Panalpina Condensed Consolidated Interim Financial Statements January to June 2009

PANALPINA
on 6 continents

Content

Consolidated Income Statement

for six months ended 30 June 2009 and 2008

in thousand CHF	April - June 2009	April - June 2008	April - June Change vs PY in %	January - June 2009	January - June 2008	January - June Change vs PY in %
Forwarding services	1,710,339	2,636,273	(35.1)	3,706,419	5,193,647	(28.6)
Customs, duties and taxes	(347,024)	(422,895)	(17.9)	(732,998)	(846,229)	(13.4)
Net forwarding revenue	**1,363,315**	**2,213,378**	**(38.4)**	**2,973,421**	**4,347,418**	**(31.6)**
Forwarding services from third parties	(1,011,045)	(1,781,258)	(43.2)	(2,246,002)	(3,491,704)	(35.7)
Gross profit	**352,270**	**432,120**	**(18.5)**	**727,419**	**855,714**	**(15.0)**
% of net forwarding revenue	*25.8*	*19.5*		*24.5*	*19.7*	
Personnel expenses	(216,441)	(248,854)	(13.0)	(458,828)	(497,798)	(7.8)
% of gross profit	*61.4*	*57.6*		*63.1*	*58.2*	
Other operating expenses	(98,789)	(110,378)	(10.5)	(217,368)	(226,330)	(4.0)
% of gross profit	*28.0*	*25.5*		*29.9*	*26.4*	
Gains (losses) on sales of non-current assets	23	28	(17.9)	276	(31)	(990.3)
EBITDA	**37,063**	**72,916**	**(49.2)**	**51,499**	**131,555**	**(60.9)**
% of gross profit	*10.5*	*16.9*		*7.1*	*15.4*	
Depreciation of property, plant and equipment	(8,360)	(8,847)	(5.5)	(16,969)	(17,886)	(5.1)
Amortization of intangible assets	(3,178)	(2,829)	12.3	(6,109)	(5,599)	9.1
Goodwill impairment	(1,810)	0	100.0	(1,810)	0	100.0
Operating result (EBIT)	**23,715**	**61,240**	**(61.3)**	**26,611**	**108,070**	**(75.4)**
% of gross profit	*6.7*	*14.2*		*3.7*	*12.6*	
Financial income	1,277	5,061	(74.8)	6,831	7,319	(6.7)
Financial expenses	(4,206)	(6,896)	(39.0)	(10,057)	(14,266)	(29.5)
Earnings before taxes (EBT)	**20,786**	**59,405**	**(65.0)**	**23,385**	**101,123**	**(76.9)**
Income tax expenses	(5,750)	(14,928)	(61.5)	(6,445)	(24,401)	(73.6)
% of EBT	*27.7*	*25.1*		*27.6*	*24.1*	
Consolidated net earnings	***15,036***	***44,477***	***(66.2)***	***16,940***	***76,722***	***(77.9)***
Consolidated net earnings attributable to:						
Owners of the parent	14,603	45,030	(67.6)	16,145	77,962	(79.3)
Non-controlling interests	433	(553)	(178.3)	795	(1,240)	(164.1)
Earnings per share (in CHF per share)						
Basic	0.61	1.87	(67.4)	0.68	3.22	(78.9)
Diluted	0.61	1.87	(67.4)	0.68	3.22	(78.9)

Consolidated Statement of Comprehensive Income

for six months ended 30 June 2009 and 2008

in thousand CHF	2009	2008
Consolidated net earnings	**16,940**	**76,722**
Other comprehensive income		
Available-for-sale financial assets	(1,070)	0
Amounts recognized in equity for defined benefit post-employment plans		
– Actuarial (losses) gains	(1,466)	2,466
– Effect from asset ceiling	0	(13,219)
Exchange difference on translations of foreign operations	15,282	(47,179)
Income taxes relating to components of other comprehensive income	218	624
Other comprehensive income for the period, net of tax	**12,964**	**(57,308)**
Total comprehensive income for the period	***29,904***	***19,414***
Attributable to owners of the parent	29,020	21,075
Attributable to non-controlling interests	884	(1,661)

Consolidated Statement of Financial Position

as of 30 June 2009 respectively as of 31 December 2008

Assets

in thousand CHF	2009	2008
Non-current assets		
Property, plant and equipment	149,374	147,696
Intangible assets	70,880	73,733
Financial assets	38,441	37,823
Deferred income tax assets	38,716	32,614
Total non-current assets	**297,411**	**291,866**
Current assets		
Other receivables and other current assets	94,753	84,001
Unbilled forwarding services	92,748	116,198
Trade receivables	815,345	1,077,625
Derivative financial instruments	4,369	38,755
Other current financial assets	9,168	0
Cash and cash equivalents	455,840	362,409
Total current assets	**1,472,223**	**1,678,988**
Total assets	***1,769,634***	***1,970,854***

Equity and liabilities

in thousand CHF	2009	2008
Equity		
Share capital	50,000	50,000
Treasury shares	(189,176)	(197,753)
Reserves	995,714	1,011,469
Total equity attributable to owners of the parent	**856,538**	**863,716**
Non-controlling interests	6,036	7,632
Total equity	**862,574**	**871,348**
Non-current liabilities		
Borrowings	2,306	2,647
Provisions	75,376	75,770
Post-employment benefit liabilities	45,206	42,920
Deferred income tax liabilities	13,114	19,445
Total non-current liabilities	**136,002**	**140,782**
Current liabilities		
Trade payables	386,661	500,995
Other payables and accruals	126,756	142,897
Accrued cost of services	131,630	168,617
Borrowings	20,908	17,642
Derivative financial instruments	3,311	14,894
Provisions and other liabilities	91,694	91,677
Current income tax liabilities	10,098	22,002
Total current liabilities	**771,058**	**958,724**
Total liabilities	**907,060**	**1,099,506**
Total equity and liabilities	***1,769,634***	***1,970,854***

Condensed Consolidated Statement of Changes in Equity

for six months ended 30 June 2009 and 2008

	Attributable to owners of the parent						Non-controlling interests	Total equity
in thousand CHF	Share capital	Treasury shares	Other reserves	Translation reserve	Retained earnings	Total		
Balance on 1 January 2008	**50,000**	**(101,397)**	**(95,330)**	**(74,464)**	**1,240,329**	**1,019,138**	**6,638**	**1,025,776**
Consolidated net earnings					77,962	77,962	(1,240)	76,722
Other comprehensive income for the period, net of tax	0	0	(10,129)	(46,758)	0	(56,887)	(421)	(57,308)
Total comprehensive income for the period	**0**	**0**	**(10,129)**	**(46,758)**	**77,962**	**21,075**	**(1,661)**	**19,414**
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)***	***(105,459)***	***(121,222)***	***1,240,464***	***890,465***	***4,977***	***895,442***

	Attributable to owners of the parent						Non-controlling interests	Total equity
in thousand CHF	Share capital	Treasury shares	Other reserves	Translation reserve	Retained earnings	Total		
Balance on 1 January 2009	**50,000**	**(197,753)**	**(117,423)**	**(145,973)**	**1,274,865**	**863,716**	**7,632**	**871,348**
Consolidated net earnings					16,145	16,145	795	16,940
Other comprehensive income for the period, net of tax	0	0	(2,318)	15,193	0	12,875	89	12,964
Total comprehensive income for the period	**0**	**0**	**(2,318)**	**15,193**	**16,145**	**29,020**	**884**	**29,904**
Dividends paid					(44,895)	(44,895)	(286)	(45,181)
Share-based payments - employee share plan					1,876	1,876		1,876
Share-based payments - option plan					579	579		579
Changes in treasury shares, net		8,577			(4,529)	4,048		4,048
Acquired non-controlling interests			2,194			2,194	(2,194)	0
Balance on 30 June 2009	***50,000***	***(189,176)***	***(115,092)***	***(130,780)***	***1,244,041***	***856,538***	***6,036***	***862,574***

Condensed Consolidated Statement of Cash Flows

for six months ended 30 June 2009 and 2008

in thousand CHF	2009	2008[1]
Consolidated net earnings	**16,940**	**76,722**
Income tax expenses	6,445	24,401
Depreciation and amortization of intangible assets	24,888	23,485
Increase (decrease) in provisions	24,882	(6,436)
Gain on sales of fixed assets	(276)	(31)
Net financial expense / income	2,594	1,393
Non-cash income and expenses	1,620	(451)
Net income adjusted for non-cash items	**77,093**	**119,083**
Interest received	3,273	5,167
Interest paid	(6,365)	(7,770)
Income taxes paid	(28,132)	(29,850)
Cash flows before changes in working capital	**45,869**	**86,630**
Increase (decrease) in working capital	134,644	(11,513)
Cash generated from operations	**180,513**	**75,117**
Purchase of property, plant and equipment	(15,432)	(16,683)
Purchase of intangible assets	(2,584)	(3,499)
Investments in current and non-current financial assets	(12,505)	(6,715)
Proceeds from sales of property, plant and equipment	2,440	1,373
Repayment of / proceeds from other financial assets	2,644	6,410
Proceeds from intangible assets	0	322
Cash flows from investing activities	**(25,437)**	**(18,792)**
Free cash flow	**155,076**	**56,325**
Proceeds from short-term and long-term borrowings	2,096	4,574
Dividends paid	(44,895)	(77,103)
Dividends paid to non-controlling interests	(286)	0
Purchase of non-controlling interests	(268)	0
Transaction in own equity instruments	3,331	(71,921)
Net cash used in financing activities	**(40,022)**	**(144,450)**
Effect of exchange rate changes on cash and cash equivalents	(21,623)	7,255
Net increase (decrease) in cash and cash equivalents	**93,431**	**(80,870)**
Cash and cash equivalents at the beginning of the period	362,409	351,511
Cash and cash equivalents at the end of the period	***455,840***	***270,641***

[1] Certain comparatives have been reclassified to conform to the current period's presentation.

Selected Explanatory Notes to the Condensed Consolidated Interim Financial Statements

General information

Panalpina World Transport (Holding) Ltd (referred hereafter as the “Company”) and its subsidiaries is one of the world’s leading suppliers of forwarding and logistics services, specializing in end-to-end supply chain management solutions and intercontinental air freight and ocean freight shipments. Thanks to its in-depth industry know-how and state-of-the-art IT systems, Panalpina provides globally integrated door-to-door forwarding services tailored to its customers’ individual needs.

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 its primary listing is on the SIX Swiss Exchange in Zurich.

The Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2009 were approved for issue by the Audit Committee on 4 August 2009.

Basis of preparation

These interim financial statements comprise the unaudited consolidated interim financial statements of Panalpina World Transport (Holding) Ltd and its subsidiaries for the six-month period ended 30 June 2009. They are prepared in accordance with the International Accounting Standard 34 (IAS 34) “*Interim Financial Reporting*”. These Condensed Consolidated Interim Financial Statements do not include the notes contained in the annual Consolidated Financial Statements, and should be read in conjunction with the Consolidated Financial Statements for the year ended 31 December 2008.

The Condensed Consolidated Interim Financial Statements are presented in Swiss francs (CHF) and all values are rounded to the nearest thousand except when otherwise indicated.

Accounting policies

The Consolidated Interim Financial Statements have been prepared in accordance with the accounting policies applied in the Consolidated Financial Statements 2008, except where noted below. Where necessary, comparative information has been reclassified from the previously reported Consolidated Interim Financial Statements taking into account any presentational changes made in the Consolidated Financial Statements 2008 or in these Consolidated Interim Financial Statements.

The preparation of the Consolidated Interim Financial Statements requires management to make estimates, judgments and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the date of the Consolidated Interim Financial Statements. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies.

In future such estimates and assumptions, which are based on management’s best judgment, may differ from actual circumstances. The original estimates and assumptions will be modified as appropriate in the reporting period in which the circumstances change.

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 from 24.1% to 27.6%. The major reason for the increase comes from higher taxable profits in certain high tax jurisdictions.

Changes in accounting policies

Effective 1 January 2009 the Group adopted the newly issued IFRS 8 “*Operating Segments*”, IFRIC 13 “*Customer Loyalty Programmes*”, IFRIC 15 “*Agreements for the Construction of Real Estate*” and IFRIC 16 “*Hedges of a Net Investment in a Foreign Operation*” as well as the amendments to IFRS 1 “*First-time Adoption of IFRS*” and IAS 27 “*Consolidated and Separate Financial Statements*” - *“Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate”*, the amendments to IFRS 2 “*Share-based Payment*”, IAS 1 “*Presentation of Financial Statements*”, IAS 23 “*Borrowing Costs*”, IAS 32 “*Financial Instruments: Presentation*” and IFRS 7 “*Financial Instruments: Disclosures*”, IFRIC 9 “Reassessment of *Embedded Derivatives*” and “*Improvements to IFRSs*” (May 2008).

The Group has early-adopted IFRS 3 (revised) “*Business combinations*” and consequential amendment to IAS 27 “*Consolidated and Separate Financial Statements*”. With the exception of IFRS 8, IAS 1 and IAS 27 the adoptions had no effect on the Consolidated Interim Financial Statements.

IFRS 8 *“Operating Segments”*

As the internal reporting provided to the Executive Board and the Board of Directors is generated according to the existing four geographical operating segments and based on the same recognition and measurement principles as the Consolidated Financial Statements, there have been no changes in the composition of operating segments due to the adoption of IFRS 8 but additional disclosures for the total year.

An operating segment is a component of the Group that engages in business activities from which it may earn external and internal revenues and incur expenses. Segment results that are reported to the Executive Board and the Board of Directors include directly attributable items to a segment. Unallocated items comprise mainly corporate assets, head office expenses and income tax assets and liabilities. Formerly, corporate activities were included in Europe/Africa/Middle East/CIS. Comparative segment information has been represented.

IAS 1 (revised) ***"Presentation of Financial Statements"***
The adoption of IAS 1 (revised) led to a different disclosure of the statement of comprehensive income. Comparative information has been represented.

IFRS 3 (revised) "***Business Combinations***" **and IAS 27 (amendment)** ***"Consolidated and Separate Financial Statements"***
As no acquisition has been made during the period under review changes in IFRS 3 do not have any impact on the Consolidated Interim Financial Statements. Amongst other matters the amendment to standard IAS 27 requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and if these transactions will no longer result in goodwill or gains or losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognized in the income statement.

The following new and revised standards and interpretations have been issued, but are not yet effective: amendment to IAS 39 "*Financial Instruments: Recognition and Measurement*", IFRIC 17 "*Distribution on Non-cash Assets to Owners*", IFRS 1 (revised) "*First-time Adoption of International Financial Reporting Standards – Restructuring of format*", IFRIC 18 "*Transfers of Assets from Customers*" and "*Improvements to IFRSs"* (April 2009). They have not been early-adopted. Their impact on the Consolidated Financial Statements of the Group has not yet been analyzed in detail but it is not expected to be material.

Change in scope and method of consolidation

The Consolidated Interim 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 period under review a new subsidiary has been established in Croatia, additionally the Group purchased all outstanding shares of Panalpina World Transport (Thailand) Ltd to be a 100% owned subsidiary of the Group.

Condensed segment information

The chief operating decision-maker has been identified as the Executive Board. The Executive Board reviews monthly the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Group is primarily organized by geographical areas. The risks and returns of the Group's operations are predominantly determined by the geographical location of the Group's operations. The relevant reporting segments are "Europe/Africa/Middle East/CIS", "North America", "Central and South America" and "Asia/Pacific". The Corporate functions formerly included in "Europe/Africa/Middle East/CIS" are reported as "Corporate". The Executive Board assesses the performance of the operating segments based on third party forwarding revenue (net), gross profit (GP), earnings before interest, depreciation and amortization (EBITDA) and operating result (EBIT). Taxes as well as financial income and expenses are not assessed by segment.

Condensed segment information:

for six months ended 30 June 2009 and 2008

	Europe/Africa/Middle East/CIS		North America		Central and South America		Asia/Pacific		**Total reportable segment**		Corporate		Total Group	
in million CHF	2009	2008	2009	2008	2009	2008	2009	2008	**2009**	**2008**[1]	2009	2008	2009	2008
Third party forwarding revenue (net)	1,610	2,488	600	846	349	451	414	563	**2,973**	**4,348**	0	0	2,973	4,348
Segment GP	381	488	136	159	73	77	137	132	**727**	**856**	0	0	727	856
GP (decrease) increase in %	*(21.9)*	*(5.6)*	*(14.5)*	*(9.1)*	*(5.2)*	*10.0*	*3.8*	*2.3*	*(15.1)*	*(3.9)*			*(15.1)*	*(3.9)*
Segment EBITDA	21	79	(13)	9	11	11	45	47	**64**	**146**	(12)	(15)	52	131
EBITDA in % of GP	*5.5*	*16.2*	*(9.6)*	*5.7*	*15.1*	*14.3*	*32.8*	*35.6*	*8.8*	*17.1*			*7.2*	*15.3*
Segment EBIT	8	68	(17)	6	9	9	41	42	**41**	**125**	(14)	(17)	27	108
EBIT in % of GP	*2.1*	*13.9*	*(12.5)*	*3.8*	*12.3*	*11.7*	*29.9*	*31.8*	*5.6*	*14.6*			*3.7*	*12.6*

[1] Certain comparatives have been restated to conform to the current period's presentation.

for April to June 2009 and 2008:

in million CHF	Europe/ Africa/ Middle East/CIS Q2 2009	Europe/ Africa/ Middle East/CIS Q2 2008	North America Q2 2009	North America Q2 2008	Central and South America Q2 2009	Central and South America Q2 2008	Asia/ Pacific Q2 2009	Asia/ Pacific Q2 2008	**Total reportable segment Q2 2009**	**Total reportable segment Q2 2008[1]**	Corporate Q2 2009	Corporate Q2 2008	Total Group Q2 2009	Total Group Q2 2008
Third party forwarding revenue (net)	746	1,253	257	434	160	228	200	299	**1,363**	**2,214**	0	0	1,363	2,214
Segment GP	186	243	65	81	39	41	62	67	**352**	**432**	0	0	352	432
GP (decrease) increase in %	*(23.5)*	*(7.6)*	*(19.8)*	*(12.9)*	*(4.9)*	*17.1*	*(7.5)*	*0*	*(18.5)*	*(5.7)*			*(18.5)*	*(5.7)*
Segment EBITDA	15	33	(5)	5	9	7	21	25	**40**	**70**	(2)	2	38	72
EBITDA in % of GP	*8.1*	*13.6*	*(7.7)*	*6.2*	*23.1*	*17.1*	*33.9*	*37.3*	*11.4*	*16.2*			*10.8*	*16.7*
Segment EBIT	7	28	(7)	4	8	6	19	22	**27**	**60**	(3)	1	24	61
EBIT in % of GP	*3.8*	*11.5*	*(10.8)*	*4.9*	*20.5*	*14.6*	*30.6*	*32.8*	*7.7*	*13.9*			*6.8*	*14.1*

In addition to the geographical performance the management manages on a limited scope its core business activities. From a business perspective, management assesses the performance of air freight, ocean freight and supply chain management.

Business information:

for six months ended 30 June 2009 and 2008:

in million CHF	Air freight 2009	Air freight 2008	Ocean freight 2009	Ocean freight 2008	Supply Chain Management 2009	Supply Chain Management 2008	**Total 2009**	**Total 2008**
Third party forwarding revenue (net)	1,284	2,114	1,223	1,631	466	603	**2,973**	**4,348**
(Decrease) increase in %	*(39.3)*	*13.1*	*(25.0)*	*6.7*	*(22.7)*	*(5.3)*	*(31.6)*	*7.8*
Segment GP	297	364	247	269	183	223	**727**	**856**
GP margin in %	*23.1*	*17.2*	*20.2*	*16.5*	*39.3*	*37.0*	*24.5*	*19.7*
GP (decrease) increase in %	*(18.4)*	*(8.8)*	*(8.2)*	*6.3*	*(17.9)*	*(6.7)*	*(15.1)*	*(3.9)*

for April to June 2009 and 2008:

in million CHF	Air freight Q2 2009	Air freight Q2 2008	Ocean freight Q2 2009	Ocean freight Q2 2008	Supply Chain Management Q2 2009	Supply Chain Management Q2 2008	**Total Q2 2009**	**Total Q2 2008**
Third party forwarding revenue (net)	605	1,108	540	797	218	309	**1,363**	**2,214**
(Decrease) increase in %	*(45.4)*	*17.0*	*(32.2)*	*(1.0)*	*(29.4)*	*(5.8)*	*(38.4)*	*6.4*
Segment GP	144	183	118	136	90	113	**352**	**432**
GP margin in %	*23.8*	*16.5*	*21.9*	*17.1*	*41.3*	*36.6*	*25.8*	*19.5*
GP (decrease) increase in %	*(21.3)*	*(9.0)*	*(13.2)*	*3.8*	*(20.4)*	*(10.3)*	*(18.5)*	*(5.7)*

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. This seasonality is based on many factors, including holiday seasons, consumer demand, climate and economic conditions.

Property, plant and equipment and intangible assets

During the period under review, the Group acquired CHF 15.4 million (2008: CHF 16.7 million) machinery and equipment and CHF 2.6 million (2008: 3.5 million) intangible assets, mainly software licences.

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 2009 and 2008.

in thousand CHF	Property, plant and equipment	Intangible assets
Six-month period ended 30 June 2009		
Net book value on 1 January 2009	**147,696**	**73,733**
Translation differences	5,378	2,488
Additions	15,432	2,584
Disposals (net)	(2,163)	(6)
Depreciation and amortization	(16,969)	(7,919)
Net book value on 30 June 2009	**149,374**	**70,880**

in thousand CHF	Property, plant and equipment	Intangible assets
Six-month period ended 30 June 2008		
Net book value on 1 January 2008	**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 2008	**152,815**	**78,963**

Goodwill and other intangible assets

Intangible assets as of 30 June 2009 include goodwill of CHF 43,186 thousand (30 June 2008: CHF 46,367 thousand) and other intangible assets (brands and customer relations) of CHF 6,125 thousand (30 June 2008: CHF 11,397 thousand).

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to the areas of operation. Due to the high economic downturn in the six months ended 30 June 2009 the Group assessed the recoverable amount of the CGU Grampian International Freight (fully allocated to segment "Europe/Africa/Middle East/CIS"). As a result of this test, the carrying amount of the CGU was determined to be higher than its recoverable amount and an impairment loss of CHF 1,810 thousand (six months 2008: nil) was recognized. The impairment loss was allocated fully to goodwill, reducing the goodwill allocated to the CGU to CHF 7,940 thousand. The recoverable amount of the CGU was based on value in use. Value in use was determined by discounting the future cash flows generated from the continuing use of the CGU. The calculation of the value in use was based on the following key assumptions:

- For the current year a revenue decline, and for the years 2010 to 2013 an average annual revenue growth rate of 3.5%, starting at the estimated lower level, was anticipated.
- Operating expenses were estimated to be on average 98.2% (2008: 97.9%) based on future assumptions.
- A pre-tax discount rate of 17.83% (2008: 12.02%) was applied in determining the recoverable amount of the unit.

The values assigned to the key assumptions represent management's assessment of future trends and are based on external and internal sources.

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, include 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 2009 and 31 December 2008 for brand name and customer relations was CHF 17,726 thousand and CHF 14,774 thousand, respectively. Amortization expenses of these intangible assets totaled CHF 2,146 thousand for the six months ended 30 June 2009 (six months 2008: CHF 2,370 thousand). There were no impairment charges recorded on these other intangible assets during the six months ended 30 June 2009 and 2008.

Equity

The ordinary share capital and issued numbers of shares as well as the authorized capital have not changed during the interim period 2009. The weighted average number of shares in issue was CHF 23.6 million (2008: CHF 24.2 million).

Dividends paid

On 5 May 2009 the shareholders approved the distribution of a dividend of CHF 1.90 per share in respect of the business year 2008 (2008: CHF 3.20). The dividends distributed to holders of outstanding shares during the interim period totaled CHF 44,894,885.30 (six months ended 2008: CHF 77,102,819.20) and had been recorded against retained earnings. Except for 1,371,113 treasury shares (2008: 905,370), 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 2009	**23,635,185**	**50,000**	**(197,753)**	**(147,753)**
Treasury shares				
Purchased	(6,298)		(992)	(992)
Sold under employee share plan	71,053		7,762	7,762
Sold under employee option plan	0		0	0
Bonus settled with own shares	11,470		1,807	1,807
On 30 June 2009	***23,711,410***	***50,000***	***(189,176)***	***(139,176)***

As of 30 June 2009, the number of outstanding shares amounted to 23,711,410 shares (2008: 23,919,863 shares) and the number of treasury shares to 1,288,590 (2008: 1,080,137). Treasury shares have been deducted from shareholder’s equity.

Share and Option Ownership Program

Management Incentive Plan (MIP) 2008/09

As in previous years a management incentive plan was setup in 2009. The terms of this share and option program are identical to the Management Incentive Program IV as described in the Consolidated Financial Statements 2008 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. Under this program participants of the “International Management Incentive Plan“ received 65,921 options with a strike price of CHF 62.50 and participants of the “United States Management Incentive Plan” received 5,132 options with a strike price of CHF 83.05.

Under the period of review expenses of CHF 1,390.9 thousand (2008: CHF 1,063.5 thousand) have been recognized under the employee share plan and CHF 578.8 thousand (2008: 1,110.5) under the option plan.

In addition to the above mentioned Management Incentive Plan in 2009 the target bonus scheme for Executive Board members has been adjusted to focus on the company’s sustainable mid and long-term success. Only 60% of the bonuses, which continue to be set by the achievement of annually reviewed Group key performance indicators (KPI’s) and individual performance targets, have been paid out in cash whereas the remainder has been paid out in shares with a restriction period of one year. This number of shares will be matched by the company after this restriction period. These shares will thereafter be subject to a one year restriction period. Under the period of review expenses of CHF 485.1 thousand have been recognized for this plan.

Furthermore, a long-term incentive plan has been implemented which rewards long-term value creation measured by economic profit. Under this plan, which has a five year cycle, the individual Executive Board member is entitled to an equal share of the respective pool after the expiry of the five year plan period. This plan can be cash settled. Under the period of review expenses of CHF 721.6 thousand have been recognized for this plan.

Outstanding 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:

	2009		2008	
	Average exercise price per share (in CHF)	Options (number)	Average exercise price per share (in CHF)	Options (number)
Options outstanding on 1 January	148.39	113,002	137.77	107,445
Granted	63.98	71,053	132.00	37,245
Exercised	0.00	0	84.77	(6,195)
Forfeited options	166.71	(1,796)	162.66	(4,980)
Expired options	151.88	(1,669)	0.00	0
Options outstanding on 30 June	***114.96***	***180,590***	***137.62***	***133,515***
Options exercisable on 30 June	***156.33***	***102,157***	***114.63***	***45,837***

Provisions and other liabilities

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. Restructuring provisions are recognized when the Group has a detailed formal plan that has either commenced implementation or been announced.

A possible liability where funds will probably not be required or which cannot be accurately estimated is indicated as a contingent liability.

in thousand CHF	Personnel provisions	Claims	Restructuring provisions	Total
Six-month period ended 30 June 2009				
Balance on 1 January 2009	**56,113**	**35,564**	**0**	**91,677**
Translation differences	4,161	(2,471)	0	1,690
Additional	38,000	3,990	11,156	53,146
Reversals	(10,538)	(1,141)	0	(11,679)
Amount paid	(35,822)	(1,659)	(5,659)	(43,140)
Balance on 30 June 2009	**51,914**	**34,283**	**5,497**	**91,694**

in thousand CHF	Personnel provisions	Claims	Restructuring provisions	Total
Six-month period ended 30 June 2008				
Balance on 1 January 2008	**66,643**	**23,946**	**0**	**90,589**
Translation differences	(2,555)	0	0	(2,555)
Additional	33,586	623	0	34,209
Reversals	(15,409)	0	0	(15,409)
Amount paid	(21,028)	0	0	(21,028)
Balance on 30 June 2008	**61,237**	**24,569**	**0**	**85,806**

Business combinations

There were no acquisitions of subsidiaries or associated companies during the interim period 2009 and 2008, respectively.

Major legal claims

The status of the proceedings disclosed under „pending legal claims“ in the Consolidated Financial Statements 2008 (pages 143/144) has not changed.

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

On 23 July 2009 Panalpina was named as co-defendant in a civil action filed in the US District Court for the Southern District of Texas, Laredo Division, in which plaintiffs pertaining to the same group of a significant minority shareholder are seeking compensation for not yet substantiated damages, alleging misrepresentations and the omission of material facts related to Panalpina's business in Nigeria and the termination thereof. Panalpina is contesting jurisdiction and assertions made by plaintiffs. In view of this, Panalpina is not in a position to assess its exposure and potential financial consequences. Consequently, no financial provisions have been made.

There have been no other material events other than described above between 30 June 2009 and the date of authorization that would require adjustments of the Consolidated Interim Financial Statements or disclosure.