
2014 Financial Report

CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED INCOME STATEMENT

for the years ended December 31, 2014 and 2013

IN THOUSAND CHF	NOTES	2014	2013
Net forwarding revenue¹	5	6,707,113	6,757,632
Forwarding services from third parties	5	(5,121,146)	(5,196,607)
Gross profit	5	1,585,967	1,561,025
Personnel expenses	6	(976,850)	(960,032)
Other operating expenses	9	(435,090)	(440,205)
Fines	27	0	(40,939)
EBITDA		174,027	119,849
Depreciation of property, plant and equipment	13	(31,972)	(34,278)
Amortization of intangible assets	14	(25,326)	(18,478)
Goodwill impairment	14	0	(19,112)
Operating result (EBIT)		116,729	47,981
Finance income	10	3,375	3,959
Finance costs	10	(4,711)	(16,468)
Profit before income tax (EBT)		115,393	35,472
Income tax expenses	11	(28,872)	(23,777)
Consolidated profit		86,521	11,695
Consolidated profit attributable to:			
Owners of the parent		87,241	11,862
Non-controlling interests	23	(720)	(167)
Earnings per share (in CHF per share)			
Basic	12	3.68	0.50
Diluted	12	3.67	0.50

¹ Refer to Note 2.6 for details to the change of presentation of net forwarding revenue.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the years ended December 31, 2014 and 2013

IN THOUSAND CHF	NOTES	2014	2013
Consolidated profit		86,521	11,695
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurement of the net defined benefit asset / (liability)	7	(20,470)	26,293
Income taxes on this component of other comprehensive income	11	5,099	(6,349)
Subtotal, net of tax		(15,371)	19,944
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets	15	0	349
Exchange difference on translations of foreign operations		2,442	(23,159)
Income tax on these components of other comprehensive income	11	0	(116)
Subtotal, net of tax		2,442	(22,926)
Other comprehensive income for the period, net of tax		(12,929)	(2,982)
Total comprehensive income for the period		73,592	8,713
Attributable to owners of the parent		73,020	9,051
Attributable to non-controlling interests	23	572	(338)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at December 31, 2014 and 2013

IN THOUSAND CHF

	NOTES	2014	2013
ASSETS			
Non-current assets			
Property, plant and equipment	13	104,283	118,908
Intangible assets	14	122,029	118,093
Investments	15	28,269	28,349
Post-employment benefit assets	7	6,862	19,905
Deferred income tax assets	26	67,962	65,457
Total non-current assets		329,405	350,712
Current assets			
Other receivables and other current assets	18	101,191	102,671
Unbilled forwarding services		111,486	91,192
Trade receivables	19	1,012,647	1,059,582
Derivative financial instruments	20	2,960	2,905
Other current financial assets	15/21	0	5,472
Cash and cash equivalents	21	372,043	336,923
Total current assets		1,600,327	1,598,745
Total assets		1,929,732	1,949,457
EQUITY AND LIABILITIES			
Equity			
Share capital	22	2,375	2,375
Treasury shares	22	(2,089)	(3,339)
Retained earnings and reserves		720,618	698,472
Total equity attributable to owners of the parent		720,904	697,508
Non-controlling interests	23	12,245	11,673
Total equity		733,149	709,181
Non-current liabilities			
Borrowings	24	132	208
Provisions and other liabilities	25	76,518	77,617
Post-employment benefit liabilities	7	57,069	49,674
Deferred income tax liabilities	26	11,074	16,533
Total non-current liabilities		144,793	144,032
Current liabilities			
Trade payables		533,693	577,205
Other payables and accruals		158,229	152,017
Accrued cost of services		205,612	184,479
Borrowings	24	520	3,053
Derivative financial instruments	20	7,988	1,710
Provisions and other liabilities	27	120,212	155,366
Current income tax liabilities		25,536	22,414
Total current liabilities		1,051,790	1,096,244
Total liabilities		1,196,583	1,240,276
Total equity and liabilities		1,929,732	1,949,457

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended December 31, 2014

IN THOUSAND CHF	NOTES	ATTRIBUTABLE TO THE OWNERS OF THE PARENT					NON- CON- TROLLING INTERESTS	TOTAL EQUITY
		SHARE CAPITAL	TREASURY SHARES	TRANS- LATION RESERVE	RETAINED EARNINGS	TOTAL		
Balance on January 1, 2014		2,375	(3,339)	(187,798)	886,270	697,508	11,673	709,181
Consolidated profit					87,241	87,241	(720)	86,521
Other comprehensive income				1,150	(15,371)	(14,221)	1,292	(12,929)
Total comprehensive income for the period		0	0	1,150	71,870	73,020	572	73,592
Dividends paid	22, 23				(52,185)	(52,185)		(52,185)
Share-based payments employee share plan	8				1,937	1,937		1,937
Changes in treasury shares, net	22		1,251		(627)	624		624
Balance on December 31, 2014		2,375	(2,088)	(186,648)	907,265	720,904	12,245	733,149

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended December 31, 2013

IN THOUSAND CHF	NOTES	ATTRIBUTABLE TO THE OWNERS OF THE PARENT					NON- CON- TROLLING INTERESTS	TOTAL EQUITY
		SHARE CAPITAL	TREASURY SHARES	TRANS- LATION RESERVE	RETAINED EARNINGS	TOTAL		
Balance on January 1, 2013		2,375	(10,018)	(164,810)	905,965	733,512	9,241	742,753
Consolidated profit					11,862	11,862	(167)	11,695
Other comprehensive income				(22,988)	20,177	(2,811)	(171)	(2,982)
Total comprehensive income for the period		0	0	(22,988)	32,039	9,051	(338)	8,713
Dividends paid	22, 23				(47,343)	(47,343)	(171)	(47,514)
Share-based payments employee share plan	8				780	780		780
Share-based payments option plan	8				(79)	(79)		(79)
Changes in treasury shares, net	22		6,679		(2,151)	4,528		4,528
Other changes in non-controlling interests	23				186	186	(186)	0
Reclassification of non-controlling interests to parent shareholders	23				(3,127)	(3,127)	3,127	0
Balance on December 31, 2013		2,375	(3,339)	(187,798)	886,270	697,508	11,673	709,181

CONSOLIDATED STATEMENT OF CASH FLOWS

for the years ended December 31, 2014 and 2013

IN THOUSAND CHF

	NOTES	2014	2013
Consolidated profit		86,521	11,695
Income tax expenses	11	28,872	23,777
Depreciation of property, plant and equipment	13	31,972	34,278
Amortization of intangible assets	14	25,326	18,478
Goodwill impairment	14	0	19,112
Impairment of financial assets	10	3	0
Interest income and dividend on available-for-sale financial assets	10	(2,186)	(3,205)
Interest expenses	10	1,112	1,497
Exchange differences	10	(1,035)	10,584
Loss / (gain) on sales of property, plant and equipment	9	513	(980)
Share-based payment transactions	6 / 8	1,937	701
Other non-cash (income) and expenses		(2,853)	(2,395)
		170,182	113,542
Working capital adjustments:			
(Increase) / decrease receivables and other current assets		55,027	(121,615)
Increase / (decrease) payables and accruals incl. accrued cost of service		(32,918)	49,595
(Decrease) / increase long-term provisions and other liabilities		(2,672)	2,869
(Decrease) / increase short-term provisions and other liabilities		(36,713)	29,404
Cash generated from operations		152,906	73,795
Interest paid		(1,472)	(1,497)
Income taxes paid		(28,403)	(29,831)
Net cash from operating activities		123,031	42,467
Interest received		2,184	2,700
Dividends received	10	141	510
Proceeds from sales of property, plant and equipment and Intangible		2,968	2,427
Proceeds from investments		968	2,685
Repayments of loans and long-term receivables		5,855	3,763
Proceeds from sales of other financial assets		6,102	952
Purchase of property, plant and equipment		(19,467)	(28,618)
Purchase of intangible assets and other assets		(28,612)	(22,294)
Purchase of investments		(102)	(179)
Purchase of other financial assets		(6,067)	(9,914)
Net cash used in investing activities		(36,030)	(47,968)
Free cash flow		87,001	(5,501)
Proceeds from short- and long-term borrowings		208	1,633
Repayment of short- and long-term borrowings		(2,775)	(48)
Dividends paid		(52,185)	(47,343)
Dividends paid to non-controlling interests	23	0	(171)
Purchase of treasury shares	22	(2,762)	0
Sale of treasury shares	22	2,040	4,529
Net cash used in financing activities		(55,474)	(41,400)
Effect of exchange rate changes on cash and cash equivalents		3,593	(9,237)
Net increase (decrease) in cash and cash equivalents		35,120	(56,138)
Cash and cash equivalents at the beginning of the year	21	336,923	393,061
Cash and cash equivalents at the end of the year	21	372,043	336,923

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Panalpina World Transport (Holding) Ltd. (referred to hereafter as the company) and its subsidiaries (collectively the “Group” and individually “Group Companies”) 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. Drawing on in-depth industry knowledge and customized IT systems, Panalpina manages the needs of its customers’ supply chains, no matter how demanding they might be.

Panalpina World Transport (Holding) Ltd. is a limited company incorporated and domiciled in Basel. The registered address is Viaduktstrasse 42, 4002 Basel, Switzerland. The company shares are publicly traded and are listed on the SIX Swiss Exchange in Zurich.

The consolidated financial statements for the year ending December 31, 2014, were authorized for issuance in accordance with a resolution by the Board of Directors on February 27, 2015.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 BASIS OF PREPARATION

The consolidated financial statements are based on the accounts of the individual subsidiaries on December 31, which have been drawn up according to uniform Group accounting principles.

2.2 STATEMENT OF COMPLIANCE

The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

2.3 BASIS OF MEASUREMENT

The consolidated financial statements have been prepared under the historical cost basis, except for available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit and loss and liabilities for cash-settled share-based payment arrangements that have been measured at fair value. Net defined benefit liabilities (assets) are recognized at the difference in fair value of the plan assets and the present value of the defined benefit obligation.

2.4 PRESENTATION CURRENCY

The consolidated financial statements are presented in Swiss francs (CHF), which is the functional currency of the company and all values are rounded to the nearest thousand except where otherwise indicated.

2.5 USE OF ESTIMATES AND JUDGMENTS

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect application of accounting policies and the reported amounts of assets, liabilities, income and expenses. It requires management to exercise its judgments and assumptions in the process of applying the Group’s accounting policies. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Deviations from estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The areas involving a higher degree of judgment or complexity, or areas in which assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

A number of the Group’s accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as described in note 17. The Group recognizes transfers between levels of the fair value hierarchy, if any, at the end of the reporting period during which the change has occurred. The methods used to measure fair values are discussed further in note 3. Further information about the assumptions made in measuring fair values is included in note 17.

2.6 RESTATEMENT

Inconsistent to IAS 1, in the past Panalpina presented in the consolidated income statement in addition to the net forwarding revenue the invoiced forwarding services and the customs, duties and taxes separately. The correction of the presentation has been changed in these consolidated financial statements in accordance with IAS 8. This change does not affect the consolidated profit or loss. The development of the invoiced forwarding services as well as the customs, duties and taxes are newly integrated in the segment reporting.

In addition, the Group has made a minor presentational change to the disclosure of key management personnel compensation in note 28 to increase the understandability of the information provided.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by Group entities, unless otherwise stated. If necessary, comparative amounts have been re-represented to conform with the current year's presentation.

The following new or revised standards, amendments to existing standards and interpretations have been adopted in 2014, effective from January 1, 2014: Amendments to IFRS 10, IFRS 11 and IAS 27 "Investment Entities", Amendments to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting", IFRIC 21 "Levies" and certain amendments to various standards from "Annual Improvements to IFRS 2010-2012 Cycle" issued by the IASB. These do not have a material impact on the Group's overall results and financial position as well as related disclosures.

The following new or revised standards, amendments to existing standards and interpretations have been issued, but are not yet effective:

- Annual Improvements to IFRS 2010-2012 Cycle (effective date July 1, 2014)
- Annual Improvements to IFRS 2011-2013 Cycle (effective date July 1, 2014)
- Annual Improvements to IFRS 2012-2014 Cycle (effective date January 1, 2016)
- IFRS 14 - Regulatory Deferral Accounts (effective date January 1, 2016)
- Amendments to IAS 1 - Disclosure Initiative (effective date January 1, 2016)
- Amendments to IFRS 10, IFRS 12 and IAS 28 - Investment Entities: Applying the Consolidation Exception (effective date January 1, 2016)
- IFRS 9 - Financial Instruments (effective date January 1, 2018)
- IFRS 15 - Revenue from Contracts with Customers (effective date January 1, 2017)
- Amendments to IFRS 11 - Accounting for Acquisitions of Interests in Joint Operations (effective date January 1, 2016)
- Amendments to IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortization (effective date January 1, 2016)
- Amendments to IAS 16 and IAS 41 - Bearer Plants (effective date January 1, 2016)
- Amendments to IAS 27 - Equity Method in Separate Financial Statements (effective date January 1, 2016)
- Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date January 1, 2016)

The Group is currently analyzing in detail the changes to the accounting policies and the impact on the Group's overall results and financial position.

3.1 BASIS OF CONSOLIDATION

3.1.1 Consolidation policy

The subsidiaries are those companies controlled, directly or indirectly, by Panalpina World Transport (Holding) Ltd. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. This control is normally evidenced when the Group owns, either directly or indirectly, more than one half of the voting rights. The Group also assesses existence of control where it does not have more than 50 percent of the voting power but is able to govern the financial and operating policies by de-facto control.

De-facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and they are de-consolidated from the date that control ceases.

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, at fair value of the recognized amounts of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date, any gains or losses arising from such remeasurement are recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

Intercompany transactions, balances, income and expenses on transactions between Group companies are eliminated. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Changes in ownership interest in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. Amounts previously recognized in other comprehensive income are reclassified to profit or loss.

3.1.2 Operating segment information

Management has determined the operating segments based on the reports reviewed by the Executive Board that are used to make strategic decisions. The Executive Board considers the business from a geographic perspective as the Group's operations are predominately managed by geographical location. Headquarter activities are not separately reported but included in the respective results of each segment in the segment information. The Executive Board assesses performance of the operating segments based on a measure of adjusted operating result (Segment EBIT). This measurement basis excludes the effects on non-recurring expenditure from the operating segments.

Transfer prices between operating segments are set out at arm's-length basis. Operating assets and liabilities consist of property, plant and equipment, goodwill and intangible assets, trade receivables / payables, other assets and liabilities such as provisions and current income taxes, which can be reasonably attributed to the reported operating segments. Non-operating assets and liabilities mainly include deferred income tax balances, post-employment benefit assets / liabilities and financial assets / liabilities such as marketable securities and investments.

3.2 FOREIGN CURRENCY

3.2.1 Functional currency

Most Group companies use their local currency as their functional currency. Certain Group companies use other currencies (such as US dollars or Euros) as their functional currency where this is the currency of the primary economic environment in which the entity or branch operates.

3.2.2 Transactions and balances

Local transactions in other currencies are initially reported using the exchange rate at the date of the transaction or reporting date. Gains and losses from the settlement of such transactions and gains and losses on transactions of monetary assets and liabilities denominated in other currencies are included in the income statement, except when they arise on monetary items that, in substance, form part of the Group's net investment in a foreign entity. In such cases, the gains and losses are deferred into other comprehensive income.

Non-monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rate as of the dates of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates on the date on which the fair value is determined.

Changes in fair value of debt securities denominated in foreign currency classified as available-for-sale are split into components resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Foreign exchange remeasurement differences related to changes in amortized cost are recognized in profit or loss and other changes in the carrying amount are recognized in other comprehensive income.

3.2.3 Presentation currency

On consolidation, assets and liabilities of Group companies using functional currency other than Swiss francs are translated into Swiss francs using a year-end rate of exchange. Income, expenses and net income and cash flows are translated at the average rates of exchange for the year. Translation differences due to the changes in exchange rates between the beginning and the end of the year and the difference between net incomes translated at the average and year-end exchange rates are recognized as a separate component of other comprehensive income.

On disposal of a foreign entity, the identified cumulative currency translation differences within equity relating to that foreign entity are recognized in the income statement as part of the gain or loss on divestment.

Any goodwill arising on the acquisition is treated as an asset of the foreign operation and translated at the closing rate.

The most important exchange rates used in the reported financial statements are:

	2014		2013	
	STATEMENT OF FINANCIAL POSITION ¹	INCOME STATEMENT ²	STATEMENT OF FINANCIAL POSITION ¹	INCOME STATEMENT ²
EUR	1.20270	1.21459	1.22625	1.23048
USD	0.89793	0.91551	0.89014	0.92682
HKD	0.12734	0.11806	0.11479	0.11949
CNY	0.15923	0.14859	0.14722	0.15074
CAD	0.85033	0.82903	0.83088	0.90004
GBP	1.53662	1.50706	1.46709	1.44952
BRL	0.37165	0.38954	0.38207	0.43150

¹ Year-end rate

² Average rate

3.3 REVENUE RECOGNITION

Net forwarding revenue includes amounts received, receivables and unbilled services for forwarding and logistics services performed for customers after deducting trade discounts and volume rebates and excluding sales taxes and value-added taxes less charges for customs and duty.

Trade discounts and volume rebates are recorded on an accrual basis consistent with recognition of the related revenue recorded as a deduction for accounts receivable or as accrued liabilities. Such estimates are based on analyses of existing contractual obligations, historical trends and the Group's experience.

Net forwarding revenue is recognized at the time the services are performed. Logistics projects with a longer period of delivery are recognized at the stage of completion of the services on the reporting date. The stage of completion is assessed with reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Where necessary, single transactions are split into separately identifiable components to reflect the substance of the transaction. Conversely, two or more transactions may be considered together for revenue recognition purposes, where the commercial effect cannot be understood without reference to the series of transactions as a whole.

Gross profit includes net forwarding revenue from services rendered less related expenses for services provided by third parties net of customs, duty and taxes.

Interest income is recognized as interest accrued using the effective interest method. Interest income is included in finance income in the income statement.

Dividends are recognized when the Group's right to receive the payment is established.

3.4 FORWARDING SERVICES FROM THIRD PARTIES

Forwarding services from third parties include the corresponding direct services costs and related services costs rendered by a third party. Trade discounts and volume rebates are recorded on an accrual basis consistent with the recognition of the related services.

3.5 EMPLOYEE BENEFITS

Wages, salaries, social security contributions, paid annual leave, sick leave and other benefits are paid or accrued undiscounted in the year in which the associated services are rendered by employees of the Group. Legal or constructive obligations such as bonus or profit-sharing plans are recognized for the amount expected to be paid in the year in which the services are provided and are presented under current provisions and other liabilities.

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes costs for a restructuring. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

3.5.1 Pension obligation

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or contractual obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The net defined benefit liability / asset recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rate of high-quality cor-

porate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reduction in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability / asset which comprise actuarial gains and losses arising from changes in actuarial assumptions (both demographic and financial) and experience adjustments, the return of plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are charged or credited immediately to equity in other comprehensive income. The Group determines the net interest expense on the net defined benefit liability / asset at the beginning of the annual period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability / asset, taking into account any changes in the net defined benefit liability / asset during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in the income statement under "Personnel expenses".

When the benefits of a defined benefit plan are changed or amended or when a defined benefit plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in the income statement. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

The Group applies the practical expedient and recognizes contributions from employees that are independent of the number of years of service (including those that are a fixed percentage of an employee's salary and are dependent on an employee's age) as a reduction of the service cost in the period in which the related service is rendered (IAS 19 paragraph 93 [b]).

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

3.5.2 Other long-term employee benefits

Net obligation in regard to long-term employee benefits other than pension plans is the amount of future benefits that employees have earned in return for their service in the current and / or prior periods. Benefits are discounted to determine their present value and the fair value of any related asset is deducted. This net amount is presented in non-current provisions and other liabilities in the balance sheet. The expected costs of these benefits are accrued over the period of employment using the same method of valuation that is used for defined benefit pension plans. Any actuarial gains or losses that consist of differences between assumptions and actual experiences and the effects of changes in actuarial assumptions are recognized in the income statement in the period in which they arise.

3.5.3 Share-based compensation

The Group operates a number of equity-settled share-based compensation plans under which the entity receives services from employees as consideration for equity or equity instruments (options) of the Group. The fair value of the employee services received in exchange for the granting of the options and the discount on the shares granted is estimated at the grant date and recorded as an expense over the vesting period. The expense is recognized as other employee benefits in the income statement. For equity-settled plans, an increase in equity is recorded for this expense and any subsequent cash flows from exercises of vested awards are recorded as changes in equity. For cash-settled plans, a liability is recorded that is measured at fair value at each reporting date with any movements in fair value being recorded in the income statement. Any subsequent cash flows from exercise of vested awards are recorded as a reduction of the liability.

3.6 OTHER OPERATING EXPENSES

Other operating expenses primarily include administrative expenses, communication expenses, rent and utilities expenses, travel and promotion expenses, insurance expenses and claims, changes in provisions from impairments of trade receivables and collection expenses and other operating expenses necessary to render forwarding revenue to third parties. The expenses are recognized when the expenses recorded on an accrual basis have been incurred.

3.7 FINANCE INCOME AND COSTS

Finance income comprises interest income on funds invested, dividend income from investments, cash discounts, gains on disposals of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss and gains on derivatives that are recognized in profit or loss. Interest income is recognized as it accrues in profit or loss using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, cash discounts, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognized on financial assets, losses on hedging instruments that are recognized in profit or loss, bank charges and bank guarantee fees. All borrowing costs are recognized in profit or loss using the effective interest method.

3.8 CURRENT AND DEFERRED INCOME TAX EXPENSES

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when the income taxes are levied by the same taxation authority and when there is a legally enforceable right to offset them.

3.9 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Initially property, plant and equipment are recorded at cost of purchase or construction and include all costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Interest and other borrowing costs for long-term construction projects are capitalized and included in the carrying value of the assets. All other repair and maintenance costs of the day-to-day servicing are recognized in the income statement as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. When components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains and losses on a disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within other operating expenses in the income statement.

Depreciation is recognized in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land and construction in progress are not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

	YEARS
Warehouse and office buildings	25 - 40
Warehouse and transportation equipment	3 - 10
Office furnishings and equipment	5 - 10
EDP hardware	3
Trucks, trailers and special vehicles	3 - 10
Automobiles	3 - 5

The assets' residual value and estimated useful lives are regularly reviewed and adjusted. If appropriate, the future depreciation charge is accelerated.

3.10 LEASES

Where the Group is the lessee, leases of property, plant and equipment where the Group has substantially all of the risks and rewards of ownership are classified as finance leases. Financial leases are capitalized at the start of the lease at fair value or the present value of the minimum lease payments, if lower. Assets acquired under finance leases are depreciated in accordance with the Group's policy on property, plant and equipment. If there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the lease term and useful life. The corresponding leasing obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the income statement over the lease period in order to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Leases where substantially all of the risks and rewards of ownership are not transferred to the Group are classified as operating leases. Payments made under operating leases are charged against the income statement on a straight-line basis over the period of the lease.

3.11 INTANGIBLE ASSETS

3.11.1 Business combination and goodwill

Business combinations are accounted for using the acquisition method of accounting. The consideration transferred in a business combination is measured at fair value at the date of acquisition and includes the cash paid plus the fair value at the date of exchange of assets given, liabilities incurred or assumed and equity instruments issued by the Group. The fair value of the consideration transferred also includes contingent consideration arrangements at fair value. Directly attributable acquisition-related costs are expensed in the income statement. At the date of acquisition the Group recognizes the identifiable assets acquired and the liabilities assumed at fair value. Where the Group does not acquire 100 percent ownership of the acquired business, non-controlling interests are recorded as the proportion of the fair value of the acquired net assets attributable to non-controlling interest. Goodwill is recorded as the surplus of the consideration transferred over the Group's interest in the fair value of acquired net assets. Any goodwill and fair value adjustments are recorded as assets and liabilities of the acquired business in the functional currency of that business. If the initial accounting for a business combination is incomplete at the end of a reporting period, provisional amounts are used. During the measurement period, the provisional amounts are retrospectively adjusted and additional assets and liabilities may be recognized, to reflect new information obtained about the amounts recognized at acquisition date, had they been known. Goodwill is not amortized but assessed for possible impairment at each reporting date and is additionally tested annually for impairment. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Changes in ownership interest in subsidiaries are accounted for as equity transactions if they occur after control has already been obtained and if they do not result in a loss of control.

3.11.2 Brands

Separately acquired brands are shown at historical cost. Brands acquired in a business combination are recognized at fair value at the acquisition date. Brands have a finite useful life and are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is calculated using the straight-line method to allocate the cost of brands over their estimated useful lives of five to ten years.

3.11.3 Customer lists

Customer lists acquired in a business combination are recognized at fair value at the acquisition date. Customer lists have a finite useful life and are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is calculated using the straight-line method over the expected life of the customer lists of three to five years.

3.11.4 Computer software

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software product include software development costs, employee costs and an appropriate portion of relevant overhead costs. Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as expenses are not recognized as an asset in a subsequent period. Costs associated with maintaining computer software programs are recognized as an expense as incurred. Computer software development costs recognized as assets are amortized over their estimated useful life, which does not exceed three to eight years.

3.11.5 Other intangible assets

Other intangible assets that are acquired by the Group that have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

3.12 IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS (EXCL. GOODWILL)

An impairment assessment is carried out when there is evidence that an asset may be impaired. In addition, intangible assets that are not yet available for use are tested for impairment annually. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or asset groups. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An appropriate valuation model is used to determine fair value less costs of disposal. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. Impairment losses are recognized in the income statement. When an impairment loss arises, the useful life of the asset in question is reviewed and, if necessary, the future depreciation / amortization charge is accelerated.

3.13 IMPAIRMENT OF GOODWILL

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstance indicate a potential impairment. When the recoverable amount of the cash-generating units, being the higher of its fair value less costs of disposal or its value in use, is less, then the carrying value of the goodwill is reduced to its recoverable amount. The reduction is reported in the income statement as an impairment loss. The methodology used in the impairment testing is further described in note 14.

3.14 FINANCIAL INSTRUMENTS

3.14.1 Amortized cost of financial instruments

Amortized cost is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs that are an integral part of the effective interest rate.

3.14.2 Financial Assets

Financial assets, including cash and marketable securities, short- and long-term deposits, trade and other receivables, loans and other receivables, quoted and unquoted financial instruments and derivative financial instruments, are classified either as fair value through profit or loss, loans and receivables, available-for-sale, or in exceptional cases, as held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. All financial assets are initially recognized at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. All purchases and sales are recognized on the settlement date.

3.14.2.1 Subsequent measurement

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated on initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group. Financial assets at fair value through profit or loss are carried on the statement of financial position at fair value with gains or losses recognized in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are normally carried at amortized cost using the effective interest rate method. Gains and losses are recognized in the income statement when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Trade receivables originated by the Group are financial assets that are created by providing services directly to the debtor. Such receivables are not quoted and are not originated with the intention to be sold immediately or in the near term. Receivables are presented in current assets for maturities up to 12 months (accounting treatment of trade receivables is outlined in more detail in the section: 3.14.5 Trade receivables).

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold them until maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method. This method uses an effective interest rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Gains and losses are recognized in the income statement when the investments are derecognized or impaired, as well as through the amortization process. The Group did not have any held-to-maturity investments during the periods under review.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial measurement, available-for-sale financial assets are measured at fair value with unrealized gains or losses recognized in comprehensive income until the investment is derecognized, at which time the cumulative gain or loss recorded in comprehensive income is reclassified to profit or loss, or determined to be impaired, at which time the cumulative loss recorded in comprehensive income is reclassified to profit or loss.

3.14.2.2 Impairment of financial assets

Financial assets are individually assessed for possible impairment at each reporting date. An impairment charge is recorded where there is objective evidence of impairment, such as where the issuer is in bankruptcy, default or other significant financial difficulty. In addition, any available-for-sale equity securities that have a market value of more than 25 percent below their original cost, net of any previous impairment, will be considered as impaired. Any available-for-sale equity securities that have a market value below their original cost, net of any previous impairment, for a sustained six-month period will also be considered as impaired. Any decreases in the market price of less than 25 percent of original cost, net of any previous impairment, which are also for less than a sustained six-month period are not by themselves considered as objective evidence of impairment. Such movements in fair value are recorded in equity until there is objective evidence of impairment or until the asset is sold or otherwise disposed of. For financial assets carried at amortized cost, any impairment charge is the difference between the carrying value and the recoverable amount, calculated using estimated future cash flows discounted using the original effective interest rate. For available-for-sale financial assets, the original cost, net of any previous impairment charge, is the amount currently carried in equity for the difference between the original cost, net of any previous impairment and at fair value. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For debt securities that are available-for-sale, the reversal is recognized in income statement. For equity securities held as available-for-sale, the reversal is recognized directly in equity.

For Trade Receivables, an allowance for doubtful accounts is recorded when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement within other operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off or 100 percent impaired are credited against operating expenses in the income statement. Trade discounts, volume rebates and similar allowances are recorded on an accrual basis consistent with the recognition of the related sales, using estimates based on existing contractual obligations, historical trends and the Group's experience. Long-term accounts receivable are discounted to take into account the time value of money.

3.14.2.3 Derecognition of financial assets

A financial asset is derecognized when:

- the Group's rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

3.14.3 Financial liabilities

Financial liabilities are either classified as financial liabilities at fair value through profit or loss or financial liabilities at amortized cost. The Group determines the classification of its financial liabilities at initial recognition. Financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings and derivative financial instruments.

3.14.3.1 Subsequent measurement

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated on initial recognition as at fair value through profit or loss. This category includes derivative financial instruments entered into by the Group. Gains or losses on liabilities at fair value through profit or loss are recognized in the income statement.

3.14.3.2 Borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost. Any discount between the net proceeds received and the principal value due on redemption is amortized over the duration of the debt instruments and is recognized as part of financing costs using the effective interest rate method.

3.14.3.3 Derecognition of financial liabilities

Financial liabilities are derecognized when the obligation under the liability is discharged or cancelled or expired. Where a financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability. The recognition of a new liability and the difference in the respective carrying amounts is recognized in the income statement.

3.14.4 Derivatives

The Group holds derivative financial instruments to hedge its foreign currency risk exposures. Derivative financial instruments are initially recognized and subsequently carried at fair value. All changes in fair value are recorded as financial income or financial costs in the period in which they arise. Embedded derivatives are recognized separately if not closely related to the host contract and where the host contract is carried at amortized cost. Attributable transaction costs are recognized in the income statement when incurred. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

3.14.5 Trade receivables

Trade receivables are carried at the original invoice amount less valuation adjustments for impairment, trade discounts, volume rebates and similar allowances. Subsequently, accounts receivable are measured at amortized cost using the effective interest method.

3.15 UNBILLED FORWARDING SERVICES

Unbilled forwarding services represent the gross unbilled amount expected to be collected from customers for forwarding services in progress for which costs are incurred but not yet invoiced. For logistics projects and other services with a longer period of delivery, recognized profits are included.

3.16 CASH AND CASH EQUIVALENTS AND OTHER CURRENT FINANCIAL ASSETS

Cash and cash equivalents included in the statement of financial position and statement of cash flows represent cash on hand, bank and postal checks, bills of exchange net, current balance with banks and similar institutions and time deposits and highly liquid money market papers with a maturity period of less than three months from the date of acquisition. Such balances are reported as cash only if they are readily convertible to known amounts of cash and are subject to insignificant risk of change in value.

Other current financial assets include time deposits and highly liquid money market papers with a maturity period of between three months and one year.

3.17 SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are recognized in equity as a deduction, net of tax effects, from the proceeds.

3.18 TREASURY SHARES

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, is net of any tax effects and is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity and the resulting surplus or deficit on the transaction is presented within retained earnings.

3.19 RETAINED EARNINGS

Retained earnings contain legal reserves that are not distributable to the shareholders pursuant to Swiss law as well as accumulated distributable profits, cumulative remeasurements of the net defined benefit liability / asset from post-employment plans net of taxes and the fair value reserve for available-for-sale assets.

3.20 TRANSLATION RESERVE

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

3.21 PROVISIONS

Provisions are recognized where a legal or constructive obligation has been incurred and if an outflow of resources is probable and can be estimated reliably. Provisions are recorded for the estimated ultimate liability that is expected to arise, taking into account the time value of money where material, determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost. Provisions are established in particular for accrued costs of services, freight forwarding claims, short-term employee benefits, termination and other long-term employee benefits and decommissioning provisions. Provisions for restructuring are recognized only when the Group has approved a detailed and formal restructuring plan and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

3.22 FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is determined by reference to quoted market prices or by the use of established valuation techniques such as option pricing models and the discounted cash flow method if quoted prices in an active market are not available. Valuation techniques will incorporate observable market data about market conditions and other factors that are likely to affect the fair value of a financial instrument. Valuation techniques are typically used for derivative financial instruments. Information on fair value hierarchy is included in note 17 on risk management.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 CRITICAL ACCOUNTING ESTIMATIONS AND ASSUMPTIONS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

4.1.1 Impairment of goodwill

The Group tests periodically whether goodwill has suffered any impairment in accordance with the Group's accounting policy and details are disclosed in note 14 – Intangible assets, section: Impairment test for goodwill. The recoverable amounts of cash-generating units (CGUs) have been determined based on value-in-use calculations. The underlying calculations require the use of estimates.

4.1.2 Pension and other post-employment benefits

The expense of defined benefit pension plans and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. All assumptions are reviewed at each reporting date. When determining the appropriate discount rate, management considers the interest rates on high-quality corporate bonds (with an AAA or AA rating) in the respective country and appropriate duration. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the specific country. The actuarial assumptions used may differ materially from actual results due to changes in market and economic conditions, higher or lower withdrawal rates, longer or shorter life spans of participants and other changes in the factors assessed. These differences could impact the assets or liabilities recognized in the statement of financial position in future periods. Additional information is disclosed in note 7.

4.1.3 Provisions

A number of subsidiaries are subject to litigation arising from the normal conduct of their businesses, as a result of which claims could be raised against them.

The Group has established a captive reinsurance company that insures a dedicated risk portion of its errors and omissions, transporter operator and commercial general liability programs. The exposure of its captive reinsurance company is limited by a third-party insurer that covers losses exceeding an amount of CHF 1 million on a single-case basis and a total aggregate limit of CHF 9 million annually for claims exceeding CHF 50,000 per incident. In a consolidated view, the Group, through its captive reinsurance company, bears the risks insured with its captive reinsurance company up to the limit as if such risks were not insured.

at all. Furthermore, as third-party coverage is subject to a considerable deductible and a total aggregated limit per year, the Group, in effect, bears the risk of damages, losses and claims that are above such aggregated limits as well. The Group used for the above-mentioned provision an actuarial calculation method, which requires for the calculation of the “incurred but not reported reserves” (IBNR), among other estimations, the overall circumstances that may impact the future losses, such as the growth of business. At December 31, 2014, the recognized liability for claims amounts to CHF 38.5 million (2013: CHF 40.0 million). If the management decided to use the optimal actuarial calculation method, which takes into consideration only the linear loss development according to historical figures, the carrying amount of claim provisions would be approximately CHF 7.6 million lower (2013: CHF 3.7 million). Using a more conservative percentile, the carrying amount of claim provisions would be approximately CHF 0.5 million higher (2013: 4.1 million).

The Group is also subject to legal and regulatory proceedings and government investigations in various jurisdictions. These proceedings are related to the area of competition law. Such proceedings may result in criminal or civil sanctions, penalties or damages against the company. Regulatory and legal proceedings, as well as government investigations, involve complex legal issues, the outcome of which is difficult to predict. Accordingly, management’s judgment is affected in determining whether it is more likely or not that such a proceeding will result in an outflow of resources and whether the amount of the obligation can be reliably estimated. These judgments are subject to change as new information becomes available. On resolution of any legal or regulatory proceeding or government investigation, the Group may incur a cash outflow for such matters. It cannot be ruled out that the financial condition or results of operations of the Group will be materially affected. For additional information see note 30.2 – Pending legal claims.

4.1.4 Deferred income tax assets

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based on the likely timing and level of future taxable profits.

The carrying value of recognized tax loss carry-forwards amounts to CHF 93.3 million resulting in a tax asset of CHF 30.7 million (2013: CHF 92.6 million resulting in a tax asset of CHF 29.8 million) and unrecognized tax loss carry-forwards to CHF 248.8 million (2013: 212.4 million). Further details are provided in note 26.

If the Group was able to recognize all unrecognized deferred tax assets, consolidated profit would increase by CHF 71.2 million (2013: CHF 63.3 million). If the Group failed to achieve the expected future taxable profits, the consolidated profit would decrease by CHF 30.7 million (2013 CHF 29.8 million), but the management believes that the full amount of the recognized deferred tax assets are recoverable in the foreseeable future.

4.1.5 Income taxes

At December 31, 2014, the net liability for current income taxes amounts to CHF 25.5 million (2013: CHF 22.4 million). As the Group is subject to income taxes in numerous jurisdictions, significant judgments are required in determining worldwide provisions for income taxes.

Some of these estimates are based on interpretations of existing tax laws or regulations. Management believes that the estimates are reasonable and that the recognized liabilities for income tax-related uncertainties are adequate. Various external factors may have favorable or unfavorable effects on income taxes. These factors include, but are not limited to, changes in tax law regulations and / or rates, changing interpretation of existing tax laws or regulations and changes in management estimations. Such changes that arise could affect the assets and liabilities recognized in the statement of financial position in future periods.

5 OPERATING SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Executive Board that are used to make strategic decisions. The Executive Board considers the business from a geographic perspective, as the Group's operations are predominately managed by geographical location.

The Executive Board assesses performance of the operating segments based on a measure of adjusted operating result (Segment EBIT). This measurement basis excludes the effects on non-recurring expenditure from the operating segments.

2014 (IN THOUSAND CHF)	EUROPE	MIDDLE EAST, AFRICA, CIS	AMERICAS	ASIA PACIFIC	TOTAL SEGMENTS	ELIMINATIONS	TOTAL GROUP
External forwarding services	3,481,599	674,158	2,592,272	1,424,409	8,172,438	0	8,172,438
Customs and duties	(884,397)	(143,065)	(340,856)	(97,007)	(1,465,325)		(1,465,325)
Intra-group forwarding services	1,208,290	200,825	837,872	1,703,342	3,950,329	(3,950,329)	0
Net forwarding revenue	3,805,492	731,918	3,089,288	3,030,744	10,657,442	(3,950,329)	6,707,113
Forwarding services	(3,191,839)	(584,793)	(2,603,603)	(2,691,240)	(9,071,475)	3,950,329	(5,121,146)
Gross profit	613,653	147,125	485,685	339,504	1,585,967	0	1,585,967
Personnel expenses	(419,877)	(81,243)	(303,235)	(172,495)	(976,850)	0	(976,850)
Other operating expenses	(167,475)	(48,101)	(134,425)	(85,089)	(435,090)	0	(435,090)
Adjusted EBITDA	26,301	17,781	48,025	81,920	174,027	0	174,027
Depreciation and amortization	(19,565)	(6,610)	(16,802)	(14,321)	(57,298)	0	(57,298)
Adjusted operating result (Segment EBIT)	6,736	11,171	31,223	67,599	116,729	0	116,729
Goodwill impairment							0
Fines							0
Reported operating result (EBIT)	6,736	11,171	31,223	67,599	116,729		116,729
Financial result							
Finance income							3,375
Finance costs							(4,711)
Profit before income tax (EBT)							115,393
Income tax expenses							(28,872)
Consolidated profit							86,521

Information about **segment assets and liabilities**:

2014 (IN THOUSAND CHF)	EUROPE	MIDDLE EAST, AFRICA, CIS	AMERICAS	ASIA PACIFIC	TOTAL OPERATING SEGMENT	NON-SEGMENT ASSETS	NON-SEGMENT LIABILITIES	TOTAL GROUP
Segment assets	505,937	199,056	472,820	334,335	1,512,148	417,584		1,929,732
Segment liabilities	430,717	96,555	226,997	260,082	1,014,351		182,232	1,196,583

Net forwarding revenue and non-current assets other than financial instruments, deferred tax assets and post-employment benefits assets from the country of domicile (Switzerland) and major countries:

2014 (IN THOUSAND CHF)	SWITZER- LAND	GERMANY	UNITED STATES OF AMERICA	BRAZIL	REPUBLIC OF CHINA
Net forwarding revenue	347,796	1,241,431	1,740,482	351,603	1,076,262
Segment non-current assets other than financial instruments, deferred tax assets and post-employment benefits assets	2,588	21,495	8,043	4,475	2,009

2013 (IN THOUSAND CHF)	EUROPE	MIDDLE EAST, AFRICA, CIS	AMERICAS	ASIA PACIFIC	TOTAL SEGMENTS	ELIMI- NATIONS	TOTAL GROUP
External forwarding services	3,479,409	702,087	2,633,784	1,359,630	8,174,910	0	8,174,910
Customs and duties	(871,942)	(127,833)	(323,428)	(94,075)	(1,417,278)	0	(1,417,278)
Intra-group forwarding services	1,366,641	195,591	803,404	1,523,575	3,889,211	(3,889,211)	0
Net forwarding revenue	3,974,108	769,845	3,113,760	2,789,130	10,646,843	(3,889,211)	6,757,632
Forwarding services	(3,329,666)	(637,374)	(2,640,668)	(2,478,110)	(9,085,818)	3,889,211	(5,196,607)
Gross profit	644,442	132,471	473,092	311,020	1,561,025	0	1,561,025
Personnel expenses	(430,110)	(82,444)	(292,333)	(155,145)	(960,032)	0	(960,032)
Other operating expenses	(183,322)	(41,377)	(142,421)	(73,085)	(440,205)	0	(440,205)
Adjusted EBITDA	31,010	8,650	38,338	82,790	160,788	0	160,788
Depreciation and amortization	(18,216)	(7,193)	(15,278)	(12,069)	(52,756)	0	(52,756)
Adjusted operating result (Segment EBIT)	12,794	1,457	23,060	70,721	108,032	0	108,032
Goodwill impairment	(19,112)	0	0	0	(19,112)	0	(19,112)
Fines					(40,939)		(40,939)
Reported operating result (EBIT)	(6,318)	1,457	23,060	70,721	47,981		47,981
Financial result							
Finance income							3,959
Finance costs							(16,468)
Profit before income tax (EBT)							35,472
Income tax expenses							(23,777)
Consolidated profit							11,695

Information about **segment assets and liabilities**:

2013 (IN THOUSAND CHF)	EUROPE	MIDDLE EAST, AFRICA, CIS	AMERICAS	ASIA PACIFIC	TOTAL OPERAT- ING SEGMENT	NON- SEGMENT ASSETS	NON- SEGMENT LIABILITIES	TOTAL GROUP
Segment assets	557,081	211,786	429,536	324,866	1,523,269	426,188		1,949,457
Segment liabilities	379,807	106,253	316,842	239,045	1,041,947		198,329	1,240,276

Net forwarding revenue and non-current assets other than financial instruments, deferred tax assets and post-employment benefits assets from the country of domicile (Switzerland) and major countries:

2013 (IN THOUSAND CHF)	SWITZER- LAND	GERMANY	UNITED STATES OF AMERICA	BRAZIL	REPUBLIC OF CHINA
Net forwarding revenue	780,163	1,261,802	1,752,370	447,390	1,087,482
Segment non-current assets other than financial instruments, deferred tax assets and post-employment benefits assets	2,856	26,131	10,013	5,422	3,051

The Group did not have sales in excess of 10 percent of the total net forwarding revenues to any single external customer in 2013 or 2014.

5.1 INFORMATION BY PRODUCT

The Group's business can be divided into three products: Air Freight, Ocean Freight and Logistics.

2014 (IN THOUSAND CHF)	AIR FREIGHT	OCEAN FREIGHT	LOGISTICS	TOTAL GROUP
External forwarding services	3,700,415	3,659,103	812,920	8,172,438
Customs and duties	(558,538)	(824,223)	(82,564)	(1,465,325)
Net forwarding revenue	3,141,877	2,834,880	730,356	6,707,113
Forwarding services from third parties	(2,505,627)	(2,343,385)	(272,134)	(5,121,146)
Gross profit	636,250	491,495	458,222	1,585,967
Personnel expenses	(366,846)	(337,966)	(272,038)	(976,850)
Other operating expenses	(136,274)	(120,707)	(178,109)	(435,090)
Adjusted EBITDA	133,130	32,822	8,075	174,027
Depreciation and amortization	(21,097)	(19,908)	(16,293)	(57,298)
Adjusted operating result (Segment EBIT)	112,033	12,914	(8,218)	116,729
Goodwill impairment	0	0	0	0
Fines	0	0	0	0
Reported operating result (EBIT)	112,033	12,914	(8,218)	116,729
Financial result				
Finance income				3,375
Finance costs				(4,711)
Profit before income tax (EBT)				115,393
Income tax expenses				(28,872)
Consolidated profit				86,521

2013 (IN THOUSAND CHF)	AIR FREIGHT	OCEAN FREIGHT	LOGISTICS	TOTAL GROUP
External forwarding services	3,490,122	3,549,223	1,135,565	8,174,910
Customs and duties	(434,516)	(767,752)	(215,010)	(1,417,278)
Net forwarding revenue	3,055,606	2,781,471	920,555	6,757,632
Forwarding services from third parties	(2,424,170)	(2,289,562)	(482,875)	(5,196,607)
Gross profit	631,436	491,909	437,680	1,561,025
Personnel expenses	(350,977)	(323,459)	(285,596)	(960,032)
Other operating expenses	(143,122)	(122,928)	(174,155)	(440,205)
Adjusted EBITDA	137,337	45,522	(22,071)	160,788
Depreciation and amortization	(18,053)	(17,497)	(17,206)	(52,756)
Adjusted operating result (Segment EBIT)	119,284	28,025	(39,277)	108,032
Goodwill impairment	(5,531)	(3,005)	(10,576)	(19,112)
Fines	(40,939)	0	0	(40,939)
Reported operating result (EBIT)	72,814	25,020	(49,853)	47,981
Financial result				
Finance income				3,959
Finance costs				(16,468)
Profit before income tax (EBT)				35,472
Income tax expenses				(23,777)
Consolidated profit				11,695

6 PERSONNEL EXPENSES

IN THOUSAND CHF	2014	2013
Wages and salaries	754,200	748,411
Compulsory social security contributions	98,654	94,258
Contributions to defined contribution plans	53,364	52,702
Expenses related to defined benefit plans (note 7)	9,506	4,559
Staff training	6,175	7,338
Share-based compensation (note 8)		
Equity-settled compensation plan	1,937	702
Cash-settled compensation plan	754	0
Other personnel-related expenses	52,260	52,062
Total personnel expenses	976,850	960,032
Number of employees (headcount on December 31)	15,639	16,010
thereof in Switzerland	682	754

7 POST-EMPLOYMENT BENEFIT OBLIGATIONS

Panalpina's objective is to provide attractive post-employment benefits to employees, while at the same time ensuring that the various plans are appropriately financed, while managing any potential impacts on the Group's long-term financial position. The nature of such plans varies according to legal regulations and fiscal requirements in the countries in which the employees are employed. Other post-employment benefits consist mostly of post-retirement schemes. Post-employment benefit plans are classified for IFRS as "defined contribution plans" if the Group pays fixed contributions in a separate fund or to a third-party financial institution and will have no further legal or constructive obligation to pay further contributions. All other plans are classified as defined benefit plans.

7.1 DEFINED BENEFIT PLANS

Plans are usually established as trusts independent of the Group and are funded by payments from the Group and by employees. In some cases, notably for the defined benefit plans in Germany and Japan, the plans are unfunded and the Group pays pensions to retired employees directly from its own financial resources.

Qualified independent actuaries carry out valuations on a regular basis within the reporting period for major plans. For funded plans, which are usually trusts independent of the Group's finances, the net defined pension liability / (asset) recognized in the Group's statement of financial position corresponds to the over- / underfunding of the plan. For unfunded plans, where the Group meets the pension obligations directly from its own financial resources, a liability for the defined benefit obligation is recorded in the Group's statement of financial position. Pension assets and liabilities in different defined benefit plans are not offset.

The Group's defined benefit plans are located in Switzerland, Germany, Japan, Taiwan, France and Korea. The largest plans are in Switzerland followed by Germany. The Swiss pension plans account for 99 percent (2013: 99 percent) of the Group's total plan assets and 81 percent (2013: 81 percent) of its defined benefit obligation.

7.1.1 Pension plans in Switzerland

Pension plans are governed by the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans ("BVG"), which stipulates that pension plans are to be managed by independent, legally autonomous units. Pension plans are overseen by a regulator and by a state supervisory body. The pension plan's most senior governing body (Board of Trustees) must be composed of equal numbers of employee and employer representatives.

The defined benefit obligations are based on old age, disability and survivors benefits that include the legally required benefits. The various benefits are governed in regulations, with the BVG specifying the minimum benefits that are to be provided. The plan is contribution-based with a guaranteed minimum interest rate on old age savings and a mandatory conversion rate to define the level of the old age pension. The disability and survivors benefits are defined as a percentage of the insured salary. Both employer and employee pay contributions to the plan. Statutory minimum funding requirements exist. In case of underfunding, various measures can be taken such as the adjustment of the pension commitment by altering the conversion rate or increasing current contributions. The employer can also make additional restructuring contributions. The BVG prescribes how employees and employer have to jointly fund potential restructurings. Actuarial risks include both demographic (primarily life expectancy and disability) and financial risks (primarily discount rate, future increases in salaries and wages and the actual return on plan assets) and are regularly assessed by the Board of Trustees. The plans include certain features that share the benefits of a surplus or the cost of a deficit between the employer and the employees.

The Board of Trustees is responsible for the investment of the assets. It regularly defines and reassesses the investment strategy as deemed appropriate and necessary – especially in the case of significant market developments or changes to the structure of the plan participants – and at least annually. When defining the investment strategy, it takes into account the fund's objectives, benefit obligations and risk capacity. The investment strategy is defined in the form of a long-term target asset structure (investment policy). The Board of Trustees delegates the implementation of the investment policy – in accordance with the investment strategy as well as various principles and objectives – to an Investment Committee, which consists of members of the Board of Trustees.

7.2 MOVEMENT IN THE DEFINED BENEFIT OBLIGATION (DBO)

IN THOUSAND CHF	2014	2013
Changes in defined benefit obligation (DBO)		
DBO at beginning of year	(273,535)	(290,693)
Included in profit or loss		
Current service cost	(8,791)	(9,802)
Past service (costs) / gains	456	6,980
Interest expenses	(6,241)	(5,805)
	(14,576)	(8,627)
Included in OCI		
Remeasurement gains / (losses)		
- Actuarial gains / (losses) from:		
demographic assumptions	91	700
financial assumptions	(32,830)	9,642
experience adjustments	(3,479)	3,870
Currency impact	47	(171)
	(36,172)	14,041
Other		
Employee contributions	(6,493)	(6,365)
Benefits paid	23,068	18,109
	16,575	11,744
DBO at end of year	(307,708)	(273,535)
Represented by		
Swiss plans	(248,575)	(222,041)
Other plans	(59,133)	(51,494)
	(307,708)	(273,535)

7.3 MOVEMENT IN THE PLAN ASSETS

IN THOUSAND CHF	2014	2013
Changes in fair value of plan assets		
Fair value of plan assets at beginning of year	243,766	231,706
Included in profit or loss		
Interest income	5,070	4,068
	5,070	4,068
Included in OCI		
Remeasurement gains / (losses)		
Return on plan assets, excluding amounts included in interest income	15,749	12,081
Currency impact	103	(60)
	15,852	12,021
Other		
Employer contributions	7,026	6,971
Employee contributions	6,493	6,365
Benefits paid	(20,706)	(17,365)
	(7,187)	(4,029)
Fair value of plan assets at end of year	257,501	243,766
Represented by		
Swiss plans	255,208	241,666
Other plans	2,293	2,100
	257,501	243,766

7.4 MOVEMENT IN THE NET DEFINED BENEFIT (LIABILITY) / ASSET

IN THOUSAND CHF	2014	2013
Changes in net defined benefit (liability) / asset		
Balance at beginning of year	(29,769)	(58,987)
Net impact included in profit or loss	(9,506)	(4,559)
Net impact included in OCI	(20,320)	26,062
Net impact other	9,388	7,715
Balance at end of year	(50,207)	(29,769)
Split into		
Post-employment benefit assets	6,862	19,905
Post-employment benefit liabilities	(57,069)	(49,674)
	(50,207)	(29,769)

7.5 PLAN ASSETS

IN THOUSAND CHF

	2014	2014	2013	2013
Major categories of plan assets				
Cash and cash equivalents	2,868	1.11%	2,119	0.87%
Equity investments	97,389	37.82%	84,026	34.47%
Equities Switzerland	18,775	7.29%	17,497	7.18%
Equities Global	66,126	25.68%	55,483	22.76%
Equities Emerging Markets	12,488	4.85%	11,046	4.53%
Bonds	113,216	43.97%	122,676	50.33%
Swiss Bonds (CHF)	45,996	17.86%	47,388	19.44%
Non-Swiss Bonds (CHF)	31,079	12.07%	39,041	16.02%
Non-Swiss Bonds (Foreign Currency)	36,141	14.04%	36,247	14.87%
Investment funds	0	0.00%	0	0.00%
Hedge funds and private equity	0	0.00%	0	0.00%
Real estate funds Switzerland	37,130	14.42%	29,006	11.90%
Others	6,898	2.68%	5,939	2.44%
Total	257,501	100.00%	243,766	100.00%

Equity investments, bonds and real estate funds have quoted market prices in active markets.

7.6 DEFINED BENEFIT OBLIGATION (DBO)

7.6.1 Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible estimates of variables that determine the ultimate cost of providing past employment benefits. They are set on an annual basis by local management and actuaries and are subject to approval by corporate management. Actuarial assumptions consist of demographic assumptions on matters such as mortality and employee turnover and financial assumptions on matters such as salary and benefit level as well as discount rates. The Group operates defined benefit plans in many countries and the actuarial assumptions vary based on local economic and social conditions.

Demographic assumptions

The most significant demographic assumptions relate to mortality rates. The Group's actuaries use mortality tables that take into account historic patterns and expected changes, such as further increases in longevity. The mortality tables used for the major schemes are:

Switzerland	BVG 2010 Generation table
Germany	tables 2005 G from Klaus Heubeck
France	table INSEE TV / TD 2008 / 2010

Rates of employee turnover, disability and early retirement are based on historical behavior within the Group companies.

Financial assumptions

These are based on market expectations for the period over which the obligations are to be settled. The assumptions used in the actuarial valuations with stable currencies and interest are shown below (expressed as weighted averages):

	2014	2013
Discount rate	1.25%	2.35%
Future salary increase	1.16%	1.92%
Future pension increase	0.77%	1.14%

Discount rates are determined with reference to market yields on high-quality corporate bonds. Expected rates of salary increases are based on the latest expectation and historical behavior within Group entities.

At December 31, 2014, the weighted average duration of the DBO was 15.0 years (2013: 13.6 years). The Group expects to pay CHF 7.1 million in contributions in 2015.

DBO relating to the Swiss plans

At December 31, 2014, the duration of the DBO of CHF 248.6 million (2013: CHF 222.0 million) was approximately 14.6 years (2013: approximately 12.9 years). 615 active members (2013: 658) and 207 pensioners (2013: 198) were included in the 2014 actuarial valuation of the DBO.

DBO relating to the German plans

At December 31, 2014, the duration of the DBO of CHF 50.5 million (2013: CHF 43.8 million) was approximately 18 years (2013: approximately 18 years) related to 743 (2013: 811) active members (DBO of CHF 21.5 million, 2013 CHF 18.7 million), to 498 (2013: 457) deferred members (DBO of CHF 10.7 million, 2013: CHF 8.7 million) and to 217 (2013: 203) pensioners (DBO of CHF 18.3 million, 2013: CHF 16.4 million).

7.6.2 Sensitivity analysis

Reasonably possible changes at the reporting date to the one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

2014 IN THOUSAND CHF	INCREASE OF DBO	DE-CREASE OF DBO
Discount rate (change of 0.3%)	11,259	(10,398)
Future salary increase (change of 0.5%)	2,951	(2,739)
Future pension increase (change of 0.25%)	7,535	(7,134)

2013 IN THOUSAND CHF	INCREASE OF DBO	DE-CREASE OF DBO
Discount rate (change of 0.3%)	7,449	(7,101)
Future salary increase (change of 0.5%)	1,776	(1,804)
Future pension increase (change of 0.25%)	3,967	(3,801)

8 SHARE AND OPTION OWNERSHIP PROGRAM

The Group operates several share and option ownership programs. The members of the Board of Directors, the members of the Executive Board and selected preferential employees were able to voluntarily participate in the share and option ownership program introduced in 2005 and continued in a modified program in the following years.

8.1 MANAGEMENT INCENTIVE PROGRAM IV (MIP IV)

The remaining unexercized options expired during the period under review.

8.2 MANAGEMENT INCENTIVE PLAN 08 / 09 (MIP 08 / 09)

In June 2009, the Group introduced the Management Incentive Program 08/09. Participants in this program had the right to purchase shares at a discounted share price that equals 75 percent of the closing price of one share at the SIX Swiss Exchange on April 30, 2009. The difference between the discounted share price on the grant date and the share price paid by the participants is recognized as personnel expenses on the date of the issue of the shares. The shares are subject to a one-year lock-up period. For every purchased share under this plan, the Group granted one option free of charge to the participant. The options have a contractual term of six years and a vesting period of one to three years. Each option entitles the participant to obtain one share of Panalpina World Transport (Holding) Ltd. at a predetermined strike price (exercise price of option). The share options cannot be settled in cash. The program is also divided into an "International Management Incentive Plan" and a "United States Management Incentive Plan". Beneficiaries of the "United States Management Incentive Plan" are selected preferential employees of the subsidiary in the US and members of the Board of Directors with residence in the US. The conditions of this plan do not differ from those of the "International Management Incentive Plan" except for the exercise price. The exercise price of options of the "International Management Incentive Plan" is equal to the closing price of one share at the SIX Swiss Exchange on April 30, 2009. The exercise price of options of the "United States Management Incentive Plan" is equal to the share price at the SIX Swiss Exchange on the grant date. Participants in the "International Management Incentive Plan IV" subscribed for 65,921 options with a strike price of CHF 61.25. Participants in the "United States Management Incentive Plan IV" subscribed for 5,132 options with a strike price of CHF 81.35.

8.3 MANAGEMENT INCENTIVE PLAN 09 / 10 (MIP 09 / 10)

In 2010 an additional management incentive plan was set up. Apart from the strike price of the "International Management Incentive Plan", which equals the closing price of the share on the cut-off day at the SIX Swiss Exchange, the terms of this share and option program are identical to the Management Incentive Program 08 / 09. Under this program participants of the "International Management Incentive Plan" received 12,099 options with a strike price of CHF 95.65 and participants of the "United States Management Plan" received 1,354 options with a strike price of CHF 87.75.

The following table summarizes the movements in the number of share options outstanding and their related average exercise prices:

	2014		2013	
	AVERAGE EXERCISE PRICE PER SHARE (IN CHF)	OPTIONS (NUMBER)	AVERAGE EXERCISE PRICE PER SHARE (IN CHF)	OPTIONS (NUMBER)
Options outstanding on January 1	102.27	23,558	126.74	97,650
Exercised	109.31	(7,315)	90.52	(41,248)
Forfeited	0.00	0	95.65	(45)
Expired	128.18	(8,017)	189.91	(32,799)
Options outstanding on December 31	70.76	8,226	102.27	23,558
Options exercisable on December 31	70.76	8,226	102.27	23,558

During the reporting year the following numbers of options were exercised with the respective exercise prices:

	2014		2013	
	EXERCISE PRICE OF OPTION (IN CHF)	NUMBER OF EXERCISED OPTIONS	EXERCISE PRICE OF OPTION (IN CHF)	NUMBER OF EXERCISED OPTIONS
International Management Incentive Plan IV	129.35	2,580	129.35	12,956
United States Management Incentive Plan IV	119.90	2,673	119.90	726
International Management Incentive Plan 08 / 09	61.25	1,112	61.25	18,222
United States Management Incentive Plan 08 / 09	81.35	950	81.35	2,231
International Management Incentive Plan 09 / 10	95.65	0	95.65	6,217
United States Management Incentive Plan 09 / 10	87.75	0	87.75	896
Weighted average exercise price of options exercised during the year	109.31		90.52	
Weighted average share price at the date of exercise	134.90		114.69	
Total number of exercised options		7,315		41,248

The average exercise prices and the expiry date of the outstanding options at period-end are as follows:

	2014	
	AVERAGE EXERCISE PRICE PER SHARE (IN CHF)	NUMBER OF OPTIONS EXPIRING AT YEAR-END
2015	63.61	6,352
2016	95.02	1,874
2017	0.00	0
Total	70.76	8,226

8.4 MANAGEMENT INCENTIVE PLAN 10 / 11 (MIP 10 / 11)

In 2011 a new management incentive plan was set up. Participants in this program had the right to purchase shares with a discount of 10 percent based on the share price equal to the closing price on the SIX Swiss Stock Exchange at the cut-off day. The difference between the discounted share price on the grant date and the share price paid by the participants is recognized as personnel expenses on the date of the issue of the shares. The shares are subject to a one-year lock-up period. For every purchased share under this plan, the Group granted a number of free shares according to a "Free Share Ratio", which is set annually by the Compensation and Nomination Committee. For 2011 the ratio was set to 1:4 (one free share per four shares bought). The free shares have a vesting period of one to three years. On non-vested free shares, no dividends are paid and there is no entitlement for dividends. The shares cannot be settled in cash. The fair value of the free shares corresponds to the market price of the shares at the grant date minus discounted dividends.

	2014 MANAGE- MENT INCENTIVE PLAN 10/11	2013 MANAGE- MENT INCENTIVE PLAN 10/11
Outstanding free shares on January 1	1,406	3,339
Granted free shares	0	0
Vested free shares	(1,406)	(1,649)
Forfeited free shares	0	(284)
Free shares outstanding on December 31	0	1,406

8.5 MANAGEMENT INCENTIVE PLAN 11 / 12 (MIP 11 / 12)

Conditions are identical with the management incentive plan 10 / 11.

	2014 MANAGE- MENT INCENTIVE PLAN 11/12	2013 MANAGE- MENT INCENTIVE PLAN 11/12
Outstanding free shares on January 1	1,627	2,562
Granted free shares	0	0
Vested free shares	(817)	(901)
Forfeited free shares	(22)	(34)
Free shares outstanding on December 31	788	1,627

8.6 MANAGEMENT INCENTIVE PLAN 12 / 13 (MIP 12 / 13)

Conditions are identical with the management incentive plan 10 / 11.

	2014 MANAGE- MENT INCENTIVE PLAN 12/13	2013 MANAGE- MENT INCENTIVE PLAN 12/13
Outstanding free shares on January 1	1,698	0
Granted free shares	0	1,698
Vested free shares	(610)	0
Forfeited free shares	0	0
Free shares outstanding on December 31	1,088	1,698

8.7 MANAGEMENT INCENTIVE PLAN 13 / 14 (MIP 13 / 14)

Conditions are identical with the management incentive plan 10 / 11 except for the ratio of free shares granted for a certain amount of purchased shares, which was set for the MIP 13 / 14 to 1:3 (one free share per three shares bought) by the Compensation and Nomination Committee.

	2014 MANAGE- MENT INCENTIVE PLAN 13/14
Fair value of free share (in CHF)	140.70
Granted free shares	3,342
Vested free shares	(74)
Forfeited free shares	0
Free shares outstanding on December 31	3,268

The Group holds its own shares in order to meet its obligations under the Management Incentive Programs. These own shares are deducted from equity (note 22).

In 2013 and 2014 the members of the Executive Board and the Boards of Directors did not participate in the management incentive plans.

8.8 MID-TERM INCENTIVE PLAN

The Mid-Term Incentive plan (MTIP) was created in 2009 in order to encourage contributions to the long-term success and prosperity of the company through co-investment into the company. In addition, the MTIP creates a strong alignment with shareholders interest and facilitates the retention of the executives. Under the MTIP, a portion of the annual bonus is converted into Panalpina (PWTN) shares with a one-year restriction period. At the end of the restriction period and subject to continuous employment with the company, the deferred bonus shares are matched with additional free shares of the company. The free matching shares are subject to a vesting period of one-year. In case of voluntary resignation or termination for cause, the free matching shares will forfeit. The vesting may be accelerated in case of termination without cause, retirement, death and disability. In case of change of control or liquidation, the Compensation and Nomination Committee reserves the right to determine any appropriate measure with regard to the unvested free matching shares.

The applicable share price for determining the number of deferred bonus shares related to the bonus paid in 2014 (performance year 2013) was defined for a three-year cycle (from 2012 to 2014) as the PWTN closing price on April 30, 2012, which amounted to CHF 88.50. The applicable share price for determining the number of deferred bonus shares related to the bonus paid in 2015 (performance year 2014) will be defined for a new three-year cycle (from 2015 to 2017) with the PWTN closing price on April 30, 2015. The intention of fixing the purchase price of the shares for a three-year cycle was to reward the participants for a positive share price development, while a negative share price evolution reduces the value of the award.

Employees eligible to the MTIP are the members of the Executive Board and top executives of the core business functions (8 executives in 2014) who are not member of the Executive Board. The plan features are the same for all employees except for the split percentage of the annual bonus (40 percent converted into PWTN shares for EB members, 20 percent converted into PWTN shares for the top executives of the core business functions, the remaining part being paid in cash).

Regarding the year 2014, Executive Board members received 6,065 shares (2013: 1,625) at a fair market value of 136.10 CHF corresponding to 40 percent of the bonus 2013 and 1,733 free matching shares (2013: 9,580) at a fair market value of 135.60 CHF (related to the bonus paid in 2013 / performance year 2012). Top executives of the core business functions received 2,928 shares (2013: 1,614) corresponding to 20 percent of the bonus 2013 and 1,506 free matching shares (2013: 0) with the same fair market values as above.

The mismatch between shares granted in 2013 and matched shares in 2014 is due to a promotion of an Executive Committee member to the Executive Board beginning of 2014.

8.9 LONG-TERM INCENTIVE PLAN

The Long-Term Incentive Plan rewards long-term value creation measured by economic profit. Under this plan, which has a five-year cycle, the individual Executive Board member and top executive of the core business functions is entitled to a proportion of the respective pool after the expiry of the five-year plan period. This plan can be cash-settled. The carrying amount of the liability at December 31, 2014, amounts to CHF 1,131 thousand (2013: CHF 377 thousand), which is also the intrinsic value. Based on a decision of the Compensation and Nomination Committee (CNC) this plan was discontinued so that the liability will remain constant until payout in 2018.

8.10 LONG-TERM PERFORMANCE SHARE UNIT (PSU) PLAN

As of January 1, 2014, the members of the Executive Board and top executives of the core business functions (8 executives in 2014) participate in a new Long-Term Incentive Plan in form of Performance Share Units (PSU). The purpose of the PSU plan is to motivate executives to contribute to the long-term success and prosperity of the company and to encourage them to create shareholder value and at the same time to facilitate the retention of the executives. The PSUs will be delivered through an annual rolling grant with a cliff vesting after 3 years, dependent on the achievement of the Total Shareholder Return (TSR) which will be measured against a peer group of (25) companies, which consists of a balanced selection of companies within our industry taking into consideration amongst other factors, market capitalization, turnover and geographic distribution. The performance period related to the 2014 PSU grant started on January 1, 2014 and will end on December 31, 2016. The cumulative TSR over the full three year performance period will be measured against the peer group and correlate into in the PSU vesting curve.

During the year 2014, 11,650 PSUs were granted to the Executive Board members and 9,800 to top executives of the core business functions. The present value per PSU at grant date amounted to 101.35 CHF (assuming median TSR performance versus peer group) versus a market value at grant date of 139.80 CHF.

8.11 BOARD OF DIRECTORS RESTRICTED STOCK AWARD PLAN

The Restricted Stock Award Plan for the Board of Directors was introduced in 2009. Part of the remuneration of each Board member is settled in free shares of the Company. The corresponding number of shares per member will be based on the share's closing price at the assignment date. The shares have a one-year restriction period. During the period under review the Board of Directors received 2,534 shares (2013: 0).

8.12 COSTS OF SHARE-BASED COMPENSATION

Recognized costs of share-based compensation were as follows:

IN TCHF	2014	2013
Employee share plan	1,937	780
Option plan	0	(79)
Total cost of share-based payments	1,937	702

9 OTHER OPERATING EXPENSES

IN THOUSAND CHF	2014	2013
Communication expenses	33,137	34,178
IT expenses	51,009	42,061
Facility and utilities expenses	151,385	150,012
Leased equipments	8,263	8,343
Maintenance and repair expenses	31,254	34,158
Cars and motor vehicles expenses	27,756	29,402
Travel and promotion expenses	32,311	38,784
Administrative expenses	58,031	62,208
Insurance expenses and claims	18,875	19,315
Bad-debt and collection expenses	10,943	8,044
Gains on sales of property, plant and equipment	(1,452)	(2,265)
Losses on sales of property, plant and equipment	1,965	1,285
Other	11,613	14,680
Total other operating expenses	435,090	440,205

Bad-debt and collection expenses include CHF 0.8 million (2013: CHF 1.0 million) of credit insurance premiums.

10 FINANCE INCOME AND COSTS

IN THOUSAND CHF	2014	2013
Interest income		
Interest income on current bank accounts	1,970	2,290
Interest income on financial assets at fair value through profit or loss	9	7
Interest income on loans	0	1
Cash discount income	66	397
Subtotal interest income	2,045	2,695
Exchange differences	1,035	0
Dividend on available-for-sale financial assets	141	510
Fair value adjustments on financial assets	11	754
Other financial income	143	0
Total finance income	3,375	3,959
Interest expenses		
Interest expenses on loans	(104)	(112)
Interest expenses on current bank accounts	(689)	(854)
Interest expenses on financial leasing	(36)	(34)
Cash discount expenses	(283)	(497)
Subtotal interest expenses	(1,112)	(1,497)
Bank charges	(2,320)	(2,663)
Exchange differences	0	(10,584)
Guarantee fees expenses	(900)	(950)
Other financial expenses	(376)	(774)
Impairment on financial assets	(3)	0
Total finance costs	(4,711)	(16,468)
Net finance costs	(1,336)	(12,509)

11 INCOME TAX EXPENSES

IN THOUSAND CHF	2014	2013
Current income taxes		
Current period	31,819	32,384
Adjustments for prior periods	(1,692)	(2,599)
Total current income taxes	30,127	29,785
Deferred income taxes (note 26)		
Origination and reversal of taxes on temporary differences and on tax loss carry-forwards	228	(4,307)
Effect of changes in the tax rate on temporary differences	1,073	793
Utilization of non-recognized tax loss carry-forwards	(2,556)	(2,494)
Total deferred income taxes	(1,254)	(6,008)
Total income tax expenses	28,872	23,777

Management decided to calculate the applicable standard tax rate as in the previous year based on the standard tax rate in Basel, its headquarters' domicile.

The Group's effective tax charge can be reconciled to the Group's expected charge as follows:

IN THOUSAND CHF	2014	2013
Profit before income tax	115,393	35,472
Tax at the applicable tax rate of 22.18% (2013: 22.48%)	25,594	7,974
Effective national tax rates	(799)	8,284
Utilization of not yet recognized tax loss carry-forwards	(2,556)	(2,494)
Not yet recognized tax loss carry-forwards	9,170	8,123
Adjustment of previous year tax provision	(1,692)	(2,599)
Effect of changes in the tax rate on temporary differences	1,073	793
Withholding tax on dividends received	1,264	341
Expenses not deductible for tax purposes and not taxable income	(388)	259
Miscellaneous	(2,795)	3,096
Actual tax charge	28,872	23,777

Income tax recognized in other comprehensive income is as follows:

IN THOUSAND CHF	2014			2013		
	BEFORE TAX	TAX BENEFIT (EXPENSE)	NET OF TAX	BEFORE TAX	TAX BENEFIT (EXPENSE)	NET OF TAX
Remeasurement of the net defined asset / liability	(20,470)	5,099	(15,371)	26,293	(6,349)	19,944
Available-for-sale financial assets	0	0	0	349	(116)	233
Exchange differences on translation of foreign operations	2,442	0	2,442	(23,159)	0	(23,159)
Total	(18,028)	5,099	(12,929)	3,483	(6,465)	(2,982)

12 EARNINGS PER SHARE

12.1 BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding (total shares less treasury shares) during the period.

IN THOUSAND CHF	2014	2013
Consolidated profit attributable to owners of the parent	87,241	11,862
Weighted average number of ordinary shares outstanding	23,730	23,680
Basic earnings per share (in CHF)	3.68	0.50

12.2 DILUTED EARNINGS PER SHARE

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group has only share options and free shares outstanding that can be categorized as dilutive potential ordinary shares. For the share options, a calculation is made to determine the number of shares that could have been issued at fair value based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

IN THOUSAND CHF	2014	2013
Consolidated profit attributable to owners of the parent	87,241	11,862
Weighted average number of ordinary shares outstanding	23,730	23,680
Adjustments for share options	7	2
Adjustments for share ownership program	14	8
Weighted average number of ordinary shares for diluted earnings per share	23,751	23,690
Diluted earnings per share (in CHF)	3.67	0.50

At December 31, 2014, 0 options (2013: 13,270 options) were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

13 PROPERTY, PLANT AND EQUIPMENT

2014 (IN THOUSAND CHF)	LAND AND BUILDINGS	MACHINERY AND EQUIPMENT	VEHICLES	CONSTRUCTION IN PROGRESS	TOTAL
Acquisition costs					
Balance on January 1	146,420	234,221	34,543	0	415,184
Translation differences	2,546	2,927	1,133	0	6,606
Additions	5,320	12,486	1,684	0	19,490
Disposals and deletions	(17,446)	(37,522)	(3,934)	0	(58,902)
Reclassifications	(54)	54	0	0	0
Balance on December 31	136,786	212,166	33,426	0	382,378
Accumulated depreciation					
Balance on January 1	83,730	185,537	27,009	0	296,276
Translation differences	1,812	2,602	1,178	0	5,592
Additions	8,232	21,508	2,232	0	31,972
Disposals and deletions	(16,542)	(35,457)	(3,746)	0	(55,745)
Reclassifications	(30)	30	0	0	0
Balance on December 31	77,202	174,220	26,673	0	278,095
Net book value on January 1	62,690	48,684	7,534	0	118,908
Net book value on December 31	59,584	37,946	6,753	0	104,283
Of which net book value of assets acquired under finance leases	150	4	442	0	596

2013 (IN THOUSAND CHF)	LAND AND BUILDINGS	MACHINERY AND EQUIPMENT	VEHICLES	CONSTRUCTION IN PROGRESS	TOTAL
Acquisition costs					
Balance on January 1	144,508	238,079	37,948	2,327	422,862
Translation differences	(4,167)	(6,790)	(946)	(217)	(12,120)
Additions	5,439	17,062	3,545	1,615	27,661
Disposals and deletions	(2,033)	(14,948)	(6,010)	(228)	(23,219)
Reclassifications	2,673	818	6	(3,497)	0
Balance on December 31	146,420	234,221	34,543	0	415,184
Accumulated depreciation					
Balance on January 1	79,853	182,903	29,897	0	292,653
Translation differences	(2,028)	(6,039)	(815)	0	(8,882)
Additions	7,760	23,306	3,212	0	34,278
Disposals and deletions	(1,842)	(14,645)	(5,286)	0	(21,773)
Reclassifications	(13)	12	1	0	0
Balance on December 31	83,730	185,537	27,009	0	296,276
Net book value on January 1	64,655	55,176	8,051	2,327	130,209
Net book value on December 31	62,690	48,684	7,534	0	118,908
Of which net book value of assets acquired under finance leases	191	13	550	0	754

14 INTANGIBLE ASSETS

	GOODWILL	SOFTWARE	BRANDS/ CUSTOMER LISTS	OTHER INTANGI- BLE ASSETS	TOTAL
2014 (IN THOUSAND CHF)					
Acquisition costs					
Balance on January 1	81,297	139,226	36,450	854	257,827
Translation differences	552	750	0	(14)	1,288
Additions	0	28,587	0	5	28,592
Disposals and deletions	0	(20,024)	0	(14)	(20,038)
Balance on December 31	81,849	148,539	36,450	831	267,669
Accumulated amortization and impairment losses					
Balance on January 1	36,990	65,489	36,450	805	139,734
Translation differences	(75)	676	0	(14)	587
Additions	0	25,289	0	36	25,326
Disposals and deletions	0	(20,010)	0	4	(20,006)
Balance on December 31	36,915	71,444	36,450	831	145,640
Net book value on January 1	44,307	73,737	0	49	118,093
Net book value on December 31	44,934	77,095	0	0	122,029
2013 (IN THOUSAND CHF)					
Acquisition costs					
Balance on January 1	83,726	120,144	39,039	937	243,846
Translation differences	(2,429)	(1,339)	(2,589)	(101)	(6,458)
Additions	0	22,141	0	18	22,159
Disposals and deletions	0	(1,720)	0	0	(1,720)
Balance on December 31	81,297	139,226	36,450	854	257,827
Accumulated amortization and impairment losses					
Balance on January 1	19,925	51,947	37,086	753	109,711
Translation differences	(2,047)	(1,252)	(2,453)	(95)	(5,847)
Additions	0	16,514	1,817	147	18,478
Impairment losses	19,112	0	0	0	19,112
Disposals and deletions	0	(1,720)	0	0	(1,720)
Balance on December 31	36,990	65,489	36,450	805	139,734
Net book value on January 1	63,801	68,197	1,953	184	134,135
Net book value on December 31	44,307	73,737	0	49	118,093

The net book value of software comprises accumulated, internally generated, capitalized software development costs of CHF 66.9 million (2013: CHF 49.2 million). All intangible assets with estimable useful lives are amortized over the period of their respective estimated useful lives to their estimated residual values and reviewed for impairment. In the fourth quarter of the pre-

vious year, management decided to discontinue certain activities in Norway. As a result (as volume and profitability were expected to significantly decrease), a goodwill impairment charge of CHF 19.1 million was recognized in 2013. During the period under review the Group did not recognize any goodwill impairment charge.

IMPAIRMENT TEST FOR GOODWILL

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to the country of operation. The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The management determined budgeted growth rates based on past performance and its expectations of market development. Cash flows beyond the five-year period are extrapolated using the estimated terminal growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

The weighted average cost of capital (WACC) used is pre-tax and reflects specific risks relating to the relevant CGUs.

A summary of the goodwill allocation per CGU is presented below:

IN THOUSAND CHF	2014	2013
Air Freight division (CGU Airfreight) / various countries	31,018	31,018
Others	13,916	13,289
Grampian International Freight Aberdeen & Beverwijk (CGU Grampian) / United Kingdom	6,762	6,456
Panalpina World Transport (Singapore) Pte. Ltd. (CGU Janco) / Singapore	4,101	3,852
Panalpina World Transport (Pty) Ltd. (CGU Australia) / Australia	3,053	2,981
Total goodwill	44,934	44,307

The following key assumptions have been used for the value-in-use calculations of each CGU:

2014	CGU AIR-FREIGHT	OTHERS
	value in use	value in use
Basis for recoverable amount		8.98 % -
Pre-tax discount rate applied to the cash flow projections	7.17 %	10.19 %
Projection period	5 years	5 years
Terminal growth rate	3.00 %	3.00 % - 3.50 %

2013	CGU AIR-FREIGHT	OTHERS
	value in use	value in use
Basis for recoverable amount		8.39 % -
Pre-tax discount rate applied to the cash flow projections	7.91 %	12.84 %
Projection period	5 years	5 years
Terminal growth rate	1.00 %	1.60 % - 2.20 %

Management considers that it is not likely for the assumptions used to change so significantly, as to eliminate the excess of recoverable amounts. A sensitivity analysis for CGU Airfreight has been prepared with the following outcome:

Amount of excess (+) / necessary impairment (-) in thousand CHF depending on discount and growth rate

CGU AIRFREIGHT	DISCOUNT RATE			
	7.17%	12.17%	17.17%	22.17%
Growth rate				
0.00%	1,725,700	918,444	583,923	401,859
1.00%	2,047,831	1,023,232	635,147	432,085
2.00%	2,494,897	1,148,734	693,183	465,345
3.00%	3,156,866	1,301,730	759,474	502,115

15 INVESTMENTS AND OTHER CURRENT FINANCIAL ASSETS

IN THOUSAND CHF	2014	2013
Available-for-sale investments	1,855	2,280
Fair value through profit or loss investments	401	1,040
Loans receivable	221	203
Long-term receivables	17,490	18,787
Other	8,302	6,039
Total investments	28,269	28,349
Fair value through profit or loss investments	0	5,472
Total other current financial assets	0	5,472

Long-term receivables primarily include rental and guarantee deposits.

15.1 AVAILABLE-FOR-SALE INVESTMENTS – UNQUOTED EQUITY SHARES

IN THOUSAND CHF	2014	2013
Balance on January 1	2,280	2,025
Translation differences	(227)	(197)
Additions	0	103
Disposals	(196)	0
Fair value adjustments recognized in profit or loss (Impairment)	(3)	0
Fair value adjustments recognized in other comprehensive income	0	349
Fair value adjustments reclassified to profit or loss	0	0
Balance on December 31	1,854	2,280
Less: non-current portion	1,854	2,280
Current portion	0	0

15.2 FAIR VALUE THROUGH PROFIT OR LOSS INVESTMENTS

IN THOUSAND CHF	2014	2013
Balance on January 1	6,512	8,574
Translation differences	(9)	(173)
Additions	102	42
Disposals	(6,215)	(2,685)
Fair value adjustments recognized in profit or loss	11	754
Balance on December 31	401	6,512
Less: non-current portion	401	1,040
Current portion	0	5,472

In the fourth quarter of the previous period, the Group has decided to fully dispose of its equity stake in Dimerco, a company listed on the Taipeh Stock Exchange, within the next 12 months. In the period under review all Dimerco shares were sold, disposal of shares amounted to CHF 5,376 thousand (2013: 2,674) while the gain for fair value adjustment recognized in profit or loss was CHF 57 thousand (2013: 604) during the period under review.

16 GROUP RISK MANAGEMENT

In the field of risk management, the Audit Committee approves the detailed and weighted risk map of the Executive Board. It adopts the necessary measures for risk control and risk mitigation and reports the respective outcome to the Board of Directors on an annual basis. The risk map itself covers any strategic, financial, operational, legal and compliance risks that could significantly impact the company's ability to achieve its business goals and financial targets. Identified risks are weighted and prioritized by the Executive Board according to their significance and likelihood of occurrence. For each risk, specific risk-mitigation measures – including their current status – are defined and responsibilities are allocated. The risk map, which is compiled by the Risk Review Committee, chaired by the Corporate Secretary, for review by the Executive Board and the Audit Committee and subsequently approved by the Audit Committee, contains risks identified and assessed by the respective corporate functions, selected country management, Corporate Audit and the Group auditors. The annual risk map also features risks that have increased or decreased in the course of the reporting year. Financial risk management specifically is described in further detail below.

17 FINANCIAL RISK MANAGEMENT

The Group's principal financial liabilities, other than derivatives, comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to raise funds and manage liquidity for Group operations. The Group has trade and other receivables, loans, cash and short-term and long-term deposits that arise directly from its operations. The Group also holds available-for-sale investments and enters into derivative transactions.

The Group is exposed to market risk, credit risk, liquidity risk and capital risk. The Group's senior management oversees the management of these risks. It is supported by a financial risk committee that advises on financial risks and the appropriate financial risk governance framework for the Group. The financial risk committee provides assurance to the Group's senior management that the Group's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Group policies and Group risk appetite. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

The Board of Directors reviews and agrees on policies for managing each of these risks, which are summarized below.

17.1 FINANCIAL RISK FACTORS

Carrying amount and fair value of financial assets by asset classes

2014 (IN THOUSAND CHF)	CASH	AVAIL- LABLE- FOR-SALE	FAIR VALUE THROUGH PROFIT OR LOSS HELD FOR TRADING	LOANS AND RECEI- VABLES	CARRYING AMOUNT	TOTAL (FAIR VALUE)
Trade receivables and other receivables				1,039,798	1,039,798	1,039,798
Unbilled forwarding services				111,486	111,486	111,486
Accrued interest income				72	72	72
Cash and cash equivalents	306			371,737	372,043	372,043
Derivative financial instruments			2,960		2,960	2,960
Investments:						
Bonds and debentures			401		401	401
Shares		1,854	0		1,854	1,854
Third-party loans				221	221	221
Rental and guarantee deposits				17,490	17,490	17,490
Other				8,230	8,230	8,230
Total on December 31, 2014	306	1,854	3,361	1,549,033	1,554,555	1,554,555

2014 (IN THOUSAND CHF)	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	FINANCIAL LIABILITIES MEASURED AT AMOR- TIZED COST	CARRYING AMOUNT	TOTAL (FAIR VALUE)
Payables and accruals		897,534	897,534	897,534
Borrowings		346	346	346
Finance lease liabilities		307	307	307
Derivative financial instruments	7,988		7,988	7,988
Total on December 31, 2014	7,988	898,187	906,175	906,175

2013 (IN THOUSAND CHF)	CASH	AVAI- LABLE- FOR-SALE	FAIR VALUE THROUGH PROFIT OR LOSS HELD FOR TRADING	LOANS AND RECEI- VABLES	CARRYING AMOUNT	TOTAL (FAIR VALUE)
Trade receivables and other receivables				1,082,783	1,082,783	1,082,783
Unbilled forwarding services				91,192	91,192	91,192
Accrued interest income				32	32	32
Cash and cash equivalents	619			336,304	336,923	336,923
Derivative financial instruments			2,905		2,905	2,905
Investments:						
Bonds and debentures			448		448	448
Shares		2,280	6,064		8,344	8,344
Third-party loans				203	203	203
Rental and guarantee deposits				18,787	18,787	18,787
Other				6,039	6,039	6,039
Total on December 31, 2013	619	2,280	9,417	1,535,340	1,547,656	1,547,656

2013 (IN THOUSAND CHF)	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	FINANCIAL LIABILITIES MEASURED AT AMOR- TIZED COST	CARRYING AMOUNT	TOTAL (FAIR VALUE)
Payables and accruals		913,701	913,701	913,701
Borrowings		2,834	2,834	2,834
Finance lease liabilities		427	427	427
Derivative financial instruments	1,710		1,710	1,710
Total on December 31, 2013	1,710	916,962	918,672	918,672

Fair value hierarchy

The table below analyzes financial instruments carried at fair value, based on the inputs used in the valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

2014 (IN THOUSAND CHF)	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Available-for-sale financial assets	0	1,742	0	1,742
Fair value through profit or loss investments	401	0	0	401
Derivative financial assets	0	2,960	0	2,960
Available-for-sale financial assets at cost				113
Total				5,215
Derivative financial liabilities	0	7,988	0	7,988
Total				7,988

2013 (IN THOUSAND CHF)	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Available-for-sale financial assets	0	2,146	0	2,146
Fair value through profit or loss investments	6,512	0	0	6,512
Derivative financial assets	0	2,905	0	2,905
Available-for-sale financial assets at cost				134
Total				11,697
Derivative financial liabilities	0	1,710	0	1,710
Total				1,710

The carrying amounts of other financial instruments (such as e.g. short-term trade receivables / payables) are a reasonable approximation of fair values.

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely, as little as possible, on entity-specific estimates. If all significant inputs required to fair-value an instrument are observable, the instrument is included in level 2. The fair value of forward exchange contracts is calculated with a discounted cash flow model, using observable inputs such as spot rates and interest curves.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3 (if any).

No financial instruments were transferred into another level in either 2014 or 2013.

17.2 MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market price. Market prices entail three types of risk: foreign currency risk, interest rate risk and other price risks such as equity risk.

The Group's activities expose it primarily to financial risk due to changes in foreign currency exchange rates.

17.2.1 Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily in regard to the US dollar, the euro and the Hong Kong dollar. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

Management has set up a policy that requires Group Companies to manage their foreign exchange risk against their functional currency. The Group companies are required to hedge their entire foreign exchange risk exposure with the Group Treasury, if possible. To manage foreign exchange risks arising from future commercial transactions or recognized assets and liabilities, entities in the Group use forward contracts. Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the Group entity's functional currency. The Group Treasury is responsible for managing the net position using external derivative contracts. Each subsidiary designates contracts with the Group Treasury as fair value hedges. External foreign exchange contracts are designated at the Group level as hedges of foreign exchange risk on specific assets and liabilities on a gross basis.

At December 31, 2014, the Group's net foreign currency risk exposure amounted to CHF 338.5 million (2013: CHF 281.0 million). The following table demonstrates the sensitivity to a reasonable possible change of 10 percent weakening in the USD, EUR and AUD exchange rate toward CHF, with all other variables held constant, of the Group's profit before income tax (due to changes in the fair value of monetary assets and liabilities).

EFFECT IN THOUSAND CHF	PROFIT BEFORE INCOME TAX	
	2014	2013
US dollar	(43,911)	(45,493)
Euro	6,043	(4,322)
Australian dollar	9,685	9,278
Total effect	(28,183)	(40,537)

The movement in the pre-tax effect results from the change in the fair value of derivative financial instruments not designated in a hedging relationship and monetary assets and liabilities denominated in USD, EUR and AUD, in which the functional currency of the entity is a currency other than USD, EUR or AUD. Although the derivatives have not been designated in a hedge relationship, they act as a commercial hedge and will offset the underlying transactions should they occur. If the exchange rates of all currencies weakened by 10 percent towards CHF, the total maximum net effect would amount to CHF -28.5 million (2013: CHF -52.0 million).

17.2.2 Interest rate risk

The Group has a clear funding policy that prohibits affiliates from borrowing in foreign currency and has a clear preference for intragroup financing. Affiliates are also required to repatriate their excess cash. Liquidity is mainly managed at the corporate level by using money market products.

As the Group generally has no significant interest-bearing assets and liabilities and given their short-term nature, the Group has a limited exposure to interest rate risk. Consequently, the Group's expense and operating cash flows are substantially independent of changes in market interest rates.

17.3 CREDIT RISK

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its investing activities, including deposits with banks and other financial institutions, foreign exchange transactions and other financial instruments.

Credit risk related to trade receivables

Customer credit is managed by each business unit and subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers based on external ratings or, if not available, according to internal rating criteria. The customer's credit quality is assessed based on an extensive credit rating scorecard. Outstanding customer receivables are regularly monitored. The objective of the management of trade receivables is to sustain the growth and profitability of the Group by optimizing asset utilization while maintaining risks at an acceptable level. There is no significant concentration of counterparty credit risk due to the Group's large number of customers and their wide geographical spread. Risk limits and exposures are continuously monitored by country and by the nature of counterparties. Additionally, the Group obtains credit insurance and similar enhancements when appropriate to protect the collection of trade receivables.

Credit risk related to financial instruments and cash deposit

Credit risk from balances with banks and financial institutions is managed by the Group Treasury in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and with credit limits assigned to each counterparty with a minimum rating of A. Counterparty credit limits are reviewed by senior management on a regular basis. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through potential counterparty failure.

The table below shows the Group's maximum exposure to credit risk:

IN THOUSAND CHF	2014	2013
Cash and cash equivalents (without cash in hand)	371,737	336,305
Derivative financial instruments	2,960	2,905
Trade receivables and other receivables	1,113,839	1,206,666
Loans and other financial assets	26,494	31,565
Total financial assets shown in statement of financial position subject to credit risk	1,515,028	1,577,441
Guarantees	355,755	527,058
Total credit risk	1,870,783	2,104,499

17.4 LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they become due. The Group's approach to managing liquidity is to ensure, to the extent possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts, bank loans, finance leases and hire purchase contracts. The Group's liquidity is reported to the management on a monthly basis.

To secure liquidity, the Group holds a net cash position of CHF 371.4 million (2013: CHF 339.1 million) and credit lines with various financial institutions totaling CHF 538.4 million (2013: CHF 535.1 million). Of this total, CHF 214.1 million (2013: CHF 209.8 million) is allocated to bank guarantees and foreign exchange lines.

The table below summarizes the maturity profile of the Group's financial liabilities at December 31 based on contractual undiscounted payments.

2014 (IN THOUSAND CHF)	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	TOTAL RE- MAINING CONTRAC- TUAL PAYMENTS
Borrowings (note 24)	58	462	132	652
Trade and other payables	497,245	110,002		607,248
Accruals	244,639	45,632	0	290,271
Other liabilities	21,123	56,964	0	78,086
Foreign exchange contracts				
Cash inflow	230,428	11,583	0	242,011
Cash outflow	(411,603)	(81,534)	0	(493,137)
Total	581,890	143,109	132	725,131

2013 (IN THOUSAND CHF)	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	TOTAL RE- MAINING CONTRAC- TUAL PAYMENTS
Borrowings (note 24)	2,333	720	208	3,261
Trade and other payables	517,633	128,857	3,807	650,297
Accruals	217,229	16,891	29,285	263,405
Provisions and other liabilities	38,479	10,698	0	49,177
Foreign exchange contracts				
Cash inflow	364,895	57,803	0	422,698
Cash outflow	(233,429)	(31,354)	0	(264,783)
Total	907,140	183,615	33,300	1,124,055

17.5 CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts. Capital is monitored on the basis of the equity ratio, which is calculated as equity (including non-controlling interests) as a percentage of total assets. This is reported to the management as part of the Group's regular internal management reporting.

The Group's capital and equity ratio is shown in the table below:

IN THOUSAND CHF	2014	2013
Capital and reserves attributable to Panalpina shareholders	720,904	697,508
Equity attributable to non-controlling interests	12,245	11,673
Total equity	733,149	709,181
Total assets	1,929,732	1,949,457
Equity ratio	38.0%	36.4%

The Group is not subject to regulatory capital adequacy requirements.

18 OTHER RECEIVABLES AND OTHER CURRENT ASSETS

IN THOUSAND CHF	2014	2013
Taxes (VAT, withholding tax)	53,129	51,876
Accrued income	2,485	5,625
Accrued interest income	72	32
Personnel advances	2,703	3,348
Social security and payroll taxes	1,046	915
Prepaid rent expenses	7,061	4,075
Prepaid communication and IT expenses	395	5,960
Supplier rebates	27,072	22,168
Short-term loans	79	1,033
Others	7,149	7,639
Total other receivables and other current assets	101,191	102,671

19 TRADE RECEIVABLES

IN THOUSAND CHF	2014	2013
Commercial clients	1,034,099	1,073,743
Agents	12,031	12,674
Total trade receivables (gross values)	1,046,130	1,086,417
Individual allowance	(156)	(400)
Overall allowance	(33,327)	(26,435)
Total trade receivables (net)	1,012,647	1,059,582
Europe	377,801	421,882
thereof European Union and Rest of Europe	342,088	379,181
thereof Switzerland	35,713	42,701
Middle East, Africa, CIS	103,073	124,206
Americas	333,829	326,609
Asia Pacific	197,944	186,885
Total trade receivables (net)	1,012,647	1,059,582

There is no concentration of credit risk with regard to trade receivables, as the Group has a large number of customers that are dispersed internationally.

Panalpina establishes its overall allowance for doubtful trade receivables based on its historical loss experiences. Significant financial difficulties of the debtor are individually impaired. The maximum exposure to credit risk on the reporting date is the carrying amount of net trade receivables mentioned above. Based on past experience, the Group does not anticipate writing off not-past-due or unprovided trade receivables. The creation and usage of provisions for impaired trade receivables have been included in other operating expenses in the income statement.

The following table summarizes the movement in the provision for impairment of trade receivables:

IN THOUSAND CHF	2014	2013
Balance as of January 1	26,835	25,848
Receivables written off during the year as uncollectible	(4,041)	(5,107)
Changes in provision for doubtful accounts	10,689	6,094
Balance as of December 31	33,483	26,835

The following table provides details about the aging of trade receivables that are not overdue, as the payment terms specified in the terms and conditions established with Panalpina customers have not been exceeded and as an analysis of overdue amounts and related provisions for doubtful trade receivables:

IN THOUSAND CHF	2014	2013
Commercial clients	1,034,099	1,073,743
Agents	12,031	12,674
Total trade receivables (gross values)	1,046,130	1,086,417
Allowance for bad debt	(33,483)	(26,835)
Total trade receivables (net)	1,012,647	1,059,582
of which:		
Not overdue	774,659	759,857
Past due not more than 30 days	177,758	194,805
Past due more than 30 days up to 180 days	94,556	117,559
Past due more than 180 days up to 360 days	23,655	16,417
Past due more than 360 days	14,245	12,105
Prepayment	(38,743)	(14,326)
Total trade receivables (gross)	1,046,130	1,086,417
Allowance for bad debt	(33,483)	(26,835)
Total trade receivables (net)	1,012,647	1,059,582

20 DERIVATIVE FINANCIAL INSTRUMENTS

IN THOUSAND CHF	CONTRACT VALUE		POSITIVE REPLACEMENT VALUE		NEGATIVE REPLACEMENT VALUE	
	2014	2013	2014	2013	2014	2013
Forward foreign exchange contracts	722,823	685,792	2,960	2,905	(7,988)	(1,710)
Forward trading hedges	722,823	685,792	2,960	2,905	(7,988)	(1,710)

IN THOUSAND CHF	CONTRACT VALUE		POSITIVE REPLACEMENT VALUE		NEGATIVE REPLACEMENT VALUE	
	2014	2013	2014	2013	2014	2013
Terms of the forward foreign exchange contracts	722,823	685,792	2,960	2,905	(7,988)	(1,710)
0 - 3 months	683,858	597,384	2,960	2,420	(7,911)	(1,070)
4 - 12 months	38,966	88,408	0	485	(78)	(640)

Derivative financial instruments are spread over the following currencies:

IN THOUSAND CHF	FORWARD FOREIGN EXCHANGE CONTRACTS	
	2014	2013
EUR	362,733	367,738
USD	119,095	95,642
CNY	70,912	35,355
HKD	40,726	41,920
CHF	35,405	30,413
MXN	23,431	25,707
VND	8,033	8,571
KRW	7,497	6,510
TWD	6,911	7,095
MYR	6,399	5,176
BRL	5,558	0
NOK	4,395	729
SEK	3,472	6,191
CAD	3,124	7,611
SGD	2,839	12,142
CZK	2,818	4,182
GBP	2,775	1,249
CLP	2,529	3,823
PEN	2,367	2,621
TRY	2,121	7,343
UYU	2,112	1,166
PLN	1,813	886
AUD	1,700	2,370
Other	4,058	11,354
Total	722,823	685,792

ISDA Master Agreements

The Group enters into derivative transactions with several counterparties under International Swaps and Derivatives Association (ISDA) master agreements. The ISDA agreements do not meet the criteria for offsetting in the consolidated statement of financial position. This is because the Group does not have any currently legally enforceable right to offset recognized amounts, as the right to offset is enforceable only on the occurrence of triggering events in the future, e.g. when a credit event such as default occurs or in the event of bankruptcy of one party. In such a triggering event, all outstanding derivative transactions with one counterparty under such an agreement are terminated, the termination value is assessed and a single net amount is payable in settlement of all transactions.

The following table sets out the carrying amounts of recognized derivatives that are subject to the above agreements.

	GROSS AND NET AMOUNTS PRESENTED IN THE STATEMENT OF FINANCIAL POSITION	RELATED FINANCIAL INSTRUMENTS THAT ARE NOT OFFSET	NET AMOUNT
2014 (IN THOUSAND CHF)			
Financial assets			
Forward foreign exchange contracts	2,960	(1,972)	988
Total on December 31	2,960	(1,972)	988
Financial liabilities			
Forward foreign exchange contracts	(7,988)	1,972	(6,017)
Total on December 31	(7,988)	1,972	(6,017)
2013 (IN THOUSAND CHF)			
Financial assets			
Forward foreign exchange contracts	2,905	(1,134)	1,771
Total on December 31	2,905	(1,134)	1,771
Financial liabilities			
Forward foreign exchange contracts	(1,710)	1,134	(576)
Total on December 31	(1,710)	1,134	(576)

21 CASH AND CASH EQUIVALENTS

IN THOUSAND CHF	2014	2013
Cash on hand	306	619
Cash at bank	368,908	340,710
Checks and bills of exchange in transit	2,829	(4,406)
Total cash and cash equivalents	372,043	336,923

Net cash (debt) is comprised as follows:

IN THOUSAND CHF	2014	2013
Cash and cash equivalents	372,043	336,923
Other current financial assets	0	5,472
Short-term borrowings	(520)	(3,053)
Long-term borrowings	(132)	(208)
Net cash	371,391	339,134

22 SHARE CAPITAL AND TREASURY SHARES

	OUT- STANDING NUMBER OF SHARES	ORDINARY SHARES	TREASURY SHARES	TOTAL
	Numbers	In TCHF	In TCHF	In TCHF
Shares issued	23,750,000	2,375		2,375
Treasury shares held	(33,467)		(3,339)	(3,339)
Balance on January 1, 2014	23,716,533	2,375	(3,339)	(964)
Treasury shares				
Purchased	(20,000)	0	(2,762)	(2,762)
Sold under employee share plan	15,104	0	1,795	1,795
Sold under employee option plan	7,315	0	744	744
Bonus settled with own shares	14,766	0	1,473	1,473
Movement	17,185	0	1,250	1,250
Shares issued	23,750,000	2,375		2,375
Treasury shares held	(16,282)		(2,089)	(2,089)
Balance on December 31, 2014	23,733,718	2,375	(2,089)	286

	OUT- STANDING NUMBER OF SHARES	ORDINARY SHARES	TREASURY SHARES	TOTAL
	Numbers	In TCHF	In TCHF	In TCHF
Shares issued	23,750,000	2,375		2,375
Treasury shares held	(100,398)		(10,018)	(10,018)
Balance on January 1, 2013	23,649,602	2,375	(10,018)	(7,643)
Treasury shares				
Sold under employee share plan	12,864	0	1,284	1,284
Sold under employee option plan	41,248	0	4,116	4,116
Bonus settled with own shares	12,819	0	1,279	1,279
Movement	66,931	0	6,679	6,679
Shares issued	23,750,000	2,375		2,375
Treasury shares held	(33,467)		(3,339)	(3,339)
Balance on December 31, 2013	23,716,533	2,375	(3,339)	(964)

The share capital is presented by 23,750,000 issued shares of CHF 0.10 par value (2013: 23,750,000 of CHF 0.10 par value), fully paid in. On December 31, 2014, the number of outstanding shares amounted to 23,733,718 shares (2013: 23,716,533) and the number of treasury shares to 16,282 (2013: 33,467). Treasury shares have been deducted from equity attributable to owners of the parent. All shares issued by the company were fully paid in.

The Shareholders' Meeting held on May 9, 2014 approved a dividend of CHF 2.20 per share that was distributed in respect of the business year 2013. The total dividend paid in 2014 amounted to CHF 52.2 million (2013: CHF 47.3 million). The Shareholders' Meeting in 2013 authorized the Board of Directors to create authorized capital to the maximum amount of CHF 0.3 million by issuing a maximum of 3,000,000 registered shares with a nominal value of CHF 0.10 each at any time until May 15, 2015. The Board of Directors has not made use of this authorization. The company has no conditional share capital.

The amount available for dividend distribution is based on the available distributable retained earnings of Panalpina World Transport (Holding) Ltd. determined in accordance with the legal provisions of the Swiss Code of Obligations. The Board of Directors has proposed dividends for the business year 2014 of CHF 2.75 per share (2013: 2.20 per share). This is subject to approval at the Annual Meeting of Shareholders on May 12, 2015.

23 NON-CONTROLLING INTERESTS (NCI)

The following table summarizes the information relating to each of the Group's subsidiaries that has material Non-Controlling Interests (NCI), before any intra-group eliminations.

2014 (IN THOUSAND CHF)	PANAL- PINA SAKHALIN PROJECTS	PANAL- PINA WORLD TRANS- PORT (VIETNAM) LTD.	PANAL- PINA GULF LLC (DUBAI)	QATAR SHIPPING COMPANY (PA QATAR) W.L.L.	OTHER IN- DIVIDUAL- LY IMMA- TERIAL SUBSI- DIARIES	INTRA- GROUP ELIMINA- TIONS	TOTAL
NCI percentage	51%	51%	51%	51%			
Non-current assets	47	400	33	47			
Current assets	13,986	18,679	5,859	6,866			
Non-current liabilities	0	0	(256)	(156)			
Current liabilities	(8,840)	(8,915)	(998)	(1,970)			
Net assets	5,193	10,164	4,638	4,787			
Carrying amount of NCI	2,649	5,184	2,366	2,441	(395)		12,245
Reclassification of non-controlling interests to parent shareholders	0	0	0	0	0		0
Other changes in non-controlling interests	0	0	0	0	0		0
Revenue	21,628	84,907	17,189	26,942			
Profit	(4,230)	1,144	652	1,095			
Other comprehensive income	1,365	269	441	443			
Total comprehensive income	(2,865)	1,413	1,093	1,538			
Profit allocated to NCI	(2,157)	583	333	558	(37)	0	(720)
OCI allocated to NCI	696	137	225	226	8	0	1,292
Cash flows from operating activities	449	(409)	2,582	(467)			
Cash flows from investment activities	(22)	2,073	(1,732)	1,789			
Cash flows from financing activities	0	0	0	0			
Dividends paid to NCI	0	0	0	0	0	0	0
Effect of exchange rate changes on cash and cash equivalents	(534)	115	106	153			
Net increase (decrease) in cash and cash equivalents	(106)	1,779	956	1,475			

2013 (IN THOUSAND CHF)	PANAL- PINA SAKHALIN PROJECTS	PANAL- PINA WORLD TRANS- PORT LTD.	PANAL- PINA GULF LLC (DUBAI)	QATAR SHIPPING COMPANY (PA QATAR) W.L.L.	OTHER IN- DIVIDUAL- LY IMMA- TERIAL SUBSI- DIARIES	INTRA- GROUP ELIMINA- TIONS	TOTAL
NCI percentage	51%	51%	51%	51%			
Non-current assets	88	186	19	104			
Current assets	13,167	16,317	6,769	5,013			
Non-current liabilities	0	0	(175)	(122)			
Current liabilities	(5,197)	(7,752)	(3,067)	(1,747)			
Net assets	8,058	8,751	3,546	3,248			
Carrying amount of NCI	4,110	4,463	1,808	1,656	(364)		11,673
Reclassification of non-controlling interests to parent shareholders	0	0	0	0	3,127		3,127
Other changes in non-controlling interests	0	0	0	0	(186)		(186)
Revenue	15,574	63,129	20,376	17,140			
Profit	(573)	1,572	(361)	(1,046)			
Other comprehensive income	18	(128)	(92)	(74)			
Total comprehensive income	(555)	1,444	(453)	(1,120)			
Profit allocated to NCI	(292)	802	(184)	(533)	40	0	(167)
OCI allocated to NCI	9	(65)	(47)	(38)	(30)	0	(171)
Cash flows from operating activities	914	3,299	(834)	3,652			
Cash flows from investment activities	(12)	(8)	(7)	(9)			
Cash flows from financing activities	(768)	(2,197)	0	0			
Dividends paid to NCI	(171)	0	0	0	0	0	(171)
Effect of exchange rate changes on cash and cash equivalents	2	(46)	33	(144)			
Net increase (decrease) in cash and cash equivalents	(35)	1,048	(808)	3,499			

In 2013, management reclassified the negative balance of non-controlling interests of Panalpina Transportes Mundiais Navegação e Trânsitos S.A.R.L. (Angola) to parent shareholders' equity.

24 BORROWINGS

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortized cost. For more information about the Group's exposure to foreign currency and liquidity risk, see note 17.

IN THOUSAND CHF	2014	2013
Current liabilities		
Overdraft	9	2,263
Current portion of secured bank loans	337	571
Current portion of finance lease liabilities	175	219
Total current liabilities	520	3,053
Non-current liabilities		
Non-current portion of finance lease liabilities	132	208
Total non-current liabilities	132	208

24.1 TERMS AND REPAYMENT SCHEDULE

IN THOUSAND CHF	CURRENCY	NOMINAL INTEREST RATE	YEAR OF MATURITY	2014		2013	
				CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Current liabilities							
Secured bank loan	DZD	5.50%	2015	337	337	571	571
Total current liabilities				337	337	571	571

24.2 FINANCE LEASE LIABILITIES

IN THOUSAND CHF	2014			2013		
	FUTURE MINIMUM LEASE PAYMENTS	INTEREST	PRESENT VALUE OF MINIMUM LEASE PAYMENTS	FUTURE MINIMUM LEASE PAYMENTS	INTEREST	PRESENT VALUE OF MINIMUM LEASE PAYMENTS
Less than 1 year	184	9	175	223	4	219
Between 1 and 5 years	137	5	132	209	1	208
Total interest-bearing liabilities	321	14	307	432	5	427

The weighted average interest rate of bank borrowings and other financing liabilities is 6.43 percent (2013: 6.38 percent). The carrying amounts of short-term bank borrowings approximate their fair value. The carrying amounts of the Group's borrowings are denominated in the following currencies:

IN THOUSAND CHF	2014	2013
EUR	0	2,262
DZD	337	571
PLN	282	386
Others	33	42
Total	652	3,261

25 NON-CURRENT PROVISIONS AND OTHER LIABILITIES

	EMPLOYEE BENEFITS	CLAIMS AND OTHER PROVI- SIONS	TOTAL PROVI- SIONS AND OTHER LIABILITIES
2014 IN THOUSAND CHF			
Balance on January 1	32,055	45,562	77,617
Translation differences	872	549	1,422
Addition	7,671	3,649	11,320
Reversal of unused amount	(2,608)	(7,100)	(9,708)
Charged in income statement	5,063	(3,451)	1,612
Utilization	(2,904)	(1,229)	(4,133)
Balance on December 31	35,086	41,431	76,518

	EMPLOYEE BENEFITS	CLAIMS AND OTHER PROVI- SIONS	TOTAL PROVI- SIONS AND OTHER LIABILITIES
2013 IN THOUSAND CHF			
Balance on January 1	34,097	38,984	73,081
Translation differences	(439)	(1,148)	(1,587)
Addition	3,669	9,531	13,200
Reversal of unused amount	(3,492)	(1,244)	(4,736)
Charged in income statement	177	8,287	8,464
Utilization	(1,780)	(561)	(2,341)
Balance on December 31	32,055	45,562	77,617

Employee provisions mostly relate to certain employee benefit obligations, such as “anniversary” benefits, termination payments and long service benefits, mainly in the USA, Switzerland, Austria and Germany. The timings of these cash outflows can be reasonably estimated based on past performance.

The balance for claims represents a provision for certain claims brought forward against the Group by customers and forwarding agents. The balance as of December 31, 2014, is expected to be utilized within the next two to five years. Management determined the provision based on past performance and its expectation of the funds needed for the future settlement of claims not yet reported (see also note 4 – Critical accounting estimates and judgments).

The current portion of employee benefits and claims and other provisions are disclosed in note 27.

26 DEFERRED INCOME TAXES

Deferred taxes are related to the following statement of financial position items:

	RECEIV- ABLES	FIXED ASSETS	PROVI- SIONS	POST-EM- PLOYMENT BENEFITS	OTHER STATE- MENT OF FINANCIAL POSITION CAPTIONS	DEDUCT- IBLE LOSS CARRY- FORWARDS	TOTAL
2014 IN THOUSAND CHF							
Net deferred income tax balance at January 1	810	(10,352)	14,715	9,220	4,685	29,846	48,924
Recognized translation differences	76	(976)	1,113	(20)	(252)	1,669	1,610
Recognized in income statement	863	6,594	(4,463)	0	(957)	(782)	1,255
Recognized in OCI	0	0	0	5,099	0	0	5,099
Net deferred income tax balance at December 31	1,749	(4,734)	11,365	14,299	3,476	30,733	56,888
Thereof deferred income tax assets at December 31							67,962
Thereof deferred income tax liabilities at December 31							(11,074)
2013 (IN THOUSAND CHF)							
Net deferred income tax balance at January 1	2,067	(11,763)	9,605	14,452	4,182	33,330	51,873
Recognized translation differences	(130)	(145)	(765)	0	(247)	(1,321)	(2,608)
Recognized in income statement	(1,127)	1,556	5,875	1,117	750	(2,163)	6,008
Recognized in OCI	0	0	0	(6,349)	0	0	(6,349)
Net deferred income tax balance at December 31	810	(10,352)	14,715	9,220	4,685	29,846	48,924
Thereof deferred income tax assets at December 31							65,457
Thereof deferred income tax liabilities at December 31							(16,533)

YEAR OF EXPIRY OF UNRECOGNIZED TAX LOSS CARRY-FORWARDS (IN THOUSAND CHF)	2014	2013
2014	0	12,733
2015	4,434	5,856
2016	4,277	15,487
2017	1,313	0
2018	127	0
2019	1,112	0
Later	78,483	29,632
No expiry date	159,050	148,715
Total unrecognized tax loss carry-forwards	248,795	212,423

The total increase of CHF 36.4 million (2013: increase of CHF 21.4 million) derived mainly from unrecognized tax loss carry-forwards in Austria and France. Unrecognized deferred taxes on tax loss carry-forwards of CHF 2.6 million (2013: CHF 2.5 million) were utilized mainly in Belgium and Luxembourg. Utilization of recognized tax loss carry-forwards amounts to CHF 4.4 million (2013: CHF 15.8 million) mainly in Germany.

27 CURRENT PROVISIONS AND OTHER LIABILITIES

2014 (IN THOUSAND CHF)	EMPLOYEE BENEFITS AND OTHERS	OUT-STANDING VACATION ENTITLEMENT	CLAIMS	RESTRUC-TURING	TOTAL
Balance on January 1	74,457	23,035	49,178	8,696	155,366
Translation differences	1,440	(50)	3,491	(41)	4,840
Addition	46,693	8,011	8,990	8,541	72,235
Reversal of unused amounts	(3,764)	(1,242)	(2,671)	(1,690)	(9,367)
Charged in income statement	42,929	6,769	6,319	6,851	62,868
Utilization	(42,936)	(7,184)	(48,041)	(4,701)	(102,862)
Balance on December 31	75,890	22,570	10,947	10,805	120,212

2013 (IN THOUSAND CHF)	EMPLOYEE BENEFITS AND OTHERS	OUT-STANDING VACATION ENTITLEMENT	CLAIMS	RESTRUC-TURING	TOTAL
Balance on January 1	51,585	22,238	33,225	17,431	124,479
Translation differences	(1,298)	(996)	678	(396)	(2,012)
Addition	65,107	4,694	41,425	4,903	116,129
Reversal of unused amounts	(5,158)	(1,086)	(1,501)	(740)	(8,485)
Charged in income statement	59,949	3,608	39,924	4,163	107,644
Utilization	(35,779)	(1,815)	(24,649)	(12,502)	(74,745)
Balance on December 31	74,457	23,035	49,178	8,696	155,366

Apart from outstanding vacation entitlement, the current portions of provisions and other liabilities include personnel profit participation and related social security costs and payroll taxes, as well as compliance consultancy fees. During the period under review, a provision of CHF 36.2 million for personnel profit participation was recognized. In 2014, CHF 33.5 million of personnel profit participation (2013: CHF 34.1 million) was paid out. As of December 31, 2014 a provision of CHF 55.5 million (2013: CHF 51.3 million) was held for personnel profit participation including related social security costs and payroll taxes.

As disclosed in notes 4 and 25, claim provisions include the current portion of certain claims brought forward against the Group by customers and forwarding agents. Utilization of the claim provision in 2013 mainly included the payments of the WEKO claim (CHF 3.2 million) and the last portion of the FCPA settlement (CHF 17.1 million). Utilization of the claim provision in 2014 mainly included the payment to settle the class action lawsuit in the U.S. (USD 35 million). Further details on open legal claims are described in note 30.2 Pending Legal Claims.

The restructuring provision newly added in 2014 relates to headcount reductions in certain functions mainly in Europe. The additional provision recognized in 2013 relates to headcount reductions in certain functions mainly in Germany, Norway and Angola.

28 RELATED PARTIES

28.1 KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel consists of the Board of Directors and the Executive Board. The members of the Board of Directors receive a fixed annual compensation and participate in certain equity compensation plans (see note 8). In 2014, there were 7 (2013: 7) members of the Board of Directors.

The compensation of the Executive Board consists of a fixed portion and a variable portion, which depends on the course of business and the individual manager's performance. In addition, members of the Executive Board receive indirect benefits and are able to participate in certain equity compensation plans (see note 8). In 2014, there were 6 (2013: 5) members of the Executive Board.

There were no contributions or donations to close members of the families of the key management.

The following table shows the compensation of key management personnel:

2014 IN THOUSAND CHF	SHORT-TERM EMPLOYEE BENEFITS ¹	POST-EMPLOYMENT BENEFITS	OTHER LONG-TERM BENEFITS	TERMINATION BENEFITS	SHARE-BASED PAYMENT ²	TOTAL COMPENSATION 2014
Total remuneration of Board of Directors	1,538	0	0	0	350	1,888
Total remuneration of Executive Board	6,884	645	0	0	2,172	9,701
Total remuneration of key management personnel	8,422	645	0	0	2,522	11,589

¹ Short-term employee benefits incl. fringe benefits, expense allowance, salaries, bonus and social security payments

² Share-based payments are disclosed on an accrual basis. This means that for the Board of Directors, the amount includes the shares to be granted in 2015 for the business year 2014. For the Executive Board, the disclosed amount includes the shares granted under the Mid-Term Incentive Plan (MTIP) and related to the 2014 annual bonus (grant in 2015), the matching free shares related to the 2013 annual bonus (grant in 2015) and the fair value of shares granted in 2015 related to the Performance Share Units Plan.

2013 IN THOUSAND CHF	SHORT TERM EM- PLOYEE BENEFITS ¹	POST-EM- PLOYMENT BENEFITS	OTHER LONG- TERM BEN- EFITS	TERMINA- TION BEN- EFITS	SHARE- BASED PAYMENT ²	TOTAL COMPEN- SATION 2013
Total remuneration of Board of Directors	1,536	0	0	0	350	1,886
Total remuneration of Executive Board	5,918	630	0	0	1,325	7,873
Total remuneration of key management personnel	7,454	630	0	0	1,675	9,759

¹ Short-term employee benefits incl. fringe benefits, expense allowance, salaries, bonus and social security payments

² Share-based payments are disclosed on an accrual basis. This means that for the Board of Directors, the amount includes the shares to be granted in 2014 for the business year 2013. For the Executive Board, the disclosed amount includes the shares granted under the Mid-Term Incentive Plan (MTIP) and related to the 2013 annual bonus (grant in 2014) as well as the matching shares that will be transferred in 2014 related to the 2011 annual bonus / MTIP.

The following table shows the equity holdings in Panalpina World Transport (Holding) Ltd. (PWT) of key management personnel and their related parties in line with article 663c of the Swiss Code of Obligations.

	Number of PWT nominal shares	Number of options
Board of Directors		
Rudolf W. Hug, Chairman	7,926	0
Beat Walti, Vice Chairman	1,353	0
Ilias Läber, Member	362	0
Chris E. Muntwyler, Member	1,353	0
Roger Schmid, Member	6,875	0
Hans-Peter Strodel, Member	1,353	0
Knud Elmholdt Stubkjær, Member	926	0
Total on December 31, 2014	20,148	0
Executive Board		
Peter Ulber, Chief Executive Officer	0	0
Robert Erni, Chief Financial Officer	4,497	0
Christoph Hess, General Counsel and Corporate Secretary	4,452	0
Karl Weyeneth, Chief Commercial Officer	4,871	0
Karsten Breum, Chief Human Resources	0	0
Roderick Angwin, Chief Information Officer	1,879	0
Total on December 31, 2014	15,699	0
Total on December 31, 2014	35,847	0

	Number of PWT nominal shares	Number of options (end of vesting period)
	2014	
Board of Directors		
Rudolf W. Hug, Chairman	7,564	0
Beat Walti, Vice Chairman	991	0
Ilias Läber, Member	0	0
Chris E. Muntwyler, Member	991	0
Roger Schmid, Member	6,875	0
Hans-Peter Strodel, Member	991	0
Knud Elmholdt Stubkjær, Member	564	0
Total on December 31, 2013	17,976	0
Executive Board		
Peter Ulber, Chief Executive Officer	0	0
Robert Erni, Chief Financial Officer	2,575	0
Christoph Hess, General Counsel and Corporate Secretary	5,079	0
Karl Weyeneth, Chief Operating Officer	2,801	303
Alastair Robertson, Chief Human Resources	5,119	0
Total on December 31, 2013	15,574	303
Total on December 31, 2013	33,550	303

28.2 MAJOR SHAREHOLDER

As of December 31, 2014, Ernst Göhner Stiftung holds 45.9 percent (31.12.2013: 45.9 percent) of the share capital of Panalpina Welttransport (Holding) AG.

28.3 OTHER RELATED PARTIES

The major shareholder (as described above), pension funds and all subsidiaries are defined as parties related to the Group. Apart from the transactions with related parties mentioned below, we refer to notes 7 and 8.

28.4 OTHER RELATED PARTY TRANSACTIONS

Panalpina Welttransport GmbH in Germany leases two buildings from an affiliate of Ernst Göhner Stiftung, one in Stuttgart and one in Nuremberg. The lease paid in the fiscal year 2014 amounts to CHF 5.4 million (2013: CHF 4.9 million).

29 BUSINESS COMBINATIONS / DISINVESTMENTS

In 2014 and 2013 there were no business combinations and no significant subsidiaries were sold.

30 ADDITIONAL INFORMATION

IN THOUSAND CHF

	2014	2013
Contractual commitments on non-cancellable operating lease contracts		
Less than one year	159,457	191,339
Between one and five years	258,191	344,270
More than five years	60,878	71,454
Total residual commitments	478,526	607,063

30.1 PLEDGED ASSETS

As of the statement of financial position date 2014 and 2013, the Group does not have any pledged assets.

30.2 PENDING LEGAL CLAIMS

Introduction

As mentioned in note 4 – Provisions, the Group from time to time is involved in legal proceedings in the ordinary course of its business. Other than as noted below, the Group is not a party to any legal, administrative or arbitration proceedings which could significantly harm the Group's business, financial condition and results of operations taken as a whole and it does not know of any such proceedings which may currently be contemplated by governmental or third parties.

Claim against Pantainer Ltd.

The Panalpina subsidiary Pantainer and other group companies are named third party defendants in a litigation launched in Japan in 2005. Insurers are seeking compensation for general average contributions and cargo loss / damage resulting from a fire on a vessel allegedly caused by a customer's cargo. The customer lost the case in the second instance and appealed to the Japan Supreme Court. The value in dispute amounts to USD 9 million plus interest and cost.

Freight forwarding anti-trust investigation

In 2007 various competition authorities commenced anti-trust investigations against major global freight forwarders including Panalpina. Whereas some investigations (Canada, Australia) were discontinued, Panalpina entered in earlier reporting periods into settlement agreements with competition authorities in the US, Switzerland and New Zealand.

In the reporting year Panalpina also entered into a settlement agreement with the Brazilian competition authorities and agreed to pay a settlement contribution of CHF 2.8 million. This amount has been fully provisioned in 2013.

In 2012 Panalpina received a notice from the Competition Commission Singapore requiring the provision of information related to certain airfreight surcharges which have been subject of the previous and meanwhile completed investigations by other competition authorities. Panalpina has provided this information in December 2012 and has responded to a further information request in November 2013. The pending anti-trust proceedings in Singapore may result in penalties imposed on Panalpina. Management however holds the view based on a legal opinion that the outcome of these proceedings will have no effect on the financial situation of the Group beyond the existing provision for pending claims.

In March 2012, the EU Commission has fined various major freight forwarding companies for anti-trust violations which occurred prior to 2008. Panalpina was ordered to pay a penalty of EUR 46.5 million. Panalpina has appealed the European Commission's decision to the European General Court.

30.3 SUBSEQUENT EVENTS

The Swiss National Bank announced on January 15, 2015 that it was discontinuing the minimum exchange rate of 1.20 CHF per EUR. The amounts reported in these Consolidated Financial Statements do not reflect any changes in foreign exchange rates after December 31, 2014. The Panalpina Group uses CHF as the presentation currency in its consolidated financial statements, therefore a weakening of foreign currencies against the CHF will have a negative currency translation impact on the Group's consolidated results when reported in CHF. The Group's foreign exchange risk management and the currency translation sensitivity of the Group's results to movements in foreign currency exchange rates is included in the Note 17.

31 PRINCIPAL GROUP COMPANIES AND PARTICIPATIONS

COMPANY	REGISTERED	CURRENCY	NOMINAL CAPITAL IN 1,000	EQUITY INTEREST IN %	INVEST- MENT	METHOD OF CON- SOLIDA- TION
Europe						
Panalpina World Transport (Holding) Ltd.	Basel	CHF	2,375			K
Panalpina Management Ltd.	Basel	CHF	2,500	100	1	K
Panalpina Ltd.	Basel	CHF	600	100	1	K
Panalpina International Ltd.	Basel	CHF	1,000	100	1	K
Panalpina Air & Ocean Ltd.	Basel	CHF	2,700	100	1	K
Panalpina Global Employment Services Ltd.	Basel	CHF	100	100	1	K
Panalpina Welttransport (Deutschland) GmbH	Mörfelden	EUR	10,226	100	1	K
Panalpina Welttransport GmbH	Vienna	EUR	36	100	1	K
Panalpina Welttransport GmbH	Höchst	EUR	36	100	1	K
Panalpina France Transports Internationaux S.A.S.	Paris-Roissy	EUR	2,000	100	1	K
Panalpina Trasporti Mondiali S.p.A.	Milan	EUR	2,000	100	1	K
Panalpina Transportes Mundiales S.A.	Madrid	EUR	451	100	1	K
Panalpina Transportes Mundiais Lda	Lisbon	EUR	50	100	1	K
Panalpina World Transport Ltd.	London	GBP	12,350	100	1	K
Panalpina World Transport (Ireland) Ltd.	Dublin	EUR	25	100	1	K
Panalpina World Transport N.V.	Antwerp	EUR	19,050	100	1	K
Panalpina Luxembourg S.A.	Luxembourg	EUR	31	100	1	K
Panalpina World Transport B.V.	Amsterdam	EUR	91	100	1	K
Panalpina (Beverwijk) B.V.	Beverwijk	EUR	18	100	1	K
Panalpina Czech Sro.	Prague	CZK	1,000	100	1	K
Panalpina Business Services (Prague), s.r.o.	Prague	CZK	1,000	100	1	K
Panalpina Croatia d.o.o.	Rijeka	HRK	400	100	1	K
Panalpina Slovakia S.R.O.	Bratislava	EUR	23	100	1	K
Panalpina Magyarorszag Kft.	Budapest	HUF	528,000	100	1	K
Panalpina Romania S.R.L.	Oradea	RON	6,072	100	1	K
Panalpina Polska Sp. z o.o.	Wroclaw	PLN	1,500	100	1	K
Panalpina AB	Gothenburg	SEK	1,000	100	1	K
Panalpina A / S	Oslo	NOK	75,060	100	1	K

COMPANY	REGISTERED	CURRENCY	NOMINAL CAPITAL IN 1,000	EQUITY INTEREST IN %	INVEST- MENT	METHOD OF CON- SOLIDA- TION
North, Central and South America						
Panalpina Inc.	New York	USD	83,000	100	1	K
International Claims Handling Services Inc.	Miami	USD	1	100	1	K
Panalpina Inc.	Toronto	CAD	100	100	1	K
Panalpina Transportes Mundiales, S.A. de C.V.	Mexico City	MXN	35,834	100	1	K
Panalpina S.A.	Panama City	USD	1,250	100	1	K
Almacenadora Mercantil S.A.	Panama City	USD	25	100	1	K
Panalpina S.A. de C.V.	San Salvador	SVC	100	100	1	K
Panalpina Transportes Mundiales S.A.	San José	CRC	2,500	100	1	K
Panalpina Servicios Aduanales S.A.	San José	CRC	1,590	100	1	K
Panalpina Uruguay Transportes Mundiales S.A.	Montevideo	UYU	4,093	100	1	K
Panalpina S.A.	Santa Fé de Bogotá	COP	7,450,838	100	1	K
DAPSA Depositos Aduaneros Panalpina S.A.	Santa Fé de Bogotá	COP	2,815,208	100	1	K
Panalpina C.A.	Caracas	VEF	7,299,297	100	1	K
Panalpina Ecuador S.A.	Quito	USD	100	100	1	K
Panalpina Aduanas S.A.	Lima	PEN	732	100	1	K
Panalpina Transportes Mundiales S.A.	Lima	PEN	4,008	100	1	K
Panalpina Ltda.	São Paulo	BRL	148,422	100	1	K
Panalpina Chile Transportes Mundiales Ltda.	Santiago	CLP	3,505,817	100	1	K
Panalpina Transportes Mundiales S.A.	Buenos Aires	ARS	67,242	100	1	K
Panalpina Transportes Mundiales S.R.L.	Santo Domingo	DOP	1,000	100	1	K
Mondi Reinsurance Ltd.	Hamilton	CHF	1,000	100	1	K

COMPANY	REGISTERED	CURRENCY	NOMINAL CAPITAL IN 1,000	EQUITY INTEREST IN %	INVEST- MENT	METHOD OF CON- SOLIDA- TION
Asia and Australia						
Panalpina World Transport (Singapore) Pte. Ltd.	Singapore	SGD	2,500	100	1	K
PT Panalpina Nusajaya Transport	Jakarta	IDR	1,500,000	95	1	K
Panalpina China Ltd.	Hong Kong	HKD	1,000	100	1	K
Panalpina World Transport (PRC) Ltd.	Shanghai	CNY	13,500	100	1	K
Panalpina Logistics (Shanghai) Ltd.	Shanghai	CNY	5,000	100	1	K
Panalpina Logistics (Wuhan) Ltd.	Wuhan	CNY	5,000	100	1	K
Panalpina Logistics (Chengdu) Limited	Chengdu	CNY	5,000	100	1	K
Panalpina Asia-Pacific Services Ltd.	Hong Kong	HKD	500	100	1	K
Panalpina World Transport Ltd.	Hong Kong	HKD	500	100	1	K
Pantainer (H. K.) Limited	Hong Kong	HKD	100	100	1	K
International Claims Handling Services Ltd.	Hong Kong	HKD	10	100	1	K
Panalpina Taiwan Ltd.	Taipei	TWD	15,500	100	1	K
Panalpina Korea Ltd.	Seoul	KRW	500,000	100	1	K
Panalpina World Transport (Thailand) Ltd.	Bangkok	THB	27,000	100	1	K
Panalpina Asia-Pacific Services (Thailand) Ltd.	Bangkok	THB	10,000	100	1	K
Panalpina Macao Ltd.	Macao	HKD	1,000	100	1	K
Panalpina World Transport (Vietnam) Company Ltd.	Ho Chi Minh City	VND	6,360,145	49	2	K
Panalpina Transport (Malaysia) Sdn. Bhd.	Kuala Lumpur	MYR	4,215	70	1	K
Panalpina World Transport (Japan) Ltd.	Tokyo	JPY	50,000	100	1	K
Panalpina World Transport (India) Pvt. Ltd.	Delhi	INR	100,050	100	1	K
Panindia Cargo Private Ltd.	Delhi	INR	100	100	1	K
Panalpina World Transport (Philippines) Inc.	Manila	PHP	10,000	99.998	1	K
Panalpina World Transport (Pty) Ltd.	Sydney	AUD	15,000	100	1	K

COMPANY	REGISTERED	CURRENCY	NOMINAL CAPITAL IN 1,000	EQUITY INTEREST IN %	INVEST- MENT	METHOD OF CON- SOLIDA- TION
Middle East and Africa						
Panalpina Gulf LLC	Dubai	AED	1,000	49	2	K
Panalpina Jebel Ali Ltd.	Jebel Ali	AED	100	100	1	K
Panalpina World Transport (Dubai) DWC-LLC	Dubai	AED	300	100	1	K
Panalpina World Transport (Kuwait) WLL	Kuwait	KWD	20	49	2	K
Panalpina Qatar WLL	Doha	QAR	200	49	2	K
Panalpina World Transport (Saudi Arabia) Ltd.	Al Khobar	SAR	500	100	1	K
Panalpina (Bahrain) WLL	Manama	BHD	20	100	1	K
Panalpina Central Asia EC	Manama	USD	17,020	100	1	K
Al-Alb Co. for General Transportation (PLLC)	Baghdad	IQD	11,000	100	1	K
Panalpina World Transport Nakliyat Ltd. Srk.	Istanbul	TRY	10,000	100	1	K
Panalpina Georgia LLC	Tbilisi	GEL	11	100	1	K
Panalpina Azerbaijan LLC	Baku	AZN	1	100	1	K
Panalpina Turkmenistan LLC	Turkmenbashi	TMT	62	100	1	K
Panalpina World Transport LLP	Atyrau	KZT	1,252,395	100	1	K
Panalpina Sakhalin Projects	Yuzhno-Sakhalinsk	RUB	30	49	2	K
Panalpina World Transport ZAO	Moscow	RUB	2,100	100	1	K
Panalpina CIS Helsinki OY	Vantaa	EUR	8	100	1	K
Panalpina Logistics LLC	Moscow	RUB	240	100	1	K
Panalpina World Transport Ltd.	Kiev	UAH	376	100	1	K
Panalpina Transports Mondiaux Cameroun S.A.R.L.	Douala	XAF	150,000	90	1	K
Panalpina Transports Mondiaux Algérie EURL	Hassi Messaoud	DZD	128,039	100	1	K
Panalpina Transports Mondiaux Congo S.A.R.L.	Pointe-Noire	XAF	70,000	80	1	K
Panalpina Transports Mondiaux Gabon S.A.	Port-Gentil	XAF	50,000	90	1	K
Panalpina (Ghana) Ltd.	Accra	GHS	10	100	1	K
Panalpina Transportes Mundiais Navegação e Trânsitos S.A.R.L.	Luanda	AOA	18	49	2	K
K = fully consolidated						
1 = capital participation 51 - 100%						
2 = controlling influence over management						

REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING OF SHAREHOLDERS OF

Panalpina World Transport (Holding) Ltd., Basel

Report of the Statutory Auditor on the Consolidated Financial Statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Panalpina World Transport (Holding) Ltd., which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and notes on pages 72 to 140 for the year ended December 31, 2014.

Board of Directors' Responsibility

The board of directors is responsible for the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended December 31, 2014 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the board of directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG AG

Marc Ziegler
Licensed Audit Expert
Auditor in Charge

Martin Rohrbach
Licensed Audit Expert

Zurich, March 2, 2015

KEY FIGURES IN CHF

Five-year review

IN MILLION CHF	2014	2013	2012	2011	2010
Forwarding services	8,172	8,175	8,066	7,926	8,676
<i>Change in %</i>	<i>(0.03)</i>	<i>1.35</i>	<i>1.78</i>	<i>(8.64)</i>	<i>18.19</i>
Net forwarding revenue	6,707	6,758	6,617	6,500	7,164
<i>Change in %</i>	<i>(0.75)</i>	<i>2.13</i>	<i>1.81</i>	<i>(9.27)</i>	<i>20.25</i>
Gross profit	1,586	1,561	1,465	1,477	1,480
<i>Change in %</i>	<i>1.60</i>	<i>6.55</i>	<i>(0.81)</i>	<i>(0.21)</i>	<i>7.49</i>
<i>in % of net revenue</i>	<i>23.65</i>	<i>23.10</i>	<i>22.14</i>	<i>22.72</i>	<i>20.66</i>
Consolidated (loss) / profit	86.5	11.7	(71.8)	127.4	(26.0)
<i>Change in %</i>	<i>639.50</i>	<i>(116.30)</i>	<i>(156.37)</i>	<i>(590.06)</i>	<i>(348.94)</i>
<i>in % of gross profit</i>	<i>5.46</i>	<i>0.75</i>	<i>(4.90)</i>	<i>8.63</i>	<i>(1.76)</i>
EBITDA	174.0	119.8	34.2	212.1	62.4
<i>Change in %</i>	<i>45.26</i>	<i>250.29</i>	<i>(83.87)</i>	<i>240.09</i>	<i>(21.78)</i>
<i>in % of gross profit</i>	<i>10.97</i>	<i>7.67</i>	<i>2.33</i>	<i>14.36</i>	<i>4.21</i>
EBITA	142.1	85.5	3.1	183.6	23.5
<i>Change in %</i>	<i>66.15</i>	<i>2,658.06</i>	<i>(98.33)</i>	<i>682.11</i>	<i>(44.77)</i>
<i>in % of gross profit</i>	<i>8.96</i>	<i>5.48</i>	<i>0.21</i>	<i>12.43</i>	<i>1.59</i>
EBIT	116.7	48.0	(39.6)	174.2	15.4
<i>Change in %</i>	<i>143.19</i>	<i>(221.21)</i>	<i>(122.74)</i>	<i>1,033.97</i>	<i>(48.64)</i>
<i>in % of gross profit</i>	<i>7.36</i>	<i>3.07</i>	<i>(2.70)</i>	<i>11.79</i>	<i>1.04</i>
Cash generated from operations	152.9	73.8	(39.6)	229.1	75.3
<i>Change in %</i>	<i>107.19</i>	<i>(286.36)</i>	<i>(117.27)</i>	<i>204.35</i>	<i>(75.86)</i>
<i>in % of gross profit</i>	<i>9.64</i>	<i>4.73</i>	<i>(2.69)</i>	<i>15.51</i>	<i>5.09</i>
Net cash from operating activities	123.0	42.5	(71.5)	193.5	37.0
<i>Change in %</i>	<i>189.48</i>	<i>(159.44)</i>	<i>(136.92)</i>	<i>422.45</i>	<i>(85.74)</i>
<i>in % of gross profit</i>	<i>7.76</i>	<i>2.72</i>	<i>(4.88)</i>	<i>13.10</i>	<i>2.50</i>
Free cash flow	87.0	(5.5)	(81.9)	41.9	6.2
<i>Change in %</i>	<i>(1,681.84)</i>	<i>(93.28)</i>	<i>(295.43)</i>	<i>570.94</i>	<i>(97.24)</i>
<i>in % of gross profit</i>	<i>5.49</i>	<i>(0.35)</i>	<i>(5.59)</i>	<i>2.84</i>	<i>0.42</i>
Net working capital	191.3	174.6	134.0	85.2	143.0
<i>Change in %</i>	<i>9.59</i>	<i>30.29</i>	<i>57.28</i>	<i>(40.42)</i>	<i>8.20</i>

IN MILLION CHF	2014	2013	2012	2011	2010
Capital expenditure on fixed assets	48.1	49.8	84.2	51.2	40.0
<i>Change in %</i>	<i>(3.49)</i>	<i>(40.86)</i>	<i>64.45</i>	<i>27.87</i>	<i>(4.31)</i>
<i>in % of gross profit</i>	<i>3.03</i>	<i>3.19</i>	<i>5.75</i>	<i>3.47</i>	<i>2.71</i>
Net capital expenditure on fixed assets	45.1	48.5	83.9	108.7	28.5
<i>Change in %</i>	<i>(6.96)</i>	<i>(42.19)</i>	<i>(22.79)</i>	<i>281.81</i>	<i>(3.24)</i>
<i>in % of gross profit</i>	<i>2.84</i>	<i>3.11</i>	<i>5.73</i>	<i>7.36</i>	<i>1.92</i>
Depreciation and amortization (incl. impairment losses)	57.3	71.9	73.9	37.9	47.0
<i>Change in %</i>	<i>(20.27)</i>	<i>(2.71)</i>	<i>94.99</i>	<i>(19.37)</i>	<i>(5.65)</i>
<i>in % of gross profit</i>	<i>3.61</i>	<i>4.61</i>	<i>5.04</i>	<i>2.57</i>	<i>3.18</i>
Personnel expenses	976.9	960.0	957.2	892.4	890.9
Personnel					
Number of employees at year-end (world)	15,639	16,010	15,224	15,051	14,136
Number of employees at year-end (Switzerland)	682	754	759	775	749
Yearly average (world)	16,180	15,925	15,782	15,286	14,223
Productivity ratios (CHF)					
Net sales per average employee	414,521	424,364	419,272	425,226	503,703
Gross profit per average employee	98,018	98,022	92,826	96,624	104,062
Personnel expenses per average employee	60,372	60,283	60,650	58,380	62,641
<i>Personnel cost in % of gross profit</i>	<i>61.59</i>	<i>61.50</i>	<i>65.34</i>	<i>60.42</i>	<i>60.20</i>
Leverage (liabilities / equity)	1.66	1.78	1.65	1.31	1.46
Net interest-bearing liabilities	(363)	(332)	(390)	(562)	(546)
Gross gearing (interest-bearing liabilities / equity)	0.01	0.01	0.00	0.01	0.01
Net gearing (net interest-bearing liabilities / equity)	(0.50)	(0.48)	(0.53)	(0.61)	(0.68)
ROCE (EBIT less tax / capital employed) in %	24.01	6.71	(19.42)	42.32	(5.40)
Current cash debt coverage ratio (net operating cash flow / average current liability)	0.11	0.04	(0.07)	0.19	0.04
Cash debt coverage ratio (net operating cash flow / average total liability)	0.10	0.03	(0.06)	0.16	0.03
Return on equity in %	12.2	1.6	(8.7)	14.8	(3.1)
<i>Change in %</i>	<i>662.50</i>	<i>(118.39)</i>	<i>(158.78)</i>	<i>(577.40)</i>	<i>(360.81)</i>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION IN CHF

Five-year review

IN MILLION CHF	2014	2013	2012	2011	2010
ASSETS	1,930	1,949	1,957	2,135	1,989
<i>Change in %</i>	<i>(0.99)</i>	<i>(0.41)</i>	<i>(8.34)</i>	<i>7.32</i>	<i>3.35</i>
Non-current assets	329	351	362	390	303
<i>Change in %</i>	<i>(6.15)</i>	<i>(3.04)</i>	<i>(7.13)</i>	<i>28.73</i>	<i>(7.04)</i>
Property, plant and equipment	104	119	130	113	114
<i>Change in %</i>	<i>(12.37)</i>	<i>(8.46)</i>	<i>15.03</i>	<i>(0.73)</i>	<i>(19.27)</i>
Financial assets	103	114	98	135	111
<i>Change in %</i>	<i>(9.57)</i>	<i>16.33</i>	<i>(27.71)</i>	<i>21.59</i>	<i>(1.75)</i>
Intangible assets	122	118	134	142	78
<i>Change in %</i>	<i>3.41</i>	<i>(11.94)</i>	<i>(5.89)</i>	<i>81.84</i>	<i>8.65</i>
Current assets	1,600	1,598	1,595	1,745	1,686
<i>Change in %</i>	<i>0.15</i>	<i>0.19</i>	<i>(8.60)</i>	<i>3.47</i>	<i>5.47</i>
Liquid funds	372	337	393	574	555
<i>Change in %</i>	<i>10.40</i>	<i>(14.25)</i>	<i>(31.58)</i>	<i>3.33</i>	<i>1.30</i>
Receivables and other current assets	1,228	1,261	1,202	1,171	1,131
<i>Change in %</i>	<i>(2.59)</i>	<i>4.91</i>	<i>2.65</i>	<i>3.54</i>	<i>7.66</i>
LIABILITIES AND EQUITY	1,930	1,949	1,957	2,135	1,989
<i>Change in %</i>	<i>(0.99)</i>	<i>(0.42)</i>	<i>(8.30)</i>	<i>7.31</i>	<i>3.34</i>
Equity	721	697	734	919	804
<i>Change in %</i>	<i>3.43</i>	<i>(5.04)</i>	<i>(20.10)</i>	<i>14.22</i>	<i>(6.15)</i>
Share capital	2	2	2	50	50
<i>Change in %</i>	<i>18.75</i>	<i>0.00</i>	<i>(96.00)</i>	<i>0.00</i>	<i>0.00</i>
Treasury shares	(2)	(3)	(10)	(197)	(196)
<i>Change in %</i>	<i>(30.37)</i>	<i>(70.00)</i>	<i>(94.93)</i>	<i>0.65</i>	<i>1.78</i>
Translation reserves	(187)	(188)	(165)	(162)	(151)
<i>Change in %</i>	<i>(0.72)</i>	<i>13.94</i>	<i>1.85</i>	<i>7.30</i>	<i>10.70</i>
Retained earnings and other reserves	907	886	907	1,228	1,101
<i>Change in %</i>	<i>2.40</i>	<i>(2.32)</i>	<i>(24.77)</i>	<i>11.50</i>	<i>(3.02)</i>
Non-controlling interests	12	12	9	9	8
Liabilities	1,197	1,240	1,214	1,207	1,177
<i>Change in %</i>	<i>(3.50)</i>	<i>2.14</i>	<i>0.60</i>	<i>2.54</i>	<i>10.94</i>
Payables, accruals and deferred income	991	1,002	1,013	985	914
<i>Change in %</i>	<i>(1.08)</i>	<i>(1.09)</i>	<i>2.84</i>	<i>7.80</i>	<i>4.07</i>
Borrowings	9	5	3	12	10
<i>Change in %</i>	<i>72.80</i>	<i>66.67</i>	<i>(75.00)</i>	<i>23.23</i>	<i>(25.09)</i>
Provisions	197	233	198	210	254
<i>Change in %</i>	<i>(15.57)</i>	<i>17.68</i>	<i>(6.19)</i>	<i>(17.20)</i>	<i>49.20</i>

ANNUAL FINANCIAL STATEMENTS

Panalpina World Transport (Holding) Ltd.

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INCOME STATEMENT

for the years ended December 31, 2014 and 2013

IN THOUSAND CHF	NOTES	2014	2013
Income			
Income from participations	1	101,478	74,983
Financial income	2	8,672	10,282
Royalties income	3	47,562	27,302
Release of value adjustments on participations		1,882	0
Total income		159,594	112,567
Expenses			
Personnel expenses		12,711	7,046
Other administrative expenses	4	11,964	5,999
Financial expenses	5	31,534	11,855
Depreciation and value adjustments on investments		0	15,632
Total expenses		56,209	40,532
Taxes		1,185	389
Profit for the year		102,200	71,646

BALANCE SHEET

as of December 31

IN THOUSAND CHF	NOTES	2014	2013
ASSETS			
Current assets			
Cash		810	2,764
Cash pool receivables from Group companies		0	10,331
Receivables:			
due from Group companies		89	461
due from third parties		47	101
Marketable securities	6	0	5,472
Prepaid expenses and deferred charges		49,482	30,566
Total current assets		50,428	49,695
Non-current assets			
Other non-current assets		21	0
Participations	7	526,806	470,482
Loans due from Group companies		307,217	303,327
Treasury shares	8	150	1,400
Total non-current assets		834,194	775,209
Total assets		884,623	824,904
LIABILITIES AND EQUITY			
Current liabilities			
Cash pool payables due to Group companies		31,348	23,936
Payables:			
due to Group companies		2,489	841
due to third parties		635	1,002
Financial liabilities due to Group companies		47,265	43,774
Accrued expenses		5,426	7,547
Total current liabilities		87,162	77,100
Non-current liabilities			
Loans due to Group companies		0	921
Provisions		926	363
Total non-current liabilities		926	1,284
Total liabilities		88,088	78,384
Equity			
Share capital			
Legal reserve	10	475	475
Reserve for own shares		2,089	3,339
Special reserve		264,036	262,786
Retained earnings:			
balance brought forward from previous year		425,360	405,899
profit for the year		102,200	71,646
Total equity		796,535	746,520
Total liabilities and equity		884,623	824,904

NOTES TO THE FINANCIAL STATEMENTS

General

The Group's consolidated financial statements must be considered for an appropriate financial and economic assessment of the Panalpina Group. The statutory financial statements of Panalpina World Transport (Holding) Ltd. were prepared in accordance with the requirements of the Swiss Code of Obligations (SCO).

Valuation methods and translation of foreign currencies

Treasury shares are valued at the lower of cost or market value. Marketable securities are reported at market value. All other assets including participations are reported at cost less necessary depreciation or value adjustments. Assets and liabilities denominated in foreign currencies are translated into Swiss francs (CHF), using year-end rates of exchange, except participations which are translated at historical rates. Resulting exchange gains and losses are recognized in the income statement with the exception of unrealized gains which are deferred. Transactions during the year which are denominated in foreign currencies are translated at exchange rates effective at the relevant transaction dates.

1 INCOME FROM PARTICIPATIONS

The increase of CHF 26,495 thousand compared to the prior year is mainly due to the fact that in 2014 a company has been liquidated which results in an additional liquidation dividend of CHF 20,485 thousand.

2 FINANCIAL INCOME

The decrease of CHF 1,610 thousand compared to the prior year is mainly attributable to less foreign exchange gains of CHF 272 thousand, less interest income of CHF 399 thousand and decreased income of CHF 929 thousand on financial assets.

3 ROYALTIES INCOME

Since 2009, Panalpina World Transport (Holding) Ltd. charges a royalty fee to its subsidiaries for the use of the Panalpina network and trademark name. This fee increased in 2014 by CHF 20,260 thousand compared to the prior year.

4 OTHER ADMINISTRATIVE EXPENSES

The increase of CHF 5,965 thousand in other administrative expenses is mostly attributable to higher project costs in 2014 (CHF 2,921 thousand), increase in insurance costs (CHF 465 thousand) as well as additional withholding tax payments (CHF 1,245 thousand).

5 FINANCIAL EXPENSES

The increase in financial expenses of CHF 19,679 thousand is mainly due to an increase in loss coverage to subsidiaries.

6 MARKETABLE SECURITIES

In the year under review, the shares in Dimerco and Descartes have been fully sold.

7 PARTICIPATIONS

The principal direct and indirect subsidiaries of Panalpina World Transport (Holding) Ltd. are listed under the heading "Principal Group companies and participations" in note 31 of the Group's financial statements.

8 TREASURY SHARES

In the year under review, 20,000 treasury shares (2013: 0 shares) were purchased at an average price of 138.11. Treasury share sales totaled 37,185 shares (2013: 66,931 shares) with an average sale price of CHF 75.28 (2013: CHF 81.83). All shares are held to be used for share based payment.

The number of treasury shares held by Panalpina World Transport (Holding) Ltd. meets the definitions and requirements of art. 659, 659a, 663b para 10 and 671a SCO.

9 SHARE CAPITAL

The fully paid-in share capital on December 31, 2014 amounts to CHF 2.375 million consisting of 23.75 million registered shares at a par value of CHF 0.10 each. With regard to the authorized capital increase we refer to note 22 in the Group's financial statements.

NUMBER OF SHARES	31.12.2014	MOVE- MENT IN YEAR	31.12.2013	MOVE- MENT IN YEAR	31.12.2012
	Total Panalpina World Transport (Holding) Ltd. shares issued	23,750,000	0	23,750,000	0
Total treasury shares held by Panalpina World Transport (Holding) Ltd.	16,282	(17,185)	33,467	(66,931)	100,398
<i>in %</i>	<i>0.07</i>		<i>0.14</i>		<i>0.42</i>

IN %	2014	2013
Shareholders		
Ernst Göhner Stiftung, Switzerland	45.9	45.9
Cevian Capital II Master Fund L.P.	12.3	12.3
Artisan Partners Limited Partnership, USA	≥10	≥5
Janus Capital Group	≥5	-
Other investors	26.6	≤36.8
Panalpina World Transport (Holding) Ltd.	0.1	0.1
Bestinver Gestión, S.G. SGIIC, Spain	-	≤3
Nominees		
Chase Nominees Ltd., UK	-	5.2

10 LEGAL RESERVES

The legal reserve must be at least 20 percent of the share capital of Panalpina World Transport (Holding) Ltd. in order to comply with the SCO. Panalpina World Transport (Holding) Ltd. has met the legal requirements for legal reserves under art. 671 SCO.

11 GUARANTEES

IN THOUSAND CHF

	2014	2013
Guarantees in favor of third parties		
Guarantees and indemnity liabilities, SCO, art. 663b para 1	284,981	480,072

Additionally, Panalpina World Transport (Holding) Ltd., Basel, has issued letters of awareness in favor of various banks concerning liabilities due from subsidiaries amounting to CHF 0.0 million (2013: CHF 0.1 million).

12 CONTINGENT LIABILITIES

In 2008, Panalpina World Transport (Holding) Ltd. has signed a letter of indemnity as a security for the intraday cash pool overdraft limits over a maximum amount of CHF 64,054 thousand (2013: CHF 64,500 thousand).

Panalpina World Transport (Holding) Ltd. carries joint liability to the federal tax authorities for value-added tax of all Swiss subsidiaries.

13 PENDING LEGAL CLAIMS

The status of the proceedings are disclosed under "pending legal claims" in note 30.2 of the Group's financial statements.

14 RISK MANAGEMENT

The detailed disclosures regarding risk management / assessment that are required by Swiss law are included in notes 16 and 17 of the Group's financial statements.

15 HIDDEN RESERVES

In the year under review, a net amount of CHF 1,585 thousand of hidden reserves was released.

16 RELATED PARTIES

In accordance with the stipulations of CO Art. 663c, the shareholdings in the company and the conversion and option rights held by each current member of the board of directors and the executive board are disclosed in note 28 of the Group's financial statements.

APPROPRIATION OF AVAILABLE EARNINGS

The Board of Directors proposes the following appropriation of available earnings of total CHF 527,560,497 at the Annual General Meeting:

IN CHF	2014
Distribution of an ordinary dividend of CHF 2.75 gross per share*	65,267,725
To be carried forward	462,292,772
Total	527,560,497

* It is not planned to pay dividends on own shares held by the Group.

REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING OF SHAREHOLDERS OF

Panalpina World Transport (Holding) Ltd., Basel

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the accompanying financial statements of Panalpina World Transport (Holding) Ltd., which comprise the balance sheet, income statement and notes on pages 146 to 151 for the year ended December 31, 2014.

Board of Directors' Responsibility

The board of directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended December 31, 2014 comply with Swiss law and the company's articles of incorporation.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the board of directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Marc Ziegler
Licensed Audit Expert
Auditor in Charge

Martin Rohrbach
Licensed Audit Expert

Zurich, March 2, 2015

**Panalpina World Transport
(Holding) Ltd.**

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