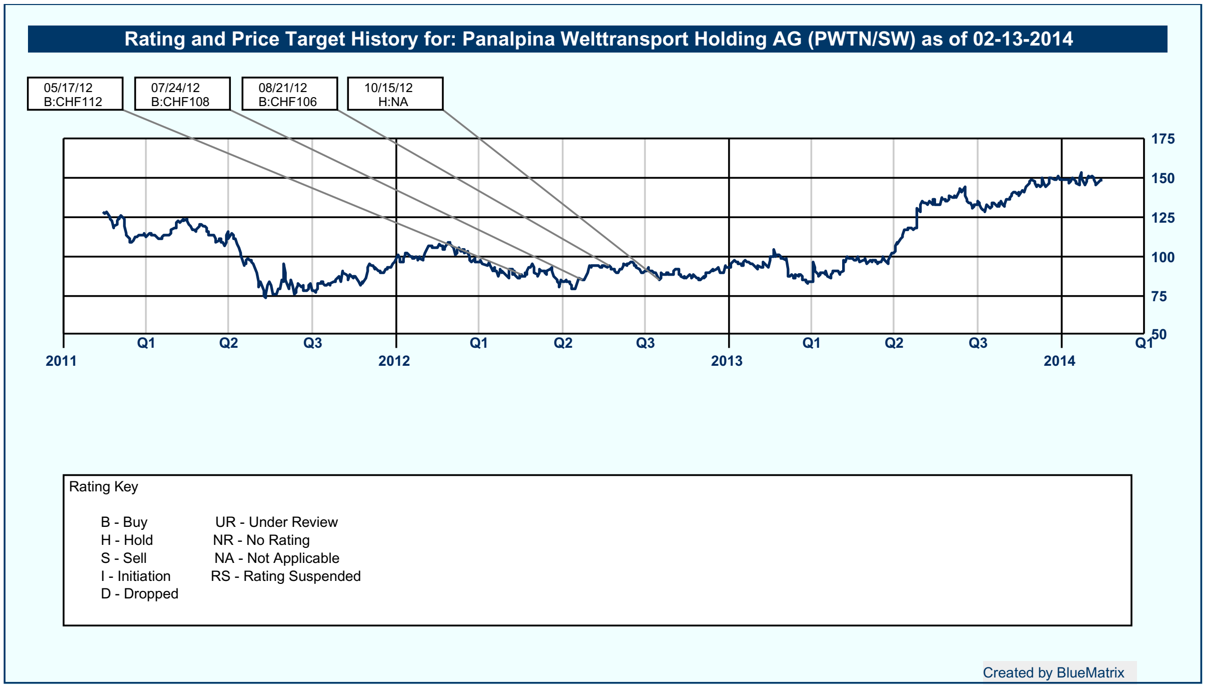
I, David G. Ross, certify that the views expressed in this research report accurately reflect my personal views about the subject securities or issuers; and I, David G. Ross, certify that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research report. For our European Conflicts Management Policy go to the research page at www.stifel.com.



For a price chart with our ratings and target price changes for DPW/XE go to http://sf.bluematrix.com/bluematrix/Disclosure?ticker=DPW/XE



For a price chart with our ratings and target price changes for KNIN/VX go to http://sf.bluematrix.com/bluematrix/Disclosure?ticker=KNIN/VX



For a price chart with our ratings and target price changes for PWTN/SW go to
http://sf.bluematrix.com/bluematrix/Disclosure?ticker=PWTN/SW

Stifel expects to receive or intends to seek compensation for investment banking services from Deutsche Post AG, Kuehne & Nagel International AG and Panalpina Welttransport Holding AG in the next 3 months.

The securities of Deutsche Post are not registered in the following states or territories: Guam, Hawaii, Kansas, Kentucky, New Hampshire, North Dakota, Oklahoma, Puerto Rico, Virgin Islands, and West Virginia. As a result, this information may not be distributed to persons in such jurisdictions as the securities may not be eligible for sale. Additionally, the securities of non-U.S. issuers may not be registered with, nor be subject to the reporting requirements of, the U.S. Securities and Exchange Commission. The information contained herein is not an offer to sell or the solicitation of an offer to buy any security in any state or jurisdiction where such an offer or solicitation would be illegal.

This report is intended for distribution to or use by **institutional clients only**, as the securities of the company or companies mentioned in this report may not be registered in certain states or other jurisdictions and as a result, the securities may not be eligible for sale in some states or jurisdictions. Additionally, the securities of non-U.S. issuers may not be registered with, nor be subject to the reporting requirements of, the U.S. Securities and Exchange Commission. The information contained herein is not an offer to sell or the solicitation of an offer to buy any security in any state or jurisdiction where such an offer or solicitation would be illegal.

The securities of Kuehne & Nagel International AG are not registered in the following states or territories: Guam, Kentucky, New Hampshire, and Puerto Rico. As a result, this information may not be distributed to persons in such jurisdictions as the securities may not be eligible for sale. Additionally, the securities of non-U.S. issuers may not be registered with, nor be subject to the reporting requirements of, the U.S. Securities and Exchange Commission. The information contained herein is not an offer to sell or the solicitation of an offer to buy any security in any state or jurisdiction where such an offer or solicitation would be illegal.

Stifel research analysts receive compensation that is based upon (among other factors) Stifel's overall investment banking revenues.

Our investment rating system is three tiered, defined as follows:

BUY -For U.S. securities we expect the stock to outperform the S&P 500 by more than 10% over the next 12 months. For Canadian securities we expect the stock to outperform the S&P/TSX Composite Index by more than 10% over the next 12 months. For other non-U.S. securities we expect the stock to outperform the MSCI World Index by more than 10% over the next 12 months. For yield-sensitive securities, we expect a total return in excess of 12% over the next 12 months for U.S. securities as compared to the S&P 500, for Canadian securities as compared to the S&P/TSX Composite Index, and for other non-U.S. securities as compared to the MSCI World Index.

HOLD -For U.S. securities we expect the stock to perform within 10% (plus or minus) of the S&P 500 over the next 12 months. For Canadian securities we expect the stock to perform within 10% (plus or minus) of the S&P/TSX Composite

Index. For other non-U.S. securities we expect the stock to perform within 10% (plus or minus) of the MSCI World Index. A Hold rating is also used for yield-sensitive securities where we are comfortable with the safety of the dividend, but believe that upside in the share price is limited.

SELL -For U.S. securities we expect the stock to underperform the S&P 500 by more than 10% over the next 12 months and believe the stock could decline in value. For Canadian securities we expect the stock to underperform the S&P/TSX Composite Index by more than 10% over the next 12 months and believe the stock could decline in value. For other non-U.S. securities we expect the stock to underperform the MSCI World Index by more than 10% over the next 12 months and believe the stock could decline in value.

Of the securities we rate, 49% are rated Buy, 49% are rated Hold, and 2% are rated Sell.

Within the last 12 months, Stifel or an affiliate has provided investment banking services for 19%, 9% and 0% of the companies whose shares are rated Buy, Hold and Sell, respectively.

Additional Disclosures

Please visit the Research Page at www.stifel.com for the current research disclosures and respective target price methodology applicable to the companies mentioned in this publication that are within Stifel's coverage universe. For a discussion of risks to target price please see our stand-alone company reports and notes for all Buy-rated stocks.

The information contained herein has been prepared from sources believed to be reliable but is not guaranteed by us and is not a complete summary or statement of all available data, nor is it considered an offer to buy or sell any securities referred to herein. Opinions expressed are subject to change without notice and do not take into account the particular investment objectives, financial situation or needs of individual investors. Employees of Stifel or its affiliates may, at times, release written or oral commentary, technical analysis or trading strategies that differ from the opinions expressed within. Past performance should not and cannot be viewed as an indicator of future performance.

Stifel is a multi-disciplined financial services firm that regularly seeks investment banking assignments and compensation from issuers for services including, but not limited to, acting as an underwriter in an offering or financial advisor in a merger or acquisition, or serving as a placement agent in private transactions. Moreover, Stifel and its affiliates and their respective shareholders, directors, officers and/or employees, may from time to time have long or short positions in such securities or in options or other derivative instruments based thereon.

These materials have been approved by Stifel Europe Limited, authorized and regulated by the Financial Conduct Authority (FCA) in the UK, in connection with its distribution to professional clients and eligible counterparties in the European Economic Area. (Stifel Europe Limited home office: London +44 20 7557 6030.) No investments or services mentioned are available in the European Economic Area to retail clients or to anyone in Canada other than a Designated Institution. This investment research report is classified as objective for the purposes of the FCA rules. Please contact a Stifel entity in your jurisdiction if you require additional information.

Additional Information Available Upon Request