



2018
Second Quarter

Condensed Consolidated interim financial statements

CONTENTS

Consolidated Income Statement	3
Consolidated Statement of Comprehensive Income	4
Consolidated Statement of Financial Position	5
Consolidated Statement of Changes in Equity	6
Consolidated Statement of Cash Flows	8
Selected Explanatory Notes to the Condensed Consolidated Interim Financial Statements	9

Consolidated income statement

for the six months ended June 30, 2018 and 2017

In thousand CHF	Notes	April-June		January-June	
		2018	2017	2018	2017
Net forwarding revenue	4	1,502,207	1,354,890	2,916,504	2,632,089
Forwarding services from third parties	4	(1,128,523)	(1,014,500)	(2,172,147)	(1,958,971)
Gross profit	4	373,684	340,390	744,357	673,118
Personnel expenses		(231,546)	(216,158)	(461,499)	(432,528)
Other operating expenses		(69,286)	(88,032)	(145,630)	(177,319)
EBITDA		72,852	36,200	137,228	63,271
Depreciation of property, plant and equipment	5	(5,573)	(5,400)	(10,539)	(10,667)
Depreciation of right-of-use of leased assets	6	(31,155)	0	(60,118)	0
Amortization of intangible assets	5	(5,871)	(5,195)	(11,876)	(10,643)
Operating result (EBIT)		30,253	25,604	54,695	41,961
Finance income		1,140	1,157	1,739	2,224
Finance costs		(4,708)	(1,060)	(7,001)	(1,972)
Profit before income tax (EBT)		26,686	25,700	49,434	42,214
Income tax expenses		(7,211)	(8,123)	(13,347)	(12,284)
Profit		19,474	17,578	36,086	29,929
Profit attributable to:					
Owners of the parent		19,986	17,728	36,998	30,615
Non-controlling interests		(511)	(151)	(911)	(685)
Earnings per share (in CHF)					
Basic		0.84	0.75	1.56	1.29
Diluted		0.84	0.75	1.56	1.29

Consolidated statement of comprehensive income

for the six months ended June 30, 2018 and 2017

In thousand CHF	April-June		January-June	
	2018	2017	2018	2017
Profit	19,474	17,578	36,086	29,929
Other comprehensive income				
Items that will not be reclassified to profit or loss:				
Remeasurement of the net defined benefit asset / liability (note 2.5)	6,229	5,402	4,593	13,015
Income taxes on this component of other comprehensive income	(1,369)	(1,240)	(918)	(3,015)
	4,860	4,162	3,675	10,000
Items that are or may be reclassified subsequently to profit or loss:				
Available-for-sale financial assets - net change in fair value	0	0	0	(12)
Exchange difference on translations of foreign operations	(9,566)	(2,322)	(9,748)	100
	(9,566)	(2,322)	(9,748)	88
Other comprehensive income, net of tax	(4,706)	1,840	(6,073)	10,088
Total comprehensive income	14,768	19,418	30,013	40,017
Total comprehensive income attributable to:				
Owners of the parent	15,199	19,727	30,872	41,182
Non-controlling interests	(431)	(308)	(859)	(1,165)

Consolidated statement of financial position

as of June 30, 2018 and December 31, 2017

In thousand CHF	Notes	June 30, 2018	December 31, 2017
Assets			
Non-current assets			
Property, plant and equipment	5	103,332	96,733
Right-of-use of leased assets	6	343,808	0
Intangible assets	5	95,181	88,452
Investments	9	32,391	31,042
Post-employment benefit assets		22,206	19,553
Deferred income tax assets		68,496	63,223
Total non-current assets		665,415	299,003
Current assets			
Trade receivables		1,007,915	1,003,537
Unbilled forwarding services		0	93,476
Contract Assets	2.6	97,093	0
Other receivables and other current assets		120,704	128,805
Derivative financial instruments	9	2,379	3,360
Cash and cash equivalents		206,735	310,850
Total current assets		1,434,825	1,540,028
Total assets		2,100,240	1,839,031
Equity and liabilities			
Equity			
Share capital	7	2,375	2,375
Treasury shares	7	(1,002)	(1,531)
Retained earnings and reserves		557,238	607,174
Total equity attributable to owners of the parent		558,611	608,018
Non-controlling interests		5,421	6,280
Total equity		564,032	614,299
Non-current liabilities			
Borrowings		3,992	3,221
Non-current lease liabilities	6	223,616	0
Non-current provisions	8	36,551	36,002
Non-current other liabilities	8	54,062	48,874
Post-employment benefit liabilities		60,640	59,317
Deferred income tax liabilities		16,365	10,396
Total non-current liabilities		395,225	157,810
Current liabilities			
Trade payables		462,456	491,954
Contract liabilities	2.6	26,415	0
Other payables and accruals		140,451	152,770
Accrued cost of services		298,051	304,692
Borrowings		1,262	2,643
Current lease liabilities	6	122,395	0
Derivative financial instruments	9	2,696	1,185
Current provisions	8	18,381	22,000
Current other liabilities	8	57,003	74,547
Current income tax liabilities		11,872	17,131
Total current liabilities		1,140,983	1,066,922
Total liabilities		1,536,208	1,224,732
Total equity and liabilities		2,100,240	1,839,031

Consolidated statement of changes in equity

for the six months ended June 30, 2018 and 2017

	Attributable to the owners of the parent					Non- con- trolling interests	Total equity
	Share capital	Treasury shares	Trans- lation reserve	Retained earnings	Total		
2018 in thousand CHF							
Balance on December 31, 2017	2,375	(1,531)	(268,778)	875,952	608,018	6,280	614,299
Effect of initial application of IFRS 15 (net of tax)	0	0	0	1,524	1,524	0	1,524
Effect of initial application of IFRS 9 (net of tax)	0	0	0	6,733	6,733	0	6,733
Adjusted balance on January 1, 2018	2,375	(1,531)	(268,778)	884,208	616,275	6,280	622,555
Profit	0	0	0	36,998	36,998	(911)	36,086
Other comprehensive income							
Exchange difference on translations of foreign operations	0	0	(9,800)	0	(9,800)	52	(9,748)
Remeasurement of the net defined benefit asset / liability, net of tax	0	0	0	3,675	3,675	0	3,675
Total other comprehensive income, net of tax	0	0	(9,800)	3,675	(6,125)	52	(6,073)
Total comprehensive income for the period	0	0	(9,800)	40,672	30,872	(859)	30,013
Dividends paid (note 6)	0	0	0	(89,033)	(89,033)	0	(89,033)
Credit to equity for share-based compensation plans	0	0	0	4,189	4,189	0	4,189
Changes in treasury shares, net (note 7)	0	529	0	(4,221)	(3,693)	0	(3,693)
Balance on June 30, 2018	2,375	(1,002)	(278,578)	835,816	558,611	5,421	564,032

2017 in thousand CHF	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, 2017	2,375	(3,987)	(286,735)	896,372	608,026	8,940	616,966
Profit	0	0	0	30,615	30,615	(685)	29,929
Other comprehensive income							
Exchange difference on translations of foreign operations	0	0	579	0	579	(479)	100
Remeasurement of the net defined benefit asset / liability, net of tax	0	0	0	10,000	10,000	0	10,000
Available-for-sale financial assets – net change in fair value	0	0	0	(12)	(12)	0	(12)
Total other comprehensive income, net of tax	0	0	579	9,988	10,567	(479)	10,088
Total comprehensive income for the period	0	0	579	40,603	41,182	(1,165)	40,017
Dividends paid	0	0	0	(89,057)	(89,057)	0	(89,057)
Credit to equity for share-based compensation plans	0	0	0	3,312	3,312	0	3,312
Changes in treasury shares, net	0	3,189	0	(4,474)	(1,285)	0	(1,285)
Acquisition of subsidiaries with non-controlling interests	0	0	0	0	0	1,200	1,200
Transaction with non-controlling interests ¹	0	0	0	(3,633)	(3,633)	0	(3,633)
Reclassification of non-controlling interests to parent shareholders ²	0	0	0	2,204	2,204	(2,204)	0
Balance on June 30, 2017	2,375	(798)	(286,155)	845,326	560,748	6,772	567,520

¹ This movement is related to a put option for an acquisition of a non-controlling interests in one of the group's subsidiaries

² This movement is related to the transfer of non-controlling interests to the parents' equity

Consolidated statement of cash flows

for the six months ended June 30, 2018 and 2017

In thousand CHF	Notes	January-June	
		2018	2017
Profit		36,086	29,929
Income tax expenses		13,347	12,284
Depreciation of property, plant and equipment	5	10,539	10,667
Depreciation of right-of-use of leased assets	6	60,118	0
Amortization of intangible assets	5	11,876	10,643
Interest income and dividend on financial assets mandatorily at FVTPL		(1,739)	(886)
Interest expenses		3,851	315
Exchange differences		825	(1,085)
Loss / (gain) on sales of property, plant and equipment		354	(436)
Expenses for share-based compensation plans		4,189	3,312
Other non-cash (income) and expenses		1,147	1,260
Subtotal cash flow from operations		140,593	66,003
(Increase) / decrease receivables, other current assets and unbilled forwarding services / contract assets		(18,194)	(3,665)
Increase / (decrease) payables, accruals, contract liabilities and accrued cost of services		(1,087)	(32,224)
Increase / (decrease) non-current provisions and other liabilities	8	(29)	(2,799)
Increase / (decrease) current provisions and other liabilities	8	(19,887)	(22,867)
Cash generated from operations		101,396	4,449
Interest paid on operating activities		(368)	(590)
Income taxes paid		(22,011)	(22,087)
Net cash from operating activities		79,017	(18,228)
Interests received		1,673	869
Proceeds from sale of property, plant and equipment and intangible assets	5	656	793
Proceeds from sale of investments		0	574
Repayments of long-term loans and long-term receivables		1,779	4,064
Acquisition of subsidiaries and other businesses, net of cash	3	(9,391)	(7,829)
Purchase of property, plant and equipment	5	(17,822)	(22,342)
Purchase or capitalization of intangible assets	5	(2,643)	(97)
Purchase of investments and other financial assets		(1,323)	(4,463)
Investments in long-term loans and long-term receivables		(1,579)	(1,382)
Net cash used in investing activities		(28,650)	(29,813)
Free cash flow		50,367	(48,041)
Proceeds from short- and long-term borrowings		524	4,930
Repayment of short- and long-term borrowings		0	(3,733)
Repayment of lease liabilities	6	(55,331)	0
Interest paid on lease liabilities	6	(3,483)	0
Dividends paid		(89,033)	(89,057)
Purchase of treasury shares	7	(5,431)	(2,760)
Sale of treasury shares		1,738	1,433
Net cash used in financing activities		(151,015)	(89,187)
Net increase / (decrease) in cash and cash equivalents		(100,648)	(137,228)
Cash and cash equivalents at the beginning of the period		310,850	388,777
Effect of exchange rate changes on cash and cash equivalents		(3,467)	(2,881)
Cash and cash equivalents at the end of the period		206,735	248,667

Selected explanatory notes to the condensed consolidated interim 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 listed on the SIX Swiss Exchange in Zurich.

2. Accounting policies

2.1 Basis of preparation

These financial statements are the unaudited condensed consolidated interim financial statements (hereafter "the Interim Financial Statements") of the Company for the six months period ended June 30, 2018 (hereafter "the Interim Period"). They were authorized for issuance in accordance with a resolution by the Group's Audit Risk and Compliance Committee (ARCC) on July 16, 2018.

These Interim Financial Statements should be read in conjunction with the IFRS Consolidated Financial Statements for the year ended December 31, 2017 (hereafter "the Annual Financial Statements"), as they provide an update of previously reported information. This is the second set of the Group's financial statements where IFRS 9, IFRS 15 and IFRS 16 have been applied.

2.2 Statement of compliance

The Interim Financial Statements have been prepared in accordance with the International Accounting Standard 34 (IAS 34) "Interim Financial Reporting". They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group since the Annual Financial Statements.

2.3 Management judgments and estimates

The preparation of the Interim 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 Interim Financial Statements, were the same as those applied in the Annual Financial Statements, except for the judgements around the application of IFRS 9, IFRS 15 and IFRS 16 which are further described in note 2.6.

Income tax expenses are recognized based on management's best estimation of the weighted average annual income tax rate expected for the full financial year, applied to pre-tax income for the six months period.

2.4 Seasonality

Historically, the Group's results have been subject to seasonal trends. The first fiscal quarter has traditionally been the weakest and the third and fourth fiscal quarters have generally been the strongest in volumes. This seasonality is based on many factors, including holiday seasons, consumer demand and economic conditions.

2.5 Pension obligations

The remeasurement gain in the first six months of 2018 on the net defined benefit obligation (CHF 4.6 million) was recognised in other comprehensive income. It is mainly attributable to remeasurement on plan assets (loss of CHF -4.7 million) and changes in discount rates (gain of CHF 9.3 million).

2.6 Significant accounting policies

The accounting policies applied in these Interim Financial Statements are the same as those applied in the Annual Financial Statements except as described below. These changes are also expected to be reflected in the Group's Consolidated Financial Statements for the year ending December 31, 2018.

- IFRS 15 – the Group's net forwarding revenue is resulting from rendering of forwarding and logistic services. In general, control is transferred to the contractual counterparty and subsequently the Group's performance obligations are met at the time of receipt of the services by the counterparty. IFRS 15 is not significantly changing the timing or amount of revenue recognized in respect to the agreements but will impact the level of disclosures for the Annual Financial Statements.

The Group implemented the new standard on January 1, 2018 and applied the modified retrospective method. The cumulative effect of initially applying IFRS 15 impacted the Group's retained earnings in the amount of CHF 1.5 million and is visible as a separate line item in the Statement of Changes in Equity. Above impact is mainly attributable to an earlier recognition of the revenue on Ocean Import shipments.

The Consolidated Statement of Financial Position was also impacted with the inclusion of two additional line items to reflect contract assets and contract liabilities. Contract assets (previously shown under unbilled forwarding services) and contract liabilities (previously shown under trade payables) were recognized as of January 1, 2018 in the amount of CHF 95.6 million and CHF 16.6 million respectively.

- IFRS 9 – the standard changes the requirements in terms of classification, measurement and impairment of financial instruments. The Group implemented the new standard on January 1, 2018 and applied the exemption from full retrospective application for the reclassification and measurement requirements, including impairment. Therefore the comparative 2017 results have not been restated when the new standard was applied.

The main impact on the Group's financial statements is arising from the use of the expected credit loss (ECL) methodology for the bad debt calculation (forward looking method). The cumulative effect of initially applying IFRS 9 impacted the Group's retained earnings in the amount of CHF 6.7 million and is visible as a separate line item in the Statement of Changes in Equity.

IFRS 9 also affected the classification of the Group's financial assets and financial liabilities (already visible in note 9) and will mainly impact the level of disclosures for the Annual Financial Statements.

- IFRS 16 – the Group early adopted IFRS 16 as from January 1, 2018 which substantially changes the Group's Consolidated Financial Statements. Under IFRS 16 the majority of these leases became on-balance sheet liabilities with underlying right-of-use assets.

The Group applied the modified retrospective approach, which requires the recognition of the cumulative effect of initially applying IFRS 16, as of January 1, 2018, to the retained earnings and not restate prior years. Since the Group recognized the right-of-use assets at the amount equal to the lease liabilities (as per IFRS 16C8(b)ii) there was no impact to the retained earnings.

The Group has also elected not to recognize right-of-use assets and lease liabilities for short-term leases (i.e. < 12 months) and leases of low-value assets. Options (extension / termination) on lease contracts are considered on a case by case basis following a regular management assessment. The borrowing rates used for IFRS 16 purposes have been defined based on the underlying countries and asset classes related risks. The Group's weighted average incremental borrowing rate for the first half 2018 amounted to 2.0%.

As of January 1, 2018, the Group recognized CHF 358.7 million of right-of-use of leased assets and lease liabilities. The Group income statement in the first six months period ended June 30, 2018 was impacted by a shift from gross profit (CHF 15.9 million) and other operating expenses (CHF 45.4 million) to depreciation of right-of-use of leased assets (CHF - 60.1 million) and interest expenses (CHF - 3.5 million). During the same period, the Group cash flow statement was impacted by a shift from the cash generated from operations (CHF 58.8 million) to the net cash used in financing activities. Overall, IFRS 16 was cash flow neutral for the Group.

When applying IFRS 16, the Group made the following changes in presentation:

- in the Consolidated Income Statement, one additional line related to the depreciation of the right-of-use of leased assets;
- in the Consolidated Statement of Financial Position, additional line items to reflect the right-of-use of leased assets, the non-current and the current lease liabilities; and
- in the Consolidated Statement of Cash Flows, additional line items related to the depreciation of the right-of-use of leased assets, repayment of lease liabilities and the lease interest paid.

2.7 Changes in presentation

Except for the above, there were no changes in presentation compared to the Annual Financial Statements.

2.8 Changes in standards, interpretation and amendments

The Group has adopted (if applicable) the following new standards, new interpretations and amendments to existing standards, including any consequential amendments to other standards, with a date of initial application of January 1, 2018:

- Annual improvements to IFRS Standards 2014-2016 Cycle – amendments to IFRS 1 and amendments IAS 28 (both effective date January 1, 2018)
- Clarifications to IFRS 15 Revenue from Contracts with Customers (effective date January 1, 2018)
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration (effective date January 1, 2018)
- Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions (effective date January 1, 2018)
- IFRS 15 – Revenue from Contracts with Customers (effective date January 1, 2018)
- IFRS 9 – Financial Instruments (effective date January 1, 2018)
- IFRS 16 – Leases (effective date January 1, 2019)

2.9 New and revised standards

The following new or revised standards, amendments to existing standards and interpretations which may be relevant to the group have been issued, but are not yet effective. These have not been applied early in these condensed consolidated interim financial statements:

- Annual improvements to IFRS Standards 2015-2017 Cycle – amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (effective date January 1, 2019)
- IFRIC 23 – Uncertainty over Income Tax Treatments (effective date January 1, 2019)
- Amendments to IFRS 9 – Prepayment Features with Negative Compensation (effective date January 1, 2019)
- Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures (effective date January 1, 2019)
- Amendments to IAS 19 – Plan Amendments, Curtailment or Settlement (effective date January 1, 2019)

2.10 Foreign currency

The following foreign currency exchange rates mostly impacted the current financial statements:

	Statement of financial position ¹			Income statement and cash flow statement ²			Variance %	
	June 2018	December 2017		June 2018	June 2017		Statement of financial position ¹	Income statement and cash flow statement ²
BRL	0.259	0.296	BRL	0.283	0.313	BRL	-12%	-10%
CNY	0.151	0.150	CNY	0.152	0.145	CNY	1%	5%
EUR	1.156	1.169	EUR	1.170	1.076	EUR	-1%	9%
GBP	1.306	1.316	GBP	1.330	1.252	GBP	-1%	6%
USD	0.998	0.980	USD	0.966	0.995	USD	2%	-3%

¹ Period end rate

² Period end average rate (i.e. year to date rate)

3. Change in scope of consolidation

As of January 18, 2018, the acquisition of the Adelantex sub-group (consisting of Adelantex NV, AD Handling NS and Lifeline Critical Logistics) was completed. Adelantex is the Belgian market leader in handling of perishables, employs 46 employees and handles approximately 75,000 tons of air freight import per year on behalf of roughly 200 customers across Europe. In accordance with IFRS 3, the acquisition date was identified as being January 18, 2018. The operating result and assets of the new company are consolidated from January 2018 onwards.

During the same period, there was no other material business combination or subsidiaries that were disposed of.

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

The implementation of IFRS 16 impacted the segment EBIT with a shift from gross profit (CHF 15.9 million on Air Freight only) and other operating expenses (CHF 45.4 million) to depreciation of right-of-use of leased assets (CHF - 60.1 million) and interest expenses (CHF - 3.5 million). The underlying impact on the segment EBIT (CHF 1.2 million considering the front loading effect) is primarily on the Logistics product.

Information by product for the first six months ended June 30, 2018 and 2017:

2018 in thousand CHF	Air Freight	Ocean Freight	Logistics	Total group
External forwarding services	1,802,451	1,380,762	284,920	3,468,133
Customs, duties and taxes	(249,336)	(283,643)	(18,650)	(551,629)
Net forwarding revenue	1,553,115	1,097,118	266,270	2,916,504
Forwarding services from third parties	(1,198,467)	(876,222)	(97,457)	(2,172,147)
Gross profit	354,649	220,896	168,813	744,357
Personnel expenses	(205,103)	(163,625)	(92,771)	(461,499)
Other operating expenses	(57,892)	(45,697)	(42,042)	(145,630)
EBITDA	91,654	11,574	34,000	137,228
Depreciation and amortization	(38,269)	(17,026)	(27,238)	(82,533)
Operating result (EBIT)	53,385	(5,452)	6,762	54,695
Financial result				(5,262)
Finance income				1,739
Finance costs				(7,001)
Profit before income tax (EBT)				49,434
Income tax expenses				(13,347)
Profit				36,086

2017	Air Freight	Ocean Freight	Logistics	Total group
External forwarding services	1,574,580	1,268,320	296,478	3,139,378
Customs, duties and taxes	(217,454)	(259,638)	(30,198)	(507,289)
Net forwarding revenue	1,357,127	1,008,682	266,281	2,632,089
Forwarding services from third parties	(1,062,495)	(794,084)	(102,392)	(1,958,971)
Gross profit	294,632	214,597	163,889	673,118
Personnel expenses	(182,154)	(156,383)	(93,991)	(432,528)
Other operating expenses	(64,091)	(53,606)	(59,622)	(177,319)
EBITDA	48,387	4,608	10,275	63,271
Depreciation and amortization	(9,288)	(7,180)	(4,841)	(21,310)
Operating result (Segment EBIT)	39,099	(2,572)	5,434	41,961
Financial result				252
Finance income				2,224
Finance costs				(1,972)
Profit before income tax (EBT)				42,214
Income tax expenses				(12,284)
Profit				29,929

Information by product for the periods April-June 2018 and 2017:

2018 in thousand CHF	Air Freight	Ocean Freight	Logistics	Total group
External forwarding services	928,609	708,963	145,113	1,782,685
Customs, duties and taxes	(125,626)	(146,540)	(8,313)	(280,478)
Net forwarding revenue	802,983	562,424	136,800	1,502,207
Forwarding services from third parties	(626,109)	(450,438)	(51,974)	(1,128,523)
Gross profit	176,874	111,985	84,826	373,684
Personnel expenses	(103,316)	(81,370)	(46,861)	(231,546)
Other operating expenses	(27,187)	(21,569)	(20,530)	(69,286)
EBITDA	46,371	9,047	17,435	72,852
Depreciation and amortization	(19,839)	(8,698)	(14,062)	(42,599)
Operating result (EBIT)	26,532	349	3,372	30,253
Financial result				(3,567)
Finance income				1,140
Finance costs				(4,708)
Profit before income tax (EBT)				26,686
Income tax expenses				(7,211)
Profit				19,474
2017	Air Freight	Ocean Freight	Logistics	Total group
External forwarding services	798,762	643,283	152,862	1,594,907
Customs, duties and taxes	(98,770)	(126,106)	(15,141)	(240,017)
Net forwarding revenue	699,991	517,177	137,722	1,354,890
Forwarding services from third parties	(550,020)	(408,100)	(56,380)	(1,014,500)
Gross profit	149,972	109,077	81,341	340,390
Personnel expenses	(91,633)	(78,446)	(46,080)	(216,158)
Other operating expenses	(31,720)	(26,484)	(29,828)	(88,032)
EBITDA	26,619	4,147	5,433	36,200
Depreciation and amortization	(4,656)	(3,566)	(2,373)	(10,596)
Operating result (Segment EBIT)	21,963	581	3,061	25,604
Financial result				97
Finance income				1,157
Finance costs				(1,060)
Profit before income tax (EBT)				25,700
Income tax expenses				(8,123)
Profit				17,578

5. Property, plant and equipment and intangible assets

During the Interim Period, the Group recognized additions in the amount of CHF 6.0 million (2017: CHF 6.3 million) as machinery and equipment. Furthermore additions in the amount of CHF 11.8 million (2017: CHF 16.0 million) have been recognized as buildings and buildings under construction. The Group also acquired vehicles in the amount of CHF 0.2 million (2017: CHF 0.3 million).

The following table shows the movements in the net book values of property, plant and equipment and intangible assets for the periods ended June 30, 2018 and 2017, respectively:

In thousand CHF	Property, plant and equipment 2018	Intangible assets 2018	Property, plant and equipment 2017	Intangible assets 2017
Net book value on January 1	96,733	88,452	63,524	97,947
Translation differences	(235)	(130)	(1,701)	(158)
Acquisitions of subsidiaries and other businesses	171	16,092	34	8,773
Additions	18,032	2,643	22,655	97
Disposals (net)	(830)	0	(305)	(52)
Depreciation and amortization	(10,539)	(11,876)	(10,667)	(10,643)
Net book value on June 30	103,332	95,181	73,540	95,966

Intangible assets as of June 30, 2018 include goodwill of CHF 69.2 million (2017: CHF 58.5 million), brands and customer lists of CHF 15.1 million (2017: 12.4 million) and software of CHF 10.9 million (2017: CHF 25.1 million). The acquired assets in 2018 relate to the acquisition of Adelantex. The additional acquired goodwill in Q2 relates to the finalized purchase price allocation for Adelantex.

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 of a CGU approved by management covering a five-year period. Cash-flows beyond the five year period are extrapolated using estimated growth rates.

There were no impairment charges recorded on goodwill during the six months periods ended June 30, 2018 and 2017, respectively. Management believes that the current key assumptions applied would not cause the carrying value of goodwill to exceed the recoverable amount. As per June 30, 2018, there were no impairment indicators identified and the estimated recoverable amounts of the assets/CGUs affected exceeded the carrying amounts. Consequently, no impairment charges had to be recognised.

Intangible assets with a finite useful life are amortized over the period of their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with IAS 36 "Impairment of Assets". Intangible assets, stated at cost net of amortization and impairment charges, mainly include customer lists. There were no impairment charges recorded on intangible assets during the six months periods ended June 30, 2018 and 2017 respectively.

6. Right-of-use of leased assets and lease liabilities

As of January 1, 2018 the Group recognized CHF 358.7 million of right-of-use of leased assets and lease liabilities. Thereof CHF 304.7 million are related to buildings, CHF 42.2 million to one airplane, CHF 6.7 million to cars and CHF 5.1 million to equipment.

During the Interim Period, the Group further recognized additions of right-of-use of leased assets in the amount of CHF 43.5 million (2017: CHF 0 million) for buildings, CHF 0.8 million (2017: CHF 0 million) for cars and CHF 0.5 million (2017: CHF 0 million) for equipment. Regarding lease liabilities, the amortization depends on the applied incremental borrowing rate for the respective lease component. The weighted average rate of the incremental borrowing rate are 2.2% for the asset class building, 1.9% for car, 1.9% for equipment and 1.3% for plane.

The following table shows the movements in the net book values of right-of-use of leased assets and lease liabilities for the period ended June 30, 2018:

In thousand CHF	Right-of-use of leased assets 2018	Lease liabilities 2018
Net book value on January 1	358,744	(358,744)
Translation differences	743	(1,642)
Acquisitions of subsidiaries and other businesses	496	(496)
Additions	44,695	(44,695)
Disposals (net)	(751)	0
Reversal of unused amounts	0	751
Depreciation of right of use / repayment of lease liabilities	(60,118)	58,813
Net book value on June 30	343,808	(346,012)

7. Share capital and treasury shares

The share capital, the number of issued shares and the authorized capital have not changed during the Interim Period. As of June 30, 2018, the weighted average number of shares issued amounted to 23,737,480 (June 30, 2017: 23,737,982).

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 fiscal year 2017 of CHF 3.75 gross per share. This proposal has been approved at the Annual Meeting of Shareholders on May 8, 2018 and subsequently paid on May 15, 2018.

	Outstanding number of shares	Value in TCHF
	Numbers	
Total number of shares issued as of January 1, 2018	23,750,000	2,375
Treasury shares outstanding as of January 1, 2018	(12,523)	(1,531)
Total number of shares outstanding as of January 1, 2018¹	23,737,477	
Movements in Treasury shares		
Purchased	(41,500)	(5,431)
Sold under employee share plan	14,959	1,915
Free shares from share plan	3,881	517
Bonus settled with own shares	27,331	3,528
Subtotal movement of treasury shares during the period	4,671	529
Total number of shares outstanding as of June 30, 2018¹	23,742,148	
Total number of treasury shares outstanding as of June 30, 2018	(7,852)	(1,002)

¹ i.e. shares entitled to voting rights and dividends

8. Provisions and other liabilities

8.1 Non-current and current provisions

2018 in thousand CHF	Claims	Restruc- turing	Other provisions	Total
Balance on January 1	(30,594)	(9,846)	(17,562)	(58,002)
Translation differences	960	(38)	21	944
Change in scope of consolidation	(130)			(130)
Addition	(8,098)	(618)	(1,774)	(10,490)
Reversal of unused amounts	2,068	44	9	2,121
Charged to the income statement	(6,030)	(574)	(1,765)	(8,369)
Charges to Property, Plant and Equipment	0	0	(210)	(210)
Utilization	5,213	2,724	2,899	10,836
Balance on June 30	(30,581)	(7,734)	(16,616)	(54,932)
thereof				
non-current	(18,077)	(4,686)	(13,787)	(36,551)
current	(12,504)	(3,048)	(2,829)	(18,381)

Provisions are recognized where a legal or constructive obligation has been incurred which will probably lead to an outflow of resources that can be reasonably estimated. Management determined the provision based on past performance and its expectation of the funds needed for the future settlement of claims not yet reported. Restructuring provisions are recognized when the Group has a detailed formal plan that has either commenced implementation or been announced.

The claim provisions as of June 30, 2018 include a portion of certain claims brought forward against the Group by customers and forwarding agents (CHF 24.1 million). The non-current part of the provisions as of June 30, 2018, is expected to be utilized within the next two to five years.

The restructuring provision as of June 30, 2018 relates mainly to a restructuring plan initiated during Q2 2016 (which resulted in a total charge of CHF 28 million in FY 2016). This plan was related to the right-sizing of certain energy solution operations and sites (mainly in the U.S. and in some African countries from the oil and gas sector) due to lower volumes.

8.2 Non-current and current other liabilities

The current part (CHF 57.0 million) contains vacation entitlement, personnel profit participation and respective social security costs and payroll taxes where applicable. The non-current part (CHF 54.1 million) includes employee benefit obligations (CHF 30.6 million), such as

for anniversary, termination and long-service benefits (mainly in USA, Switzerland, Austria and Germany). The timings of these cash outflows can be reasonably estimated based on past performance. Also included are redemption liabilities relating to put options for acquisitions of non-controlling interests in several of the Group's subsidiaries (CHF 23.4 million).

9. Financial risk management

The Group's financial risk management objectives, policies and government structure are consistent with those disclosed in note 17 to the Annual Financial Statements.

Fair value hierarchy

The table below analyzes recurring fair value measurement for financial assets and financial liabilities. These fair value measurements are categorized into different levels in the fair value hierarchy based on the input and techniques used. 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)

June 30, 2018 (in thousand CHF)	Level 1	Level 2	Level 3	Total
Financial assets at amortized costs ¹	6,001	0	0	6,001
Financial assets mandatorily at FVTPL ¹	2,050	0	0	2,050
Derivative financial assets	0	2,379	0	2,379
Total	8,051	2,379	0	10,429
Derivative financial liabilities	0	(2,696)	0	(2,696)
Total	0	(2,696)	0	(2,696)

¹ reported as part of investments in the statement of financial position

December 31, 2017 (in thousand CHF)	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets ¹	0	0	523	523
Held-to-maturity investments ¹	5,867	0	0	5,867
Financial assets at fair value through profit or loss held for trading ¹	434	0	0	434
Derivative financial assets	0	3,360	0	3,360
Total	6,301	3,360	523	10,184
Derivative financial liabilities	0	(1,185)	0	(1,185)
Total	0	(1,185)	0	(1,185)

¹ reported as part of investments in the statement of financial position

There were no significant transfers between Level 1 and Level 2 and vice versa during the Interim Period.

The Group holds an investment (acquisition value of CHF 523 thousand) since June 2015 which was fully impaired in March 2018. This investment was classified as available-for-sale level 3 as it is not traded on an active market and there are no comparative observable arm's length transactions.

Other financial instruments (such as e.g. short-term trade and other receivables, payables or accruals) are not disclosed as their carrying amounts are a reasonable approximation of fair values.

10. Major legal claims

The status of the proceedings disclosed under "pending legal claims" in the Annual Financial Statements (note 28.2) has remained unchanged.

11. Contingent liabilities and other commitments

There have been no material changes in contingent liabilities and other commitments since the last annual balance sheet date.

12.Events after the balance sheet date

On June 13, 2018, the Group entered into an agreement to acquire the Argentinian company Newport Cargo S.A., subject to conditions. Newport Cargo was founded in 1978 and is Argentina's undisputed market leader in air freight exports for the past 30 years, exporting fish and berries to the US. The company employs 42 staff.

On July 16, 2018, the Group entered into an agreement to acquire a majority stake in the South African company Skyservices (Pty) Limited, subject to conditions. Skyservices is one of the market leaders in the perishables business in the country (fruit and vegetables, flowers). The 52 staff serve a significant number of customers (importers and exporters) with a strong focus on export to Europe, the Middle-East, Far East and the U.S.A.

There have been no other material events between June 30, 2018, and the date of authorisation that would require adjustments of the Condensed Consolidated Interim Financial Statements or disclosure.

Basel, July 16, 2018