# **Panalpina** Consolidated Interim Report January to June 2008

PANALPINA
on 6 continents

# Content

# Consolidated Income Statement

for six months ended 30 June 2008 and 2007

| in thousand CHF | 2008 | 2007 | Variance in % | Currency adjusted |
|---|---|---|---|---|
| Forwarding services | 5,193,647 | 4,974,337 | 4.4% | 13.1% |
| Customs, duties and taxes | (846,229) | (939,692) | | |
| **Net forwarding revenue** | **4,347,418** | **4,034,645** | **7.8%** | **17.5%** |
| Forwarding services from third parties | (3,491,704) | (3,143,745) | 11.1% | 21.9% |
| **Contribution margin (gross profit)** | **855,714** | **890,900** | **(3.9%)** | **1.9%** |
| Personnel expenses | (497,798) | (496,273) | 0.3% | 6.3% |
| Other operating expenses | (226,330) | (220,777) | 2.5% | 10.4% |
| (Losses) gains on sales of non-current assets | (31) | 711 | (104.4%) | (106.3%) |
| **EBITDA** | **131,555** | **174,561** | **(24.6%)** | **(21.5%)** |
| Depreciation of property, plant and equipment | (17,886) | (19,269) | (7.2%) | (0.7%) |
| Amortization of intangible assets | (5,599) | (7,005) | (20.1%) | (12.7%) |
| **Operating result (EBIT)** | **108,070** | **148,287** | **(27.1%)** | **(24.6%)** |
| Financial income | 7,319 | 7,393 | | |
| Financial expenses | (14,266) | (14,739) | | |
| **Earnings before taxes** | **101,123** | **140,941** | **(28.3%)** | **(25.3%)** |
| Income taxes expenses | (24,401) | (32,567) | | |
| ***Consolidated net earnings*** | ***76,722*** | ***108,374*** | ***(29.2%)*** | ***(26.0%)*** |
| Attributable to: | | | | |
| Equity holders of the Company | 77,962 | 108,475 | (28.1%) | (25.0%) |
| Minority interests | (1,240) | (101) | | |
| ***Consolidated net earnings*** | ***76,722*** | ***108,374*** | ***(29.2%)*** | ***(26.0%)*** |
| **Basic earnings per share (in CHF)** | **3.22** | **4.37** | | |
| **Diluted earnings per share (in CHF)** | **3.22** | **4.36** | | |

# Consolidated Balance Sheet

as of 30 June 2008 respectively as of 31 December 2007

## Assets

| in thousand CHF | 2008 | 2007 |
|---|---|---|
| | | |
| **Current assets** | | |
| Cash and cash equivalents | 270,641 | 351,511 |
| Marketable securities | 1,383 | 839 |
| Derivative financial instruments | 7,999 | 5,834 |
| Trade receivables | 1,265,718 | 1,336,851 |
| Unbilled forwarding services | 121,482 | 143,957 |
| Other receivables and other current assets | 118,777 | 82,899 |
| Assets held for sale | 2,216 | 0 |
| **Total current assets** | **1,788,216** | **1,921,891** |
| | | |
| **Non-current assets** | | |
| Property, plant and equipment | 152,815 | 167,620 |
| Financial assets | 55,350 | 56,030 |
| Post-employment benefit assets | 8,398 | 21,617 |
| Intangible assets | 78,963 | 85,800 |
| Deferred income tax assets | 30,077 | 24,873 |
| **Total non-current assets** | **325,603** | **355,940** |
| | | |
| ***Total assets*** | ***2,113,819*** | ***2,277,831*** |

## Liabilities and equity

| in thousand CHF | 2008 | 2007 |
|---|---|---|
| | | |
| **Current liabilities** | | |
| Trade payables | 559,886 | 632,786 |
| Other payables and accruals | 151,375 | 145,007 |
| Accrued cost of services | 221,780 | 178,425 |
| Borrowings | 35,560 | 30,084 |
| Derivative financial instruments | 4,469 | 5,656 |
| Other liabilities | 85,806 | 90,589 |
| Current income tax liabilities | 23,602 | 29,072 |
| **Total current liabilities** | **1,082,478** | **1,111,619** |
| | | |
| **Non-current liabilities** | | |
| Borrowings | 2,485 | 3,387 |
| Provisions and other liabilities | 67,700 | 72,118 |
| Post-employment benefit liabilities | 44,203 | 40,056 |
| Deferred income tax liabilities | 21,511 | 24,875 |
| **Total non-current liabilities** | **135,899** | **140,436** |
| | | |
| **Total liabilities** | **1,218,377** | **1,252,055** |
| | | |
| **Equity** | | |
| Share capital | 50,000 | 50,000 |
| Treasury shares | (173,318) | (101,397) |
| Reserves | 1,013,783 | 1,070,535 |
| **Issued share capital and reserves available to Panalpina shareholders** | **890,465** | **1,019,138** |
| | | |
| Minority interests in equity | 4,977 | 6,638 |
| **Total equity** | **895,442** | **1,025,776** |
| | | |
| ***Total liabilities and equity*** | ***2,113,819*** | ***2,277,831*** |

# Condensed Consolidated Cash Flow Statement

for six months ended 30 June 2008 and 2007

| in thousand CHF | 2008 | 2007 |
|---|---|---|
| **Consolidated earnings before taxes** | **101,123** | **140,941** |
| Depreciation and amortization of intangible assets | 23,485 | 26,274 |
| (Decrease) increase in long-term privisions | (2,482) | 7,569 |
| Gain on sales of fixed assets | (31) | (711) |
| Interest expenses | 1,393 | 3,634 |
| Other non-cash items | (451) | 2,884 |
| **Cash flow before interest and taxes** | **123,037** | **180,591** |
| | | |
| Decrease in working capital | 7,287 | 31,686 |
| | | |
| **Cash generated from operations** | **130,324** | **212,277** |
| | | |
| Interest and taxes paid | (32,453) | (29,033) |
| Provisions and other liabilities utilized | (22,754) | (23,326) |
| **Net cash from operating activities** | **75,117** | **159,918** |
| | | |
| **Cash flow from investing activities** | | |
| Purchase of property, plant and equipment | (16,683) | (19,842) |
| Purchase of financial assets | (775) | 0 |
| Purchase of financial investments | (5,940) | (5,516) |
| Purchase of intangible assets | (3,499) | (1) |
| **Total investments** | **(26,897)** | **(25,359)** |
| | | |
| Proceeds from sales of property, plant and equipment | 1,373 | 2,015 |
| Repayments of loans | 2,985 | 847 |
| Proceeds from sales of securities | 0 | 1,630 |
| Repayment of financial assets | 3,425 | 831 |
| Proceeds of intangible assets | 322 | 19 |
| **Net cash used in investing activities** | **(18,792)** | **(20,017)** |
| | | |
| **Cash flows from financing activities** | | |
| Proceeds from (repayment of) short-term and long-term borrowings | 4,574 | (2,473) |
| Dividends paid | (77,103) | (74,329) |
| Dividends paid to minority interests | 0 | (97) |
| Transaction in own equity instruments | (71,921) | (5,400) |
| **Net cash used in financing activities** | **(144,450)** | **(82,299)** |
| | | |
| Effect of exchange rate changes on cash and cash equivalents | 7,255 | (341) |
| | | |
| **Net (decrease) increase in cash and cash equivalents** | **(80,870)** | **57,261** |
| Cash and cash equivalents at the beginning of the period | 351,511 | 371,352 |
| ***Cash and cash equivalents at the end of the period*** | ***270,641*** | ***428,613*** |

# Consolidated Statement of Recognized Income and Expenses

for six months ended 30 June 2008 and 2007

| in thousand CHF | 2008 | 2007 |
|---|---|---|
| | | |
| Amounts recognized in equity for pension plan | | |
| Defined benefit post-employment plans | | |
| – Actuarial gains (losses) | 2,466 | (1,156) |
| – Effect from asset ceiling | (13,219) | 2,980 |
| Deferred income taxes on items recognized in equity | 624 | (447) |
| Exchange difference on translations of foreign operations | (46,758) | 14,997 |
| | | |
| ***Net earnings recognized directly in equity*** | ***(56,887)*** | ***16,374*** |
| | | |
| Consolidated net earnings | 76,722 | 108,374 |
| | | |
| ***Total recognized earnings for the period*** | ***19,835*** | ***124,748*** |
| | | |
| Attributable to equity holders of the Company | 21,075 | 124,849 |
| Attributable to minority interests | (1,240) | (101) |

# Consolidated Statement of Changes in Equity

for six months ended 30 June 2008 and 2007

| in thousand CHF | Attributable to the equity holders of the Company: Share capital | Treasury shares | Other reserves | Translation reserve | Retained earnings | Total | Minority interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| Balance 31 December 2006 | 50,000 | (15,022) | (101,005) | (65,384) | 1,101,097 | 969,686 | 8,020 | 977,706 |
| Effect from asset ceiling | | | 3,613 | | | 3,613 | | 3,613 |
| Tax impact on effect from asset ceiling | | | (885) | | | (885) | | (885) |
| **Restated balance on 1 January 2007** | **50,000** | **(15,022)** | **(98,277)** | **(65,384)** | **1,101,097** | **972,414** | **8,020** | **980,434** |
| Defined benefit post-employment plans | | | | | | | | |
| – Actuarial gains (losses) | | | (1,156) | | | (1,156) | | (1,156) |
| – Effect from asset ceiling | | | 2,980 | | | 2,980 | | 2,980 |
| Exchange difference on translating foreign operations | | | | 14,997 | | 14,997 | 435 | 15,432 |
| Deferred income taxes on items recognized in equity | | | (447) | | | (447) | | (447) |
| **Net earnings recognized directly in equity** | **0** | **0** | **1,377** | **14,997** | **0** | **16,374** | **435** | **16,809** |
| Consolidated net earnings | | | | | 108,475 | 108,475 | (101) | 108,374 |
| Dividends paid | | | | | (74,329) | (74,329) | (97) | (74,426) |
| Share-based payments - employee share plan | | | | | 3,585 | 3,585 | | 3,585 |
| Share-based payments - option plan | | | | | 455 | 455 | | 455 |
| Changes in treasury shares, net | | (3,403) | | | (1,997) | (5,400) | | (5,400) |
| ***Balance on 30 June 2007*** | ***50,000*** | ***(18,425)*** | ***(96,900)*** | ***(50,387)*** | ***1,137,286*** | ***1,021,574*** | ***8,257*** | ***1,029,831*** |
| | | | | | | | | |
| Balance on 1 January 2008 | 50,000 | (101,397) | (106,572) | (74,464) | 1,242,313 | 1,009,880 | 6,638 | 1,016,518 |
| Effect from asset ceiling | | | 12,262 | | | 12,262 | | 12,262 |
| Tax impact on effect from asset ceiling | | | (3,004) | | | (3,004) | | (3,004) |
| **Restated balance on 1 January 2008** | **50,000** | **(101,397)** | **(97,314)** | **(74,464)** | **1,242,313** | **1,019,138** | **6,638** | **1,025,776** |
| Defined benefit post-employment plans | | | | | | | | |
| – Actuarial gains (losses) | | | 2,466 | | | 2,466 | | 2,466 |
| – Effect from asset ceiling | | | (13,219) | | | (13,219) | | (13,219) |
| Exchange difference on translating foreign operations | | | | (46,758) | | (46,758) | (421) | (47,179) |
| Deferred income taxes on items recognized in equity | | | 624 | | | 624 | | 624 |
| **Net earnings recognized directly in equity** | **0** | **0** | **(10,129)** | **(46,758)** | **0** | **(56,887)** | **(421)** | **(57,308)** |
| Consolidated net earnings | | | | | 77,962 | 77,962 | (1,240) | 76,722 |
| Dividends paid | | | | | (77,103) | (77,103) | | (77,103) |
| Share-based payments - employee share plan | | | | | 1,063 | 1,063 | | 1,063 |
| Share-based payments - option plan | | | | | 1,111 | 1,111 | | 1,111 |
| Changes in treasury shares, net | | (71,921) | | | (2,898) | (74,819) | | (74,819) |
| ***Balance on 30 June 2008*** | ***50,000*** | ***(173,318)*** | ***(107,443)*** | ***(121,222)*** | ***1,242,448*** | ***890,465*** | ***4,977*** | ***895,442*** |

# Selected Explanatory Notes to the Condensed Consolidated Interim Financial Statements

### General

Panalpina World Transport (Holding) Ltd. (thereafter "the Company") and its subsidiaries (together "the Group"), is one of the world's leading providers of forwarding and related logistics services, specializing in intercontinental air freight and ocean freight and associated supply chain management solutions. Thanks to its in-depth industry know-how and state-of-the-art IT systems, Panalpina provides globally integrated door-to-door forwarding solutions tailored to its customers' individual needs. As a group Panalpina is headquartered, registered and domiciled in Basel, Switzerland, and operates a close-knit network of around 500 branches in more than 90 countries. The Company shares are publicly traded and its primary listing is on the SWX Swiss Exchange in Zurich.

The condensed consolidated interim financial statements were approved for issue by the Board of Directors on 29 July 2008.

### Basis of preparation of financial statements

These condensed interim financial statements comprise the unaudited interim consolidated financial statements of Panalpina World Transport (Holding) Ltd. and its subsidiaries for the six-month period ended 30 June 2008. They were prepared in accordance with the International Accounting Standard 34 (IAS 34) *"Interim Financial Reporting"*. These interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Consolidated Financial Statements for the year ended 31 December 2007, which have been prepared in accordance with IFRSs.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2007, as decribed in those annual financial statements.

The preparation of the interim consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities at the date of the interim consolidated financial statements. If in the future such estimates and assumptions, which are based on management's best judgment at the date of the interim consolidated financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change.

The Group is exposed to certain seasonality in operations. In the past, the operation tends to be slightly stronger in the second half year against the first half year.

Income tax expenses are recognized based upon the best estimate of the weighted average annual income tax rate expected for the full financial year. The Group's effective tax rate increased slightly from 23.1% to 24.1%. The major reason for the increase comes from the larger profit contribution in countries with higher tax rates.

All figures included in these interim condensed consolidated financial statements and selected explanatory notes to the financial statements are rounded to the nearest thousand CHF expect where otherwise indicated.

### Changes in accounting policies

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 January 2008.

**IFRIC 12 Service Concession Arrangements**
IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. IFRIC 12 is not relevant to the Group's operations because none of the Group's companies provide services for a public sector.

**IFRIC 13 Customer Loyalty Programs**
IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive, the arrangement is a multiple element arrangement and the consideration receivable for the customer is allocated between the components of the arrangement in using fair values. IFRIC 13 is not relevant to the Group's operations because none of the Group's companies operates any loyalty programs.

**IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction**
The interpretation adds to the existing requirements of IAS 19 regarding the interaction between the limits on recognition of assets from defined benefit post-employment plans any minimum funding requirement of such plans. One of the Group's plans has a minimum funding requirement and the application of this interpretation results in an increase in the assets recorded on the Group's balance sheet and a corresponding increase in the Group's equity. The Group has applied the revised standard retrospectively and it has therefore restated the 2007 figures accordingly. The impact of this restatement on the previously published balance sheet and consolidated statement of recognized income and expenses are shown in the table below. The application of the interpretation has no impact on net income and earnings per share.

**Restated balance sheet (selected items) as 31 December 2007**

| in thousand CHF | Annual Report 2007 (as previously reported) | Application of IFRIC 14 | Annual Report 2007 restated |
|---|---|---|---|
| **Balance sheet (restated items)** | | | |
| Post-employment benefit assets | 9,355 | 12,262 | 21,617 |
| Deferred tax liabilities | (21,871) | (3,004) | (24,875) |
| Issued share capital and reserves available to Panalpina shareholders | 1,009,880 | 9,258 | 1,019,138 |

**Consolidated statement of recognized income and expenses for the six months ended 30 June 2007**

| in thousand CHF | As originally published | Application of IFRIC 14 | Group restated |
|---|---|---|---|
| Amounts recongnized in equity for pension plan | | | |
| Defined benefit post-employment plans | | | |
| - Actuarial losses | (1,156) | 0 | (1,156) |
| - Effect from asset ceiling | 0 | 2,980 | 2,980 |
| Deferred income taxes on items recognized in equity | 287 | (734) | (447) |
| Exchange difference on translations of foreign operations | 14,997 | | 14,997 |
| **Net earnings recognized directly in equity** | **14,128** | **2,246** | **16,374** |
| Consolidated net earnings | 108,374 | | 108,374 |
| **Total recognized earnings for the period** | **122,502** | **2,246** | **124,748** |
| Attributable to equity holders of the Company | 122,603 | 2,246 | 124,849 |
| Attributable to minority interests | (101) | | (101) |

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2008 and have not been early adopted:

**IFRS 8 “Operating segments”, effective for annual periods beginning on or after 1 January 2009**
The new standard replaces IAS 14, “Segment reporting”, and requires a “management approach” under which segment information is presented on the same basis as that used for internal reporting purposes. The expected impact is still being assessed in detail, but it apears likely that the number of reported segments may increase.

**IAS 23 (amendment), “Borrowing costs” effective for annual periods beginning on or after 1 January 2009**
IAS 23 requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply IAS 23 from 1 January 2009, but it is currently not applicable to the Group as there are no qualifying assets.

**IFRS 2 Amendments of IFRS 2 “Share-based payment”, effective for annual periods beginning on or after 1 January 2009**
The amendment clarifies that vesting conditions are either services or performance conditions only and it specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

**IFRS 3 (amendment), "Business combinations" and consequential amendments to IAS 27 "Consolidated and separate financial statements", IAS 28 "Investments in associates" and IAS 31 "Interests in joint ventures", effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.**
Management is assessing the impact of the new requirements regarding acquisition accounting, consolidation and associates on the Group. The Group does not have any joint ventures.

**IAS 1 (amendment), "Presentation of financial statements", effective for annual periods beginning on or after 1 January 2009**
Management is in the process of developing proforma accounts under the revised disclosure requirements of this standard.

**IAS 32 (amendment), "Financial instruments: presentation", and consequential amendments to IAS 1 "Presentation of financial statements" effective for annual periods beginning on or after 1 January 2009**
This is not relevant to the Group, as the Group does not have any puttable instruments.

The Group is currently assessing the potential impacts of the above mentioned new and revised standards that will be effective from 1 January 2009 or later.

## Scope and method of consolidation

The consolidated financial statements comprise the financial statements of all companies which are directly or indirectly controlled by Panalpina. Control is defined as the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

During the first six months of 2008 the scope of consolidation did not change.

## **Condensed segment information** for six months ended 30 June 2008 and 2007

### Primary reporting by geographical segments

The Group is primarily organized by regions. The risks and returns of the Group's operations are predominantly determined by the geographical location of the Group's operations.

| | Net forwarding revenue | | Segment contribution margin | | Segment EBITDA | | Segment operating result (EBIT) | |
|---|---|---|---|---|---|---|---|---|
| in million CHF | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Europe / Africa / Middle East / CIS | 2,488 | 2,353 | 488 | 517 | 64 | 102 | 51 | 85 |
| North America | 846 | 813 | 159 | 175 | 9 | 21 | 6 | 17 |
| Central and South America | 451 | 378 | 77 | 70 | 11 | 7 | 9 | 6 |
| Asia / Pacific | 563 | 491 | 132 | 129 | 47 | 44 | 42 | 40 |
| ***Total Group*** | ***4,348*** | ***4,035*** | ***856*** | ***891*** | ***131*** | ***174*** | ***108*** | ***148*** |

### Secondary reporting by business segments

| | Air freight | | Ocean freight | | Supply Chain Management | | Total | |
|---|---|---|---|---|---|---|---|---|
| in million CHF | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Net forwarding revenue | 2,114 | 1,869 | 1,631 | 1,529 | 603 | 637 | 4,348 | 4,035 |
| Contribution margin (gross profit) | 364 | 399 | 269 | 253 | 223 | 239 | 856 | 891 |

## Assets held for sale

During the period under review the management has taken the decision to withdraw from Nigeria by the end of 2008. The company will however continue to offer transportation services up to arrival port or airport, including the flight operations and the coastal shipping services. The management entered into negotiations with Nigerian parties who have expressed their interest in taking over Panalpina's service portfolio. They are in the process of forming a company which in turn will take over certain of Panalpina's assets and resources. The Group will not have any equity stake in this company.

The identified fixed assets of Panalpina Nigeria to be sold are disclosed as assets held for sale. As of 30 June 2008, the carrying amounts of these assets totaled to CHF 2.2 million and consist of the following asset classes:

| in thousand CHF | 2008 |
|---|---|
| | |
| Land and buildings | 98 |
| Machinery and equipment | 474 |
| Vehicles | 622 |
| Goodwill | 1,022 |
| ***Total assets held for sale*** | ***2,216*** |

## Property, plant and equipment and intangible assets

During the period under review, the group acquired machinery and equipment at a cost of CHF 9.6 million and invested CHF 4.0 million in a warehouse.

The following tables show the movements in the net book values of property, plant and equipment and intangible assets for the six-month period ended 30 June 2008 and 2007.

| in thousand CHF | Property, plant and equipment | Intangible assets |
|---|---|---|
| | | |
| **Six-month period ended 30 June 2007** | | |
| | | |
| **Net book value on 1 January** | **161,548** | **102,358** |
| Translation differences | 9,887 | 1,968 |
| Additions | 19,842 | 1 |
| Disposals (net) | (1,303) | 0 |
| Depreciation and amortization | (19,269) | (7,024) |
| **Net book value on 30 June** | **170,705** | **97,303** |

| in thousand CHF | Property, plant and equipment | Intangible assets |
|---|---|---|
| | | |
| **Six-month period ended 30 June 2008** | | |
| | | |
| **Net book value on 1 January** | **167,620** | **85,800** |
| Translation differences | (10,722) | (3,392) |
| Additions | 16,683 | 3,499 |
| Disposals (net) | (1,686) | (322) |
| Reclassification to assets held for sale | (1,194) | (1,022) |
| Depreciation and amortization | (17,886) | (5,600) |
| **Net book value on 30 June** | **152,815** | **78,963** |

## Goodwill and other intangible assets

Intangible assets as of 30 June 2008 include goodwill of CHF 46,367 thousand and other intangible assets (brands and customer relations) of CHF 11,397 thousand.

Goodwill represents the excess of cost over fair value of assets of businesses acquired. In accordance with IFRS 3 *Business Combinations*, goodwill acquired in a purchase business combination and determined to have an indefinite useful life are not amortized, but instead are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that an asset may be impaired. Impairment, if any, is measured at the difference between the carrying value and the fair value of the asset. There were no impairment charges recorded on goodwill during the six months ended 30 June 2008 and 2007.

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 accordance with IAS 36 *Impairment of Assets*. Intangible assets, stated at cost net of amortization and impairment charges, includes brand name and customer relations, which are amortized on a straight-line basis over the estimated useful life of 5 to 10 years. Accumulated amortization as of 30 June 2008 and 31 December 2007 was CHF 15,155 thousand and CHF 14,991 thousand, respectively. Amortization expenses of these intangible assets totaled CHF 2,370 thousand for the six months ended 30 June 2008 (2007: CHF 2,674 thousand). There were no impairment charges recorded on these other intangible assets during the six months ended 30 June 2008 and 2007.

## Equity

The ordinary share capital and issued numbers of shares as well as the authorized capital have not changed during the interim period 2008. In the same period the weighted average number of shares in issue was CHF 24.2 million (2007: CHF 24.8 million).

## Dividends paid

On 6 May 2008 the shareholders approved the distribution of a dividend of CHF 3.20 per share in respect of the business year 2007 (2007: CHF 3.00). The dividends distributed to holders of outstanding shares during the interim period totaled CHF 77,102,819.20 (six months ended 2007: CHF 74,328,912.00) and had been recorded against retained earnings. Except for 905,370 treasury shares, all shares were dividend-bearing.

## Share capital and treasury shares

| in thousand CHF | Outstanding number of shares (numbers) | Ordinary shares | Treasury shares | Total |
|---|---|---|---|---|
| **On 1 January 2008** | **24,459,659** | **50,000** | **(101,397)** | **(51,397)** |
| Treasury shares | | | | |
| Purchased | (584,530) | | (79,159) | (79,159) |
| Sold under employee share plan | 38,539 | | 6,638 | 6,638 |
| Sold under employee option plan | 6,195 | | 600 | 600 |
| ***On 30 June 2008*** | ***23,919,863*** | ***50,000*** | ***(173,318)*** | ***(123,318)*** |

As of 30 June 2008, the number of outstanding shares amounted to 23,919,863 shares (2007: 24,847,944 shares) and the number of treasury shares to 1,080,137 (2007: 152,056). The Group acquired 546,300 numbers of shares under its share buyback program. Treasury shares have been deducted from shareholder's equity.

## Share and Option Ownership Program

### Management Incentive Plan 2008 (MIP IV)

In June 2008 a further Management Incentive Plan (MIP IV) was introduced. The terms of this share and option program are identical to the Management Incentive Program III as described in the annual report 2007 (note 7) 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 SWX Swiss Exchange. Under this program participants of the "International Management Incentive Plan" subscribed 32,436 shares and participants of the "United States Management Incentive Plan" subscribed 4,689 shares with a strike price of CHF 132.00.

**Exercised options during the period under review**

Movements in the number of share options outstanding and their related average exercise prices during the period under review were as follows:

| | 2008 | | 2007 | |
|---|---|---|---|---|
| | Average exercise price per share (in CHF) | Options (number) | Average exercise price per share (in CHF) | Options (number) |
| Options outstanding on 1 January | 137.77 | 107,445 | 90.39 | 163,645 |
| Granted | 132.00 | 37,245 | 111.50 | 41,692 |
| Exercised | 84.77 | (6,195) | 82.64 | (72,285) |
| Forfeited options | 162.66 | (4,980) | 111.30 | (2,730) |
| Cancelled options | | | | |
| ***Options outstanding on 30 June*** | ***137.62*** | ***133,515*** | ***101.00*** | ***130,322*** |
| ***Options exercisable on 30 June*** | ***114.63*** | ***45,837*** | ***86.20*** | ***53,686*** |

## Business combinations

There were no acquisitions of subsidiaries or associated companies during the interim period 2008 and 2007, respectively.

## Major legal claims

The status of the proceedings disclosed under „pending legal claims“ in the consolidated financial statements 2007 (pages 119/120) has not changed. In addition the following information is reported:

On 18 April 2008 the Australian Competition and Consumer Commission served a notice on the Australian subsidiary requesting information and documents and on 18 June 2008 the group's UK subsidiary was the recipient of a request for information issued by the European Commission requesting certain information and records relating to alleged antitrust violations in the freight forwarding industry. These additional requests are part of the concerted actions of several competition authorities against various major freight forwarding companies, initiated in October 2007. As the internal fact finding related to the aforementioned countries is still on-going, Panalpina is not in a position to assess its exposure and potential financial consequences, if any.

## Contingent liabilities and other commitments

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

## Events after the Balance Sheet Date

There have been no other material events other than described above between 30 June 2008 and the date of authorization that would require adjustments of the interim consolidated financial statements or disclosure.