Panalpina Condensed Consolidated Interim Financial Statements

January to June 2010

PANALPINA
on 6 continents

Content

Key Developments in Second Quarter 2010

Panalpina Group: Key Figures Second Quarter 2010

in million CHF	Q2 2010	Q2 2009
Forwarding services	2,288	1,710
Net forwarding revenue	1,894	1,363
Gross profit	380	352
Reported EBITDA	(64)	37
Compliance provision[1]	128	0
EBITDA	64	37
Reported EBIT	(78)	24
Compliance provision[1]	128	0
EBIT	50	24
Reported consolidated profit	(93)	15
Compliance provision[1]	128	0
Consolidated profit	35	15

[1] Includes provisions for the upcoming finalization of settlements with US authorities related to both the FCPA and US anti-trust investigations as well as compliance consultancy fees in context with the FCPA settlement.

Panalpina gains market share and significantly improves profitability

In the second quarter of 2010, the Panalpina Group posted substantial growth in forwarding volumes in both air freight (+36%) and ocean freight (+19%), gaining market share in both segments. At the same time, the company increased profitability per freight unit quarter-on-quarter and was able to keep costs tightly under control. The settlement negotiations with the U.S. authorities should be concluded in the second half of the year. In the second quarter, Panalpina set aside a CHF 128 million compliance provision to cover expected fines and future compliance consultancy costs.

Volume growth and higher gross profit in second quarter

In the second quarter of 2010, Panalpina increased forwarding volumes by 36% in air freight and 19% in ocean freight. As the air freight market grew by 28-30% and the ocean freight market by 10-13%, Panalpina gained market share in both segments. Compared to the second quarter of 2009, gross profit rose by 8% to CHF 380 million.

Clear recovery in several industry verticals

A number of industry verticals that are important for Panalpina, such as the automotive, hi-tech, and telecommunications industries, were hit particularly hard by the economic crisis in 2009; this adversely impacted Panalpina's business activities. The recovery in these sectors is therefore all the more gratifying, as it has enabled Panalpina to record a significant increase in revenues in the second quarter 2010. Other important industry segments for Panalpina which have posted above-average growth include Chemicals, Consumer and Retail as well as Fashion.

Costs remain under tight control

Personnel costs have been kept under control despite new hires in a number of regions. The increase in personnel took place primarily in Asia and North America, where employees were hired to accommodate higher volumes and business wins. EBITDA decreased to negative CHF 64 million in the second quarter due to the CHF 128 million provision to include potential fines and compliance consultancy costs related to alleged violations of the U.S. Foreign Corrupt Practices Act (FCPA) and U.S. antitrust laws. Excluding this provision, EBITDA amounted to positive CHF 64 million in the second quarter.

Negotiations with U.S. authorities close to finalization

The U.S. Department of Justice (DOJ) and the U.S. Securities and Exchange Commission (SEC) have completed their FCPA-related investigations and the settlement negotiations with both authorities should be concluded soon. Panalpina expects the signing of the settlement documents sometime in the second half of the year, which explains why a provision of CHF 128 million is included in the figures for the second quarter. This amount also includes anticipated fines related to the U.S. antitrust investigation but does not cover other ongoing anti-trust investigations against the international forwarding industry, in particular the European antitrust investigation, as Panalpina is unable to predict the outcome of such proceeding and related potential fine. The EU Commission is not expected to reach a decision before 2011.

Consolidated Income Statement

for three and six months ended 30 June 2010 and 2009

in thousand CHF	April - June 2010	April - June 2009	April - June Variance vs PY in %	January - June 2010	January - June 2009	January - June Variance vs PY in %
Forwarding services	2,287,619	1,710,339	33.8	4,252,305	3,706,419	14.7
Customs, duties and taxes	(393,836)	(347,024)	13.5	(770,733)	(732,998)	5.1
Net forwarding revenue	**1,893,783**	**1,363,315**	**38.9**	**3,481,572**	**2,973,421**	**17.1**
Forwarding services from third parties	(1,513,505)	(1,011,045)	49.7	(2,773,882)	(2,246,002)	23.5
Gross profit	**380,278**	**352,270**	**8.0**	**707,690**	**727,419**	**(2.7)**
Personnel expenses	(222,657)	(216,441)	2.9	(436,602)	(458,828)	(4.8)
Other operating expenses	(221,723)	(98,789)	124.4	(324,855)	(217,368)	49.4
Gains on sales of non-current assets	455	23	1,878.3	202	276	(26.8)
EBITDA	**(63,647)**	**37,063**	**(271.7)**	**(53,565)**	**51,499**	**(204.0)**
Depreciation of property, plant and equipment	(11,726)	(8,360)	40.3	(20,145)	(16,969)	18.7
Amortization of intangible assets	(2,252)	(3,178)	(29.1)	(4,471)	(6,109)	(26.8)
Goodwill impairment	0	(1,810)	100.0	0	(1,810)	100.0
Operating result (EBIT)	**(77,625)**	**23,715**	**(427.3)**	**(78,181)**	**26,611**	**(393.8)**
Finance income	840	1,277	(34.2)	4,415	6,831	(35.4)
Finance costs	(4,370)	(4,206)	3.9	(7,273)	(10,057)	(27.7)
Profit before income tax (EBT)	**(81,155)**	**20,786**	**(490.4)**	**(81,039)**	**23,385**	**(446.5)**
Income tax expenses	(11,419)	(5,750)	98.6	(11,498)	(6,445)	78.4
Consolidated profit	***(92,574)***	***15,036***	***(715.7)***	***(92,537)***	***16,940***	***(646.3)***
Consolidated profit attributable to:						
Owners of the parent	(93,411)	14,603	(739.7)	(93,312)	16,145	(678.0)
Non-controlling interests	837	433	93.3	775	795	(2.5)
Earnings per share (in CHF per share)						
Basic	(3.94)	0.61	(745.9)	(3.94)	0.68	(679.4)
Diluted	(3.94)	0.61	(745.9)	(3.94)	0.68	(679.4)

Consolidated Statement of Comprehensive Income

for three and six months ended 30 June 2010 and 2009

	April - June		January - June	
in thousand CHF	2010	2009	2010	2009
Consolidated profit	**(92,574)**	**15,036**	**(92,537)**	**16,940**
Other comprehensive income				
Available-for-sale financial assets	1	(1,070)	(87)	(1,070)
Amounts recognized in equity for defined benefit post-employment plans				
– Actuarial (losses) gains	(4,501)	(1,431)	2,122	(1,466)
Exchange difference on translations of foreign operations	9,110	(8,389)	17,454	15,282
Income tax on components of other comprehensive income	949	218	(674)	218
Other comprehensive income for the period, net of tax	**5,559**	**(10,672)**	**18,815**	**12,964**
Total comprehensive income for the period	***(87,015)***	***4,364***	***(73,722)***	***29,904***
Attributable to owners of the parent	(87,861)	3,983	(74,641)	29,020
Attributable to non-controlling interests	846	381	919	884

Consolidated Statement of Financial Position

as of 30 June 2010 respectively as of 31 December 2009

Assets

in thousand CHF	30 June 2010	31 December 2009
Non-current assets		
Property, plant and equipment	125,440	141,273
Intangible assets	72,376	71,877
Investments	40,083	37,404
Derivative financial instruments	0	5,561
Post-employment benefit assets	17,341	14,444
Deferred income tax assets	59,805	55,339
Total non-current assets	**315,045**	**325,898**
Current assets		
Other receivables and other current assets	100,217	110,422
Unbilled forwarding services	88,026	83,103
Trade receivables	1,072,169	856,872
Derivative financial instruments	29,728	5,725
Other current financial assets	9,186	10,809
Cash and cash equivalents	447,365	531,803
Total current assets	**1,746,691**	**1,598,734**
Total assets	***2,061,736***	***1,924,632***

Equity and liabilities

in thousand CHF	30 June 2010	31 December 2009
Equity		
Share capital	50,000	50,000
Treasury shares	(192,445)	(192,567)
Reserves	924,984	999,131
Total equity attributable to owners of the parent	**782,539**	**856,564**
Non-controlling interests	7,888	7,015
Total equity	**790,427**	**863,579**
Non-current liabilities		
Borrowings	618	891
Provisions	129,166	66,658
Post-employment benefit liabilities	36,307	39,126
Deferred income tax liabilities	17,062	21,915
Total non-current liabilities	**183,153**	**128,590**
Current liabilities		
Trade payables	593,148	519,596
Other payables and accruals	148,991	122,823
Accrued cost of services	160,987	159,712
Borrowings	9,722	11,995
Derivative financial instruments	7,344	2,233
Provisions and other liabilities	151,719	103,371
Current income tax liabilities	16,245	12,733
Total current liabilities	**1,088,156**	**932,463**
Total liabilities	**1,271,309**	**1,061,053**
Total equity and liabilities	***2,061,736***	***1,924,632***

Condensed Consolidated Statement of Changes in Equity

for six months ended 30 June 2010 and 2009

in thousand CHF	Share capital	Treasury shares	Other reserves	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
	Attributable to owners of the parent							
Balance on 1 January 2010	**50,000**	**(192,567)**	**(101,723)**	**(136,473)**	**1,237,327**	**856,564**	**7,015**	**863,579**
Consolidated profit					(93,312)	(93,312)	775	(92,537)
Other comprehensive income for the period, net of tax			1,361	17,310		18,671	144	18,815
Total comprehensive income for the period	**0**	**0**	**1,361**	**17,310**	**(93,312)**	**(74,641)**	**919**	**(73,722)**
Dividends paid						0	(55)	(55)
Share-based payments - employee share plan					379	379		379
Share-based payments - option plan					1,130	1,130		1,130
Changes in treasury shares, net		122			(1,006)	(884)		(884)
Reclassification of non-controlling interests to parent shareholder					(9)	(9)	9	0
Balance on 30 June 2010	***50,000***	***(192,445)***	***(100,362)***	***(119,163)***	***1,144,509***	***782,539***	***7,888***	***790,427***

According to an agreement with a minority shareholder all negative balances of non-controlling interests shall be accounted to parent shareholders' equity.

in thousand CHF	Share capital	Treasury shares	Other reserves	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
	Attributable to owners of the parent							
Balance on 1 January 2009	**50,000**	**(197,753)**	**(117,423)**	**(145,973)**	**1,274,865**	**863,716**	**7,632**	**871,348**
Consolidated profit					16,145	16,145	795	16,940
Other comprehensive income for the period, net of tax			(2,318)	15,193		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)***	***(117,547)***	***(130,780)***	***1,244,041***	***856,538***	***6,036***	***862,574***

Condensed Consolidated Statement of Cash Flows

for three and six months ended 30 June 2010 and 2009

	April - June		January - June	
in thousand CHF	2010	2009[1]	2010	2009[1]
Profit for the period	**(92,574)**	**15,036**	**(92,537)**	**16,940**
Income tax expenses	11,419	5,750	11,498	6,445
Depreciation and amortization	13,978	11,538	24,616	23,078
Goodwill impairment charge	0	1,810	0	1,810
Net interest (income) expense	(1,391)	909	(1,352)	2,565
Gain on sales of property, plant and equipment	(455)	(23)	(202)	(276)
Non-cash expenses and income	2,379	6,448	1,484	3,624
	(66,644)	**41,468**	**(56,493)**	**54,186**
(Increase) decrease in working capital	(73,508)	(4,049)	(112,720)	134,474
Increase (decrease) in short- and long-term provisions	89,411	(15,843)	105,255	1,323
Cash generated from operations	**(50,741)**	**21,576**	**(63,958)**	**189,983**
Interest paid	(2,211)	(2,309)	(3,285)	(6,365)
Income taxes paid	(5,091)	(12,136)	(11,342)	(28,132)
Net cash from operating activities	**(58,043)**	**7,131**	**(78,585)**	**155,486**
Interest and dividends received	1,431	1,561	3,131	3,273
Proceeds from sales of PPE and assets held for sale	742	822	1,324	2,440
Repayments of loans, receivables and other financial assets	10,900	183	13,945	2,644
Purchase of property, plant and equipment	(4,031)	(6,024)	(8,417)	(15,457)
Purchase of intangible assets and other assets	(3,420)	(1,815)	(5,062)	(2,611)
Purchase of investments held for trading and other financial assets	(10,559)	(9,503)	(12,579)	(12,505)
Net cash flows from investing activities	**(4,937)**	**(14,776)**	**(7,658)**	**(22,216)**
Free cash flow	**(62,980)**	**(7,645)**	**(86,243)**	**133,270**
Change in current and non-current borrowings	118	794	(2,135)	(2,161)
Dividends paid	0	(44,895)	0	(44,895)
Dividends paid to non-controlling interests	(55)	(1)	(55)	(286)
Purchase of non-controlling interests	0	(268)	0	(268)
Purchase of treasury shares	(2,765)	0	(2,765)	0
Sale of treasury shares	1,192	3,331	1,192	3,331
Net cash used in financing activities	**(1,510)**	**(41,039)**	**(3,763)**	**(44,279)**
Effect of exchange rate changes on cash and cash equivalents	1,117	(3,625)	5,568	4,440
Net (decrease) increase in cash and cash equivalents	**(63,373)**	**(52,309)**	**(84,438)**	**93,431**
Cash and cash equivalents at the beginning of the period	510,738	508,149	531,803	362,409
Cash and cash equivalents at the end of the period	***447,365***	***455,840***	***447,365***	***455,840***

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

Selected Explanatory Notes to the Condensed Consolidated Interim Financial Statements

for the six months ended 30 June 2010

General information

Panalpina World Transport (Holding) Ltd. (referred hereafter as the "Company") and its subsidiaries 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.

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 2010 were approved for issue by the Audit Committee on 3 August 2010.

Basis of preparation of the condensed consolidated interim financial statements

These interim financial statements comprise the unaudited condensed consolidated interim financial statements of the Company and its affiliates (together referred to as the "Group" and individually as "Group entities") for the six-month period ended 30 June 2010.

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 2009.

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 condensed consolidated interim financial statements have been prepared in accordance with the accounting policies applied in the Consolidated Financial Statements 2009, except where noted below. Where necessary, comparative information has been reclassified from the previously reported condensed consolidated interim financial statements taking into account any presentational changes made in the consolidated financial statements 2009 or in these condensed consolidated interim financial statements.

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities as well as the disclosure of contingent liabilities on the date of the condensed consolidated interim financial statements.

It also requires management to exercise its judgment 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 and judgments are recognized in the period in which the estimates are revised and in any future periods affected.

Income tax expenses are recognized based upon the best estimate of the weighted average annual income tax rate expected for the full financial year. Due to some non-taxable expenses the current tax rate is not comparable with the previous year tax rate.

In the past the Group erroneously assigned additional currency impacts such as differences between average and closing rate in the line item "effect of exchange rate changes on cash and cash equivalents" of the condensed consolidated statement of cash flows. To be in compliance with IAS 7.28, the Group extracted all exchange differences which are not part of cash and cash equivalents from the above mentioned line item and assigned it to the corresponding cash flow position.

in thousand CHF	Adjusted 30 June 2009 Statement of Cash Flows	30 June 2009 Statement of Cash Flows
Cash generated from operations	189,985	211,737
Net cash from operating activities	155,488	180,513
Net cash flows from investing activities	(22,216)	(25,437)
Free cash flow	133,272	155,076
Net cash used in financing activities	(44,279)	(40,022)
Effect of exchange rate changes on cash and cash equivalents	4,438	(21,623)

Changes in accounting policies

Effective 1 January 2010 the Group adopted the newly issued IFRIC 17 *"Distribution of Non-cash Assets to Owners"* and the revised standard IFRS 1 *"First-Time Adoption of IFRSs"* as well as the amendments to IFRS 1 *"First-Time Adoption of IFRSs – Additional Exemptions",* IFRS 2 *"Group's Cash-settled and Share-based Payment Transactions",* IFRS 5 *"Measurement of Non-current Assets (or Disposal Groups) classified as Held-for-Sale"* and IAS 1 *"Presentation of Financial Statements".*

IFRS 5 (amendment) *"Measurement of Non-current Assets (or Disposal Groups) classified as Held-for-Sale"* (Annual Improvements)
The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirements of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The adoption of this amendment did not have any impact on the condensed consolidated interim financial statements as the Group does not have any qualifying assets.

IAS 1 (amendment) *"Presentation of Financial Statements"* (Annual Improvements)
The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counter party to settle in shares at any time. The adoption of these amendments did not have any impact on the presentation of the condensed consolidated interim financial statements as the Group does not have any qualifying liabilities.

IFRIC 17 *"Distribution of Non-cash Assets to Owners"*
The interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The Group is not impacted by applying IFRIC 17 as the Group did not respectively does not intend to distribute non-cash assets to owners.

Panalpina is not impacted by applying the other above mentioned new, revised or amended standards or interpretations.

The following new or revised standards, amendments to standards and interpretations that have been published are mandatory for the Group's accounting periods beginning on or after 1 January 2011 or later periods, but the Group has not early adopted them:
IFRS 9 *"Financial Instruments: Measurement and Classification"*, IAS 24 *"Related Party Disclosures"*, IAS 32 *"Financial Instruments: Presentation - Classification of Rights Issues",* IFRIC 14 (amended) *"The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction – Prepayment of a Minimum Funding Requirement"*, Improvements to IFRS (May 2010) and IFRIC 19 *"Extinguishing Financial Liabilities with Equity Instruments"*. 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, if any.

Change in scope and method of consolidation

The condensed 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 Panalpina World Transport (Saudi Arabia) Ltd., Jeddah was founded with a nominal capital of SAR 500,000. The entity is fully included in the scope of consolidation.

Seasonality

Historically, the Group's results have been subject to seasonal trends. The first half year is normally weaker than the second half year as the first 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.

Condensed operating segment information

The Group's operations are predominantly determined by the geographical location of the Group's operation. The determination of the Group's operating segments is based on the organization units for which information is reported to the Group's management. The Group is primarily organized by regions and has four reportable segments, "Europe/Africa/Middle East/CIS," "North America," "Central and South America" and "Asia/Pacific." Each reportable segment offers the same products and services. The Executive Board has been identified as chief operating decision maker. The Executive Board monthly reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

Performance is measured based on gross profit and operating result (EBIT). Income tax expenses as well as finance income and costs are not assessed by segment.

Certain headquarter activities are reported as "Corporate." These consist of corporate headquarters, including the Corporate Executive Committee, corporate communications, corporate operations, corporate human resources, corporate finance, including treasury, taxes and pension fund management, corporate legal and corporate safety and environmental services.

Condensed operating segment information

for six months ended 30 June 2010 and 2009

	Europe/ Africa/ Middle East / CIS		North America		Central and South America		Asia/ Pacific		**Total segment**		Corporate		Total Group	
in million CHF	2010	2009	2010	2009	2010	2009	2010	2009	**2010**	**2009**	2010	2009	2010	2009
Third-party net forwarding revenue	1,779	1,610	698	600	404	349	601	414	**3,482**	**2,973**	0	0	3,482	2,973
Gross profit (GP)	368	381	131	136	73	73	136	137	**708**	**727**	0	0	708	727
GP (decrease) increase in %	(3.4)		(3.7)		0.0		(0.7)		**(2.6)**				(2.6)	
EBITDA	28	21	(52)	(13)	10	11	42	45	**28**	**64**	(82)	(12)	(54)	52
EBITDA in % of GP	7.6	5.5	(39.7)	(9.6)	13.7	15.1	30.9	32.8	**4.0**	**8.8**			(7.6)	7.2
Operating result (EBIT)	16	8	(55)	(17)	8	9	38	41	**7**	**41**	(85)	(14)	(78)	27
EBIT in % of GP	4.3	2.1	(42.0)	(12.5)	11.0	12.3	27.9	29.9	**1.0**	**5.6**			(11.0)	3.7

for April to June 2010 and 2009

	Europe/ Africa/ Middle East / CIS		North America		Central and South America		Asia/ Pacific		**Total segment**		Corporate		Total Group	
in million CHF	Q2 2010	Q2 2009	Q2 2010	Q2 2009	Q2 2010	Q2 2009	Q2 2010	Q2 2009	**Q2 2010**	**Q2 2009**	Q2 2010	Q2 2009	Q2 2010	Q2 2009
Third-party net forwarding revenue	951	746	389	257	226	160	328	200	**1,894**	**1,363**	0	0	1,894	1,363
Gross profit (GP)	195	186	70	65	38	39	78	62	**381**	**352**	0	0	381	352
GP increase (decrease) in %	4.8		7.7		(2.6)		25.8		**8.2**				8.2	
EBITDA	25	15	(42)	(5)	5	9	30	21	**18**	**40**	(82)	(2)	(64)	38
EBITDA in % of GP	12.8	8.1	(60.0)	(7.7)	13.2	23.1	38.5	33.9	**4.7**	**11.4**			(16.8)	10.8
Operating result (EBIT)	19	7	(44)	(7)	4	8	28	19	**7**	**27**	(84)	(3)	(77)	24
EBIT in % of GP	9.7	3.8	(62.9)	(10.8)	10.5	20.5	35.9	30.6	**1.8**	**7.7**			(20.2)	6.8

The provision to cover the fines, legal penalties and compliance consultancy fees relating to the settlement of both the U.S. Foreign Corrupt Practices Act (FCPA) and the U.S. anti-trust investigations in the total amount of CHF 128.0 million is included in the segment "North America" (CHF 40.0 million) and in the reconciling item "Corporate" (CHF 88.0 million).

Information by business

The Group's business can be divided into three divisions: Air Freight, Ocean Freight, Supply Chain Management:

for six months ended 30 June 2010 and 2009

	Air Freight		Ocean Freight		Supply Chain Management		**Total**	
in million CHF	2010	2009	2010	2009	2010	2009	**2010**	**2009**
Third-party net forwarding revenue	1,704	1,284	1,348	1,223	430	466	**3,482**	**2,973**
Increase (decrease) in %	32.7		10.2		(7.7)		**17.1**	
Gross profit (GP)	312	297	214	247	182	183	**708**	**727**
GP margin in %	18.3	23.1	15.9	20.2	42.3	39.3	**20.3**	**24.5**
GP increase (decrease) in %	5.1		(13.4)		(0.5)		**(2.6)**	

for April to June 2010 and 2009

	Air Freight		Ocean Freight		Supply Chain Management		**Total**	
in million CHF	Q2 2010	Q2 2009	Q2 2010	Q2 2009	Q2 2010	Q2 2009	**Q2 2010**	**Q2 2009**
Third-party net forwarding revenue	957	605	716	540	221	218	**1,894**	**1,363**
Increase (decrease) in %	58.2		32.6		1.4		**39.0**	
Gross profit (GP)	175	144	113	118	93	90	**381**	**352**
GP margin in %	18.3	23.8	15.8	21.9	42.1	41.3	**20.1**	**25.8**
GP increase (decrease) in %	21.5		(4.2)		3.3		**8.2**	

Property, plant and equipment and intangible assets

During the period under review, the Group acquired CHF 4.3 million machinery and equipment (30 June 2009: CHF 6.9 million), CHF 2.3 million in building and building under construction (30 June 2009: CHF 6.1 million), CHF 1.7 million in vehicles (30 June 2009: 2.4 million) and CHF 5.1 million intangible assets (30 June 2009: 2.6 million), mainly software licences. In the second quarter 2010, the net assets of two barges have been revalued. As the recoverable amounts of these assets do not exceed the carrying amounts, an impairment of CHF 3.3 million (2009: 0 million) have been recognized.

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 2010 and 2009:

in thousand CHF	Property, plant and equipment	Intangible assets
Period ended 30 June 2010		
Net book value on 1 January 2010	**141,273**	**71,877**
Translation differences	(2,821)	(82)
Additions	8,255	5,052
Disposals (net)	(1,122)	0
Depreciation, amortization and impairment	(20,145)	(4,471)
Net book value on 30 June 2010	**125,440**	**72,376**

in thousand CHF	Property, plant and equipment	Intangible assets
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**

Intangible assets as of 30 June 2010 include goodwill of CHF 42.5 million (30 June 2009: CHF 43.2 million, brands and customer relations of CHF 3.9 million (30 June 2009: CHF 6.1 million) and software and other intangible assets of CHF 26.0 million (30 June 2009: 21.6 million).

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to the country of operation. The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash-flow projections based on financial budgets approved by management covering a five-year period. 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 ended 30 June 2010 (30 June 2009: CHF 1,810 thousand). Management believes that the current key assumptions applied would not cause the carrying value of goodwill to exceed the recoverable amount.

As per 30 June 2010 no impairment indicators for the CGUs "Airfreight" and "Janco" were determined. For the CGU "Grampian" an impairment test was performed based on the following key assumptions, however no impairment need was determined:

in CHF	30 June 2010	31 December 2009
Growth rate[1]	2.75%	3.13%
Operating expenses in % of forwarding revenues[2]	98.85%	98.71%
WACC[3]	11.81%	12.25%

[1] Weighted average growth rate used to extrapolate cash flows beyond the budgeted period
[2] Budgeted operating expenses in % of forwarding revenues
[3] Pre-tax discount rate applied to the cash flow projections

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 2010 and 31 December 2009 for brand name and customer relations was CHF 19.6 million and CHF 18.8 million, respectively. Amortization expenses of these intangible assets totaled CHF 1.0 million for the six months ended 30 June 2010 (six months 2009: CHF 2.1 million). There were no impairment charges recorded on these other intangible assets during the six months ended 30 June 2010 and 2009.

Equity

The ordinary share capital and issued numbers of shares as well as the authorized capital have not changed during the interim period 2010. The weighted average number of outstanding shares was 23,672,146 (30 June 2009: 23,636,794).

Dividends

On 4 May 2010 the shareholders approved that no dividends will be distributed in respect of the business year 2009 (business year 2008: CHF 1.90 per share).

Share capital and treasury shares

in thousand CHF	Outstanding number of shares (numbers)	Ordinary shares	Treasury shares	Total
On 1 January 2010	**23,667,477**	**50,000**	**(192,567)**	**(142,567)**
Treasury shares				
Purchased	(29,742)		(2,765)	(2,765)
Sold under employee share plan	13,453		1,240	1,240
Sold under employee option plan	3,312		207	207
Bonus settled with own shares	15,625		1,440	1,440
On 30 June 2010	***23,670,125***	***50,000***	***(192,445)***	***(142,445)***

As of 30 June 2010, the number of outstanding shares amounted to 23,670,125 shares (30 June 2009: 23,711,410 shares) and the number of treasury shares to 1,329,875 (30 June 2009: 1,288,590). Treasury shares have been deducted from shareholder's equity.

Share and Option Ownership Program

Management Incentive Plan (MIP) 2009/10

As in previous years an additional management incentive plan was setup in 2010. The terms of this share and option program are identical to the Management Incentive Program 2008/09 as described in the Consolidated Financial Statements 2009 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 12,099 options with a strike price of CHF 97.60 and participants of the "United States Management Incentive Plan" received 1,354 options with a strike price of CHF 89.55.

The weighted average fair value of the share options granted during the reporting period is determined using the binomial valuation model, applying the following significant inputs into the model:

in CHF	International Management Incentive Plan 09/10	United States Management Incentive Plan 09/10
Market price of share	89.55	89.55
Exercise price of option	97.60	89.55
Expected volatility (in %)	45.32	45.32
Option life (in years)	5	5
Dividend yield (in %)	1.63	1.63
Risk-free interest rate based on Swiss government bonds (in %)	1.55	1.55

The members of the Executive Board and the Boards of Directors did not participate in the above-mentioned incentive plans.

In 2009, the target bonus scheme for Executive Board members as well as the remuneration of the Board of Directors has been adjusted to focus on the company's sustainable mid- and long-term success.

Executive Board Mid-Term Incentive Plan

In the reporting period Executive Board members received 40% of the bonus in company shares totalling to 4,155 shares (previous year: 11,740 shares) with a restriction period of one year. This number of shares will additionally be matched by the company after this restriction period. These additional shares are also subject to a further one-year restriction period.

During the period under review the management received the matched shares (11,740 shares) reflecting the bonus paid in the previous year.

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.

Expenses from major legal cases in the income statement are disclosed under operating expenses. During the period under review CHF 128.0 million have been recognized. There were no such items in the previous interim period.

Long-term provisions

in thousand CHF	Employee provision	Claims and other provisions	Total
Period ended 30 June 2010			
Balance on 1 January 2010	**28,756**	**37,902**	**66,658**
Translation differences	(2,011)	(715)	(2,726)
Addition	2,604	54,267	56,871
Reversal of unused amounts	(1,076)	(2,583)	(3,659)
Utilization	(934)	(2,781)	(3,715)
Reclassification from short-term provision	0	15,737	15,737
Balance on 30 June 2010	**27,339**	**101,827**	**129,166**

in thousand CHF	Employee provision	Claims and other provisions	Total
Period ended 30 June 2009			
Balance on 1 January 2009	**26,784**	**48,986**	**75,770**
Translation differences	508	597	1,105
Addition	3,465	2,613	6,078
Reversal of unused amounts	(166)	(845)	(1,011)
Utilization	(2,024)	(4,542)	(6,566)
Balance on 30 June 2009	**28,567**	**46,809**	**75,376**

Employee provision mostly relates to certain employee benefit obligations, such as “anniversary” benefits, termination payments and long-service benefits mainly in Switzerland, Germany, Austria, Italy, France and USA. The timings of these cash outflows can be reasonably estimated based on past performance. In addition employee provision includes the liability for the cash settled compensation plan. Significant provisions are discounted by using the corresponding discount rate applicable in respective countries were the obligation occurs.

The balance for claims represents a provision for certain claims brought forward against the Group by customers and forwarding agents. The balance as of 30 June is expected to be utilized within the next two to five years. Long-term claims include an additional provision for probable potential future payments in connection with transport damages. Furthermore a long-term provision in the amount of CHF 55.0 million was recorded to cover the fines, legal penalties and compliance consultancy fees relating to the settlement of both the U.S. Foreign Corrupt Practices Act (FCPA) and the U.S. anti-trust investigations.

The management determined the provision based on past performance and its expectation of the funds needed for the future settlement of the claims which are not yet reported.

Short-term provisions and other liabilities

in thousand CHF	Employee benefits and others	Outstanding vacation entitlement	Claims	Restructuring provisions	Total
Period ended 30 June 2010					
Balance on 1 January 2010	**45,285**	**21,077**	**32,983**	**4,026**	**103,371**
Translation differences	(383)	(833)	(340)	(883)	(2,439)
Addition	30,342	18,382	72,995	1,276	122,995
Reversal of unused amounts	(7,665)	(6,354)	(97)	0	(14,116)
Utilization	(27,705)	(7,748)	(4,576)	(2,326)	(42,355)
Reclassification to long-term provision	0	0	(15,737)	0	(15,737)
Balance on 30 June 2010	**39,874**	**24,524**	**85,228**	**2,093**	**151,719**

in thousand CHF	Employee benefits and others	Outstanding vacation entitlement	Claims	Restructuring provisions	Total
Period ended 30 June 2009					
Balance on 1 January 2009	**31,172**	**24,941**	**35,564**	**0**	**91,677**
Translation differences	3,145	1,016	(2,471)	0	1,690
Addition	26,455	11,545	3,990	11,156	53,146
Reversal of unused amounts	(2,789)	(7,749)	(1,141)	0	(11,679)
Utilization	(31,426)	(4,396)	(1,659)	(5,659)	(43,140)
Balance on 30 June 2009	**26,557**	**25,357**	**34,283**	**5,497**	**91,694**

Claim provision includes the current portion of certain claims brought forward against the Group by customers and forwarding agents. In addition a short-term provision in the amount of CHF 71.0 million was recorded to cover the fines, legal penalties and compliance consultancy fees relating to the settlement of both the U.S. Foreign Corrupt Practices Act (FCPA) and the U.S. anti-trust investigations.

During the period under review the management reassessed the cash outflow of claims and came to the conclusion that based on past utilization the duration until claims can be settled increased substantially. The reclassification to long-term claim provisions of CHF 15.7 million reflect this change. The balance as of 30 June is expected to be utilized within one year.

Apart from the outstanding vacation entitlement and the current portion of provisions, as disclosed under long-term provisions, short-term provisions and other liabilities include personnel profit participation and related social security costs and payroll taxes as well as compliance consultancy fees. During the period under review CHF 27.7 million of personnel profit participation (30 June 2009: CHF 31.4 million) has been paid out. For the current year additional personnel profit participation of CHF 28.3 million (30 June 2009: CHF 26.5 million) including related social security costs and payroll taxes as well as compliance consultancy fees in the amount of CHF 2.0 million have been recorded.

Restructuring provisions arise from planned programs that materially change the scope of business undertaken by the Group or the manner in which business is conducted. Such provisions include only the costs necessarily entailed by the restructuring which are not associated with the recurring activities of the Group. The restructuring provisions added in 2009 concern headcount reductions in all functions mainly in operation and marketing and sales in various countries. In 2010 additionally recognized restructuring provisions relate to adjustments of the previous year estimations. During the period under review no additional restructuring plan has been approved.

Business combinations

There were no acquisitions of subsidiaries or associated companies during the interim periods 2010 and 2009, respectively.

Major legal claims

In view of the upcoming finalization of settlements with US authorities related to both the FCPA and US anti-trust investigations an amount of CHF 128.0 million has been provided for. This amount also covers compliance consultancy fees in the context of the FCPA settlement. The aforementioned amount does however not cover other ongoing anti-trust investigations (namely in the EU, Switzerland and New Zealand) as Panalpina is unable to predict the outcome of such proceeding and related potential fine.

Other than that, the status of the proceedings disclosed under "pending legal claims" in the Consolidated Financial Statements 2009 (pages 136 and 137) has not changed.

Contingent liabilities and other commitments

Possible liabilities where funds will probably not be required or which cannot be accurately estimated are indicated as contingent liabilities. Other than described above, no significant changes in the Group's contingent liabilities have occurred.

Events after the balance sheet date

Since the balance sheet date, no events have become known of for which a disclosure is required.