Financial Report 2015

CONSOLIDATED FINANCIAL STATEMENTS

CONTENTS

CONSOLIDATED INCOME STATEMENT

for the years ended December 31, 2015 and 2014

IN THOUSAND CHF	NOTES	2015	2014
Net forwarding revenue	**5**	**5,855,453**	**6,707,113**
Forwarding services from third parties	5	(4,381,628)	(5,121,146)
Gross profit	**5**	**1,473,825**	**1,585,967**
Personnel expenses	6	(896,203)	(976,850)
Other operating expenses	9	(409,275)	(435,090)
EBITDA		**168,346**	**174,027**
Depreciation of property, plant and equipment	13	(27,887)	(31,972)
Amortization of intangible assets	14	(23,219)	(25,326)
Operating result (EBIT)		**117,240**	**116,729**
Finance income	10	3,920	3,375
Finance costs	10	(3,523)	(4,711)
Profit before income tax (EBT)		**117,636**	**115,393**
Income tax expenses	11	(29,409)	(28,872)
Profit		**88,227**	**86,521**
Profit attributable to:			
Owners of the parent		87,534	87,241
Non-controlling interests	23	693	(720)
Earnings per share (in CHF per share)			
Basic	12	3.69	3.68
Diluted	12	3.69	3.67

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the years ended December 31, 2015 and 2014

IN THOUSAND CHF	NOTES	2015	2014
Profit		**88,227**	**86,521**
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurement of the net defined benefit asset / (liability)	7	(14,418)	(20,470)
Income taxes on this component of other comprehensive income	11	3,492	5,099
		(10,926)	**(15,371)**
Items that are or may be reclassified subsequently to profit or loss:			
Exchange difference on translations of foreign operations		(92,542)	2,442
		(92,542)	**2,442**
Other comprehensive income, net of tax		**(103,468)**	**(12,929)**
Total comprehensive income		**(15,241)**	**73,592**
Total comprehensive income attributable to:			
Owners of the parent		(15,032)	73,020
Non-controlling interests	23	(209)	572

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at December 31, 2015 and 2014

IN THOUSAND CHF	NOTES	2015	2014
ASSETS			
Non-current assets			
Property, plant and equipment	13	78,466	104,283
Intangible assets	14	98,820	122,029
Investments	15	26,820	28,269
Post-employment benefit assets	7	0	6,862
Deferred income tax assets	26	70,581	67,962
Total non-current assets		**274,687**	**329,405**
Current assets			
Other receivables and other current assets	18	103,750	101,191
Unbilled forwarding services		66,410	111,486
Trade receivables	19	887,938	1,012,647
Derivative financial instruments	20	2,219	2,960
Cash and cash equivalents	21	392,260	372,043
Assets classified as held for sale		524	0
Total current assets		**1,453,101**	**1,600,327**
Total assets		**1,727,788**	**1,929,732**
EQUITY AND LIABILITIES			
Equity			
Share capital	22	2,375	2,375
Treasury shares	22	(2,252)	(2,089)
Retained earnings and reserves		641,150	720,618
Total equity attributable to owners of the parent		**641,273**	**720,904**
Non-controlling interests	23	12,037	12,245
Total equity		**653,310**	**733,149**
Non-current liabilities			
Borrowings	24	30	132
Non-current provisions	25	37,904	41,432
Non-current other liabilities	27	31,389	35,086
Post-employment benefit liabilities	7	60,688	57,069
Deferred income tax liabilities	26	10,418	11,074
Total non-current liabilities		**140,429**	**144,793**
Current liabilities			
Trade payables		446,025	533,693
Other payables and accruals		150,380	158,229
Accrued cost of services		223,313	205,612
Borrowings	24	140	520
Derivative financial instruments	20	2,537	7,988
Current provisions	25	17,233	42,124
Current other liabilities	27	74,100	78,088
Current income tax liabilities		20,322	25,536
Total current liabilities		**934,050**	**1,051,790**
Total liabilities		**1,074,479**	**1,196,583**
Total equity and liabilities		**1,727,788**	**1,929,732**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended December 31, 2015

		ATTRIBUTABLE TO THE OWNERS OF THE PARENT					NON-CON-TROLLING INTERESTS	TOTAL EQUITY
IN THOUSAND CHF	NOTES	SHARE CAPITAL	TREASURY SHARES	TRANS-LATION RESERVE	RETAINED EARNINGS	TOTAL		
Balance on January 1, 2015		**2,375**	**(2,089)**	**(186,648)**	**907,265**	**720,904**	**12,245**	**733,149**
Profit					87,534	87,534	693	88,227
Other comprehensive income								
Exchange difference on translations of foreign operations				(91,640)		(91,640)	(902)	(92,542)
Remeasurement of the net defined benefit asset / liability, net of tax					(10,926)	(10,926)		(10,926)
Total other comprehensive income, net of tax		**0**	**0**	**(91,640)**	**(10,926)**	**(102,566)**	**(902)**	**(103,468)**
Total comprehensive income for the period		**0**	**0**	**(91,640)**	**76,608**	**(15,032)**	**(209)**	**(15,241)**
Dividends paid	22				(65,240)	(65,240)		(65,240)
Share-based payments employee share plan	8				2,841	2,841		2,841
Changes in treasury shares, net	22		(163)		(2,036)	(2,200)		(2,200)
Balance on December 31, 2015		**2,375**	**(2,252)**	**(278,288)**	**919,438**	**641,273**	**12,037**	**653,310**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended December 31, 2014

		ATTRIBUTABLE TO THE OWNERS OF THE PARENT					NON-CON-TROLLING INTERESTS	TOTAL EQUITY
IN THOUSAND CHF	NOTES	SHARE CAPITAL	TREASURY SHARES	TRANS-LATION RESERVE	RETAINED EARNINGS	TOTAL		
Balance on January 1, 2014		**2,375**	**(3,339)**	**(187,798)**	**886,270**	**697,508**	**11,673**	**709,181**
Profit					87,241	87,241	(720)	86,521
Other comprehensive income								
Exchange difference on translations of foreign operations				1,150		1,150	1,292	2,442
Remeasurement of the net defined benefit asset / liability, net of tax					(15,371)	(15,371)		(15,371)
Total other comprehensive income, net of tax		**0**	**0**	**1,150**	**(15,371)**	**(14,221)**	**1,292**	**(12,929)**
Total comprehensive income for the period		**0**	**0**	**1,150**	**71,870**	**73,020**	**572**	**73,592**
Dividends paid	22				(52,185)	(52,185)		(52,185)
Share-based payments employee share plan	8				1,937	1,937		1,937
Changes in treasury shares, net	22		1,251		(627)	624		624
Balance on December 31, 2014		**2,375**	**(2,089)**	**(186,648)**	**907,265**	**720,904**	**12,245**	**733,149**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the years ended December 31, 2015 and 2014

IN THOUSAND CHF	NOTES	2015	2014
Profit		**88,227**	**86,521**
Income tax expenses	11	29,409	28,872
Depreciation of property, plant and equipment	13	27,887	31,972
Amortization of intangible assets	14	23,219	25,326
Impairment of financial assets	10	1	3
Interest income and dividend on available-for-sale financial assets	10	(1,307)	(2,186)
Exchange differences	10	(2,593)	(1,035)
Loss / (gain) on sales of property, plant and equipment	9	(4,252)	513
Gain on sales of financial assets	15	(975)	0
Share-based payment transactions	6 / 8	2,841	1,937
Other non-cash (income) and expenses		(349)	(1,741)
Subtotal cash flow from operations		**162,108**	**170,182**
Working capital adjustments:			
(Increase) / decrease receivables, other current assets and unbilled forwarding services		47,154	55,027
Increase / (decrease) payables and accruals incl. accrued cost of service		454	(32,918)
(Decrease) / increase in non-current provisions and other liabilities		(2,779)	(2,672)
(Decrease) / increase in current provisions and other liabilities		(19,561)	(36,713)
Cash generated from operations		**187,375**	**152,906**
Interest paid		(1,338)	(1,472)
Income taxes paid		(34,375)	(28,403)
Net cash from operating activities		**151,663**	**123,031**
Interest received		1,010	2,184
Dividends received	10	114	141
Proceeds from sale of property, plant and equipment and Intangible		10,327	2,968
Proceeds from sale of investments		1,371	968
Proceeds from sale of other financial assets		582	6,102
Repayments of loans and long-term receivables		3,957	5,855
Purchase of property, plant and equipment		(16,005)	(19,467)
Acquisition of subsidiary, net of cash	3.1.2	(1,618)	0
Purchase of intangible assets		(695)	(28,612)
Purchase of investments and other financial assets		(2,258)	(102)
Increase of long-term loans and long-term receivables		(5,693)	(6,067)
Net cash used in investing activities		**(8,909)**	**(36,030)**
Free cash flow		**142,754**	**87,001**
Proceeds from short- and long-term borrowings		48	208
Repayment of short- and long-term borrowings		(454)	(2,775)
Dividends paid		(65,240)	(52,185)
Purchase of treasury shares	22	(5,455)	(2,762)
Sale of treasury shares		1,677	2,040
Net cash used in financing activities		**(69,424)**	**(55,474)**
Net increase (decrease) in cash and cash equivalents		**73,330**	**31,527**
Cash and cash equivalents at the beginning of the year	21	372,043	336,923
Effect of exchange rate changes on cash and cash equivalents	17.2	(53,113)	3,593
Cash and cash equivalents at the end of the year	**21**	**392,260**	**372,043**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Panalpina World Transport (Holding) Ltd. (referred to hereafter as the company) and its subsidiaries (collectively the “Group” and individually “Group Companies”) is one of the world’s leading providers of supply chain solutions. The company combines its core products of Air Freight, Ocean Freight and Logistics to deliver globally integrated, tailor-made end-to-end solutions. Drawing on in-depth industry knowledge and customized IT systems, Panalpina manages the needs of its customers’ supply chains, no matter how demanding they might be.

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

The consolidated financial statements for the year ending December 31, 2015, were authorized for issuance in accordance with a resolution by the Board of Directors on February 26, 2016.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 BASIS OF PREPARATION

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

2.2 STATEMENT OF COMPLIANCE

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

2.3 CHANGES IN PRESENTATION

In 2015 the Group has made minor presentational changes to the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes related to provisions and other liabilities to increase the understandability of the information provided.

2.4 BASIS OF MEASUREMENT

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

2.5 PRESENTATION CURRENCY

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

2.6 USE OF ESTIMATES AND JUDGMENTS

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Deviations from estimates are recognized in the period in which the estimates are revised and in any future periods affected. The areas involving a higher degree of judgment or complexity, or areas in which assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

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

3 SIGNIFICANT ACCOUNTING POLICIES

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

The following new or revised standards, amendments to existing standards and interpretations have been issued, but are not yet effective. They have not been applied early in these consolidated financial statements.

New Standards or Interpretations:
- IFRS 15 – Revenue from Contracts with Customers (effective date January 1, 2018)
- IFRS 9 – Financial Instruments (effective date January 1, 2018)
- IFRS 16 – Leases (effective date January 1, 2019)

Revision and amendments of Standards and Interpretations:
- Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations (effective date January 1, 2016)
- Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortization (effective date January 1, 2016)
- Amendments to IAS 16 and IAS 41 – Bearer Plants (effective date January 1, 2016)
- Amendments to IAS 27 – Equity Method in Separate Financial Statements (effective date January 1, 2016)
- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (the effective date for these amendments was due to be 1 January 2016. In August 2015 the IASB has postponed the effective date for an indefinite period of time, as it believes that they could be affected by the outcome of its current research project on equity accounting. Early adoption continues to be permitted
- Annual Improvements to IFRS 2012-2014 Cycle (effective date January 1, 2016)
- Amendments to IAS 1 – Disclosure Initiative (effective date January 1, 2016)
- Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exception (effective date January 1, 2016)
- Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealized Losses (effective date January 1, 2017)
- Amendments to IAS 7 – Disclosure Initiative (effective date January 1, 2017)

The Group is currently analyzing in detail the changes to the accounting policies and the impact on the Group's overall results and financial position. Based on a preliminary assessment, none of the above changes effective as of January 1, 2016 would have a material impact on the Groups' consolidated financial statements.

3.1 BASIS OF CONSOLIDATION

3.1.1 Consolidation policy

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

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

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

In case of business combination, the Group applies the rules described in note 3.11.1 of this document.

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

Changes in ownership interest in subsidiaries without change of control
Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

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

3.1.2 Scope of consolidation

The list of the principal group companies and participations considered for the establishment of the group's consolidated financial statements is disclosed in note 30. During the year 2015, the following changes occurred:

CHANGE IN SCOPE OF CONSOLIDATION IN 2015	CURRENCY	SHARE CAPITAL IN 1,000	EQUITY INTEREST IN %	ACQUISTION / INCORPORATION / DISPOSAL DATE
Acquisitions				
Panalpina World Transport Egypt LLC	EGP	10,000	100	01.09.2015
Incorporations				
Panalpina Morocco S.A.R.L.	MAD	10	100	01.01.2015
Panalpina Kenya Limited	KES	100	100	01.01.2015
Panalpina Asia Pacific Management Pte. Ltd.	SGD	500	100	01.01.2015
Panalpina Myanmar	USD	50,000	70	01.10.2015

PA World Transport Egypt LLC was created following the acquisition of 100% of the shares of Al Afifi Logistics International LLC. This acquisition was settled for a cash consideration of CHF 1.6 million. There was no other business combination and no subsidiaries that were disposed of in 2015 and 2014.

3.1.3 Operating segment information

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

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

3.2 FOREIGN CURRENCY

3.2.1 Functional currency

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

3.2.2 Transactions and balances

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

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

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

3.2.3 Presentation currency

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

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

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

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

	Statement of Financial Position[1]			Income statement and cash flow statement[2]			Variance %	
	DECEMBER 2015	**DECEMBER 2014**		**DECEMBER 2015**	**DECEMBER 2014**		**STATEMENT OF FINANCIAL POSITION[1]**	**INCOME STATEMENT AND CASH FLOW STATEMENT[2]**
BRL	0.255	0.372	BRL	0.293	0.390	BRL	(31%)	(25%)
CAD	0.715	0.850	CAD	0.754	0.829	CAD	(16%)	(9%)
CNY	0.152	0.159	CNY	0.153	0.149	CNY	(4%)	3%
EUR	1.082	1.203	EUR	1.067	1.215	EUR	(10%)	(12%)
GBP	1.466	1.537	GBP	1.470	1.507	GBP	(5%)	(2%)
HKD	0.128	0.127	HKD	0.124	0.118	HKD	0%	5%
USD	0.990	0.988	USD	0.962	0.916	USD	0%	5%
VEF	0.005	0.157	VEF	0.005	0.143	VEF	(97%)	(97%)

[1] Period end rate

[2] Period end average rate

3.3 REVENUE RECOGNITION

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

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

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

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

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

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

3.4 FORWARDING SERVICES FROM THIRD PARTIES

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

3.5 EMPLOYEE BENEFITS

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

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

3.5.1 Pension obligation

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans.

3.5.1.1 Defined Benefit Plan

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

The net defined benefit liability / asset recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rate of high- quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

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

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

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

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

3.5.1.2 Defined Contribution Plan

A defined contribution plan is a pension plan under which the Group pays fixed contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no legal or contractual obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

3.5.2 Other long-term employee benefits

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

3.5.3 Share-based compensation

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

3.6 OTHER OPERATING EXPENSES

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

3.7 FINANCE INCOME AND COSTS

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

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

3.8 CURRENT AND DEFERRED INCOME TAX EXPENSES

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

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

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

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

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

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

3.9 PROPERTY, PLANT AND EQUIPMENT

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

Gains and losses on a disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within other operating expenses in the income statement. For additional information see note 9 – Other operating expenses.

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

The estimated useful lives for the current period are as follows:

	YEARS
Warehouse and office buildings	10–25
Warehouse and transportation equipment	3–10
Office furnishings and equipment	3–10
EDP hardware	3
Trucks, trailers and special vehicles	3–15
Automobiles	3–5

The assets' residual value and estimated useful lives are regularly reviewed and adjusted. If appropriate, the future depreciation charge is accelerated. Compared to previous period, the estimated useful life for the categories "warehouse and office building" and "trucks, trailers and special vehicles" have slightly been adjusted to reflect new circumstances. This change has not be applied retroactively, therefore neither the carrying amount nor the useful life of the existing assets has been impacted. Further this change had no material impact on the annual depreciation charge.

3.10 LEASES

Where the Group is the lessee, leases of property, plant and equipment where the Group has substantially all of the risks and rewards of ownership are classified as finance leases. Financial leases are capitalized at the start of the lease at fair value or the present value of the minimum lease payments, if lower. Assets acquired under finance leases are depreciated in accordance with the Group's policy on property, plant and equipment. If there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the lease term and useful life. The corresponding leasing obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the income statement over the lease period in order to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases where substantially all of the risks and rewards of ownership are not transferred to the Group are classified as operating leases. Payments made under operating leases are charged against the income statement on a straight-line basis over the period of the lease.

3.11 INTANGIBLE ASSETS

3.11.1 Business combination and goodwill

Business combinations are accounted for using the acquisition method of accounting. The consideration transferred in a business combination is measured at fair value at the date of acquisition and includes the cash paid plus the fair value at the date of exchange of assets given, liabilities incurred or assumed and equity instruments issued by the Group. The fair value of the consideration transferred also includes contingent consideration arrangements at fair value. Directly attributable acquisition- related costs are expensed in the income statement.

At the date of acquisition the Group recognizes the identifiable assets acquired and the liabilities assumed at fair value. Where the Group does not acquire 100 percent ownership of the acquired business, non-controlling interests are recorded as the proportion of the fair value of the acquired net assets attributable to non- controlling interest.

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

If the initial accounting for a business combination is incomplete at the end of a reporting period, provisional amounts are used. During the measurement period, the provisional amounts are retrospectively adjusted and additional assets and liabilities may be recognized, to reflect new information obtained about the amounts recognized at acquisition date, had they been known.

Goodwill is not amortized but assessed for possible impairment at each reporting date and is additionally tested annually for impairment. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Changes in ownership interest in subsidiaries are accounted for as equity transactions if they occur after control has already been obtained and if they do not result in a loss of control.

3.11.2 Customer lists

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

3.11.3 Computer software

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

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

Directly attributable costs that are capitalized as part of the software product include software development costs, employee costs and an appropriate portion of relevant overhead costs. Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as expenses are not recognized as an asset in a subsequent period. Costs associated with maintaining computer software programs are recognized as an expense as incurred. Computer software development costs recognized as assets are amortized over their estimated useful life, which does not exceed three years (except for SAP TM which was internally generate and where a useful life of 5 years is used).

3.11.4 Other intangible assets

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

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

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

3.13 IMPAIRMENT OF GOODWILL

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

3.14 FINANCIAL INSTRUMENTS

3.14.1 Amortized cost of financial instruments

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

3.14.2 Financial assets

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

3.14.2.1 Subsequent measurement

Financial assets at fair value through profit or loss

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

Loans and receivables

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

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. Subsequent to initial recognition, available-for-sale financial asset are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments, are recognised in other comprehensive income and accumulated in the fair value reserve. When the assets are derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

3.14.2.2 Impairment of financial assets

Financial assets other than those classified as at fair value through profit or loss (including interests in an equity accounted investee) are assessed at each reporting date to determine whether there is objective evidence of impairment. Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor (more than 180 days overdue);
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;

- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security; or
- observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost. The Group considers a decline of 20% to be significant and a period of nine months to be prolonged.

Loans and receivables
For financial assets at amortized costs, the Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics. In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed in profit or loss.

For Trade Receivables, an allowance for doubtful accounts is recorded when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables (see examples above). Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization and default or delinquency in payments (more than 180 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement within other operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

Subsequent recoveries of amounts previously written off or 100 percent impaired are credited against operating expenses in the income statement. Trade discounts, volume rebates and similar allowances are recorded on an accrual basis consistent with the recognition of the related sales, using estimates based on existing contractual obligations, historical trends and the Group's experience. Long-term accounts receivable are discounted to take into account the time value of money.

Available-for-sale financial assets
For Available-for-sale financial assets, impairment losses are recognized by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss previously recognized in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed through profit or loss; otherwise, it is reversed through OCI.

3.14.2.3 Derecognition of financial assets

A financial asset is derecognized when:

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

3.14.3 Financial liabilities

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

3.14.3.1 Subsequent measurement

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

3.14.3.2 Borrowings

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

3.14.3.3 Derecognition of financial liabilities

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

3.14.4 Derivatives

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

3.14.5 Trade receivables

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

3.15 UNBILLED FORWARDING SERVICES

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

3.16 CASH AND CASH EQUIVALENTS AND OTHER CURRENT FINANCIAL ASSETS

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

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

3.17 SHARE CAPITAL

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

3.18 TREASURY SHARES

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

3.19 RETAINED EARNINGS

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

3.20 TRANSLATION RESERVE

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

3.21 PROVISIONS

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

3.22 FAIR VALUE

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

4 CRITICAL JUDGEMENTS AND ACCOUNTING ESTIMATES

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

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

4.1 JUDGEMENTS

4.1.1 Revenues

The Group utilizes independent contractors and third-party carriers in the performance of some transportation services. In all situations, the Group acts as principal party to the transaction and consequently recognize revenue on a gross basis.

4.1.2 Foreign currency

Venezuela is an economy with strict exchange controls where multiple foreign exchange rate mechanisms administered by the government are in place. Following the latest developments in the country, management revised its assumptions to determine which rate for the bolivar should be applied while preparing these Interim Financial Statements. Management reached the conclusion that the applicable rate as from January 1, 2015 is the SICAD 2 and as from April 1, 2015 is the SIMADI to better reflect the fair valuation of VEF.

4.2 ACCOUTING ESTIMATES

4.2.1 Impairment of goodwill

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

4.2.2 Pension and other post-employment benefits

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

4.2.3 Provisions

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

The Group has established a captive reinsurance company that insures a dedicated risk portion of its errors and omissions, transporter operator and commercial general liability programs. The exposure of its captive reinsurance company is limited by a third-party insurer that covers losses exceeding an amount of CHF 1 million per incident and a total aggregate limit of CHF 9 million annually for claims exceeding CHF 50,000 per incident. In a consolidated view, the Group, through its captive reinsurance company, bears the risks insured with its captive reinsurance company up to the limit as if such risks were not insured at all. Furthermore, as third-party coverage is subject to a considerable deductible and a total aggregated limit per year, the Group, in effect, bears the risk of damages, losses and claims that are above such aggregated limits as well.

The Group used for the above-mentioned provision an actuarial calculation method, which requires for the calculation of the "incurred but not reported reserves" (IBNR), among other estimations, the overall circumstances that may impact the future losses, such as the growth of business. At December 31, 2015, the recognized liability for claims amounts to CHF 30.1 million (2014: CHF 38.5 million). If the management decided to use the optimal actuarial calculation method, which takes into consideration only the linear loss development according to historical figures, the carrying amount of claim provisions would be approximately CHF 5.5 million lower (2014: CHF 7.6 million). Using a more conservative percentile, the carrying amount of claim provisions would be approximately CHF 0.8 million higher (2014: 0.5 million).

The Group is also subject to legal and regulatory proceedings and government investigations in various jurisdictions. These proceedings are related to the area of competition law. Such proceedings may result in criminal or civil sanctions, penalties or damages against the company. Regulatory and legal proceedings, as well as government investigations, involve complex legal issues, the outcome of which is difficult to predict. Accordingly, management's judgment is affected in determining whether it is more likely or not that such a proceeding will result in an outflow of resources and whether the amount of the obligation can be reliably estimated. These judgments are subject to change as new information becomes available. On resolution of any legal or regulatory proceeding or government investigation, the Group may incur a cash outflow for such matters. It cannot be ruled out that the financial condition or results of operations of the Group will be materially affected. For additional information see note 29.2 – Pending legal claims.

4.2.4 Deferred income tax assets

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

The carrying value of recognized tax loss carry-forwards amounts to CHF 88.8 million resulting in a deferred tax asset of CHF 24.6 million (2014: CHF 93.3 million resulting in a deferred tax asset of CHF 30.7 million) and unrecognized tax loss carry-forwards to CHF 225.1 million (2014: 248.8 million). Further details are provided in note 26.

If the Group was able to recognize all unrecognized deferred tax assets, consolidated profit would increase by CHF 62.6 million (2014: CHF 71.2 million). If the Group failed to achieve the expected future taxable profits, the consolidated profit would decrease by CHF 26.0 million (2014: CHF 30.7 million). Management believes that the recognized deferred tax assets as per December 31, 2015 are fully recoverable.

4.2.5 Income taxes

As per December 31, 2015, the liability for current income taxes amounts to CHF 20.3 million (2014: CHF 25.5 million). The Group reports also a prepaid income tax asset in the amount of CHF 16.0 million (2014: CHF 16.6 million). As the Group is subject to income taxes in numerous jurisdictions, significant judgments are required in determining worldwide provisions for income taxes and the recoverability of the prepaid income tax assets.

Some of these estimates are based on interpretations of existing tax laws or regulations. Management believes that the estimates are reasonable and that the recognized liabilities for income tax-related uncertainties are adequate and the prepaid income tax assets are recoverable.

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

5 OPERATING SEGMENT INFORMATION

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

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

2015 IN THOUSAND CHF	ASIA PACIFIC	EUROPE	MIDDLE EAST, AFRICA, CIS	AMERICAS	TOTAL SEGMENTS	ELIMI-NATIONS	TOTAL GROUP
External forwarding services	1,301,291	3,118,696	493,121	2,215,721	7,128,828		7,128,828
Customs, duties and taxes	(101,976)	(779,613)	(97,807)	(293,979)	(1,273,375)		(1,273,375)
Intra-group forwarding services	1,453,440	1,068,943	200,511	755,223	3,478,117	(3,478,117)	0
Net forwarding revenue	**2,652,754**	**3,408,026**	**595,825**	**2,676,966**	**9,333,570**	**(3,478,117)**	**5,855,453**
Forwarding services	(2,305,252)	(2,859,959)	(458,085)	(2,236,450)	(7,859,746)	3,478,117	(4,381,628)
Gross profit	**347,502**	**548,066**	**137,740**	**440,516**	**1,473,825**	**0**	**1,473,825**
Personnel expenses	(170,445)	(358,717)	(77,993)	(289,048)	(896,203)		(896,203)
Other operating expenses	(98,988)	(147,196)	(40,753)	(122,339)	(409,275)		(409,275)
EBITDA	**78,070**	**42,153**	**18,995**	**29,129**	**168,346**	**0**	**168,346**
Depreciation and amortization	(12,918)	(17,511)	(6,356)	(14,321)	(51,106)		(51,106)
Operating result (EBIT)	**65,151**	**24,641**	**12,639**	**14,808**	**117,240**	**0**	**117,240**
Financial result							396
Finance income							3,920
Finance costs							(3,523)
Profit before income tax (EBT)							**117,636**
Income tax expenses							(29,409)
Profit							**88,227**

Information about **segment assets and liabilities:**

2015 (IN THOUSAND CHF)	EUROPE	MIDDLE EAST, AFRICA, CIS	AMERICAS	ASIA PACIFIC	TOTAL OPERAT-ING SEGMENT	NON-SEGMENT ASSETS	NON-SEGMENT LIABILITIES	TOTAL GROUP
Segment assets	456,747	177,341	344,304	276,707	1,255,099	472,689		1,727,788
Segment liabilities	386,526	85,820	276,965	234,721	984,032		90,446	1,074,479

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

2015 (IN THOUSAND CHF)	SWITZER-LAND	GERMANY	UNITED STATES OF AMERICA	BRAZIL	REPUBLIC OF CHINA	OTHER COUN-TRIES	TOTAL
Net forwarding revenue	232,409	731,937	1,040,014	239,390	497,024	3,114,680	5,855,453
Segment non-current assets other than financial instruments, deferred tax assets and post-employment benefits assets	2,112	16,086	7,021	2,504	1,459	174,924	204,106

2014 IN THOUSAND CHF	ASIA PACIFIC	EUROPE	MIDDLE EAST, AFRICA, CIS	AMERICAS	TOTAL SEGMENTS	ELIMI-NATIONS	TOTAL GROUP
External forwarding services	1,424,409	3,481,599	674,158	2,592,272	8,172,438		8,172,438
Customs, duties and taxes	(97,007)	(884,397)	(143,065)	(340,856)	(1,465,325)		(1,465,325)
Intra-group forwarding services	1,703,342	1,208,290	200,825	837,872	3,950,329	(3,950,329)	0
Net forwarding revenue	**3,030,744**	**3,805,492**	**731,918**	**3,089,288**	**10,657,442**	**(3,950,329)**	**6,707,113**
Forwarding services	(2,691,240)	(3,191,839)	(584,793)	(2,603,603)	(9,071,475)	3,950,329	(5,121,146)
Gross profit	**339,504**	**613,653**	**147,125**	**485,685**	**1,585,967**	**0**	**1,585,967**
Personnel expenses	(172,495)	(419,877)	(81,243)	(303,235)	(976,850)		(976,850)
Other operating expenses	(85,089)	(167,475)	(48,101)	(134,425)	(435,090)		(435,090)
EBITDA	**81,920**	**26,301**	**17,781**	**48,025**	**174,027**	**0**	**174,027**
Depreciation and amortization	(14,321)	(19,565)	(6,610)	(16,802)	(57,298)		(57,298)
Operating result (EBIT)	**67,599**	**6,736**	**11,171**	**31,223**	**116,729**	**0**	**116,729**
Financial result							(1,336)
Finance income							3,375
Finance costs							(4,711)
Profit before income tax (EBT)							**115,393**
Income tax expenses							(28,872)
Profit							**86,521**

Information about **segment assets and liabilities:**

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

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

2014 (IN THOUSAND CHF)	SWITZER-LAND	GERMANY	UNITED STATES OF AMERICA	BRAZIL	REPUBLIC OF CHINA	OTHER COUN-TRIES	TOTAL
Net forwarding revenue	264,251	938,999	1,162,871	339,087	537,537	3,464,368	6,707,113
Segment non-current assets other than financial instruments, deferred tax assets and post-employment benefits assets	2,588	21,495	8,043	4,475	2,009	215,971	254,581

The Group did not have sales in excess of 10 percent of the total net forwarding revenues to any single external customer in 2015 or 2014.

5.1 INFORMATION BY PRODUCT

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

2015 IN THOUSAND CHF	AIR FREIGHT	OCEAN FREIGHT	LOGISTICS	TOTAL GROUP
External forwarding services	3,136,884	3,317,534	674,410	7,128,828
Customs, duties and taxes	(491,298)	(730,193)	(51,883)	(1,273,375)
Net forwarding revenue	**2,645,586**	**2,587,341**	**622,527**	**5,855,453**
Forwarding services from third parties	(2,061,463)	(2,106,932)	(213,233)	(4,381,628)
Gross profit	**584,123**	**480,409**	**409,293**	**1,473,825**
Personnel expenses	(341,285)	(314,262)	(240,656)	(896,203)
Other operating expenses	(135,441)	(121,592)	(152,242)	(409,275)
EBITDA	**107,397**	**44,554**	**16,395**	**168,346**
Depreciation and amortization	(18,870)	(17,988)	(14,249)	(51,106)
Operating result (EBIT)	**88,527**	**26,567**	**2,146**	**117,240**
Financial result				396
Finance income				3,920
Finance costs				(3,523)
Profit before income tax (EBT)				**117,636**
Income tax expenses				(29,409)
Profit				**88,227**

2014 IN THOUSAND CHF	AIR FREIGHT	OCEAN FREIGHT	LOGISTICS	TOTAL GROUP
External forwarding services	3,700,415	3,659,103	812,920	8,172,438
Customs, duties and taxes	(558,538)	(824,223)	(82,564)	(1,465,325)
Net forwarding revenue	**3,141,877**	**2,834,880**	**730,356**	**6,707,113**
Forwarding services from third parties	(2,505,627)	(2,343,385)	(272,134)	(5,121,146)
Gross profit	**636,250**	**491,495**	**458,222**	**1,585,967**
Personnel expenses	(366,846)	(337,966)	(272,038)	(976,850)
Other operating expenses	(136,274)	(120,707)	(178,109)	(435,090)
EBITDA	**133,130**	**32,822**	**8,075**	**174,027**
Depreciation and amortization	(21,097)	(19,908)	(16,293)	(57,298)
Operating result (EBIT)	**112,033**	**12,914**	**(8,218)**	**116,729**
Financial result				(1,336)
Finance income				3,375
Finance costs				(4,711)
Profit before income tax (EBT)				**115,393**
Income tax expenses				(28,872)
Profit				**86,521**

6 PERSONNEL EXPENSES

IN THOUSAND CHF	2015	2014
Wages and salaries	(684,308)	(754,200)
Compulsory social security contributions	(88,821)	(98,654)
Contributions to defined contribution plans	(44,737)	(53,364)
Expenses related to defined benefit plans (note 7)	(10,480)	(9,506)
Staff training	(5,535)	(6,175)
Share-based compensation (note 8)		
Equity-settled compensation plan	(2,841)	(1,937)
Cash-settled compensation plan	0	(754)
Other personnel-related expenses	(59,481)	(52,260)
Total personnel expenses	**(896,203)**	**(976,850)**
Number of employees (headcount on December 31)	**14,774**	**15,639**
thereof in Switzerland	**651**	**682**

7 POST-EMPLOYMENT BENEFIT OBLIGATIONS

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

7.1 DEFINED BENEFIT PLANS

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

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

The Group's defined benefit plans are located in Switzerland, Germany, Japan, Taiwan, France and Korea. The largest plans are in Switzerland followed by Germany. The Swiss pension plans account for 99 percent (2014: 99 percent) of the Group's total plan assets and 83 percent (2014: 81 percent) of its defined benefit obligation.

7.1.1 Pension plans in Switzerland

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

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

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

7.2 MOVEMENT IN THE DEFINED BENEFIT OBLIGATION (DBO)

IN THOUSAND CHF	2015	2014
Changes in defined benefit obligation (DBO)		
DBO at beginning of year	**(307,708)**	**(273,535)**
Included in profit or loss		
Current service cost	(9,434)	(8,791)
Past service (costs) / gains	0	456
Interest expenses	(3,642)	(6,241)
	(13,076)	**(14,576)**
Included in OCI		
Remeasurement gains / (losses)		
– Actuarial gains / (losses) from:		
demographic assumptions	120	91
financial assumptions	(5,432)	(32,830)
experience adjustments	(7,126)	(3,479)
– Currency impact	128	47
	(12,310)	**(36,172)**
Other		
Employee contributions	(6,400)	(6,493)
Benefits paid	22,039	23,068
	15,639	**16,575**
DBO at end of year	**(317,455)**	**(307,708)**
Represented by		
Swiss plans	(264,639)	(248,575)
Other plans	(52,816)	(59,133)
	(317,455)	**(307,708)**

7.3 MOVEMENT IN THE PLAN ASSETS

IN THOUSAND CHF	2015	2014
Changes in fair value of plan assets		
Fair value of plan assets at beginning of year	**257,501**	**243,766**
Included in profit or loss		
Interest income	2,597	5,070
	2,597	**5,070**
Included in OCI		
Remeasurement gains / (losses)		
Return on plan assets, excluding amounts included in interest income	(1,980)	15,749
Currency impact	(276)	103
	(2,256)	**15,852**
Other		
Employer contributions	7,092	7,026
Employee contributions	6,400	6,493
Benefits paid	(14,566)	(20,706)
	(1,074)	**(7,187)**
Fair value of plan assets at end of year	**256,768**	**257,501**
Represented by		
Swiss plans	254,678	255,208
Other plans	2,090	2,293
	256,768	**257,501**

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

IN THOUSAND CHF	2015	2014
Changes in net defined benefit (liability) / asset		
Balance at beginning of year	**(50,207)**	**(29,769)**
Net impact included in profit or loss	(10,480)	(9,506)
Net impact included in OCI	(14,566)	(20,320)
Net impact other	14,566	9,388
Balance at end of year	**(60,688)**	**(50,207)**
Split into		
Post-employment benefit assets	0	6,862
Post-employment benefit liabilities	(60,688)	(57,069)
	(60,688)	**(50,207)**

7.5 PLAN ASSETS

IN THOUSAND CHF	2015	2015	2014	2014
Major categories of plan assets				
Cash and cash equivalents	5,381	2.10%	2,868	1.11%
Equity investments	95,283	37.11%	97,389	37.82%
Equities Switzerland	18,248	7.11%	18,775	7.29%
Equities Global	60,652	23.62%	66,126	25.68%
Equities Emerging Markets	10,923	4.25%	12,488	4.85%
Equities Small and Middle Cap	5,459	2.13%	0	0.00%
Bonds	112,478	43.81%	113,216	43.97%
Swiss Bonds (CHF)	46,720	18.20%	45,996	17.86%
Non-Swiss Bonds (CHF)	30,250	11.78%	31,079	12.07%
Non-Swiss Bonds (Foreign Currency)	23,485	9.15%	36,141	14.04%
Company Bonds	12,023	4.68%	0	0.00%
Hedge funds and private equity	7,524	2.93%	0	0.00%
Real estate funds Switzerland	36,331	14.15%	37,130	14.42%
Others	(228)	(0.09%)	6,898	2.68%
Total	**256,768**	**100.00%**	**257,501**	**100.00%**

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

7.6 DEFINED BENEFIT OBLIGATION (DBO)

7.6.1 Actuarial assumptions

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

Demographic assumptions

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

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

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

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

	2015	2014
Discount rate	0.91%	1.25%
Future salary increase	0.80%	1.16%
Future pension increase	0.80%	0.77%

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

At December 31, 2015, the weighted average duration of the DBO was 14.8 years (2014: 15.0 years). The Group expects to pay CHF 7.3 million in contributions in 2016.

DBO relating to the Swiss plans
At December 31, 2015, the duration of the DBO of CHF 264.6 million (2014: CHF 248.6 million) was approximately 14.9 years (2014: approximately 14.6 years). 600 active members (2014: 615) and 189 pensioners (2014: 207) were included in the 2015 actuarial valuation of the DBO.

DBO relating to the German plans
At December 31, 2015, the duration of the DBO of CHF 44.8 million (2014: CHF 50.5 million) was approximately 15 years (2014: approximately 15 years) related to 672 (2014: 743) active members (DBO of CHF 16.3 million, 2014 CHF 21.5 million), to 531 (2014: 498) deferred members (DBO of CHF 10.2 million, 2014: CHF 10.7 million) and to 226 (2014: 217) pensioners (DBO of CHF 20.2 million, 2014: CHF 18.3 million).

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

2015 IN THOUSAND CHF	INCREASE	DE-CREASE
Discount rate (change of 0.3%)	15,382	(13,440)
Future salary change (change of 0.5%)	(5,919)	6,158
Future pension change (change of 0.25%)	(7,099)	7,869

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

8 SHARE AND OPTION OWNERSHIP PROGRAM

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

8.1 MANAGEMENT INCENTIVE OPTION PLANS

8.1.1 Management Incentive plan 08 / 09 (MIP 08 / 09)

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

The remaining options related to the MIP 08 / 09 expired or were exercised during the period under review.

8.1.2 Management Incentive plan 09 / 10 (MIP 09 / 10)

In June 2010, the Group introduced the Management Incentive Plan 09 / 10. Apart from the strike price of the “International Management Incentive Plan”, which equals the closing price of the share on the cut-off day at the SIX Swiss Exchange, the terms of this share and option program are identical to the Management Incentive Program 08 / 09. Under this program participants of the “International Management Incentive Plan” received 12,099 options with a strike price of CHF 95.65 and participants of the “United States Management Plan” received 1,354 options with a strike price of CHF 87.75.

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

	2015		2014	
	AVERAGE EXERCISE PRICE PER SHARE (IN CHF)	OPTIONS (NUMBER)	AVERAGE EXERCISE PRICE PER SHARE (IN CHF)	OPTIONS (NUMBER)
Options outstanding on January 1	70.76	8,226	102.27	23,558
Exercised	65.37	(4,353)	109.31	(7,315)
Expired	61.68	(2,111)	128.18	(8,017)
Options outstanding on December 31	**94.98**	**1,762**	**70.76**	**8,226**
Options exercisable on December 31	**94.98**	**1,762**	**70.76**	**8,226**

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

	2015		2014	
	EXERCISE PRICE OF OPTION (IN CHF)	NUMBER OF EXERCISED OPTIONS	EXERCISE PRICE OF OPTION (IN CHF)	NUMBER OF EXERCISED OPTIONS
Management Incentive Plan IV (International)	129.35	0	129.35	2,580
Management Incentive Plan IV (United States)	119.90	0	119.90	2,673
Management Incentive Plan 08 / 09 (International)	61.25	3,541	61.25	1,112
Management Incentive Plan 08 / 09 (United States)	81.35	700	81.35	950
Management Incentive Plan 09 / 10 (International)	95.65	112	95.65	0
Weighted average exercise price of options exercised during the year	**65.37**		**109.31**	
Weighted average share price at the date of exercise	**137.17**		**134.90**	
Total number of exercised options		**4,353**		**7,315**

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

	2015	
	AVERAGE EXERCISE PRICE PER SHARE (IN CHF)	NUMBER OF OPTIONS EXPIRING AT YEAR-END
Management Incentive Plan 09 / 10 (International)	95.65	1,612
Management Incentive Plan 09 / 10 (United States)	87.75	150
Total	**94.98**	**1,762**

8.2 MANAGEMENT INCENTIVE SHARE PLANS

8.2.1 Management Incentive Plan 10 / 11 (MIP 10 / 11)

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

The remaining free shares related to the MIP 10 / 11 were vested or forfeited at the end of 2014.

8.2.2 Management Incentive Plan 11 / 12 (MIP 11 / 12)

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

	2015 MANAGEMENT INCENTIVE PLAN 11 / 12	2014 MANAGEMENT INCENTIVE PLAN 11 / 12
Outstanding free shares on January 1	788	1,627
Vested free shares	(685)	(817)
Forfeited free shares	(103)	(22)
Free shares outstanding on December 31	**0**	**788**

8.2.3 Management Incentive Plan 12 / 13 (MIP 12 / 13)

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

	2015 MANAGEMENT INCENTIVE PLAN 12 / 13	2014 MANAGEMENT INCENTIVE PLAN 12 / 13
Outstanding free shares on January 1	1,088	1,698
Vested free shares	(460)	(610)
Forfeited free shares	(193)	0
Free shares outstanding on December 31	**435**	**1,088**

8.2.4 Management Incentive Plan 13 / 14 (MIP 13 / 14)

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

	2015 MANAGEMENT INCENTIVE PLAN 13 / 14	2014 MANAGEMENT INCENTIVE PLAN 13 / 14
Outstanding free shares on January 1	3,268	0
Granted free shares	0	3,342
Vested free shares	(1,038)	(74)
Forfeited free shares	(308)	0
Free shares outstanding on December 31	**1,922**	**3,268**

8.2.5 Management Incentive Plan 14 / 15 (MIP 14 / 15)

Conditions are identical with the management incentive plan 10 / 11 except for the ratio of free shares granted for a certain amount of purchased shares, which was set for the MIP 14 / 15 to 1:3 (one free share per three shares bought) by the Compensation and Nomination Committee.

	2015 MANAGEMENT INCENTIVE PLAN 14 / 15
Fair value of free share (in CHF)	129.40
Granted free shares	4,289
Vested free shares	(171)
Forfeited free shares	(56)
Free shares outstanding on December 31	**4,062**

The Group holds its own shares in order to meet its obligations under the Management Incentive Programs. These own shares are deducted from equity (note 22). In 2014 and 2015 the members of the Executive Board and the Boards of Directors did not participate in the management incentive plans.

8.3 MID-TERM INCENTIVE PLAN

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

The applicable share price for determining the number of deferred bonus shares related to the bonus paid in 2015 (performance year 2014) was defined for a three-year cycle (from 2015 to 2017) as the PWTN closing price on April 30, 2015, which amounted to CHF 130.7. The intention of fixing the purchase price of the shares for a three-year cycle was to reward the participants for a positive share price development, while a negative share price evolution reduces the value of the award.

Employees eligible to the MTIP are the members of the Executive Board and top executives of the core business functions (13 executives in 2015) who are not member of the Executive Board. The plan features are the same for all employees except for the split percentage of the annual bonus (40 percent converted into PWTN shares for EB members, 20 percent converted into PWTN shares for the top executives of the core business functions, the remaining part being paid in cash).

Regarding the year 2015, Executive Board members received 7,871 shares (2014: 6,065) at a fair market value of CHF 130.70 corresponding to 40 percent of the bonus 2014 and 6,065 free matching shares (2014: 1,733) at a fair market value of CHF 130.70 (related to the bonus paid in 2014 / performance year 2013). Top executives of the core business functions received 2,126 shares (2014: 2,928) corresponding to 20 percent of the bonus 2014 and 2,928 free matching shares (2014: 1,506) with the same fair market values as above.

8.4 LONG-TERM INCENTIVE PLAN

The Long-Term Incentive Plan rewards long-term value creation measured by economic profit. Under this plan, which has a five year cycle, the individual Executive Board member and top executive of the core business functions is entitled to a proportion of the respective pool after the expiry of the five-year plan period. This plan can be cash-settled. The carrying amount of the liability at December 31, 2015, amounts to CHF 627 thousand (2014: CHF 1,131 thousand), which is also the intrinsic value. Based on a decision of the Compensation and Nomination Committee (CNC) this plan was discontinued so that the liability will remain constant until payout in 2018 subject to continuous employment.

8.5 PERFORMANCE SHARE UNIT PLAN (PSUP)

In order to motivate executives to contribute to the long term success and prosperity of the company, encourage value creation for the shareholders and facilitate the retention of the top executives, Panalpina introduced in 2014 a new Long Term Incentive Plan in form of Performance Share Units (PSUs). The members of the Executive Board and top executives of the core business functions (13 executives in 2015) were selected to participate to the plan. Performance Share Units (PSUs) entitle the participant to receive, subject to the attainment of pre-set performance conditions, the award of common stock. The shares delivered under this plan shall be provided by shares procured either by authorized or ordinary share capital or by shares repurchased by Panalpina on the open stock market. The plan foresees the granting of performance share units (PSUs), which will be handed out 1:1 in stocks at the end of the plan subject to vesting. PSU are not entitled to dividends and have no voting rights.

Vesting is determined by service conditions and market conditions as described below:

Market conditions:
The PSUs will be delivered through an annual rolling grant with a cliff vesting after 3 years, dependent on the achievement of the Total Shareholder Return (TSR) which will be measured against a peer group of (23) companies (which consists of a balanced selection of companies within our industry taking into consideration amongst other factors, market capitalization, turnover and geographic distribution). The relative position versus the external peer group serves as basis for the vesting determination. Vesting of the PSUs in case the TSR performance ranks below Q1 (25th percentile) versus the external peer group is 0 percent. Between Q1 and Q3 (75th percentile), a linear vesting from 0 percent up to the maximum of 100 percent vesting is applied.

Service conditions:
The service conditions require the other party (the beneficiary) to complete a specified period of service. This non-market vesting condition is considered for the estimate of the quantity structure (= volume of PSUs). In the circumstances of retirement, disability and death, pro-rated vesting applies at the end of the plan performance period. The Compensation and Nomination Committee has the right to apply discretion for special circumstances.

The Grant Date is defined as the time at which Panalpina and the other party (employees) have a common understanding of the structure of the compensation plan. The fair value of performance share units at grant date is determined independently through a financial model and based on various parameters including but not limited to the cost of equity and dividend yield, time duration (3 years), an average expected performance vs. peers (50 percent) and the employee expected attrition rate.

In 2015 (PSU plan 2015–2017 with performance period from January 1, 2015 and to December 31, 2017), 13,692 PSUs were granted to the Executive Board members (2014: 11,650) and 8,500 to top executives of the core business functions (2014: 9,800). Based on the company's valuation model, the present value per PSU at grant date amounted to CHF 43.22 (assuming median TSR performance versus peer group) versus a market value at grant date of CHF 131.00.

As per December 31, 2015 the PSU plan 2014–2016 TSR ranked below the 25th percentile of the peer group, in other terms, based on the second year performance, no vesting would occur. Regarding the PSU plan 2015–2017, the TSR ranked slightly above the 25th percentile of the peer group after the first year performance which would result in an approximate vesting of 5 percent.

8.6 BOARD OF DIRECTORS RESTRICTED STOCK AWARD PLAN

The Restricted Stock Award Plan for the Board of Directors was introduced in 2009. Part of the remuneration of each Board member is settled in free shares of the Company. The corresponding number of shares per member will be based on the share's closing price at the assignment date. The shares have a one-year restriction period. During the period under review the Board of Directors received 2,674 shares (2014: 2,534).

8.7 COSTS OF SHARE-BASED COMPENSATION

Recognized costs of share-based compensation were as follows:

IN THOUSAND CHF	2015	2014
Employee share plan	2,841	1,937
Total cost of share-based payments	**2,841**	**1,937**

9 OTHER OPERATING EXPENSES

IN THOUSAND CHF	2015	2014
Communication expenses	(28,829)	(33,137)
IT expenses	(60,603)	(51,009)
Facility and utilities expenses	(142,186)	(151,385)
Leased equipments	(8,345)	(8,263)
Maintenance and repair expenses	(25,298)	(31,254)
Cars and motor vehicles expenses	(23,803)	(27,756)
Travel and promotion expenses	(31,956)	(32,311)
Administrative expenses	(49,572)	(58,031)
Insurance expenses and claims	(15,275)	(18,875)
Bad-debt and collection expenses	(4,739)	(10,943)
Indirect Taxes	(18,641)	(10,361)
Gains on sales of property, plant and equipment	8,810	1,452
Losses on sales of property, plant and equipment	(4,558)	(1,965)
Other	(4,279)	(1,251)
Total other operating expenses	**(409,275)**	**(435,090)**

In 2015, bad-debt and collection expenses do not include any credit insurance premiums (2014: CHF 0.8 million).

10 FINANCE INCOME AND COSTS

IN THOUSAND CHF	2015	2014
Interest income		
Interest income on current bank accounts	1,100	1,970
Interest income on financial assets at fair value through profit or loss	7	9
Interest income on loans	10	0
Cash discount income	77	66
Subtotal interest income	1,193	2,045
Exchange differences	2,593	1,035
Dividend on available-for-sale financial assets	114	141
Fair value adjustments on financial assets	0	11
Other financial income	21	143
Total finance income	**3,920**	**3,375**
Interest expenses		
Interest expenses on loans	(2)	(104)
Interest expenses on current bank accounts	(537)	(689)
Interest expenses on financial leasing	(11)	(36)
Cash discount expenses	(12)	(283)
Subtotal interest expenses	(562)	(1,112)
Bank charges	(2,115)	(2,320)
Guarantee fees expenses	(721)	(900)
Other financial expenses	(59)	(376)
Discounting Costs provisions	(18)	0
Impairment on financial assets	(1)	(3)
Fair value adjustments on financial assets	(48)	0
Total finance costs	**(3,523)**	**(4,711)**
Net financial result	**396**	**(1,336)**

11 INCOME TAX EXPENSES

IN THOUSAND CHF	2015	2014
Current income taxes		
Current period	30,258	31,819
Adjustments for prior periods	(282)	(1,692)
Total current income taxes	**29,976**	**30,127**
Deferred income taxes (note 26)		
Origination and reversal of taxes on temporary differences	5,092	228
Effect on changes in the tax rate on temporary differences	(609)	1,073
Recognition of previously not recognized tax loss carry-forwards	(5,050)	(2,556)
Total deferred income taxes	**(567)**	**(1,254)**
Total income tax expenses	**29,409**	**28,872**

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

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

IN THOUSAND CHF	2015	2014
Profit before income tax	117,636	115,393
Tax at the applicable tax rate of 22.18 % (2014: 22.18 %)	**26,092**	**25,594**
Effective national tax rates	(3,553)	(799)
Utilization of not yet recognized tax loss carry-forwards	(1,371)	(2,556)
Recognition of previously not recognized tax loss-carry-forwards	(5,050)	0
Not yet recognized tax loss carry-forwards	20,262	9,170
Adjustment of previous year tax provision	(282)	(1,692)
Effect of changes in the tax rate on temporary differences	(609)	1,073
Withholding tax on dividends received	1,939	1,264
Expenses not deductible for tax purposes	4,277	4,984
Income not taxable for tax purposes	(10,755)	(5,373)
Miscellaneous	(1,541)	(2,795)
Actual tax charge	**29,409**	**28,872**

Income tax recognized in other comprehensive income is as follows:

	2015			**2014**		
IN THOUSAND CHF	BEFORE TAX	TAX BENEFIT (EXPENSE)	NET OF TAX	BEFORE TAX	TAX BENEFIT (EXPENSE)	NET OF TAX
Remeasurement of the net defined asset / liability	(14,418)	3,492	(10,926)	(20,470)	5,099	(15,371)
Exchange differences on translation of foreign operations	(92,542)	0	(92,542)	2,442	0	2,442
Total	**(106,960)**	**3,492**	**(103,468)**	**(18,028)**	**5,099**	**(12,929)**

12 EARNINGS PER SHARE

12.1 BASIC EARNINGS PER SHARE

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

IN THOUSAND CHF	2015	2014
Consolidated profit attributable to owners of the parent	87,534	87,241
Weighted average number of ordinary shares outstanding	23,733	23,730
Basic earnings per share (in CHF)	**3.69**	**3.68**

12.2 DILUTED EARNINGS PER SHARE

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

IN THOUSAND CHF	2015	2014
Consolidated profit attributable to owners of the parent	87,534	87,241
Weighted average number of ordinary shares outstanding	23,733	23,730
Adjustments for share options	1	7
Adjustments for share ownership program	17	14
Weighted average number of ordinary shares for diluted earnings per share	23,751	23,751
Diluted earnings per share (in CHF)	**3.69**	**3.67**

At December 31, 2015, 0 options (2014: 0 options) were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

13 PROPERTY, PLANT AND EQUIPMENT

2015 (IN THOUSAND CHF)	LAND AND BUILDINGS	MACHINERY & EQUIPMENT	VEHICLES	CONSTRUCTION IN PROGRESS	TOTAL
Acquisition costs					
Balance on January 1	**136,786**	**212,166**	**33,426**	**0**	**382,378**
Translation differences	(13,336)	(15,011)	(1,789)	0	(30,136)
Acquisition of subsidiaries	1,136	192	0	0	1,328
Additions	6,615	8,640	519	39	15,813
Disposals and deletions	(9,919)	(8,398)	(11,848)	0	(30,165)
Balance on December 31	**121,282**	**197,589**	**20,308**	**39**	**339,218**
Accumulated depreciation					
Balance on January 1	**77,202**	**174,220**	**26,673**	**0**	**278,095**
Translation differences	(6,515)	(13,250)	(1,186)	0	(20,951)
Additions	7,779	18,303	1,805	0	27,887
Disposals and deletions	(4,589)	(8,104)	(11,586)	0	(24,279)
Balance on December 31	**73,877**	**171,169**	**15,706**	**0**	**260,752**
Net book value on January 1	59,584	37,946	6,753	0	104,283
Net book value on December 31	**47,405**	**26,420**	**4,602**	**39**	**78,466**
Of which net book value of assets acquired under finance leases	**569**	**1**	**251**	**39**	**860**

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

14 INTANGIBLE ASSETS

2015 (IN THOUSAND CHF)	GOODWILL	SOFTWARE	INTERNALLY GENERATED SOFTWARE	CUSTOMER LISTS	OTHER INTANGIBLE ASSETS	TOTAL
Acquisition costs						
Balance on January 1	**81,849**	**63,738**	**84,801**	**36,450**	**831**	**267,669**
Translation differences	(1,031)	(3,431)	0	(3,177)	(81)	(7,720)
Acquisition of subsidiaries	0	0	0	674	0	674
Additions	0	702	0	0	0	702
Disposals and deletions	0	(969)	(14)	(23,720)	0	(24,703)
Balance on December 31	**80,818**	**60,040**	**84,787**	**10,227**	**750**	**236,622**
Accumulated amortization and impairment losses						
Balance on January 1	**36,915**	**53,548**	**17,896**	**36,450**	**831**	**145,640**
Translation differences	(150)	(3,086)	0	(3,176)	(81)	(6,493)
Additions	0	6,188	16,957	74	0	23,219
Disposals and deletions	0	(844)	0	(23,720)	0	(24,564)
Balance on December 31	**36,765**	**55,806**	**34,853**	**9,628**	**750**	**137,802**
Net book value on January 1	44,934	10,190	66,905	0	0	122,029
Net book value on December 31	**44,053**	**4,234**	**49,934**	**599**	**0**	**98,820**

2014 (IN THOUSAND CHF)	GOODWILL	SOFTWARE	INTERNALLY GENERATED SOFTWARE	CUSTOMER LISTS	OTHER INTANGIBLE ASSETS	TOTAL
Acquisition costs						
Balance on January 1	**81,297**	**76,306**	**62,920**	**36,450**	**854**	**257,827**
Translation differences	552	750	0	0	(14)	1,288
Additions	0	6,706	21,881	0	5	28,592
Disposals and deletions	0	(20,024)	0	0	(14)	(20,038)
Balance on December 31	**81,849**	**63,738**	**84,801**	**36,450**	**831**	**267,669**
Accumulated amortization and impairment losses						
Balance on January 1	**36,990**	**60,305**	**5,184**	**36,450**	**805**	**139,734**
Translation differences	(75)	676	0	0	(14)	587
Additions	0	12,577	12,712	0	36	25,326
Disposals and deletions	0	(20,010)	0	0	4	(20,006)
Balance on December 31	**36,915**	**53,548**	**17,896**	**36,450**	**831**	**145,640**
Net book value on January 1	44,307	16,001	57,736	0	49	118,093
Net book value on December 31	**44,934**	**10,190**	**66,905**	**0**	**0**	**122,029**

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. The deletions of customer lists in 2015 relate to past acquisitions, where the Group has lost the respective customer base or does not intend to generate future business with these customers. The net book value of these customer lists was zero.

IMPAIRMENT TEST FOR GOODWILL

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

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

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

IN THOUSAND CHF	**2015**	**2014**
Air Freight division (CGU Airfreight) / various countries	31,027	31,018
Others	13,026	13,916
Grampian International Freight Aberdeen & Beverwijk (CGU Grampian) / United Kingdom	6,452	6,762
Panalpina World Transport (Singapore) Pte. Ltd. (CGU Janco) / Singapore	3,849	4,101
Panalpina World Transport (Pty) Ltd. (CGU Australia) / Australia	2,725	3,053
Total goodwill	**44,053**	**44,934**

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

2015	**CGU AIR-FREIGHT**	**OTHERS**
Basis for recoverable amount	value in use	value in use
Pre-tax discount rate applied to the cash flow projections	7.17%	7.70% – 9.9%
Projection period	5 years	5 years
Terminal growth rate	2.00%	3.00%

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

Management has considered and assessed reasonably possible changes ("sensitivity analysis") to key assumptions (growth rate and discount rate) and has not identified any instances that could cause the carrying amount of any CGU to exceed its recoverable amount.

15 INVESTMENTS AND OTHER FINANCIAL ASSETS

IN THOUSAND CHF	2015	2014
Available-for-sale investments	541	1,855
Fair value through profit or loss investments	400	401
Loans receivable	564	221
Long-term receivables	15,889	17,490
Other	9,426	8,302
Total investments	**26,820**	**28,269**

Long-term receivables primarily include rental and guarantee deposits.

15.1 AVAILABLE-FOR-SALE INVESTMENTS – UNQUOTED EQUITY SHARES

IN THOUSAND CHF	2015	2014
Balance on January 1	**1,855**	**2,280**
Translation differences	(503)	(227)
Additions	523	0
Disposals	(1,352)	(196)
Fair value adjustments recognized in profit or loss (Impairment)	0	(3)
Fair value adjustments reclassified to profit or loss	18	0
Balance on December 31	**541**	**1,855**
thereof		
non-current	541	1,855
current	0	0

In the current period, the Group disposed of all its shares in Consimex, an investment held in Colombia, resulting in a sale in the amount of CHF 1,317 thousand and a gain in the amount of CHF 975 thousand which was recycled to profit and loss in the current period.

15.2 FAIR VALUE THROUGH PROFIT OR LOSS INVESTMENTS

IN THOUSAND CHF	2015	2014
Balance on January 1	**401**	**6,512**
Translation differences	(40)	(9)
Additions	47	102
Disposals	(8)	(6,215)
Fair value adjustments recognized in profit or loss	0	11
Balance on December 31	**400**	**401**
thereof		
non-current	400	401
current	0	0

In the previous year, the group disposed of all its shares in Dimerco, a company listed on the Taipeh Stock Exchange, resulting in a sale of CHF 5,376 thousand while the gain for fair value adjustment was recognized in the income statement (CHF 57 thousand).

16 GROUP RISK MANAGEMENT

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

17 FINANCIAL RISK MANAGEMENT

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

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

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

17.1 FINANCIAL RISK FACTORS

Carrying amount and fair value of financial assets by asset classes

2015 (IN THOUSAND CHF)	CASH	AVAIL-ABLE-FOR-SALE	FAIR VALUE THROUGH PROFIT OR LOSS HELD FOR TRADING	LOANS AND RECEIV-ABLES	CARRYING AMOUNT	TOTAL (FAIR VALUE)
Trade receivables and other receivables				935,407	935,407	935,407
Unbilled forwarding services				66,410	66,410	66,410
Cash and cash equivalents	215			392,045	392,260	392,260
Derivative financial instruments			2,219		2,219	2,219
Assets classified as held for sale		524			524	524
Investments:						
Bonds and debentures			400		400	400
Shares		541			541	541
Third-party loans				564	564	564
Rental and guarantee deposits				15,889	15,889	15,889
Other				9,426	9,426	9,426
Total on December 31, 2015	**215**	**1,065**	**2,620**	**1,419,741**	**1,423,640**	**1,423,640**

2015 (IN THOUSAND CHF)	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	FINANCIAL LIABILITIES MEASURED AT AMOR-TIZED COST	CARRYING AMOUNT	TOTAL (FAIR VALUE)
Payables and accruals		819,718	819,718	819,718
Borrowings		49	49	49
Finance lease liabilities		121	121	121
Derivative financial instruments	2,537		2,537	2,537
Total on December 31, 2015	**2,537**	**819,888**	**822,424**	**822,424**

2014 (IN THOUSAND CHF)	CASH	AVAIL-ABLE-FOR-SALE	FAIR VALUE THROUGH PROFIT OR LOSS HELD FOR TRADING	LOANS AND RECEIV-ABLES	CARRYING AMOUNT	TOTAL (FAIR VALUE)
Trade receivables and other receivables				1,059,547	1,059,547	1,059,547
Unbilled forwarding services				111,486	111,486	111,486
Cash and cash equivalents	306			371,737	372,043	372,043
Derivative financial instruments			2,960		2,960	2,960
Investments:						
Bonds and debentures			401		401	401
Shares		1,855	0		1,855	1,855
Third-party loans				221	221	221
Rental and guarantee deposits				17,490	17,490	17,490
Other				8,302	8,302	8,302
Total on December 31, 2014	**306**	**1,855**	**3,361**	**1,568,782**	**1,574,304**	**1,574,304**

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

Fair value hierarchy
The table below analyzes financial instruments carried at fair value, based on the inputs used in the valuation method. The different levels have been defined as follows:
- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

2015 (IN THOUSAND CHF)	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Available-for-sale financial assets	0	0	541	541
Fair value through profit or loss investments	400	0	0	400
Derivative financial assets	0	2,219	0	2,219
Available-for-sale financial assets at cost				0
Total				**3,161**
Derivative financial liabilities	0	2,537	0	2,537
Total				**2,537**

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

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

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

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

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

The Group holds a new investment (acquisition value of CHF 523 thousand) since June 2015 with a fair value of CHF 541 thousand at December 31, 2015. This investment was classified as available-for-sale level 3 as it is not traded on an active market and there are no comparative observable arm's length transactions. The gain (CHF 18 thousand) was recognized in consolidated income statement during the interim period.

No financial instruments were transferred into another level in either 2015 or 2014.

17.2 MARKET RISK

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

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

17.2.1 Foreign currency risk

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

Management has set up a policy that requires Group Companies to report to Group Treasury their foreign exchange risk against their functional currency (on monetary items only). Group Treasury is responsible for managing the net positions using external derivative contracts (fair value hedge). When doing so, future commercial transactions and net investments in foreign operations are not considered.

The following table demonstrates the sensitivity to a reasonable possible change of 10 percent strengthening (+) or weakening (-) of the Swiss Franc against all the other functional currencies used in the group of the Group's net result for the year 2015 (this analysis assumes that all other variables remain constant):

2015 IN THOUSAND CHF	**+ 10%**	**- 10%**
Total impact on P&L	(6,082)	6,690
thereof		
CNY	(2,451)	2,696
EUR	(1,576)	1,734
BRL	611	(672)
USD	1,941	(2,136)
Other currencies	(4,607)	5,068

Similarly (assuming that all other variables remain constant), the following table demonstrates the sensitivity to a reasonable possible change of 10 percent strengthening (+) or weakening (-) of the Swiss Franc against all the other functional currencies used in the group of the Group's other comprehensive income (resulting from translation exposure on net investments in foreign entities):

2015 IN THOUSAND CHF	**+ 10%**	**- 10%**
Total impact on OCI	44,692	(49,162)
thereof		
CNY	(3,786)	4,164
EUR	21,710	(23,881)
BRL	5,772	(6,349)
USD	18,996	(20,895)
NOK	7,551	(8,307)
HKD	(1,874)	2,061
Other currencies	(3,677)	4,044

The negative effect of exchange rate changes on cash and cash equivalent in the amount of CHF 53.1 million impacting the consolidated statement of cash flows is mainly driven by Euro (CHF 19.6 million). Panalpina International Ltd., which serves as a treasury vehicle for the group (and thus pools the group cash and cash equivalents), uses Euro as functional currency. Furthermore, the Venezuelan Bolivar Fuerte depreciated by 97 percent (impact of CHF 21.6 million when using the SIMADI of 0.005 instead of the official currency exchange rate provided by the central bank of 0.157). In addition the Brazilian Real decreased by 31 percent (impact of CHF 1.3 million) and the Chinese Yuan by 4 percent (impact of CHF 1.7 million). The remaining impact

(CHF 8.9 million) is driven by the rest of the 54 functional currencies used within the Group, of which (based on the Group exchange rates used for the statement of financial position) 45 have depreciated against the CHF during the twelve months ended December 31, 2015.

17.2.2 Interest rate risk

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

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

17.3 CREDIT RISK

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

Credit risk related to trade receivables

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

Credit risk related to financial instruments and cash deposit

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

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

IN THOUSAND CHF	**2015**	**2014**
Cash and cash equivalents (without cash in hand)	392,260	371,737
Derivative financial instruments	2,219	2,960
Trade receivables	887,938	1,012,647
Other receivables	103,749	101,191
Investments and other financial assets	26,820	28,269
Total credit risk	**1,412,986**	**1,516,803**

17.4 LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they become due. The Group's approach to managing liquidity is to ensure, to the extent possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts, bank loans, finance leases and hire purchase contracts. The Group's liquidity is reported to the management on a monthly basis.

To secure liquidity, the Group holds a net cash position of CHF 392.0 million (2014: CHF 371.4 million) and credit lines with various financial institutions totaling CHF 512.7 million (2014: CHF 538.4 million). Of this total, CHF 198.0 million (2014: CHF 214.1 million) is allocated to bank guarantees and foreign exchange lines.

The table below summarizes the maturity profile of the Group's financial liabilities at December 31, 2015 and 2014 based on contractual undiscounted payments.

2015 (IN THOUSAND CHF)	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	TOTAL REMAINING CONTRACTUAL PAYMENTS
Borrowings (note 24)	2	138	30	170
Trade payables	426,311	19,714	0	446,025
Other payables and accruals	119,277	31,103	0	150,380
Accrued cost of services	196,972	26,341	0	223,313
Total non derivative financial liabilities	**742,562**	**77,295**	**30**	**819,888**
Foreign exchange contracts				
Cash inflow	401,114	0	0	401,114
Cash outflow	(358,226)	0	0	(358,226)
Total derivative financial liabilities	**42,889**	**0**	**0**	**42,889**
Total	**785,451**	**77,295**	**30**	**862,776**

2014 (IN THOUSAND CHF)	BETWEEN 1 AND 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	BETWEEN 1 AND 5 YEARS	TOTAL REMAINING CONTRACTUAL PAYMENTS
Borrowings (note 24)	58	462	132	652
Trade payables	443,030	90,663	0	533,693
Other payables and accruals	123,977	34,252	0	158,229
Accrued cost of services	174,892	30,720	0	205,612
Total non derivative financial liabilities	**741,957**	**156,096**	**132**	**898,186**
Foreign exchange contracts				
Cash inflow	242,011	0	0	242,011
Cash outflow	(485,234)	(7,903)	0	(493,137)
Total derivative financial liabilities	**(243,223)**	**(7,903)**	**0**	**(251,126)**
Total	**498,735**	**148,193**	**132**	**647,060**

17.5 CAPITAL RISK MANAGEMENT

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

IN THOUSAND CHF	2015	2014
Capital and reserves attributable to Panalpina shareholders	641,273	720,904
Equity attributable to non-controlling interests	12,037	12,245
Total equity	**653,310**	**733,149**
Total assets	**1,727,788**	**1,929,732**
Equity ratio	**37.8%**	**38.0%**

The Group is not subject to regulatory capital adequacy requirements.

18 OTHER RECEIVABLES AND OTHER CURRENT ASSETS

IN THOUSAND CHF	2015	2014
Prepaid Income Tax	16,003	16,641
Other Tax receivables (VAT, withholding tax)	40,278	37,650
Accrued income	2,121	2,557
Personnel advances	677	1,541
Social security and payroll taxes	81	1,046
Prepaid rent expenses	9,044	7,061
Prepaid communication and IT expenses	3,587	395
Supplier rebates	20,261	27,072
Others	11,697	7,228
Total other receivables and other current assets	**103,750**	**101,191**

19 TRADE RECEIVABLES

IN THOUSAND CHF	2015	2014
Commercial clients	905,380	1,034,099
Agents	7,916	12,031
Total trade receivables (gross values)	**913,296**	**1,046,130**
Individual allowance for doubtful trade receivables	(48)	(156)
Collective allowance for doubtful trade receivables	(25,310)	(33,327)
Total trade receivables (net)	**887,938**	**1,012,647**
Europe	357,585	377,801
thereof European Union and Rest of Europe	320,949	342,088
thereof Switzerland	36,636	35,713
Middle East, Africa, CIS	91,417	103,073
Americas	271,143	333,829
Asia Pacific	167,793	197,944
Total trade receivables (net)	**887,938**	**1,012,647**

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

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

The following table summarizes the movement in the allowance for doubtful trade receivables:

IN THOUSAND CHF	2015	2014
Balance as of January 1	33,483	26,835
Receivables written off during the year as uncollectible	(7,623)	(4,041)
Changes in allowance for doubtful trade receivables	(502)	10,689
Balance as of December 31	**25,358**	**33,483**

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

IN THOUSAND CHF	2015	2014
Commercial clients	905,380	1,034,099
Agents	7,916	12,031
Total trade receivables (gross values)	**913,296**	**1,046,130**
Allowance for doubtful trade receivables	(25,358)	(33,483)
Total trade receivables (net)	**887,938**	**1,012,647**
thereof:		
Not overdue	685,214	774,659
Past due not more than 30 days	134,695	177,758
Past due more than 30 days up to 180 days	79,483	94,556
Past due more than 180 days up to 360 days	10,376	23,655
Past due more than 360 days	14,216	14,245
Prepayment	(10,688)	(38,743)
Total trade receivables (gross)	**913,296**	**1,046,130**
Allowance for bad debt	(25,358)	(33,483)
Total trade receivables (net)	**887,938**	**1,012,647**

20 DERIVATIVE FINANCIAL INSTRUMENTS

	CONTRACT VALUE		POSITIVE REPLACEMENT VALUE		NEGATIVE REPLACEMENT VALUE	
IN THOUSAND CHF	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Forward foreign exchange contracts	**756,887**	**722,823**	**2,219**	**2,960**	**(2,537)**	**(7,988)**
Forward trading hedges	756,887	722,823	2,219	2,960	(2,537)	(7,988)

	CONTRACT VALUE		POSITIVE REPLACEMENT VALUE		NEGATIVE REPLACEMENT VALUE	
IN THOUSAND CHF	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Terms of the forward foreign exchange contracts	**756,887**	**722,823**	**2,219**	**2,960**	**(2,537)**	**(7,988)**
0–3 months	756,887	683,858	2,219	2,960	(2,537)	(7,911)
4–12 months	0	38,966	0	0	0	(78)

Derivative financial instruments are spread over the following currencies:

	FORWARD FOREIGN EXCHANGE CONTRACTS	
IN THOUSAND CHF	**2015**	**2014**
EUR	420,322	362,733
USD	89,511	119,095
CNY	65,642	70,912
HKD	53,351	40,726
CHF	37,620	35,405
MXN	19,046	23,431
SGD	9,500	2,839
GBP	8,577	2,775
TWD	6,795	6,911
SEK	4,487	3,472
VND	4,322	8,033
KRW	4,069	7,497
Others	33,645	38,996
Total	**756,887**	**722,823**

ISDA Master Agreements

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

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

2015 (IN THOUSAND CHF)	GROSS AND NET AMOUNTS PRESENTED IN THE STATEMENT OF FINANCIAL POSITION	RELATED FINANCIAL INSTRUMENTS THAT ARE NOT OFFSET	NET AMOUNT
Financial assets			
Forward foreign exchange contracts	2,219	(1,654)	566
Total on December 31	**2,219**	**(1,654)**	**566**
Financial liabilities			
Forward foreign exchange contracts	(2,537)	1,654	(883)
Total on December 31	**(2,537)**	**1,654**	**(883)**

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

21 CASH AND CASH EQUIVALENTS

IN THOUSAND CHF	2015	2014
Cash on hand	215	306
Cash at bank	395,732	368,908
Checks and bills of exchange in transit	(3,686)	2,829
Total cash and cash equivalents	**392,260**	**372,043**

Net cash (debt) is comprised as follows:

IN THOUSAND CHF	2015	2014
Cash and cash equivalents	392,260	372,043
Short-term borrowings	(140)	(520)
Long-term borrowings	(30)	(132)
Net cash	**392,090**	**371,391**

22 SHARE CAPITAL AND TREASURY SHARES

	OUTSTANDING NUMBER OF SHARES	VALUE
	Numbers	in thousand CHF
Total number of shares issued as of January 1, 2015	**23,750,000**	**2,375**
Treasury shares outstanding as of January 1, 2015	(16,282)	(2,089)
Total number of shares outstanding as of January 1, 2015 [1]	**23,733,718**	
Movements in Treasury shares		
Purchased	(42,425)	(5,455)
Sold under employee share plan	15,972	2,068
Sold under employee option plan	4,353	561
Bonus settled with own shares	20,542	2,662
Subtotal movement of treasury shares during the period	**(1,558)**	**(163)**
Total number of shares outstanding as of December 31, 2015 [1]	**23,732,160**	
Total number of treasury shares outstanding as of December 31, 2015	(17,840)	(2,252)

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

	OUTSTANDING NUMBER OF SHARES	VALUE
	Numbers	in thousand CHF
Total number of shares issued as of January 1, 2014	**23,750,000**	**2,375**
Treasury shares outstanding as of January 1, 2014	(33,467)	(3,339)
Total number of shares outstanding as of January 1, 2014 [1]	**23,716,533**	
Movements in Treasury shares		
Purchased	(20,000)	(2,762)
Sold under employee share plan	15,104	1,795
Sold under employee option plan	7,315	744
Bonus settled with own shares	14,766	1,473
Subtotal movement of treasury shares during the period	**17,185**	**1,251**
Total number of shares outstanding as of December 31, 2014 [1]	**23,733,718**	
Total number of treasury shares outstanding as of December 31, 2014	(16,282)	(2,089)

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

The share capital is presented by 23,750,000 issued shares of CHF 0.10 par value (2014: 23,750,000 of CHF 0.10 par value), fully paid in. On December 31, 2015, the number of outstanding shares amounted to 23,732,160 shares (2014: 23,733,718) and the number of treasury shares to 17,840 (2014: 16,282). Treasury shares have been deducted from equity attributable to owners of the parent. All shares issued by the company were fully paid in.

The Shareholders' Meeting held on May 12, 2015 approved a dividend of CHF 2.75 per share that was distributed in respect of the business year 2014. The total dividend paid in 2015 amounted to CHF 65.2 million (2014: CHF 52.2 million). During that meeting, the Shareholders also authorized the Board of Directors to create authorized capital to the maximum amount of CHF 0.3 million by issuing a maximum of 3,000,000 registered shares with a nominal value of CHF 0.10 each at any time until May 12, 2017. The Board of Directors has not made use of this authorization. The company has no conditional share capital.

The amount available for dividend distribution is based on the available distributable retained earnings of Panalpina World Transport (Holding) Ltd. determined in accordance with the legal provisions of the Swiss Code of Obligations. The Board of Directors has proposed dividends for the business year 2015 of CHF 3.50 per share (2014: 2.75 per share). This is subject to approval at the Annual Meeting of Shareholders on May 10, 2016.

23 NON-CONTROLLING INTERESTS (NCI)

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

2015 (IN THOUSAND CHF)	**PANAL-PINA SAKHALIN PROJECTS**	**PANAL-PINA WORLD TRANS-PORT (VIETNAM) LTD.**	**PANAL-PINA GULF LLC (DUBAI)**	**QATAR SHIPPING COMPANY (PA QATAR) W.L.L.**	**OTHER IN-DIVIDUAL-LY IMMA-TERIAL SUBSID-IARIES**	**INTRA-GROUP ELIMINA-TIONS**	**TOTAL**
NCI percentage	**51%**	**51%**	**51%**	**51%**			
Non-current assets	44	436	27	34			
Current assets	10,936	22,635	5,373	5,780			
Non-current liabilities	(49)	(16)	(224)	(125)			
Current liabilities	(5,266)	(12,234)	(1,351)	(1,525)			
Net assets	**5,665**	**10,821**	**3,825**	**4,165**			
Carrying amount of NCI	**2,889**	**5,519**	**1,951**	**2,124**	**(446)**		**12,037**
Revenue	16,057	102,119	2,657	22,516			
Profit	(398)	3,352	(802)	(616)			
Other comprehensive income	870	(2,695)	(12)	(6)			
Total comprehensive income	**472**	**656**	**(814)**	**(622)**			
Profit allocated to NCI	**(203)**	**1,709**	**(409)**	**(314)**	**(90)**	**0**	**693**
OCI allocated to NCI	**444**	**(1,375)**	**(6)**	**(3)**	**38**	**0**	**(902)**
Cash flows from operating activities	(828)	532	(1,205)	(623)			
Cash flows from investment activities	(59)	(26)	1	(7)			
Cash flows from financing activities	0	0	0	0			
Dividends paid to NCI	0	0	0	0	0	0	0
Effect of exchange rate changes on cash and cash equivalents	164	78	30	13			
Net increase (decrease) in cash and cash equivalents	**(723)**	**585**	**(1,173)**	**(616)**			

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

24 BORROWINGS

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

IN THOUSAND CHF	2015	2014
Current liabilities		
Overdraft	0	9
Current portion of secured bank loans	0	337
Guarantees received from third parties	49	0
Current portion of finance lease liabilities	91	175
Total current liabilities	**140**	**520**
Non-current liabilities		
Non-current portion of finance lease liabilities	30	132
Total non-current liabilities	**30**	**132**

24.1 TERMS AND REPAYMENT SCHEDULE

				2015		2014	
IN THOUSAND CHF	CURRENCY	NOMINAL INTEREST RATE	YEAR OF MATURITY	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Current liabilities							
Secured bank loan	DZD	5.50%	2015	0	0	337	337
Total current liabilities				**0**	**0**	**337**	**337**

24.2 FINANCE LEASE LIABILITIES

	2015			2014		
IN THOUSAND CHF	FUTURE MINIMUM LEASE PAYMENTS	INTEREST	PRESENT VALUE OF MINIMUM LEASE PAYMENTS	FUTURE MINIMUM LEASE PAYMENTS	INTEREST	PRESENT VALUE OF MINIMUM LEASE PAYMENTS
Less than 1 year	94	3	91	184	9	175
Between 1 and 5 years	30	0	30	137	5	132
Total interest-bearing liabilities	**124**	**3**	**121**	**321**	**14**	**307**

The weighted average interest rate of bank borrowings and other financing liabilities is 12.6 percent (2014: 6.43 percent). The carrying amounts of short-term bank borrowings approximate their fair value. The carrying amounts of the Group's borrowings are denominated in the following currencies:

IN THOUSAND CHF	2015	2014
DZD	0	337
PLN	114	282
USD	49	1
Others	7	33
Total	**170**	**653**

25 NON-CURRENT AND CURRENT PROVISIONS

2015 (IN THOUSAND CHF)	CLAIMS	RESTRUC-TURING	OTHER PROVI-SIONS	TOTAL
Balance on January 1	**38,462**	**10,805**	**34,289**	**83,556**
Translation differences	(2,536)	(1,078)	(1,806)	(5,420)
Addition	15,772	4,589	6,057	26,419
Reversal of unused amounts	(8,980)	(2,742)	(7,160)	(18,882)
Charged in income statement	**6,792**	**1,848**	**(1,103)**	**7,537**
Utilization	(12,588)	(6,941)	(11,010)	(30,536)
Balance on December 31	**30,130**	**4,634**	**20,370**	**55,136**
thereof				
non-current	22,950	0	14,953	37,904
current	7,180	4,634	5,417	17,233

The balance for claims represents a provision for certain claims brought forward against the Group by customers and forwarding agents. The non-current balance as of December 31, 2015, is expected to be utilized within the next two to five years. Management determined the provision based on past performance and its expectation of the funds needed for the future settlement of claims not yet reported (see also note 4 – Critical accounting estimates and judgments).

Utilization of the claim provision in 2015 includes the payment to settle the agreement with the Brazilian competition authorities. Further details on open legal claims are described in note 29.2 Pending Legal Claims.

The restructuring provision added in 2015 relate to headcount reductions in Europe, Singapore and certain countries in Africa.

Other provisions mainly relate to provisions for reinstatement for leased buildings and provisions to cover the risks of non recoverability of withholding tax receivables.

26 DEFERRED INCOME TAXES

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

2015 IN THOUSAND CHF	RECEIV-ABLES	FIXED ASSETS	PROVI-SIONS	POST-EM-PLOYMENT BENEFITS	OTHER STATE-MENT OF FINANCIAL POSITION CAPTIONS	DEDUCT-IBLE LOSS CARRY-FORWARDS	TOTAL
Net deferred income tax balance at January 1	**1,749**	**(4,734)**	**11,365**	**14,299**	**3,476**	**30,733**	**56,888**
Recognized translation differences	(28)	3,432	(533)	(453)	2,035	(1,013)	3,439
Recognized in income statement	75	3,548	255	0	1,823	(5,134)	567
Recognized in OCI	0	0	0	(894)	0	0	(894)
Acquired in business combinations	0	163	0	0	0	0	163
Net deferred income tax balance at December 31	**1,796**	**2,409**	**11,087**	**12,952**	**7,334**	**24,586**	**60,163**
Thereof deferred income tax assets							**70,581**
Thereof deferred income tax liabilities							**(10,418)**

2014 (IN THOUSAND CHF)	RECEIV-ABLES	FIXED ASSETS	PROVI-SIONS	POST-EM-PLOYMENT BENEFITS	OTHER STATE-MENT OF FINANCIAL POSITION CAPTIONS	DEDUCT-IBLE LOSS CARRY-FORWARDS	TOTAL
Net deferred income tax balance at January 1	**810**	**(10,352)**	**14,715**	**9,220**	**4,685**	**29,846**	**48,924**
Recognized translation differences	76	(976)	1,113	(20)	(252)	1,669	1,610
Recognized in income statement	863	6,594	(4,463)	0	(957)	(782)	1,255
Recognized in OCI	0	0	0	5,099	0	0	5,099
Net deferred income tax balance at December 31	**1,749**	**(4,734)**	**11,365**	**14,299**	**3,476**	**30,733**	**56,888**
Thereof deferred income tax assets							**67,962**
Thereof deferred income tax liabilities							**(11,074)**

YEAR OF EXPIRY OF UNRECOGNIZED TAX LOSS CARRY-FORWARDS (IN THOUSAND CHF)	2015	2014
2015	n/a	4,434
2016	112	4,277
2017	633	1,313
2018	0	127
2019	1,497	1,112
2020	2,493	n/a
Later	125,319	78,483
No expiry date	107,697	159,050
Total unrecognized tax loss carry-forwards	**237,752**	**248,795**

The total decrease of CHF 11.0 million (2014: increase of CHF 36.4 million) derived mainly from unrecognized tax loss carry-forwards utilized in Angola and tax loss carry-forwards capitalized in Belgium and Netherlands which were only partially off-set by generated tax losses during the year in mainly USA, Germany and Brazil. Furthermore the devaluation of EUR and VEF impacted the balance of unrecognized tax loss carry-forwards negatively.

27 NON-CURRENT AND CURRENT OTHER LIABILITIES

IN THOUSAND CHF	2015	2014
Balance on January 1	**113,174**	**115,591**
Balance on December 31	**105,489**	**113,174**
thereof		
non-current	31,389	35,086
current	74,100	78,088

Non-current and current other liabilities are all employee benefit related. The non-current part mostly relates to certain employee benefit obligations, such as “anniversary” benefits, termination payments and long service benefits, mainly in the USA, Switzerland, Austria and Germany. The timings of these cash outflows can be reasonably estimated based on past experience. The current portion includes personnel profit participation, outstanding vacation entitlement and related social security costs and payroll taxes. During the period under review, the amount of CHF 46.7 million (2014: CHF 36.2 million) for personnel profit participation was recognized in the income statement. In 2015, CHF 42.0 million of personnel profit participation (2014: CHF 33.5 million) was paid out. As of December 31, 2015 a liability of CHF 54.5 million (2014: CHF 55.5 million) was recorded for personnel profit participation including related social security costs and payroll taxes.

28 RELATED PARTIES

28.1 KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel consists of the Board of Directors and the Executive Board. There were no contributions or donations to close members of the families of the key management.

The following table shows the compensation of key management personnel:

2015 IN THOUSAND CHF	SHORT-TERM EMPLOYEE BENEFITS [3]	POST-EMPLOYMENT BENEFITS	OTHER LONG-TERM BENEFITS	SHARE-BASED PAYMENT [4]	TOTAL COMPENSATION 2015
Total remuneration of Board of Directors [1]	1,646	0	0	350	1,996
Total remuneration of Executive Board [2]	8,713	857	0	2,509	12,079
Total remuneration of key management personnel [1]	**10,359**	**857**	**0**	**2,859**	**14,075**

[1] The members of the Board of Directors receive a fixed annual compensation and participate in certain equity compensation plans (see note 8). In 2015, there were 8 (2014: 7) members of the Board of Directors. The total remuneration in 2015 also includes the compensation of one member who left the Board of Directors during the year.

[2] The compensation of the Executive Board consists of a fixed portion and a variable portion, which depends on the course of business and the individual manager's performance. In addition, members of the Executive Board receive indirect benefits and are able to participate in certain equity compensation plans (see note 8). In general, for those who have left the Executive Board in the course of the year, the information in the table above reflects their pro rata compensation for the period they were a member of the Executive Board. In 2015, there were 7 (2014: 6) members of the Executive Board and the total remuneration also includes tax equalization benefits for one Executive Board member who left the organization during the year.

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

[4] Share-based payments are disclosed on an accrual basis. This means that for the Board of Directors, the amount includes the shares to be granted in 2016 for the business year 2015. For the Executive Board, the disclosed amount includes the shares granted under the Mid-Term Incentive Plan (MTIP) and related to the 2015 annual bonus (grant in 2016), the matching free shares related to the 2014 annual bonus (grant in 2016) and the fair value of shares granted in 2015 related to the Performance Share Unit Plan.

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

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

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

The following table shows the equity holdings in Panalpina World Transport (Holding) Ltd. (PWT) of key management personnel and their related parties in line with article 663c of the Swiss Code of Obligations (no options were held by Board of Directors or Executive Board members as of December 31, 2015 and 2014).

	Number of PWT nominal shares
	2015
Board of Directors	
Rudolf W. Hug, Chairman	8,308
Beat Walti, Vice Chairman	1,735
Ilias Läber, Member	744
Chris E. Muntwyler, Member	1,735
Roger Schmid, Member	6,875
Pamela Knapp, Member	0
Thomas E. Kern, Member	0
Knud Elmholdt Stubkjær, Member	1,308
Total on December 31, 2015	**20,705**
Executive Board	
Peter Ulber, Chief Executive Officer	4,139
Robert Erni, Chief Financial Officer	6,970
Andy Weber, Chief Operating Officer	500
Karl Weyeneth, Chief Commercial Officer	2,723
Christoph Hess, General Counsel and Corporate Secretary	4,763
Karsten Breum, Chief Human Resources	123
Ralf Morawietz, Chief Information Officer	0
Total on December 31, 2015	**19,218**
Total on December 31, 2015	**39,923**

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

28.2 MAJOR SHAREHOLDER

As of December 31, 2015, Ernst Göhner Stiftung holds 45.9 percent (2014: 45.9 percent) of the share capital of Panalpina Welttransport (Holding) AG.

28.3 OTHER RELATED PARTIES

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

28.4 OTHER RELATED PARTY TRANSACTIONS

The Group provides management services to the Swiss Pension Fund which are fully recharged at arm's length in the amount of CHF 85 thousand (2015 and 2014).

Panalpina Welttransport GmbH in Germany leases two buildings from an affiliate of Ernst Göhner Stiftung, one in Stuttgart and one in Nuremberg. The lease paid is at arm's length and amounts to CHF 4.8 million in the fiscal year 2015 (2014: CHF 5.4 million).

29 ADDITIONAL INFORMATION

IN THOUSAND CHF	2015	2014
Contractual commitments on non-cancellable operating lease contracts		
Less than one year	143,526	159,457
Between one and five years	213,072	258,191
More than five years	45,364	60,878
Total residual commitments	**401,962**	**478,526**

29.1 PLEDGED ASSETS

As of the statement of financial position date 2015 and 2014, the Group does not have any pledged assets.

29.2 PENDING LEGAL CLAIMS

Introduction

As mentioned in note 25 – current and non-current provisions, the Group from time to time is involved in legal proceedings in the ordinary course of its business. Other than as noted below, the Group is not a party to any legal, administrative or arbitration proceedings which could significantly harm the Group's business, financial condition and results of operations taken as a whole and it does not know of any such proceedings which may currently be contemplated by governmental or third parties.

Claim against Pantainer Ltd.

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

Freight forwarding anti-trust investigation

In 2007 various competition authorities commenced anti-trust investigations against major global freight forwarders including Panalpina. In the meantime all of these investigations were either discontinued or settled with the respective competition authorities.

In the reporting year Panalpina was also informed by the Competition Commission Singapore that it discontinues its anti-trust investigation commenced in 2012 against various freight forwarders. The Singapore investigation was the last pending antitrust investigation involving Panalpina.

29.3 SUBSEQUENT EVENTS

Panalpina completed on January 12, 2016, the acquisition of the Airflo sub-group (Airflo B.V., registered in the Netherlands and Airflo Limited, registered in Kenya), which is Kenya's second largest forwarder specialized in fresh-cut flowers export. The company employs a total of 167 staff in Nairobi and Aalsmeer and organizes up to 1,500 temperature-controlled shipments per week from Kenya, totalling more than 40,000 tons of flowers. In accordance with IFRS 3, the acquisition date was defined as January 12, 2016 and therefore, the financial effects of this transaction have not been recognized at December 31, 2015. The operating result and assets of the new company will be consolidated from January 1, 2016 onwards.

Since the statement of financial position date, no events other than above have become known for which a disclosure would be required.

30 PRINCIPAL GROUP COMPANIES AND PARTICIPATIONS

COMPANY	REGISTERED	CURRENCY	NOMINAL CAPITAL IN 1,000	EQUITY INTEREST IN %	INVEST-MENT	METHOD OF CON-SOLIDA-TION
Europe						
Panalpina World Transport (Holding) Ltd.	Basel	CHF	2,375			K
Panalpina Management Ltd.	Basel	CHF	2,500	100	1	K
Panalpina Ltd.	Basel	CHF	600	100	1	K
Panalpina International Ltd.	Basel	CHF	1,000	100	1	K
Panalpina Air & Ocean Ltd.	Basel	CHF	2,700	100	1	K
Panalpina Global Employment Services Ltd.	Basel	CHF	100	100	1	K
Panalpina Welttransport (Deutschland) GmbH	Mörfelden	EUR	10,226	100	1	K
Panalpina Welttransport GmbH	Vienna	EUR	36	100	1	K
Panalpina Welttransport GmbH	Höchst	EUR	36	100	1	K
Panalpina France Transports Internationaux S.A.S.	Paris-Roissy	EUR	2,000	100	1	K
Panalpina Trasporti Mondiali S.p.A.	Milan	EUR	2,000	100	1	K
Panalpina Transportes Mundiales S.A.	Madrid	EUR	451	100	1	K
Panalpina Transportes Mundiais Lda	Lisbon	EUR	50	100	1	K
Panalpina World Transport Ltd.	London	GBP	12,350	100	1	K
Panalpina World Transport (Ireland) Ltd.	Dublin	EUR	25	100	1	K
Panalpina World Transport N.V.	Antwerp	EUR	19,050	100	1	K
Panalpina Luxembourg S.A.	Luxembourg	EUR	31	100	1	K
Panalpina World Transport B.V.	Amsterdam	EUR	91	100	1	K
Panalpina (Beverwijk) B.V.	Beverwijk	EUR	18	100	1	K
Panalpina Czech Sro.	Prague	CZK	1,000	100	1	K
Panalpina Business Services (Prague), s.r.o.	Prague	CZK	1,000	100	1	K
Panalpina Croatia d.o.o.	Rijeka	HRK	400	100	1	K
Panalpina Slovakia S.R.O.	Bratislava	EUR	23	100	1	K
Panalpina Magyarorszag Kft.	Budapest	HUF	528,000	100	1	K
Panalpina Romania S.R.L.	Oradea	RON	6,072	100	1	K
Panalpina Polska Sp. z o.o.	Wroclaw	PLN	1,500	100	1	K
Panalpina AB	Gothenburg	SEK	1,000	100	1	K
Panalpina A / S	Oslo	NOK	80,000	100	1	K

COMPANY	REGISTERED	CURRENCY	NOMINAL CAPITAL IN 1,000	EQUITY INTEREST IN %	INVEST-MENT	METHOD OF CON-SOLIDA-TION
North, Central and South America						
Panalpina Inc.	New York	USD	83,000	100	1	K
International Claims Handling Services Inc.	Miami	USD	1	100	1	K
Panalpina Inc.	Toronto	CAD	100	100	1	K
Panalpina Transportes Mundiales, S.A. de C.V.	Mexico City	MXN	35,834	100	1	K
Panalpina S.A.	Panama City	USD	1,250	100	1	K
Almacenadora Mercantil S.A.	Panama City	USD	25	100	1	K
Panalpina S.A. de C.V.	San Salvador	SVC	100	100	1	K
Panalpina Transportes Mundiales S.A.	San José	CRC	2,500	100	1	K
Panalpina Servicios Aduanales S.A.	San José	CRC	1,590	100	1	K
Panalpina Uruguay Transportes Mundiales S.A.	Montevideo	UYU	4,093	100	1	K
Panalpina S.A.	Santa Fé de Bogotá	COP	7,450,838	100	1	K
DAPSA Depositos Aduaneros Panalpina S.A.	Santa Fé de Bogotá	COP	2,815,208	100	1	K
Panalpina C.A.	Caracas	VEF	211,054,380	100	1	K
Panalpina Ecuador S.A.	Quito	USD	100	100	1	K
Panalpina Transportes Mundiales S.A.	Lima	PEN	4,008	100	1	K
Panalpina Ltda.	São Paulo	BRL	186,474	100	1	K
Panalpina Chile Transportes Mundiales Ltda.	Santiago	CLP	3,505,817	100	1	K
Panalpina Transportes Mundiales S.A.	Buenos Aires	ARS	9,742	100	1	K
Panalpina Transportes Mundiales S.R.L.	Santo Domingo	DOP	1,000	100	1	K
Mondi Reinsurance Ltd.	Hamilton	CHF	1,000	100	1	K

COMPANY	REGISTERED	CURRENCY	NOMINAL CAPITAL IN 1,000	EQUITY INTEREST IN %	INVEST-MENT	METHOD OF CON-SOLIDA-TION
Asia and Australia						
Panalpina World Transport (Singapore) Pte. Ltd.	Singapore	SGD	2,500	100	1	K
Panalpina Asia Pacific Management Pte. Ltd.	Singapore	SGD	500	100	1	K
PT Panalpina Nusajaya Transport	Jakarta	IDR	1,500,000	95	1	K
Panalpina China Ltd.	Hong Kong	HKD	1,000	100	1	K
Panalpina World Transport (PRC) Ltd.	Shanghai	CNY	13,500	100	1	K
Panalpina Logistics (Shanghai) Ltd.	Shanghai	CNY	5,000	100	1	K
Panalpina Logistics (Wuhan) Ltd.	Wuhan	CNY	5,000	100	1	K
Panalpina Logistics (Chengdu) Limited	Chengdu	CNY	5,000	100	1	K
Panalpina Asia-Pacific Services Ltd.	Hong Kong	HKD	500	100	1	K
Panalpina World Transport Ltd.	Hong Kong	HKD	500	100	1	K
Pantainer (H. K.) Limited	Hong Kong	HKD	100	100	1	K
International Claims Handling Services Ltd.	Hong Kong	HKD	10	100	1	K
Panalpina Taiwan Ltd.	Taipei	TWD	15,500	100	1	K
Panalpina Korea Ltd.	Seoul	KRW	500,000	100	1	K
Panalpina World Transport (Thailand) Ltd.	Bangkok	THB	27,000	100	1	K
Panalpina Asia-Pacific Services (Thailand) Ltd.	Bangkok	THB	10,000	100	1	K
Panalpina Macao Ltd.	Macao	HKD	1,000	100	1	K
Panalpina World Transport (Vietnam) Company Ltd.	Ho Chi Minh City	VND	6,360,145	49	2	K
Panalpina Transport (Malaysia) Sdn. Bhd.	Kuala Lumpur	MYR	4,215	70	1	K
Panalpina World Transport (Japan) Ltd.	Tokyo	JPY	50,000	100	1	K
Panalpina World Transport (India) Pvt. Ltd.	Delhi	INR	475,550	100	1	K
Panalpina World Transport (Philippines) Inc.	Manila	PHP	10,000	99.998	1	K
Panalpina World Transport (Pty) Ltd.	Sydney	AUD	15,000	100	1	K
Panalpina Myanmar	Yangon	USD	50,000	70	1	K

COMPANY	REGISTERED	CURRENCY	NOMINAL CAPITAL IN 1,000	EQUITY INTEREST IN %	INVEST-MENT	METHOD OF CON-SOLIDA-TION
Middle East and Africa						
Panalpina Gulf LLC	Dubai	AED	1,000	49	2	K
Panalpina Jebel Ali Ltd.	Jebel Ali	AED	100	100	1	K
Panalpina World Transport (Dubai) DWC-LLC	Dubai	AED	300	100	1	K
Panalpina World Transport (Kuwait) WLL	Kuwait	KWD	20	49	2	K
Panalpina Qatar WLL	Doha	QAR	200	49	2	K
Panalpina World Transport (Saudi Arabia) Ltd.	Al Khobar	SAR	500	100	1	K
Panalpina (Bahrain) WLL	Manama	BHD	20	100	1	K
Panalpina Central Asia EC	Manama	USD	17,020	100	1	K
Al-Alb Co. for General Transportation (PLLC)	Baghdad	IQD	11,000	100	1	K
Panalpina World Transport Nakliyat Ltd. Srk.	Istanbul	TRY	10,000	100	1	K
Panalpina Georgia LLC	Tbilisi	GEL	11	100	1	K
Panalpina Azerbaijan LLC	Baku	AZN	1	100	1	K
Panalpina Turkmenistan LLC	Turkmenbashi	TMT	62	100	1	K
Panalpina World Transport LLP	Atyrau	KZT	1,252,395	100	1	K
Panalpina Sakhalin Projects	Yuzhno-Sakhalinsk	RUB	30	49	2	K
Panalpina World Transport JSC	Moscow	RUB	2,100	100	1	K
Panalpina CIS Helsinki OY	Vantaa	EUR	8	100	1	K
Panalpina Logistics LLC	Moscow	RUB	240	100	1	K
Panalpina World Transport Ltd.	Kiev	UAH	376	100	1	K
Panalpina Transports Mondiaux Cameroun S.A.R.L.	Douala	XAF	150,000	90	1	K
Panalpina Transports Mondiaux Algérie EURL	Hassi Messaoud	DZD	128,039	100	1	K
Panalpina Transports Mondiaux Congo S.A.R.L.	Pointe-Noire	XAF	5,310,150	80	1	K
Panalpina Transports Mondiaux Gabon S.A.	Port-Gentil	XAF	50,000	90	1	K
Panalpina (Ghana) Ltd.	Accra	GHS	10	100	1	K
Panalpina Transportes Mundiais Navegãçao e Trânsitos S.A.R.L.	Luanda	AOA	18	49	2	K
Panalpina World Transport Egypt LLC	Cairo	EGP	10,000	100	1	K
Panalpina Morocco S.A.R.L.	Casablanca	MAD	10	100	1	K
Panalpina Kenya Limited	Nairobi	KES	100	100	1	K

K = fully consolidated

1 = capital participation 51 – 100%

2 = controlling influence over management

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

Panalpina World Transport (Holding) Ltd., Basel

Report of the Statutory Auditor on the Consolidated Financial Statements
As statutory auditor, we have audited the accompanying consolidated financial statements of Panalpina World Transport (Holding) Ltd., which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and notes on pages 1 to 70 for the year ended December 31, 2015.

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

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

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

Opinion
In our opinion, the consolidated financial statements for the year ended December 31, 2015 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

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

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

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

KPMG AG

Marc Ziegler Licensed Audit Expert Auditor in Charge	Martin Rohrbach Licensed Audit Expert

Zurich, February 26, 2016

KEY FIGURES IN CHF

Five-year review

IN MILLION CHF	2015	2014	2013	2012	2011
Forwarding services	**7,129**	**8,172**	**8,175**	**8,066**	**7,926**
Change in %	*(12.77)*	*(0.03)*	*1.35*	*1.78*	*(8.64)*
Net forwarding revenue	**5,855**	**6,707**	**6,758**	**6,617**	**6,500**
Change in %	*(12.70)*	*(0.75)*	*2.13*	*1.81*	*(9.27)*
Gross profit	**1,474**	**1,586**	**1,561**	**1,465**	**1,477**
Change in %	*(7.07)*	*1.60*	*6.55*	*(0.81)*	*(0.21)*
in % of net revenue	*25.17*	*23.65*	*23.10*	*22.14*	*22.72*
Profit	**88.2**	**86.5**	**11.7**	**(71.8)**	**127.4**
Change in %	*1.97*	*639.50*	*(116.30)*	*(156.37)*	*(590.06)*
in % of gross profit	*5.99*	*5.46*	*0.75*	*(4.90)*	*8.63*
EBITDA	**168.3**	**174.0**	**119.8**	**34.2**	**212.1**
Change in %	*(3.26)*	*45.26*	*250.29*	*(83.87)*	*240.09*
in % of gross profit	*11.42*	*10.97*	*7.67*	*2.33*	*14.36*
EBITA	**140.5**	**142.1**	**85.5**	**3.1**	**183.6**
Change in %	*(1.12)*	*66.15*	*2,658.06*	*(98.33)*	*682.11*
in % of gross profit	*9.53*	*8.96*	*5.48*	*0.21*	*12.43*
EBIT	**117.2**	**116.7**	**48.0**	**(39.6)**	**174.2**
Change in %	*0.44*	*143.19*	*(221.21)*	*(122.74)*	*1,033.97*
in % of gross profit	*7.95*	*7.36*	*3.07*	*(2.70)*	*11.79*
Cash generated from operations	**187.4**	**152.9**	**73.8**	**(39.6)**	**229.1**
Change in %	*22.54*	*107.19*	*(286.36)*	*(117.27)*	*204.35*
in % of gross profit	*12.71*	*9.64*	*4.73*	*(2.69)*	*15.51*
Net cash from operating activities	**151.7**	**123.0**	**42.5**	**(71.5)**	**193.5**
Change in %	*23.27*	*189.48*	*(159.44)*	*(136.92)*	*422.45*
in % of gross profit	*10.29*	*7.76*	*2.72*	*(4.88)*	*13.10*
Free cash flow	**142.8**	**87.0**	**(5.5)**	**(81.9)**	**41.9**
Change in %	*64.08*	*(1,681.84)*	*(93.28)*	*(295.43)*	*570.94*
in % of gross profit	*9.69*	*5.49*	*(0.35)*	*(5.59)*	*2.84*
Net working capital	**128.4**	**191.3**	**174.6**	**134.0**	**85.2**
Change in %	*(32.88)*	*9.59*	*30.29*	*57.28*	*(40.42)*

IN MILLION CHF	2015	2014	2013	2012	2011
Capital expenditure on tangible and intangible assets	**16.5**	**48.1**	**49.8**	**84.2**	**51.2**
Change in %	*(65.65)*	*(3.49)*	*(40.86)*	*64.45*	*27.87*
in % of gross profit	*1.12*	*3.03*	*3.19*	*5.75*	*3.47*
Net capital expenditure on tangible and intangible assets	**6.4**	**45.1**	**48.5**	**83.9**	**108.7**
Change in %	*(85.87)*	*(6.96)*	*(42.19)*	*(22.79)*	*281.81*
in % of gross profit	*0.43*	*2.84*	*3.11*	*5.73*	*7.36*
Depreciation and amortization (incl. impairment losses)	**51.1**	**57.3**	**71.9**	**73.9**	**37.9**
Change in %	*(10.81)*	*(20.27)*	*(2.71)*	*94.99*	*(19.37)*
in % of gross profit	*3.47*	*3.61*	*4.61*	*5.04*	*2.57*
Personnel expenses	**896.2**	**976.9**	**960.0**	**957.2**	**892.4**
Personnel					
Number of employees (headcount) at year-end (world)	14,774	15,639	16,010	15,224	15,051
Number of employees (headcount) at year-end (Switzerland)	651	682	754	759	775
Yearly average full time equivalents (FTE) (world)	15,340	16,180	15,925	15,782	15,286
Productivity ratios (CHF)					
Net sales per average FTE	381,714	414,521	424,364	419,272	425,226
Gross profit per average FTE	96,078	98,018	98,022	92,826	96,624
Personnel expenses per average FTE	58,423	60,372	60,283	60,650	58,380
Personnel cost in % of gross profit	*60.81*	*61.59*	*61.50*	*65.34*	*60.42*
Leverage (liabilities / equity)	**1.68**	**1.66**	**1.78**	**1.65**	**1.31**
Net interest-bearing liabilities	**(390)**	**(363)**	**(332)**	**(390)**	**(562)**
Gross gearing (interest-bearing liabilities / equity)	**0.00**	**0.01**	**0.01**	**0.00**	**0.01**
Net gearing (net interest-bearing liabilities / equity)	**(0.61)**	**(0.50)**	**(0.48)**	**(0.53)**	**(0.61)**
ROCE (EBIT less tax / capital employed) in %	**28.20**	**24.01**	**6.71**	**(19.42)**	**42.32**
Current cash debt coverage ratio (net operating cash flow / average current liability)	**0.15**	**0.11**	**0.04**	**(0.07)**	**0.19**
Cash debt coverage ratio (net operating cash flow / average total liability)	**0.13**	**0.10**	**0.03**	**(0.06)**	**0.16**
Return on equity in %	**13.0**	**12.2**	**1.6**	**(8.7)**	**14.8**
Change in %	*6.56*	*662.50*	*(118.39)*	*(158.78)*	*(577.40)*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION IN CHF

Five-year review

IN MILLION CHF	2015	2014	2013	2012	2011
ASSETS	**1,728**	**1,930**	**1,949**	**1,957**	**2,135**
Change in %	*(10.46)*	*(0.99)*	*(0.41)*	*(8.34)*	*7.32*
Non-current assets	**275**	**329**	**351**	**362**	**390**
Change in %	*(16.61)*	*(6.15)*	*(3.04)*	*(7.13)*	*28.73*
Property, plant and equipment	78	104	119	130	113
Change in %	*(24.76)*	*(12.37)*	*(8.46)*	*15.03*	*(0.73)*
Financial assets	97	103	114	98	135
Change in %	*(5.52)*	*(9.57)*	*16.33*	*(27.71)*	*21.59*
Intangible assets	99	122	118	134	142
Change in %	*(19.02)*	*3.41*	*(11.94)*	*(5.89)*	*81.84*
Current assets	**1,453**	**1,600**	**1,598**	**1,595**	**1,745**
Change in %	*(9.20)*	*0.15*	*0.19*	*(8.60)*	*3.47*
Liquid funds	392	372	337	393	574
Change in %	*5.43*	*10.40*	*(14.25)*	*(31.58)*	*3.33*
Receivables and other current assets	1,061	1,228	1,261	1,202	1,171
Change in %	*(13.63)*	*(2.59)*	*4.91*	*2.65*	*3.54*
LIABILITIES AND EQUITY	**1,728**	**1,930**	**1,949**	**1,957**	**2,135**
Change in %	*(10.46)*	*(0.99)*	*(0.42)*	*(8.30)*	*7.31*
Equity	**641**	**721**	**697**	**734**	**919**
Change in %	*(11.05)*	*3.43*	*(5.04)*	*(20.10)*	*14.22*
Share capital	2	2	2	2	50
Change in %	*0.00*	*18.75*	*0.00*	*(96.00)*	*0.00*
Treasury shares	(2)	(2)	(3)	(10)	(197)
Change in %	*7.80*	*(30.37)*	*(70.00)*	*(94.93)*	*0.65*
Translation reserves	(278)	(187)	(188)	(165)	(162)
Change in %	*49.02*	*(0.72)*	*13.94*	*1.85*	*7.30*
Retained earnings and other reserves	919	907	886	907	1,228
Change in %	*1.33*	*2.40*	*(2.32)*	*(24.77)*	*11.50*
Non-controlling interests	**12**	**12**	**12**	**9**	**9**
Liabilities	**1,074**	**1,197**	**1,240**	**1,214**	**1,207**
Change in %	*(10.20)*	*(3.50)*	*2.14*	*0.60*	*2.54*
Payables, accruals and deferred income	911	991	1,002	1,013	985
Change in %	*(8.08)*	*(1.08)*	*(1.09)*	*2.84*	*7.80*
Borrowings	3	9	5	3	12
Change in %	*(68.67)*	*72.80*	*66.67*	*(75.00)*	*23.23*
Provisions	161	197	233	198	210
Change in %	*(18.35)*	*(15.57)*	*17.68*	*(6.19)*	*(17.20)*

ANNUAL FINANCIAL STATEMENTS

Panalpina World Transport (Holding) Ltd.

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INCOME STATEMENT

for the years ended December 31, 2015 and 2014

IN THOUSAND CHF	NOTES	2015	2014
Income from royalties	2.1	32,266	47,562
Other operating income		0	84
Total operating income		**32,266**	**47,646**
Personnel expenses		(12,351)	(12,792)
Other operating costs	2.2	(11,520)	(11,967)
EBITDA		**8,395**	**22,887**
Impairment of participations	2.3	(69,559)	0
Reversal of impairment losses on participations	2.3	69,005	1,882
EBIT		**7,841**	**24,769**
Dividend Income	2.4	111,831	101,478
Other financial income	2.5	5,390	8,672
Financial expenses	2.6	(23,316)	(31,534)
EBT		**101,745**	**103,386**
Profit for the year before taxes		**101,745**	**103,386**
Direct taxes		(1,881)	(1,185)
Profit for the year		**99,864**	**102,200**

BALANCE SHEET
as of December 31, 2015 and 2014

IN THOUSAND CHF	NOTES	2015	2014
ASSETS			
Cash and cash equivalents		79,355	810
Receivables from goods and services			
From third parties		0	47
From group companies		28	89
Other short-term receivables			
From third parties		52	0
Prepaid expenses and accrued income	2.7	37,287	49,482
Total current assets		**116,722**	**50,428**
Financial assets			
Loans to group companies	2.8	313,543	307,217
Other financial assets		24	21
Participations	2.9	549,201	526,806
Total fixed assets		**862,768**	**834,045**
Total assets		**979,490**	**884,473**
LIABILITES			
Liabilities from goods and services			
Due to third parties		0	636
Due to group companies		126	2,489
Cash pool liabilities due to group companies	2.10	114,500	31,348
Short-term interest bearing liabilities			
Due to group companies		29,500	47,265
Other short-term liabilities			
Due to third parties		1,330	0
Due to related parties (Personalvorsorgestiftung der PWT)		11	0
Accruals		6,617	5,425
Total current liabilities		**152,084**	**87,162**
Other long-term liabilities		532	926
Total non-current liabilities		**532**	**926**
Total liabilities		**152,616**	**88,088**
Equity			
Share capital		2,375	2,375
Legal retained earnings			
General legal retained earnings	3.7	475	475
Free reserves		264,091	266,125
Available earnings			
Profit brought forward		462,321	425,360
Profit for the year		99,864	102,200
Treasury shares	2.11	(2,252)	(150)
Total equity		**826,874**	**796,385**
Total liabilities and equity		**979,490**	**884,473**

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING PRINCIPLES

1.1 GENERAL ASPECTS

These financial statements were prepared according to the provisions of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations). Where not prescribed by law, the significant accounting and valuation principles applied are described below.

The changes from the new law on accounting and financial reporting contained in the 32nd title of the Swiss Code of Obligations (CO) were adopted on 1 January 2015 and the comparative financial information for 2014 has been adjusted.

The Company has prepared its consolidated financial statements in accordance with a recognised accounting standard (International Financial Reporting Standards). In accordance with the CO the Company decided to forgo presenting additional information on audit fees in the notes as well as a cash flow statement.

1.2 FINANCIAL ASSETS

Financial assets include long-term loans. Loans granted in foreign currencies are translated at the rate at the balance sheet date, whereby unrealized losses are recorded but unrealized profits are not recognized.

1.3 PARTICIPATIONS

Participations are valued based on the principle of individual valuation. Management reviews the value of each material participation on an annual basis. Impairments and reversals of impairment are recognized based on this annual review which takes into account the net equity together with the actual and the future financial performance of the respective participation.

1.4 TREASURY SHARES

Treasury shares are recognized at acquisition cost and deducted from shareholders' equity at the time of acquisition. In case of a resale, the gain or loss is recognized through free reserves. The revaluation to the acquisition value of treasury shares as a consequence of the application of the new Accounting Law have been recorded in financial income as disclosed in note 2.11.

1.5 SHARE-BASED PAYMENTS

Should treasury shares be used for share-based payment programs, the difference between the acquisition costs and any consideration paid by the employees at grant date is recognized as personnel expenses.

2 INFORMATION ON INCOME STATEMENT AND BALANCE SHEET ITEMS

2.1 INCOME FROM ROYALTIES

Since 2009, Panalpina World Transport (Holding) Ltd. charges royalty fees to its subsidiaries for the use of the Panalpina network and trademark name.

2.2 OTHER OPERATING COSTS

IN THOUSAND CHF	2015	2014
Other operating costs		
Legal, consulting and audit costs	1,166	1,582
Insurance	3,906	3,437
Other administrative costs	6,448	6,948
Total	**11,520**	**11,967**

2.3 IMPAIRMENT AND REVERSAL OF IMPAIRMENT ON PARTICIPATIONS

The first time application of the single valuation method resulted in an impairment charge of CHF 69,559 thousand (2014: CHF 0) and a reversal of impairments of CHF 69,005 thousand (2014: CHF 1,882).

2.4 DIVIDEND INCOME

In the reporting year, dividend income amounted to CHF 111,831 thousand (2014: CHF 101,478 thousand). This amount mainly consists of dividends from group participations.

2.5 OTHER FINANCIAL INCOME

IN THOUSAND CHF	2015	2014
Other Financial income		
Foreign exchange differences	614	761
Income out of loan guarantees	1,563	3,405
Revaluation of treasury shares to acquisition value	1,938	-
Other financial income	1,275	4,506
Total	**5,390**	**8,672**

2.6 FINANCIAL EXPENSE

IN THOUSAND CHF	2015	2014
Financial expenses		
Loss coverage in favour of group companies	9,861	25,036
Other financial expenses	13,455	6,498
Total	**23,316**	**31,534**

2.7 PREPAID EXPENSES AND ACCRUED INCOME

IN THOUSAND CHF	2015	2014
Prepaid expenses and accrued income		
Sublicense of Panalpina Management to Panalpina World Transport (Holding) AG	32,266	47,562
Various	5,021	2,280
Total	**37,287**	**49,842**

Panalpina Management invoices the group companies on behalf of Panalpina World Transport (Holding) Ltd. for the respective royalty fees. Above accrued income is related to this sublicense agreement.

2.8 FINANCIAL ASSETS (LOANS TO GROUP COMPANIES)

As per December 31, 2015, the majority of the amount relates to a loan granted to Panalpina International Ltd. to finance the groups' business activities.

2.9 PARTICIPATIONS

The principal direct and indirect subsidiaries of Panalpina World Transport (Holding) Ltd. are listed under the heading “Principal Group companies and participations” in note 31 of the Group’s financial statements. Changes to scope of consolidation that occurred during the year are further disclosed in note 3.1.2 of the Group’s financial statements.

2.10 CASH POOL LIABILITIES DUE TO GROUP COMPANIES

In 2008, Panalpina World Transport (Holding) Ltd. has signed a letter of indemnity as a security for the intraday cash pool overdraft limits (managed by Panalpina International Ltd.) over a maximum amount of CHF 61,645 thousand (2014: CHF 64,054 thousand). As per December 31, 2015 the overall overdraft amounted to zero.

2.11 TREASURY SHARES

IN THOUSAND CHF	2015	2014
Movements on Treasury Shares		
Opening balance	150	1,400
Purchased	5,455	2,762
Sold (granted for employee option / share plan or to settle bonus entitlements)	(5,291)	(4,013)
Revaluation to acquisition value	1,938	–
Closing Balance	**2,252**	**150**

In the current period, 42,425 treasury shares (2014: 20,000 shares) were purchased at an average price of CHF 128.6. Treasury share sales / grants totaled 40,867 shares (2014: 37,185 shares) with an average price of CHF 129.5. The number of treasury shares held as per December 31, 2015 amounted to 17,840 (2014: 16,282). All shares are held to be used for share based payment. For further details also refer to note 22 of the Group's financial statements. In 2015, the loss resulting from sales of treasury shares and grant of free of treasury shares for bonus settlement was recognized in free reserves.

3 OTHER INFORMATION

3.1 COMPANY AND LEGAL ENTITY

Panalpina Welttransport (Holding) AG, Basel.

3.2 FULL TIME EMPLOYEES

The year average of full time employees does not exceed 50 FTEs (2014: does not exceed 50 FTEs).

3.3 SHARE CAPITAL AND SIGNIFICANT SHAREHOLDERS

The fully paid-in share capital on December 31, 2015 amounts to CHF 2.375 million consisting of 23.75 million registered shares at a par value of CHF 0.10 each. With regards to the authorized capital increase we refer to note 22 in the Group's financial statements.

IN %	2015	2014
Shareholders		
Ernst Göhner Stiftung, Switzerland	45.9	45.9
Cevian Capital II Master Fund L.P.	12.3	12.3
Artisan Partners Limited Partnership, USA	≥10	≥10
Janus Capital Group	≥5	≥5
Other investors	26.6	26.6
Panalpina World Transport (Holding) Ltd.	0.1	0.1

3.4 SHARES OR OPTIONS ON SHARES OWNED BY RELATED PARTIES

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

3.5 CONTINGENT LIABILITIES

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

3.6 HIDDEN RESERVES

In the year under review, a net amount of CHF 1,376 (2014: CHF 1,585 thousand) of hidden reserves was released.

3.7 GENERAL LEGAL RETAINED EARNINGS

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

3.8 PENDING LEGAL CLAIMS

The status of the proceedings are disclosed under "pending legal claims" in note 29.2 of the Group's financial statements.

3.9 GUARANTEES

IN THOUSAND CHF	2015	2014
Guarantees in favor of third parties		
Guarantees and indemnity liabilities, SCO, art. 663b para 1	529,094	284,981

3.10 SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

There are no significant events after the balance sheet date which could impact the book value of the assets or liabilities or which should be disclosed here.

APPROPRIATION OF AVAILABLE EARNINGS

The Board of Directors proposes the following appropriation of available earnings at the forthcoming Annual General Meeting:

IN CHF	2015	2014
Available earnings		
Balance brought forward from previous years	462,320,099	425,360,338
Profit for the year	99,863,777	102,200,159
Total available earnings	**562,183,876**	**527,560,497**
Appropriation of available earnings in accordance to resolution of the general assembly		
– Dividend distribution to shareholders (distribution of an ordinary dividend of CHF 3.50 gross per share (2014 CHF 2.75) *	(83,062,560)	(65,240,398)
Balance to be carried forward	**479,121,316**	**462,320,099**

* It is not planned to pay a dividend on own shares held by the Group

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

Panalpina World Transport (Holding) Ltd., Basel

Report of the Statutory Auditor on the Financial Statements
As statutory auditor, we have audited the accompanying financial statements of Panalpina World Transport (Holding) Ltd., which comprise the balance sheet, income statement and notes on pages 75 to 82 for the year ended December 31, 2015.

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

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

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

Opinion
In our opinion, the financial statements for the year ended December 31, 2015 comply with Swiss law and the company's articles of incorporation.

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

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

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

KPMG AG

Marc Ziegler Licensed Audit Expert Auditor in Charge	Martin Rohrbach Licensed Audit Expert

Zurich, February 26, 2016

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