2014
Annual Report

PANALPINA
on 6 continents

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THE YEAR IN BRIEF

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LETTER TO THE SHAREHOLDERS

Dear Shareholders,

This past year was decisive for Panalpina: in 2014, we delivered solid results and more than doubled our overall profitability. The strategic priorities set in 2013 are delivering the right results. In a challenging market environment, the company achieved an EBIT of CHF 116.7 million and a consolidated profit of CHF 86.5 million. While Air Freight grew slightly ahead of the market, Ocean Freight outperformed the market, enabling us to retain our position among the top five global players.

The restructuring undertaken in 2014 has borne fruit and we made significant progress in the turnaround of the loss-making units. This was particularly noticeable in Logistics, where the reduction of losses meant that the turnaround is clearly ahead of schedule.

The newly established Middle East/Africa/CIS (MEAC) region achieved substantial growth in an unsteady economic climate. Panalpina set up two new country organizations in Kenya and Morocco (officially opened in January 2015) and plans to further enlarge its footprint in Africa.

In September, Panalpina merged its Panprojects and Oil and Gas activities to form Energy Solutions, a specialized service that designs tailor-made solutions for the energy sector. With a combined global team of some 2,200 people operating from 90 strategic offices in 50 countries, Panalpina is now in a better position to help customers mitigate the impact of the current low oil prices by helping them to control costs, reduce inventory and improve their supply chains. Although the current consolidation in the energy market may delay or cancel projects, it also creates opportunities for reengineering and outsourcing.

Our ambitious global Operations Transformation Project (OTP), including a key objective of implementing an integrated platform based on SAP TM, is progressing well. Major milestones in 2014 include the global implementation of PanLink, the new HR information system; the successful implementation of the pilot site for our ERP system; the integration of our business service center in Wuhan, China; and the expansion of our business service center in Prague, Czech Republic. The current year will be critical as we will begin the main implementation phase of the SAP TM project, rolling this system out in several key countries.

On the Executive Board, we welcomed Karsten Breum as Chief Human Resources Officer, replacing Alastair Robertson who decided to take on a new challenge outside the industry.

We remain very focused on executing our strategy in 2015: implementing SAP TM and streamlining Ocean Freight operations to improve productivity will be crucial steps to ensure we have a solid platform for future growth. Since the currently strong Swiss franc and the low oil prices will likely impact our financial performance, it is even more important to carefully manage our costs.

Based on the results of 2014 fiscal year, the Board of Directors proposes a dividend payment of CHF 2.75 to be declared at the Annual General Meeting in May 2015.

Once again, we would like to thank all our employees for their outstanding contributions to our company, our customers and suppliers for their continued cooperation and loyalty and our shareholders for their trust throughout the year. We look forward to another promising year for Panalpina in 2015.

Basel, Switzerland, March 2015

Rudolf W. Hug
Chairman of the Board of Directors

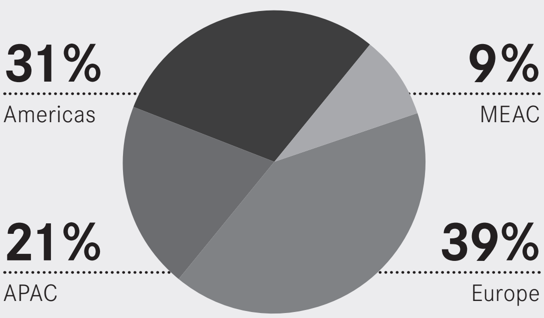
Peter Ulber
Chief Executive Officer

FACTS AND FIGURES

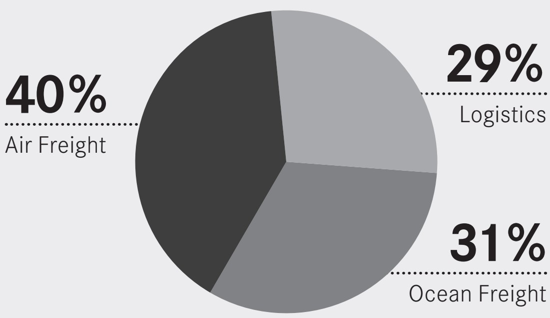
Key Figures

Net forwarding revenue of CHF 6,707 million
Gross profit of CHF 1,586 million
Adjusted EBIT of CHF 117 million
Consolidated profit of CHF 87 million

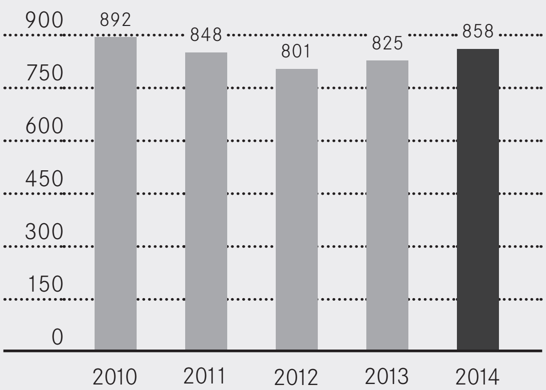
Gross profit by region
2014



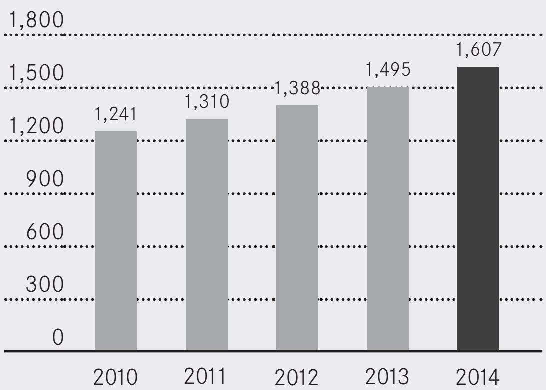
Gross profit by product
2014



Forwarding volumes in Air Freight
Thousand tons

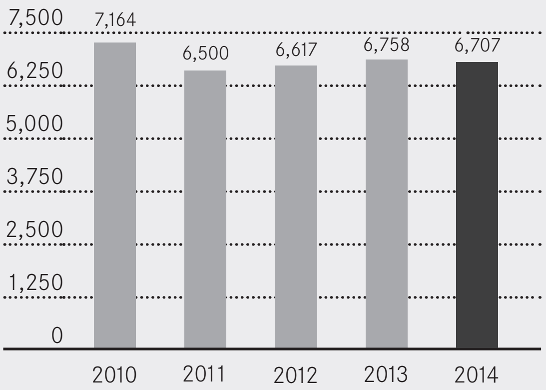


Forwarding volumes in Ocean Freight
Thousand TEU

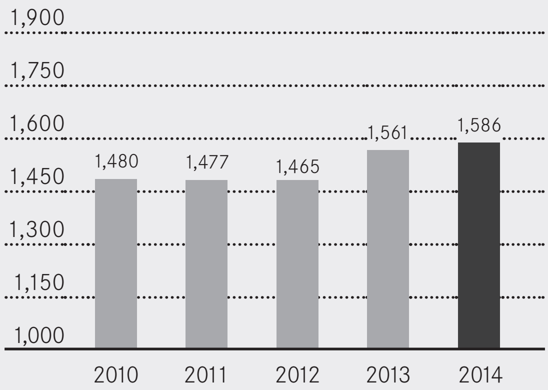


FIVE-YEAR DEVELOPMENT

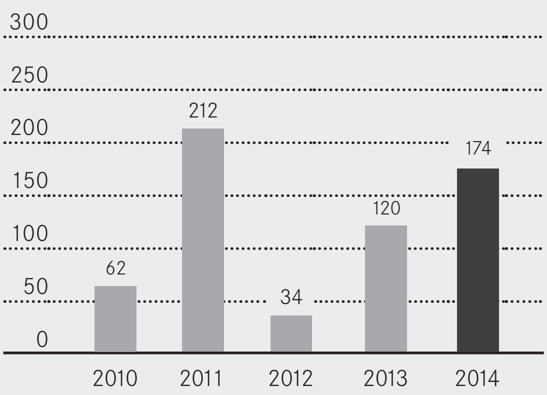
Net forwarding revenue
Million CHF



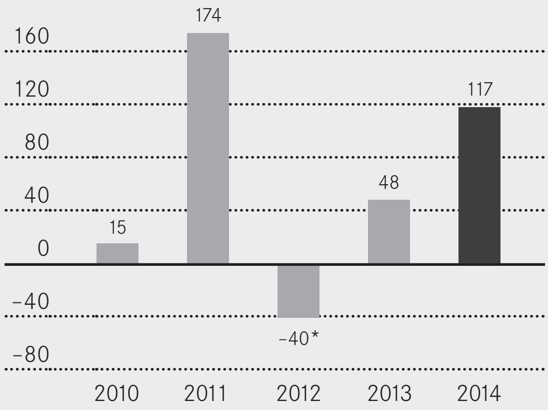
Gross profit
Million CHF



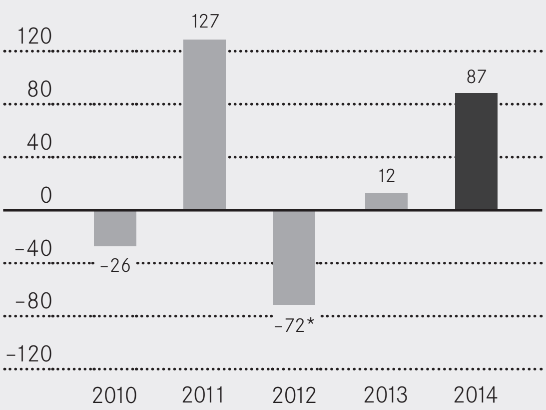
EBITDA
Million CHF



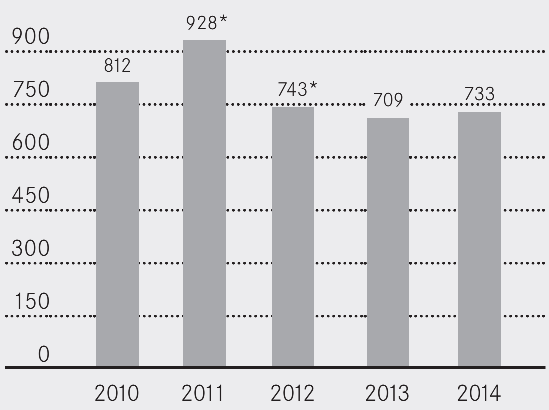
EBIT
Million CHF



Consolidated profit
Million CHF



Total equity
Million CHF

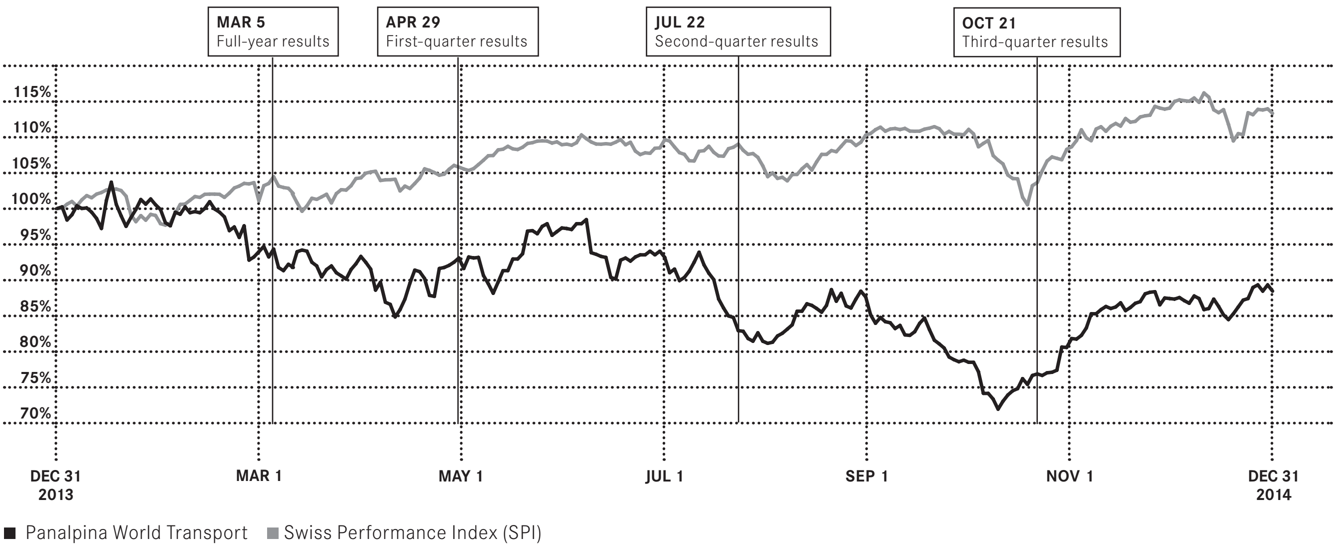


* Prior year's figures have been restated due to the application of IAS 19 (as revised in 2011) retrospective

INFORMATION FOR INVESTORS

Panalpina's business year and the performance of the share were shaped by the uncertainties in the global economy. The price quoted decreased by 10.7 percent, from CHF 149.50 at the last day of trading 2013 to CHF 133.50 on the last day of trading in the business year. The Swiss Performance Index (SPI) rose by 12.1 percent in the same period, so Panalpina underperformed the index as a whole, which includes more than 200 companies. The market capitalization at the end of the year amounted to CHF 3,171 million.

Share price development in comparison to SPI



Share information

Share Symbol	PWTN
Reuters	PWTN.S
Bloomberg	PWTN SW
Trading exchange	SIX Swiss Exchange
Fiscal year ends	December 31
Securities number	000216808
ISIN	CH0002168083
Share register	SIS Aktienregister AG, Olten, Switzerland
Number of registered shares	23,750,000

Share price development*

		2010	2011	2012	2013	2014
Last day of trading previous year	CHF	64.47	118.06	94.25	92.85	149.50
High	CHF	125.90	128.94	107.28	151.80	154.20
Low	CHF	65.79	71.87	77.30	82.40	134.90
Last day of trading current year	CHF	118.06	94.25	92.85	149.50	133.50
Average trading volume	CHF	77,022	51,764	40,917	33,306	19,807
Total shareholder return	%	83.1	–20.2	2.7	63.2	–9.2
Market capitalization as per Dec 31	million CHF	2,952	2,356	2, 205	3,551	3,171
Earnings per share	CHF	1.16	5.34	-3.05	0.5	3.68

* Restated due to the return of capital (CHF 1.90 per share) in 2012

Ordinary gross dividend payments

		2010	2011	2012	2013	2014
Amount	million CHF	0.0	47.0	47.3	52.2	65.3
Per share	CHF	0.00	2.00	2.00	2.20	2.75**
Return of capital per share	CHF			1.9		
Outstanding shares as per Dec 31		25,000,000	25,000,000	23,750,000	23,750,000	23,750,000

** Proposal to the Annual General Meeting.

Financial calender

April 22	First-quarter results
May 12	Annual General Meeting
May 15	Dividend ex-date
May 20	Dividend payment day
July 23	Second-quarter results
October 20	Third-quarter results

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STRATEGY AND RESULTS

Panalpina continued to deliver stronger results with improved overall profitability and operating margins, despite uncertainties in the global economy. An increased focus on improving productivity and stabilizing performance translated into a substantial improvement in EBIT, which highlights the headway Panalpina made in executing its strategy and its ability to improve performance and streamline operations.

MARKET DEVELOPMENT

Geopolitical tensions in many parts of the world, combined with a weak first half of 2014, resulted in a disappointing overall recovery of the global economy. In its January 2015 World Economic Outlook Update, the International Monetary Fund (IMF) revised its 2014 world output downwards to 3.3 percent and world trade volume to 3.1 percent. While financial markets were initially optimistic, this did not translate into a pickup in investment, particularly in advanced economies. Various events in the United States, the Euro area, Japan, Russia, Brazil and China all contributed to the lackluster growth.

While the global ocean freight market grew by a predictable 4 to 5 percent, it showed signs of supply-and-demand imbalance, which was driven by overcapacity. The global air freight market showed cautious signs of recovery with a growth of approximately 3.5 percent, due to stabilized load factors and yields as well as increased capacity and demand. The logistics market remained strong, while the energy market came under pressure due to political instability and a sharp drop in oil prices.

BUSINESS STRATEGY

Panalpina's aim is to outperform the market in all segments and be one of the top five global players in freight forwarding. During 2014, Panalpina successfully executed on the corporate priorities it set out in 2013. This ambitious strategy is based on four dimensions to target stable and sustainable growth while working toward a lean and efficient cost structure.

Product mix
Panalpina's core competencies in Air and Ocean Freight are the foundation of the company's business and continue to drive the growth that will enable Panalpina to retain its position among the global top five freight forwarders.

For Air Freight, continuing to expand both its commercial and controlled air freight business was key in 2014, as well as expanding its end-to-end offering. For Ocean Freight, Managed Solutions made a substantial contribution and growing the portfolio in both Full Container Load (FCL) and Less than Container Load (LCL) remained a priority. A major milestone was achieved with the operation of 485 dedicated weekly services for Panalpina's global LCL network. Logistics continued to strengthen its position as a differentiator by expanding Panalpina's value-added services and end-to-end offering for international customers, especially in the technology and fashion sectors.

Panalpina merged its oil and gas and project businesses to create Panalpina Energy Solutions, which increases the specialty offering for customers in the energy sector, as well as in the mining and engineering industries. The new combined team of experts is able to better serve customers throughout the entire energy project life cycle: from exploration, construction and production to final decommissioning.

Geographic coverage
The creation of a fourth region to expand the company's geographic presence in the Middle East, Africa and the CIS (MEAC) achieved significant growth. While Africa shows good potential for freight forwarders and Panalpina has now established new country organizations in Morocco and Kenya (opened January 1, 2015), other parts of this region have suffered due to geopolitical unrest and falling oil prices. Although Panalpina continues to strengthen its position in key European markets – particularly in the United Kingdom, the Netherlands, France and Italy – the overall economic conditions in many European countries have remained challenging. Even though the overall market environment in the Americas remained soft, with Canada, Mexico and Brazil growing modestly, the United States gained steam in the second half of the year. Despite a downward correction of GDP forecast in Asia, demand improved in both Air Freight and Ocean Freight across the region.

Customers

In 2014, Panalpina focused on rebalancing its portfolio to focus more on companies with international cargo flows, allowing it to strengthen its global account structure and offer customers more solutions specific to their industry and particular needs.

Using its expertise to provide technology and automotive customers with bespoke solutions for their entire supply chain, Panalpina maintained steady growth overall. For automotive the strongest growth regions were Asia Pacific and Mexico, while for technology the focus was on helping customers expand their presence in Latin America and Africa.

The company has increased its focus on investment in healthcare, consumer and retail, manufacturing and fashion industry verticals, producing sturdy results. The healthcare sector had an especially successful year, showing double digit growth. The fashion sector continued to outperform the market and the consumer and retail sector showed strong growth in Logistics.

Panalpina's IT capabilities provided sophisticated analytics and advanced customer-facing information systems. Panalpina's new online sailing schedule gave LCL customers more visibility over the entire LCL network, allowing them to decide on the sailings that best suit their needs.

Growth model

The implementation of the Operations Transformation Program (OTP), which ramped up in 2013, is progressing well and is expected to increase productivity significantly by streamlining business processes and simplifying the current IT landscape. The foremost cornerstone of this program is SAP Transportation Management (TM). In 2015, the target is to process 60 percent of all shipments using this system by the end of the year, as it is rolled out in several key countries.

An important milestone in 2014 included the global implementation of PanLink, the new HR information system. This system provides all employees with a single interface for performance review, career development, talent management and succession planning, recruiting and compensation review.

As part of its Global Business Services (GBS) model, the company also integrated the business service center in Wuhan, China, into the GBS model and expanded the business service center in Prague, Czech Republic.

While the company's short-term goal is to continue to grow volumes organically, in the longer term, Panalpina's objective is to become fit for acquisitions. Successfully implementing SAP TM is a prerequisite for successful integrations of target companies.

The financial transparency measures implemented in 2013 enabled the company to identify a number of underperforming operations and business activities. Most of these operations have now been successfully turned around and the focus during 2015 will be to streamline the remaining operations to improve productivity.

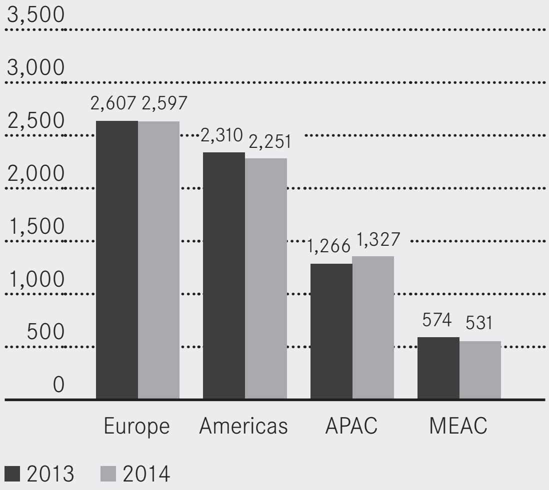
OUTLOOK

The IMF forecasts global growth at 3.5 percent, a downward revision of 0.3 percent from the October 2014 World Economic Outlook. The IMF also revised world trade volumes downward to 3.8 percent after reassessing prospects in China, Russia, the Euro zone and Japan. The steep drop in oil prices will also impact a number of large oil exporters.

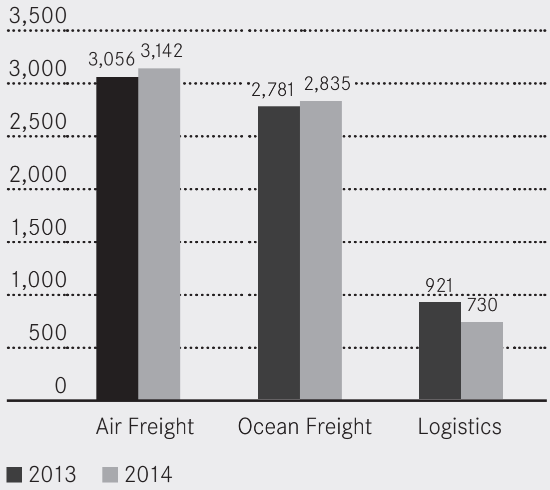
In Air Freight, Panalpina anticipates the market to grow by 3 to 4 percent. In Ocean Freight, market growth is expected to remain at 4 to 5 percent. In Logistics, the outlook is positive, while in the energy market, commodity oil prices are expected to remain low, only stabilizing in the second half of 2015.

In North America, the company expects the highly competitive market environment to continue. The negative outlook for Brazil and the unstable economies in Argentina and Venezuela will only be partially compensated by the positive developments in Columbia, Peru and Mexico, the latter benefiting from near-shoring manufacturing from Asia. Panalpina anticipates volume in Asia to grow in both the air and ocean freight markets across the region, with demand varying by trade lane. The logistics and freight-forwarding market in Europe is expected to start off the year slowly. The focus remains on continuing to strengthen its position in the key European markets and to improve overall profitability. For the MEAC region, Panalpina plans to continue enlarging its footprint and focus on expanding into Logistics Manufacturing Services (LMS).

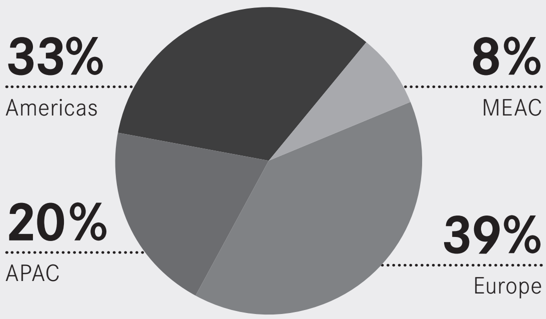
Net forwarding revenue by region
Million CHF



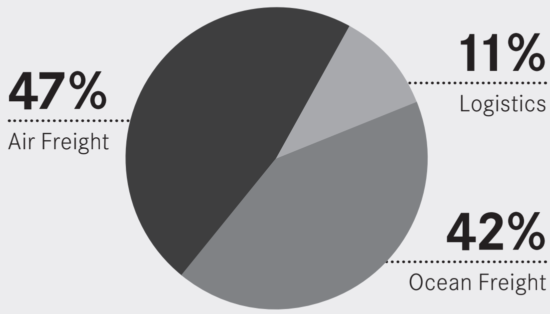
Net forwarding revenue by product
Million CHF



Net forwarding revenue by region
2014



Net forwarding revenue by product
2014



NET FORWARDING REVENUE (NFR)

Net forwarding revenue in 2014 amounted to CHF 6,707 million, a decrease of 1 percent compared to the CHF 6,758 million the year before. The translation of foreign currencies into the reporting currency (CHF) had a negative impact on the Group's NFR to the amount of CHF 226 million or 3 percent, organic growth amounted to 3 percent. The Group did not undertake any acquisitions during the reporting year.

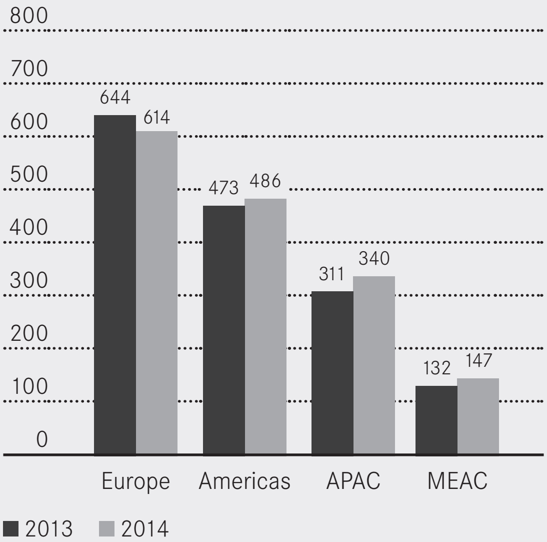
At the regional level, net forwarding revenue in Europe – the Group's largest region in terms of turnover – decreased slightly from CHF 2,607 million to CHF 2,597 million in 2013. In North, Central and South America (Americas), NFR decreased by 3 percent from CHF 2,310 million to CHF 2,251 million. Compared to 2013, Panalpina's NFR in 2014 in Asia Pacific (APAC) increased 5 percent from CHF 1,266 million to CHF 1,327 million. The Middle East, Africa and CIS (MEAC) saw a decrease in NFR of 8 percent from CHF 574 million to CHF 531 million.

In 2014, the Panalpina Group generated 39 percent of its net forwarding revenue in Europe, 33 percent in the Americas, 20 percent in APAC and 8 percent in MEAC.

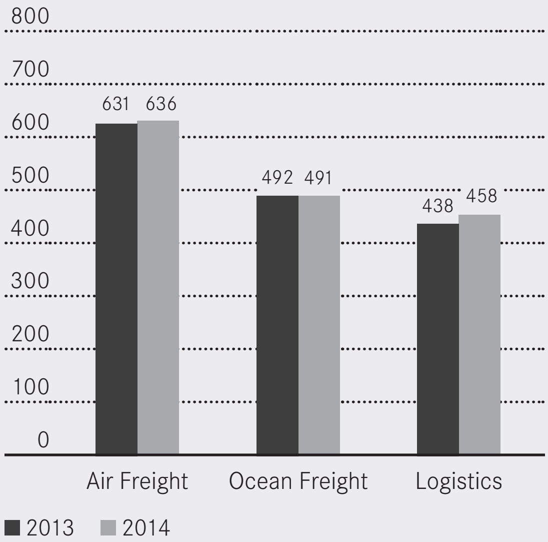
On a product level, net forwarding revenue in Air Freight increased 3 percent from CHF 3,056 million in 2013 to CHF 3,142 million in 2014. Likewise, in Ocean Freight, the company increased its NFR by 2 percent from CHF 2,781 million to CHF 2,835 million. In Logistics, NFR saw a decrease of 21 percent from CHF 921 million to CHF 730 million.

In 2014, the Panalpina Group generated 47 percent of its net forwarding revenue with Air Freight, 42 percent with Ocean Freight and 11 percent with Logistics.

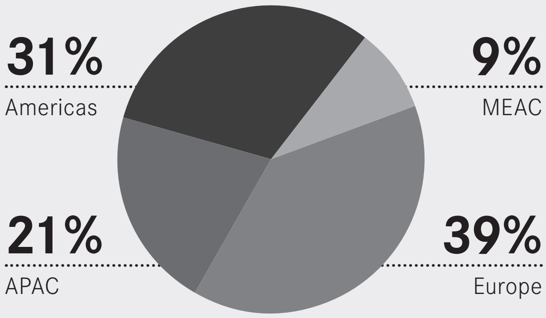
Gross profit by region
Million CHF



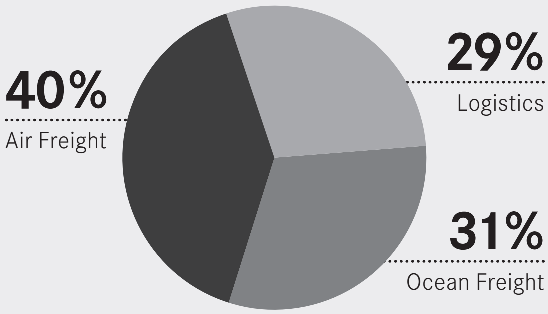
Gross profit by product
Million CHF



Gross profit by region
2014



Gross profit by product
2014



GROSS PROFIT (GP)

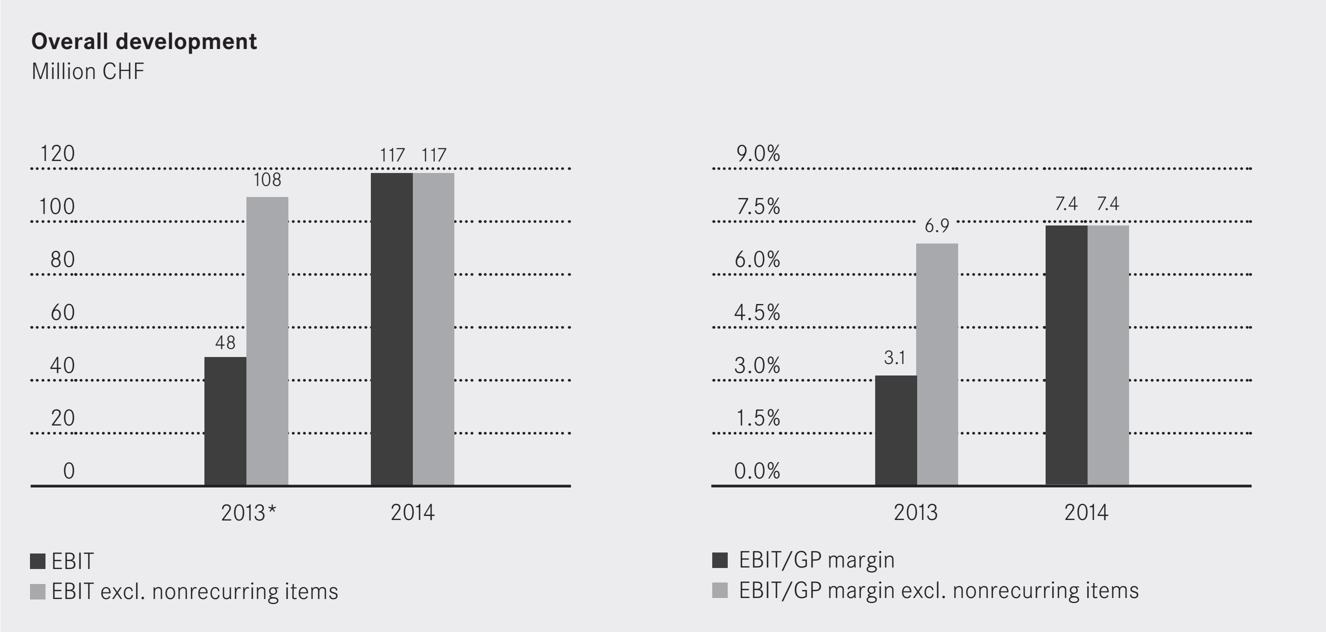
In the forwarding industry gross profit is considered a better measure of sales performance than net forwarding revenue as GP is less distorted by external factors such as movements in carrier freight rates and oil prices, which can materially inflate or deflate revenues.

Gross profit of the Group increased by 2 percent to CHF 1,586 million in 2014 (2013: CHF 1,561 million). The translation of foreign currencies into Swiss francs had a negative impact on the Group's GP in the amount of CHF 51 million or 3 percent, hence organic growth amounted to 5 percent.

With respect to regional performance, Europe remains the most important region for Panalpina in terms of gross profit generation. In 2014, while gross profit in Europe decreased by 5 percent to CHF 614 million from CHF 644 million in the previous year, in Americas, gross profit grew by 3 percent from CHF 473 million to CHF 486 million, APAC increased in gross profit of 9 percent from CHF 311 million to CHF 340 million, in the MEAC, gross profit grew by 11 percent from CHF 132 million to CHF 147 million.

In 2014, the Panalpina Group generated 39 percent of its gross profit in Europe, 31 percent in Americas, 21 percent in APAC and the remaining 9 percent in MEAC.

In Air Freight, Panalpina increased its tonnage by 4 percent or roughly 33,000 tons to a total of approximately 857,800 tons (2013: 825,100 tons), hence grew slightly ahead of the market. Increasing competitive pressure led to gross profit per ton of air freight decreasing by approximately 3 percent. In total, gross profit realized through Air Freight services posted a small increase of 1 percent from CHF 631 million in 2013 to CHF 636 million in 2014.



*In 2013, Group's reported EBIT of CHF 48 million included 60 million non recurring items for fines (CHF 40.9 million) and goodwill impairment (CHF 19.1 million).

In Ocean Freight, Panalpina's volumes grew by 7 percent – well ahead of the market which grew by about 4 to 5 percent – to reach a new all-time high of approximately 1,606,500 twenty-foot equivalent units or TEU (2013: 1,495,400 TEU). Gross profit per TEU came in below previous year's level and decreased by 7 percent. Gross profit generated through Ocean Freight services was CHF 491 million versus 492 million in 2013.

Gross profit in Logistics saw growth of 5 percent from CHF 438 million in 2013 to reach a total of CHF 458 million in 2014. The improved GP result was driven by a strong expansion of value-added logistics services. Furthermore, Logistics is in the middle of its portfolio transition and phased out nonstrategic locations.

In 2014, the Panalpina Group generated 40 percent of its gross profit with Air Freight, 31 percent with Ocean Freight and 29 percent with Logistics.

EARNINGS BEFORE INTEREST AND TAXES (EBIT)

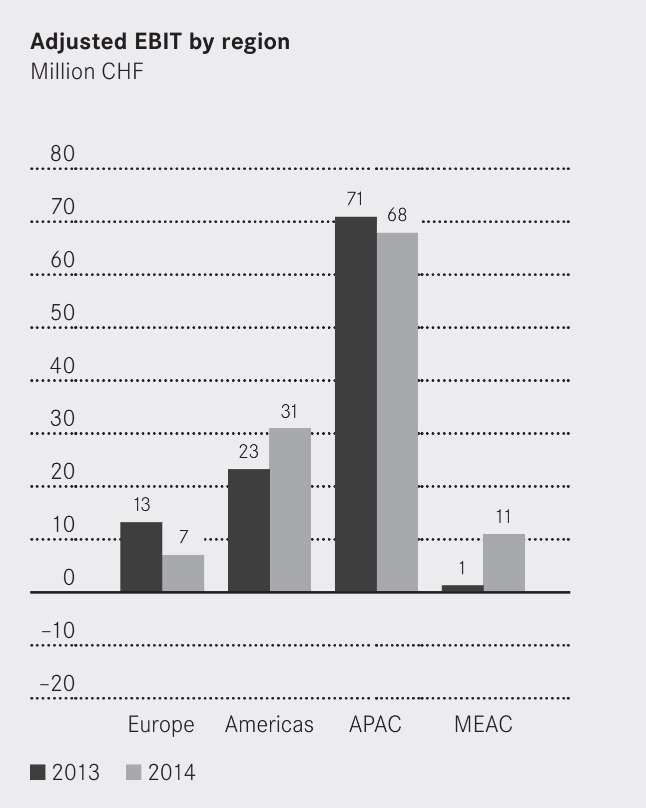
Management considers earnings before interest and taxes (EBIT) a key performance indicator for assessing the Group's operating performance. The Group's EBIT in 2014 amounted to CHF 117 million (2013: CHF 48 million). Panalpina achieved an EBIT/GP margin of 7.4 percent (2013: 3.1 percent).

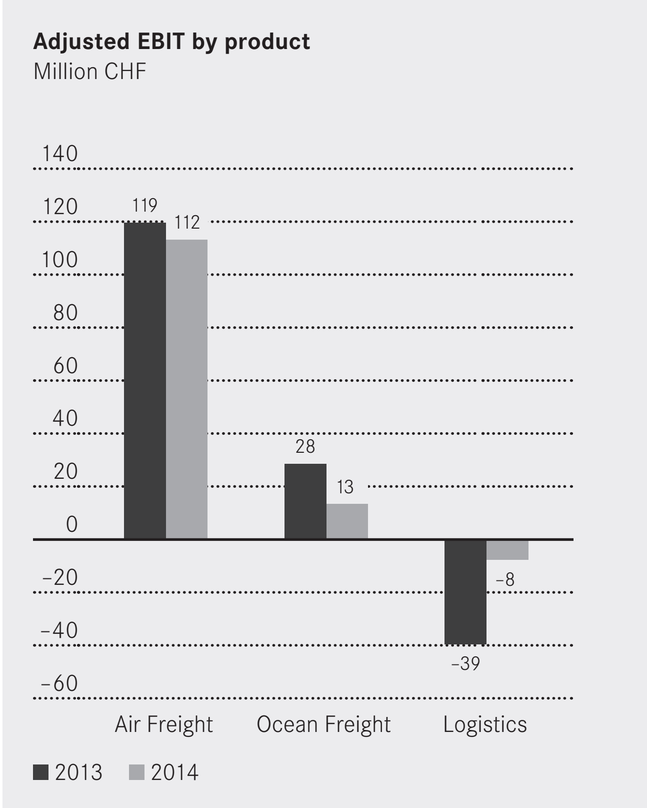
The two main items included in operating expenses – personnel expenses and other operating expenses – developed as follows:
- Personnel expenses amounted to CHF 977 million in 2014 and showed an increase of 2 percent from previous year (2013: CHF 960 million). The small increase was mainly a result of restructuring costs.
- Other operating expenses amounted to CHF 435 million in 2014 and thus came in approximately 1 percent lower compared to the previous year (2013: CHF 440 million).

Depreciation and amortization charges changed from CHF 53 million in 2013 to CHF 57 million in 2014. The increase of CHF 4 million was mainly related to the amortization of previously capitalized costs in connection with the SAP TM project. The SAP TM rollout in 2015 will increase expenses further.

With respect to regional EBIT performance, EBIT in Europe decreased from CHF 13 million in 2013 to CHF 7 million in 2014. EBIT in the Americas turned from CHF 23 million in 2013 to CHF 31 million in 2014. The largest contribution to Group EBIT comes from APAC with CHF 68 million in 2014 (2013: CHF 71 million). In MEAC, EBIT improved from CHF 1 million in 2013 to a positive result of CHF 11 million in 2014.

In the products, Air Freight delivered the highest EBIT with CHF 112 million, a decrease compared to the CHF 119 million achieved in the previous year. In Ocean Freight, EBIT decreased from CHF 28 million in 2013 to CHF 13 million in 2014. In Logistics, the EBIT result improved from a loss of CHF 39 million in 2013 to a loss of CHF 8 million in 2014.





BALANCE SHEET

Current assets

Panalpina's cash and cash equivalents amounted to CHF 372 million on December 31, 2014 and thus increased by CHF 35 million from the year before (December 31, 2013: CHF 337 million). The cash increase can mainly be attributed to a lower net working capital and higher profit.

Trade receivables and unbilled forwarding services decreased by CHF 27 million, from CHF 1,151 million at the end of 2013 to CHF 1,124 million at the end of 2014. The decrease can be mainly attributed to the decrease of turnover.

The net working capital intensity (defined as net working capital as a percentage of gross forwarding revenue) at the end of 2014 was 2.3 percent, compared to 2.1 percent (2.5 percent adjusted) a year earlier.

Noncurrent assets

Panalpina's non-current assets decreased by CHF 22 million and amounted to CHF 329 million on December 31, 2014 (December 31, 2013: CHF 351 million). The decrease can mainly be attributed to the decrease in capital expenditures.

Trade payables and accrued cost of services

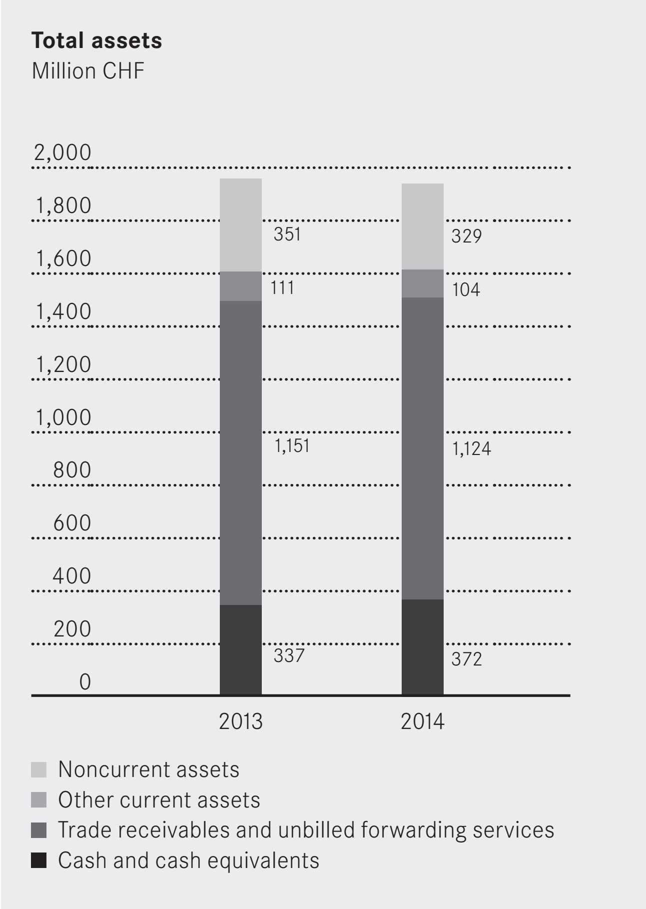
Panalpina's trade payables and accrued cost of services at year-end 2014 amounted to CHF 739 million compared to CHF 762 million at year-end 2013 and hence saw a reduction of CHF 23 million.

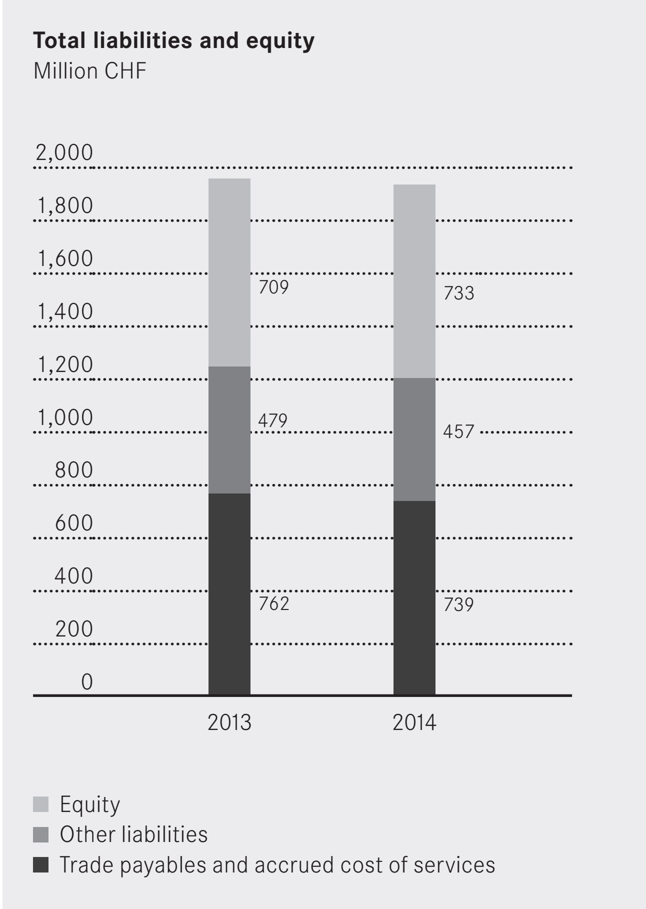
Other liabilities

Panalpina's other liabilities decreased by CHF 22 million from CHF 479 million at year-end 2013 to CHF 457 million at year-end 2014.

Total equity

Total equity increased by CHF 24 million during the reporting period, from CHF 709 million on December 31, 2013, to CHF 733 million on December 31, 2014.





CASH FLOW

Net cash from operating activities

Panalpina's net cash from operating activities in the reporting period amounted to CHF 123 million (2013: CHF 42 million). Major contributor to this development were the improvement of the net result for the period.

Cash flow from investing activities

Expenditures on property, plant and equipment decreased to CHF 19 million (2013: CHF 29 million). Capital expenditures in 2014 amounted to 0.7 percent of net forwarding revenue (2013: 0.8 percent), a figure which is in line with the company's long-term average. Overall, the net cash outflow from investing activities decreased from CHF 48 million in 2013 to CHF 36 million in 2014.

Cash flow from financing activities

The company paid an ordinary dividend amounting to CHF 52 million in 2014. The net cash used in financing activities thus increased from CHF 41 million in 2013 to CHF 55 million in 2014.

Net cash

Million CHF	DEC 31 2013	DEC 31 2014	DIFFERENCE %
Cash and cash equivalents	336.9	372.0	10
Other current financial assets	5.5	0.0	– 100
Short-term debt	– 3.1	– 0.5	– 83
Long-term debt	– 0.2	– 0.1	– 36
Net cash	339.1	371.4	10

Net cash increased by CHF 32 million during the year under review to CHF 371 million on December 31, 2014 (December 31, 2013: 339 million).

PERFORMANCE BY PRODUCT

Globally integrated supply chain solutions – Panalpina builds on its core products of Air Freight and Ocean Freight, together with value-added Logistics, to offer door-to-door supply chain solutions. In September 2014, Panalpina merged its Panprojects and Oil and Gas activities to create Energy Solutions, a specialized service for the energy sector.

AIR FREIGHT

Market situation

In 2014, the global air freight market grew by approximately 3.5 percent, compared to 1 percent in 2013. There was increased optimism in the market, as the air freight industry showed cautious signs of recovery. Load factors and yields stabilized and capacity and demand both grew. A significant part of the market growth can be attributed to the Asia Pacific region. From an industry perspective, the main growth drivers were technology and perishables. Major trunk lanes, such as the transatlantic trade lane, experienced a revival, whereas the growth of secondary lanes such as Asia to Latin America slowed down. Middle Eastern carriers steadily increased their market share. Due to the growing belly capacity of aircraft, the freighter share of global air cargo continued to decrease. Fuel prices were increasingly volatile.

Highlights

- Panalpina's Air Freight business grew slightly ahead of the market.
- Panalpina's PanFresh service for perishables saw increased growth in 2014 from South America to Europe and on Europe an outbound lanes. Part of the perishables cargo, such as asparagus and blueberries, is transported on their controlled air freight network, particularly from Mexico to Europe.
- The PanCool service for temperature-sensitive goods contributed significantly to Panalpina's Air Freight growth in the healthcare industry.
- Several PanBasic services with competitive rates were launched, notably from Europe to Asia.
- Air Freight achieved significant business wins in the industrial consumables sector in the Americas with major agricultural and automotive products companies.
- Panalpina received top honors for air freight from Lloyd's Global Freight Awards. Panalpina was acknowledged as Air Freight Provider of the Year 2014, recognizing the company's end-to-end capabilities.

Outlook

For 2015, Panalpina expects the air freight market to grow by 3 to 4 percent. Technology, perishables and industrial consumables are expected to drive growth in 2015. Airline rates are expected to stay the same or even increase in selected trade lanes, even though there is pressure on rates due to increasing belly capacity. Panalpina will continue to use its procurement power and leverage their controlled network, which provides access to freighter capacity when needed. Digitization will continue to improve productivity, with Panalpina leading the way in e-freight initiatives to reduce paperwork in air freight. Middle Eastern and Asian airlines will continue to accumulate market share, a trend from which Panalpina is well positioned to benefit, thanks to existing business and double-digit growth rates with these carriers.

OCEAN FREIGHT

Market situation

In 2014, the global market for ocean freight grew by 4 to 5 percent. The market continued to show a supply-and-demand imbalance, driven by overcapacities due to carriers injecting larger container ship capacities into global trade lanes. The resulting rate volatility increased, in terms of fluctuation and frequency. Overall freight rates settled at a higher baseline. The introduction of four new mega alliances enabled carriers to further optimize their networks, which had an impact on overall lead times. Continuous focus on strategic partnerships with core carriers remains a priority in this volatile market environment.

Highlights

- Panalpina's Ocean Freight business grew by 7 percent.
- Managed Solutions and freight management made the biggest contribution to Panalpina's growth in ocean freight. The investments

initiated in 2013 started to bear fruit and enabled Panalpina to win significant contracts in the automotive and retail industries.
- Panalpina strategically invested in the temperature-controlled segment with a specific focus on healthcare customers, expanding its Reefer-container services.
- In order to counteract port congestions and land infrastructure challenges, Panalpina has expanded its global intermodal capabilities.
- The continued focus on niche markets such as recycled materials paid off, notably on the Far East eastbound trade lane from Europe to Asia and resulted in overproportional growth versus the market development.
- Another milestone was reached in the development of Panalpina's global Less than Container Load (LCL) network, which is now operating 485 dedicated weekly services worldwide. Visibility is a key contributor to this success story and the introduction of the LCL Sailing Schedule provided customers with instant and up-to-date network visibility.

Outlook

In 2015, overcapacity and rate volatility are likely to persist. Global ocean freight market growth is expected to be 4 to 5 percent, with stronger growth in North America and a slightly softer performance by the European trade lanes. Panalpina is well positioned to manage the ever-changing ocean carrier environment, as well as the infrastructure challenges.

LOGISTICS

Market situation

In 2014, the market for Logistics remained strong. The trend is toward two segments: first for contract logistics warehousing services, which are becoming highly commoditized and competitive and second for customized solutions and specialist value-added services. Customers are increasingly looking for innovative partners who can be integrated into their supply chains, offer solutions that shorten lead times and help with inventory management and positioning.

Highlights

- The focus in 2014 was on turning Logistics around. Panalpina eliminated some of the legacy loss-making operations and contracts.
- Panalpina continued to focus on developing industry-specific solutions and reinforced the Logistics team with manufacturing professionals.
- Logistics Manufacturing Services (LMS) was further developed and expanded. As an extension to LMS, Panalpina introduced its first in-house electronic repair and diagnostic services.
- Panalpina's Logistics Excellence program LOGEX was accredited by Cardiff University's Lean Competence System (LCS). LOGEX has generated over 1,000 continuous improvement projects in Logistics globally.
- Panalpina opened a LEED (Leadership in Energy and Environmental Design) Platinum-certified hub near Tokyo, the highest rating for energy, water and environmental efficiency.
- Panalpina opened a 26,000 sqm facility in Singapore, combining five facilities into one.
- An Integrated Data Logistics Platform (IDLP) was created, enabling advanced information management services.
- Inventory forecasting techniques and data analytics were piloted in 2014, a direct outcome of Panalpina's research program with Cardiff University. The program is based on Demand-Driven Inventory Dispositioning (D2ID) and was started in 2012. In collaboration with Cardiff University, a research paper on redistributed manufacturing and Panalpina's LMS offering was delivered at the Cambridge University Global Manufacturing Symposium.

Outlook

The outlook for 2015 is positive. While Panalpina Logistics will continue to focus on optimizing costs of existing operations, it will put more emphasis on improving margins and on the product mix. LMS will gather momentum within the technology industry, notably around Semi-Knocked-Down (SKD) assembly, returns, repair and aftermarket services. Panalpina also plans to build on its fashion capabilities, offering together with Air Freight an end-to-end service for fashion companies.

Redistributed manufacturing, growing e-commerce and product customization, coupled with technology developments such as big data, the Internet of Things (IoT) and 3-D printing, will continue to influence Panalpina's service offering.

ENERGY SOLUTIONS

A new entity

Panalpina merged its Panprojects and Oil and Gas activities to create Energy Solutions. With more than 2,200 people in 50 countries, Panalpina has built the largest global team of industry specialists to serve customers better along the entire energy project life cycle: from exploration, construction and production to final decommissioning, Panalpina has established itself as a trusted advisor and partner to energy and extraction companies, EPC contractors, manufacturers and service companies.

The services of Energy Solutions are not only tailored to the energy industry; its experts serve customer groups across all industries wherever their specialized skills in noncontainerized, out-of-gauge and heavy-lift moves, project management, marine chartering and transport engineering are required.

Market situation

In 2014, energy exploration and production were under strong pressure. Geopolitics, instability in the Middle East and Northern Africa followed by the Ukraine crisis, international sanctions on Russia, a gas glut in the US and a drop in commodity prices and an unprecedented 50 percent dive in oil prices within less than six months were the main drivers. Customers continued to seek support to lower their direct spend and optimize their supply chains. At the same time, the market expects safe and compliant fulfillment and delivery as planned – with zero defects. Final investment decisions for certain mega projects, with up to 150 billion US dollars at stake, were put back on hold by oil and mining companies.

Ongoing key projects in the North Sea, Central Asia, Africa and Australia together with a strong performance from oil service companies secured a sound result for Panalpina Energy Solutions, despite the challenges in the drilling and deep water sector in the second half of 2014.

Highlights

- Successful merger of Panprojects and the Oil and Gas division, as energy companies have started to merge exploration, production, operations and capital projects.
- Panalpina received top honors for heavy-lift forwarding from Lloyd's Global Freight Awards. Panalpina Energy Solutions was acknowledged as Project/Heavy-Lift Forwarder of the Year 2014, for demonstrating logistics excellence on some of the world's most challenging projects.
- In 2014, Panalpina was active in more than 90 energy projects globally. One notable example was moving out-of-gauge oil platform equipment for a global energy giant. The job took place in South Korea and involved the transport of a 500 ton drilling derrick, standing upright, with the use of a 1,200 tons capacity floating crane, from Goije Island to Ulsan – in the midst of snow showers and strong winds. For its role in the project, Panalpina received the Project Forwarding Award of the British International Freight Association (BIFA).
- Panalpina won business from one of the top global oil field services companies, a major existing customer, to handle exports for them to the UK, Saudi Arabia, Russia and various Asian and Latin American countries. Satisfaction with past performance, active performance management, data management and on-time delivery were the customer's main reasons for selecting Panalpina.
- Panalpina saw strong development in the Middle East, despite challenging market conditions. Customers from the energy sector benefit from Panalpina's increased footprint in Africa with new offices in Kenya and Morocco (opening January 1, 2015).

Outlook

Commodity and oil and gas prices are expected to remain low, slowing down exploration and production, drilling and oil field services in the first half of 2015. Prices should stabilize by the second half of the year, albeit on a low level. Customers will count on Panalpina Energy Solutions to help them mitigate the impact of the low oil prices, control costs, reduce inventory and improve the supply chain to eliminate waste.

While Panalpina expects these developments to affect Energy Solutions, the customers' focus on costs will also create opportunities in reengineering supply chains end-to-end, outsourcing and shift of transport modes. Projects are likely to be delayed or canceled on short notice. Opportunities for growth exist in the Middle East, Kenya and Morocco.

PERFORMANCE BY REGION

Focus on growth and reduce complexity – Panalpina's operating structure is divided into four regional units. The regional set up is geared toward expanding into growth economies and increasing market share in established economies.

AMERICAS

Market situation

The overall market environment in the Americas region was soft. The Gross Domestic Product (GDP) of key countries such as Canada, Mexico and Brazil grew only modestly. However, the US economy gathered steam in the third quarter of 2014, with a GDP growth of 3.9 percent. In the first quarter of 2014, Panalpina's business with telecoms and consumer electronics customers benefited from the FIFA World Cup. The positive effect of this event on Brazil's overall economy ended in the second quarter of 2014. For the rest of the year, Brazil moved toward a recession, a trend that is likely to continue in 2015.

Highlights

- The Energy Solutions organization was successfully launched in the region, integrating Panprojects and Oil and Gas.
- Panalpina US completed a major outsourcing project for a luxury fashion customer, implementing wholesale, retail and e-commerce logistics solutions in Secaucus, New Jersey. Panalpina now manages the entire warehousing and distribution of luxury clothes and accessories for the customer in the US, across multiple retail channels.
- Panalpina won a major customer in the agricultural industry in Brazil. Panalpina will conduct customs brokerage for the customer and handle air freight for them on the US – Latin America route.
- The Logistics activities in the Americas were successfully turned-around.
- In the US, Ocean Freight operations were centralized in shared Business Service Centers in Charleston, Miami and Houston: The result was faster and more efficient operations, improving Ocean Freight's productivity.

Outlook

In 2015, growing and increasing gross profit is still the main challenge. The overall market environment will continue to be highly competitive and complex. Potential stumbling blocks are the US West Coast port gridlock, which will impede Transpacific development, the negative economic outlook in Brazil, the huge drop in oil prices softening Energy Solutions growth and unstable economies in Argentina and Venezuela. However, positive developments in Columbia, Peru and Mexico, benefiting from near-shorting manufacturing from Asia to Mexico, as well as GDP growth in the US, are expected to partly offset these challenges.

Key opportunities for 2015 include: enlarging Energy Solutions' footprint in Mexico, Brazil, Colombia, Peru and the US, expanding the controlled air freight network, developing a perishables segment and focusing on value-added logistics services such as Logistics Manufacturing Services (LMS) so as to better leverage the fashion hub in New York.

ASIA PACIFIC

Market situation

The general expectations of higher growth in 2014 in the major economies in the region – China, India, Japan and Singapore – did not materialize. GDP forecasts in these countries have contracted year-on-year in the wake of a weak global economy, political tensions and reduced consumer spending.

Despite the downward correction of GDP forecasts, the market conditions for freight forwarding and logistics in Asia Pacific remained positive. For Air Freight, 2014 was a year of recovery, as demand improved across major geographies in Asia, in particular in Greater China and Korea. While demand increased, supply of air cargo capacity was tighter than in the previous year. Many legacy carriers continued to reduce capacity, resulting in a general rate increase. The air freight end-of-year peak season in 2014 was much stronger than in 2013. In addition to the usual seasonality effect, the Transpacific route was affected by the conversion from Ocean Freight to Air Freight due to port congestion in Manila and the US West Coast. The Ocean Freight volume in 2014 was above expectation, due to inventory restocking in the technology, consumer and retail industries in the EU and the US.

The market for contract logistics in Asia Pacific evolved, supporting trends such as growing e-commerce and multichannel retailing. These trends compelled manufacturers, distributors and retailers to focus on supply chain management and improve product availability and fulfillment across different sales channels, with the support of their logistics service providers.

Highlights
- Air and Ocean Freight volumes grew above market.
- Panalpina Asia Pacific invested in structures and capabilities, laying the foundation for future growth: in Singapore, a trade management team with trade lane specialists was established to ensure efficient Ocean Freight operations and to manage market volatilities more efficiently.
- Charter flights out of Hong Kong were added to the Air Freight portfolio to alleviate the strong peak season of the Transpacific route.
- Ocean Freight continued to develop its end-to-end service proposition in China, across Southeast Asia and Oceania and further expanded its Managed Solutions offering.
- In Singapore, Panalpina opened two logistics hubs: a 26,000 sqm fashion logistics facility serving a variety of distribution channels and a regional distribution center for a telecoms manufacturer. The hubs provide a suite of value-added logistics services. Additionally Panalpina has extended several long-term contracts with medical equipment, engineering and manufacturing customers.
- Panalpina achieved excellence in operational logistics in China, Singapore and Vietnam, based on its proprietary LOGEX (Logistics' Excellence) methodology.
- A new hub in Auckland, New Zealand, was opened, strengthening Panalpina's end-to-end solutions proposition in the region including consolidation, deconsolidation and value-added services. The hub paves the way for increasing the number of LCL services to and from New Zealand.
- Energy Solutions activities were successful, particularly in Australia and Korea.

Outlook
For 2015, Panalpina anticipates volume growth in both Air and Ocean Freight. However, the demand for Air Freight will vary by trade lane, with weak economic conditions in Europe negatively affecting the Far East Westbound trade lane. The Transpacific trade lane looks more promising, with an expected recovery in demand. General airline cost recovery will put pressure on margins. Air Freight will continue to focus on increasing volumes and market share on the intra-Asia trade lane.

In Ocean Freight, the supply and demand imbalance will remain an issue. Growth is expected in Managed Solutions and improved trade management capabilities.

The geographic spread of Logistics hubs in the region will continue to evolve and new hubs will be developed closer to customers in China, Southeast Asia and Australia. Logistics expects profitability improvements due to stabilized operations and implemented LOGEX (Logistics' Excellence) initiatives.

EUROPE

Market situation
In 2014, the overall economic conditions in many European countries remained challenging, with very little organic growth from Panalpina's existing customer base. Due to the imbalance between supply and demand, Air and Ocean Freight rates continued to be extremely volatile. Panalpina's competitive environment remained fragmented with continued pressure on margins. To succeed in this context, Panalpina focused on turning around loss-making entities and on offering value-added services for customers, such as Managed Solutions in Ocean Freight.

Highlights
- The Perishables Industry Vertical was launched successfully in a number of countries.
- A number of documentation activities were transferred to Panalpina's Business Service Centers in Prague and Wuhan.
- Within Ocean Freight, the Managed Solutions offering was further enhanced, with an active sales pipeline and new customer wins, particularly in the consumer, retail and fashion industries.
- Ocean Freight ramped up the Reefer business, offering temperature-controlled transport of goods for the healthcare sector.
- The overland activities were streamlined across Europe.
- Logistics improved its bottom line by turning around loss-making facilities.

Outlook
The logistics and freight-forwarding market in Europe is expected to grow by around 4 percent in 2015, with a slow start at the beginning of the year. Controlling cost and growing the business will remain important priorities. Air Freight aims to improve profitability and will further promote the controlled network in the region.

Supply and demand imbalance, as well as rate volatility, will continue to be key issues in Ocean Freight. Key priorities in Europe for 2015 include the turnaround of a number of Ocean Freight organizations. The new set-up will promote profitable growth. Focusing on key countries, Ocean Freight plans to grow the Transatlantic, Middle East and Far East trade lanes. Developing value-added solutions, such as introducing Logistics Manufacturing Services (LMS), will be the objective of Logistics.

MIDDLE EAST, AFRICA AND CIS

Market situation
Market conditions continued to be mixed across Middle East, Africa and CIS (MEAC) in 2014. While Africa remained a continent with great opportunities for logistics providers, regional conflicts and falling oil prices slowed down business in some areas in MEAC. The low oil price and global sanctions imposed on Russia led to a sharp fall of the ruble, impacting importers and putting pressure on profit margins.

The economy in the United Arab Emirates (UAE) improved, triggered by confirmation as host of the 2020 EXPO and the consequential increase in property prices and construction. Dubai continued to show its competitive advantage as a strategic logistics hub. Shipping lines increased their capacity for African countries and regional airlines expanded wide-body and freighter services into Africa.

Highlights
- A number of loss-making countries were turned around.
- Panalpina set up legal entities in Morocco and Kenya (opening January 1, 2015) to support the growth strategy for this region. In both economies, opportunities for growth exist predominantly in the energy and infrastructure sectors.
- The warehousing, distribution and overland products developed well, capitalizing on emerging markets in Africa and Turkey and on the favorable geographic location of Panalpina's Dubai hub.
- Panalpina's Dubai Logistics center introduced value-added services, including repair services and reverse logistics for hi-tech products and semi-knocked-down (SKD) assembly for the telecoms industry.
- Panalpina introduced a number of LCL services, bringing the total to 24 LCL services in the region.
- The automotive, manufacturing and technology sectors showed double digit growth. The consumer, retail and fashion vertical won significant new business in Turkey, where Panalpina manages quality control services for its customers as part of its value-added logistics portfolio.

Outlook
Panalpina plans to enlarge its footprint in Africa and further expand in Saudi Arabia. In established countries growth is expected to continue. In Ocean Freight, Panalpina will focus on the trade lanes from Asia and Europe and further rollout its Managed Solutions capabilities. Air Freight's objectives in the region for 2015 are to develop the charter business and the perishables sector, end-to-end solutions and the controlled network. MEAC Logistics activities will further expand into Logistics Manufacturing Services (LMS) and the fashion industry and grow the warehousing, distribution and overland business in Africa.

GLOBAL NETWORK

Globally local – Panalpina's global experience supports its performance. With detailed knowledge of local markets and characteristics Panalpina's professionals deliver comprehensive door-to-door solutions every time.

Americas
2,251
Net forwarding revenue in million CHF
5,125
Full-time equivalent employees

Europe
2,597
Net forwarding revenue in million CHF
5,012
Full-time equivalent employees

Asia Pacific
1,327
Net forwarding revenue in million CHF
3,968
Full-time equivalent employees

Head Office
447
Full-time equivalent employees

Middle East Africa CIS
531
Net forwarding revenue in million CHF
1,628
Full-time equivalent employees

INDUSTRY KNOW-HOW

Customer focus and value-adding solutions – Panalpina provides logistics services tailor-made to each industry vertical. In 2014, Panalpina's industry experts focused on value-adding solutions. Putting the voice of the customer center stage, regular strategic engagement with customers was pivotal to industry-specific logistics solution design. In September 2014, Oil and Gas and Panprojects were merged to form Energy Solutions. For the performance of the Oil and Gas sector, please refer to Energy Solutions on page 19.

Panalpina will increase its footprint in two additional growth sectors, Perishables and Government and Defense in 2015. Bundling and building on existing capabilities, Panalpina will target these sectors as specialty industry verticals. Across all industry verticals, the focus will be primarily on the top 100 customers per industry, to increase Panalpina's share-of-wallet and profitability per customer.

TELECOM

Market situation

The rapid development of mobile communication and the Internet is a global phenomenon. Growth is fastest in China and India. Due to falling prices for handhelds, better usability and improved network coverage, mobile communication technology will soon be available to the majority of the world's population. Ericsson predicts that by 2020, 90 percent of the population over six years old will have a mobile phone and subscriptions will top 6.1 billion. Mobile video traffic will constitute 55 percent of all mobile data traffic.

Networks are becoming ever stronger, faster and more reliable. Telecom providers continue to invest in network infrastructure to support hyperconnected communities as well as develop the Internet of Things (IoT), where objects have unique identifiers and are capable of communicating with other objects via data transfer.

Highlights

Panalpina is well positioned to support these telecom investments, working closely with major network equipment manufacturers to facilitate their geographical expansion in Asia, Latin America and Africa. Our expertise is reflected in unique and custom-tailored solutions which make Panalpina a trusted partner to the industry. From cables to routers to big antennas, Panalpina moves the whole array of telecom equipment – even in remote and difficult terrain with challenging geography and infrastructure, for example in the Peruvian highlands.

Panalpina has established itself as a strong link in the value chain, supporting the industry-trend for near-shoring. When customers move the assembly of equipment into regions where demand is growing, they seek to reduce costs and risks and to improve service quality and customer satisfaction. Panalpina supports such moves with its in-country Logistics Manufacturing Services (LMS). These services typically include: inbound shipment of materials, inventory management, assembly, distribution and after-market services. Thanks to strong interest in and demand for this value-added concept, Panalpina has embarked on further expanding its services, in partnership with customers. In Latin America, Panalpina added LMS to its operations for a large telecoms company. Panalpina not only executes the final assembly of base stations, but takes full ownership of the whole process – from planning to quality control.

HI-TECH

Market situation

The technology for wireless communication and high-speed data exchange is increasingly available in more markets, with high growth in developing countries in Latin America, Africa and Asia. 4G and Long Term Evolution (LTE) standards have triggered the demand for more 4G-enabled smartphones and tablets. These devices will follow the usual hi-tech market mechanism: volumes will rise and prices fall, with Asian manufacturers at the forefront. Meanwhile, the system foundations for 5G mobile and wireless communications are being laid, to support the expected surge in mobile data traffic and in the number of connected devices.

A new wave of innovation is expected in the PC market: about 600 million PCs are more than four years old and are expected to be replaced soon. New PCs will be equipped with technology such as 3-D cameras with sensory input software that can recognize human faces. It is expected that these new devices will change the way computers are used. In the best case for PCs, there would be a significant wave of replacements, as users who spent on phones and tablets in recent years decide that they need to update their PC. The new features like touch or convertibility, as well as Windows 10, could make systems more versatile and appealing, along with lower prices. Going forward, as younger generations become more mobile and web oriented and emerging regions in particular prioritize converged devices, the PC market will continue to face tough competition and be more focused on replacements, with limited potential for growth, according to IDC.

For forwarders, the market conditions in 2014 remained tough: dimensions and weight continued to decrease in all product categories, from components to servers, meaning smaller and lighter cargo. Therefore offering efficient end-to-end logistics services that add value to customers' supply chains is becoming ever more important.

Highlights

In 2014, Panalpina's customer-focused services were used by global hi-tech companies in search of innovative solutions, reliability and visibility. From delivering high-value tablets from China's hinterland to the high street and transporting heavy equipment to semiconductor plants, to shipping components from Singapore to Brazil's assembly lines, customers always know the whereabouts of their goods.

Panalpina continued to build relationships with hi-tech companies of different sizes: the company is the supplier of choice, not only for major brands but also for makers of parts, accessories, manufacturers and traders.

Demonstrating its passion for solutions, Panalpina solved challenging situations, together with customers: for example, when an existing customer, a major PC manufacturer, encountered problems in one of its Chinese factories, leading to dispatch bottlenecks and the risk of losing sales, they asked Panalpina for assistance. Panalpina responded swiftly by placing a dedicated team on site to mitigate errors and to ensure speed of execution, quickly bringing the operation back to normal. Not a single shipment was held up and end-user satisfaction was maintained.

Customer focus

Regular engagement with hi-tech customers on all levels helped both sides to understand logistics needs in the common thrive for continuous improvement. Requirements discussed related to sales and operational planning accuracy, inventory levels, customs clearing processes and security. According to customers, competitive rates and good service are important, but a deep understanding of the customer's supply chain, business and culture is vital to build trust and a strong partnership. 2014 was another year in which customers awarded Panalpina as "Best Service Provider," acknowledging its top position as partner of tech industry's key players. Reasons for giving the award included Panalpina's ability to establish a strategic partnership based on innovation, its dedication, reliability and customer service.

HEALTHCARE

Market situation

In developed economies, healthcare markets were flat or grew by only 2 to 5 percent. In emerging markets, healthcare grew between 10 and 20 percent, fueled by an aging and growing population and by better access to medicines.

Pharmaceutical and medical device companies saw a wave of mergers and acquisitions. Expiring drug patents led to fiercer generic competition, increasing the cost pressure on drug manufacturers. Efficient end-to-end logistics solutions continue to become more and more important.

Highlights

In this changing market environment, Panalpina's healthcare operations grew substantially in gross profit and in net forwarding revenue. Panalpina won the biggest contract in its healthcare industry history to date and became the top logistics provider for a global healthcare company, managing almost 50 percent of their air and ocean freight volume. Panalpina also expanded its supply chain control services for its customers in this industry.

In line with the trend of shifting from air to ocean freight to reduce logistics spend, Panalpina won major ocean freight contracts and developed a Less than Container Load (LCL) multicountry reefer solution specific to the pharma industry, expected to go live in April 2015.

CHEMICALS

Market situation
Fueled by reduced feedstock costs and global GDP growth, the chemical industry is poised to continue its growth trend. Demand for both basic and specialty chemical products has increased as has the demand in the key industries they supply, namely agriculture, automotive, construction, consumer products, manufacturing, mining, pharmaceuticals, technology and textiles.

While still a price sensitive industry, demand for reliable, compliant and sustainable services has driven a value component through the chemical sector that extends well beyond transportation rates.

Supply management difficulties, such as port congestions (Manila and Hong Kong) and industrial strikes (US West Coast, Sydney, Manila) have increased demand for innovative logistics solutions, particularly in the chemicals industry. In addition, regional shifts in consumption, as well as in manufacturing, have companies reviewing their logistics and distribution strategies. As a result, the industry is placing increased value on global providers who can deliver unique solutions and end-to-end visibility. Included in this need are transportation services (with air/sea options), warehousing and managed third-party logistics provider (3PL) solutions.

Highlights
In line with heightened demand, Panalpina's Air Freight business for the chemicals industry grew in Asia, in both volume flown and gross profit. Additionally, inquiries for chemical warehousing were also on the rise, particularly in Singapore. Another highlight was the further development of Panalpina's door-to-door downstream lubricants supply chain offering. Ocean Freight's Managed Solutions were well received by chemicals companies, which need a logistics provider who can manage their high-volume container flow and improve visibility while keeping costs under control.

Panalpina has invested in its Chemicals' infrastructure, expertise and manpower with a renewed commitment to become a leader in chemical logistics. With this investment, Panalpina expects the Chemicals industry vertical to grow in 2015, both in gross profit and market share.

Customer focus
To achieve the projected growth in the Chemicals industry vertical, Panalpina is focused on delivering customer-specific Managed Solutions to its customer base. In support of this aim, customer-facing personnel have been trained to collaborate with customers to identify pain points and develop customized solutions to address these needs. Through ongoing reviews of supply chain performance measurements, the dedicated team will work with the customer to increase customer service levels, while addressing total costs through continuous improvement measures.

MANUFACTURING

Market situation
Panalpina's industry experts work together with manufacturing companies to streamline manufacturing supply chains, making them more efficient and responsive to changes in demand.

In 2014, the manufacturing industry's growth regions were Asia-Pacific and Mexico. Within the Asia-Pacific region, production is shifting to Southeast Asia, namely to Malaysia, Thailand and Vietnam. On account of increasing wages in China, North American manufacturers are relocating production from China to Mexico. As a result, they are boosting Mexico's economy and role as a trading partner. These shifts open up growth opportunities for forwarders such as Panalpina.

Highlights
The manufacturing industry continues to mimic logistics best practices from the automotive industry – to Panalpina's advantage. The expertise and experience gained in the automotive industry helps Panalpina to meet the manufacturers' demand for freight management and end-to-end logistics solutions. The demand for these "one-stop shopping" solutions from one logistics service provider – encompassing forwarding, warehousing, production and visibility tools – is rising sharply. This is due to the fact that manufacturers face cost pressures and aim to focus on their core competencies.

The 2014 highlights of Panalpina's manufacturing operations included the fast and profitable launch and growth of a global mining and machinery account. In addition, Panalpina has successfully developed a global cluster around agricultural companies to generate benefits for its customers. Internally, the restructuring of the manufacturing as well as the automotive organization has been completed, positioning Panalpina for new business opportunities in 2015.

AUTOMOTIVE

Market situation
The automotive industry's supply systems are complex: logistics service providers must carefully coordinate the delivery of components from suppliers across the globe to ensure a smooth manufacturing and assembly process. Panalpina offers automotive-specific logistics services covering the entire supply chain, from inbound production material to complete vehicles and aftermarket parts.

Highlights
Panalpina's automotive activities have maintained a slow but steady growth globally in 2014. As in manufacturing, the growth regions were Asia-Pacific and Mexico. Panalpina continued to focus on solutions selling, based on customer needs. Highlights were the launch of Panalpina's first large-scale freight management project for a global automotive supplier and the retention and growth of Panalpina's largest automotive customer. Furthermore, the growth in new customer accounts in the Asia-Pacific region is developing into the backbone of many of Panalpina's country organizations.

Customer focus
In line with the focus on solutions selling and in order to increase customer satisfaction, strategic performance reviews formed part of the quarterly business reviews for major customers. By the same token, Panalpina held a workshop with six major automotive suppliers in Shanghai. The workshop helped Panalpina's industry experts better understand and support the suppliers' current and future logistics requirements and to customize responses closer to their needs. Customer-specific supply chain analyses added value to quotations, a service much appreciated by customers.

CONSUMER AND RETAIL

Market situation
The consumer today is faced with more options than ever in a multichannel environment. In line with shifts in consumption patterns, e-commerce and innovations, the consumer and retail industry has to adapt to changing market conditions.

Highlights
For Panalpina it is important to meet the market trends and allow the voice of the customer to determine what value to deliver. During the last two years, several global consumer goods companies selected Panalpina as main supplier of air and ocean freight. Not only did they choose Panalpina because of its execution and transportation ability, but also because of the added value provided to customers. Two examples:

Supply chain optimization for one of the largest consumer corporations in the world: In 2013, Panalpina was awarded with global air freight for this customer, amounting to around 20,000 tons of air freight per year. The contract was given to Panalpina not only because of the ability to transport the customers' goods, but also because Panalpina was able to deliver an optimization program: alternatives to priority air freight are made available, if the volume exceeds a certain threshold. Combined with visibility regarding predetermined milestones, the optimization program ensures a cost-efficient air freight supply chain and enables the customer to make decisions early and to optimize their orders.

Order management for one of the largest do-it-yourself retailers in Scandinavia: the customer awarded Panalpina with inbound ocean freight volumes to Scandinavia, because Panalpina provides order management visibility and exception reporting on predetermined milestones. Thus, the customer is able to consolidate goods between vendors in Asia and to take upstream and quality supply chain decisions. At destination, enhanced visibility also allows planning for inbound freight.

Following a very successful 2013, Panalpina grew its consumer and retail air freight and ocean freight volume despite a challenging market environment in 2014. Growth was achieved, especially in Logistics and as a result of success stories in Asia-Pacific in particular. Overall, the focus on five selected strategic global accounts paid off.

Customer focus
To maintain the positive growth trend, a training program for the consumer and retail sales organization was launched, starting in the Americas region. The program is divided into strategy awareness and industry awareness, including customer participation with interactive sessions on customers' requirements for logistics solutions. Combined with roundtable discussions with customers, this initiative puts the voice of the customer at center stage, ensuring that Panalpina's solutions meet customers' needs.

Panalpina will continue to provide value-added solutions to consumer and retail companies in 2015 and 2016. In the consumer industry, the ambition is to become market leader for global freight management solutions. In the retail industry, Panalpina aims to be market leader for order management and buyers' consolidation solutions on strategic trade lanes.

FASHION

Market situation
Multichannel retailing, e-commerce and erratic consumer behavior make for a challenging environment for fashion companies, pressuring them to render supply chains more efficient. Fashion is a "fresh" market where goods need to arrive at the right time, in the right quantity, at the right place and at the right quality.

Highlights
The fashion industry is ever changing with increased global consumption, new brands in the market and new shopping channels. Trends are short-lived and preferences vacillate. To support customers as they navigate this multichannel environment, Panalpina offers upstream visibility solutions. Visibility allows customers to plan for urgent demand and to optimize deliveries to store shelves and other sales channels to reach consumers in time.

For example, Panalpina supplies one of the largest high-end fashion brands with an innovative end-to-end radio-frequency identification (RFID) solution: RFID enhances visibility, so that shippers can trace clothes and accessories at carton or item level. The solution also improves security – a major concern for high-value fashion labels – by making it possible to trace losses with high accuracy and thus also ensuring protection against loss of intellectual property. Maybe most importantly, RFID allows quick handling at destination, optimizing deliveries to stores and to consumers.

In 2014, Panalpina continued to grow in the fashion industry, outperforming the market by generating business from existing relationships with fashion brands and by providing value-added solutions.

Customer focus
Panalpina organized several roundtable discussions with fashion companies in 2014, leading to deepened relationships and value creation for the customers participating. Panalpina's fashion team will continue to invest in fashion roundtables, since they match future industry trends with logistics solutions development, for both the customers' and Panalpina's benefit.

In 2015 and 2016 Panalpina will continue its value-added approach to become a true end-to-end value provider in fashion logistics, while at the same time maintaining local competencies and customer care. To connect the dots between critical fashion markets and between production and consumption, Panalpina is developing strategic hubs for fashion competence.

COMPLIANCE

Performance, integrity and professionalism – Panalpina's core values are more than just words: they form the core of how the company conducts its daily business. Panalpina's challenge is to live these values every day.

The essence of Panalpina's ethics is captured in its Code of Conduct. This document, which is updated regularly, is the company's guide to doing business with integrity which, together with business-specific policies and local laws and regulations, acts as a compass helping the Panalpina team navigate the sometimes difficult choices faced in daily business.

Panalpina's Code of Conduct

All Panalpina employees are subject to the Code of Conduct and each is expected to understand and follow the Code. The Code itself outlines the philosophy of the company, the expectations of the management team, how violations of the Code are to be handled and the protections afforded to people who identify potential problems that require addressing.

Topics covered in the Code of Conduct include:
- Fostering a positive work environment, including issues of diversity, discrimination, fair employment practices and health and safety
- Conflicts of interest. Including outside employment and family and personal relationships
- Conducting business with integrity, including bribery, gifts, contributions and sponsorships, competition and antitrust and other compliance issues
- Financial integrity, including record keeping, responsibility of senior officers, insider trading and money laundering
- Protecting company assets and information, including physical assets, intellectual property and privacy
- Environmental protection, including compliance and proactive efforts to avoid undue impacts

Combating corruption

The commitment to core values extends throughout the business. Panalpina takes compliance with all applicable laws and regulations seriously. The company always seeks to avoid infractions and when issues are uncovered, takes steps to identify the root causes for such infractions. Corruption is not taken lightly. Panalpina has major operations in all parts of the world, including some where corruption is common and thus continuously monitors globally for ethics- and compliance-related issues and risks. Specific operational units and areas where Panalpina operates are regularly assessed for risks related to potential corruption using a comprehensive risk analysis methodology. Particular focus is given to geographical areas where risk exposure is deemed to be high. In 2014, on-site reviews were performed at Panalpina facilities in 30 countries and more than 300 subcontractors were subjected to detailed reviews of their business practices relating to ethics- and compliance-relevant issues.

Resources and trainings for compliance

Comprehensive training on corruption-related issues is provided to Panalpina employees, via an e-learning platform. In addition to web-based learning, on-site training programs are organized for the management teams. Panalpina's commitment to rooting out the causes and influence of corruption includes its nonengagement with political campaigns and referendums; as a matter of policy, Panalpina does not participate or contribute to political campaigns, candidates, or political parties.

EMPLOYEES

Fostering and developing talent – Sustainable success for Panalpina as a company is ensured by the talent and dedication of its employees. Training and development are the basis for continued improvement and robust management and IT systems and processes are the essential foundations upon which the system is able to work as an integrated whole.

In 2014, Panalpina welcomed a new Chief Human Resources Officer to the company while continuing its consolidation of the human resources (HR) organization and processes to reflect the changing business landscape and the corresponding need for a well-trained and committed workforce.

Strong foundations for human resources management
Four strategic priorities form the core of Panalpina's approach to human resources management:
- Identify, attract, manage and deploy required talent
- Propagate a sustainable high-performance organisation and workforce
- Develop leadership and other capability and competence requirements
- Design, implement and optimize HR processes.

These strategic priorities guide several key initiatives that are designed to strengthen the foundations upon which Panalpina's human resources management is based.

In 2014, the global deployment of an integrated human resources information technology platform was completed. The PanLink system creates one global and centralized HR system to

- improve data availability, quality and consistency throughout the enterprise
- to introduce greater transparency into people processes worldwide
- to provide the ability to quickly analyze data in order to improve business decision making.

PanLink will enhance the ability for Panalpina to manage its human resources functions strategically, by having the proper tools in place across all business units and geographies and will provide the management team with a global tool for executing the company strategy through objectives while also increasing efficiency by eliminating manual processes.

The human resources organization also continued key consolidation efforts to better support the new regional structure and the matrix organization. Four regional heads of human resources were installed, providing for an effective business partner structure at the regional and country levels and allowing for efficient and localized management of key human resource processes.

Panalpina's commitments to its team
A committed and engaged employee is one that is respected by management and peers, compensated fairly according to applicable laws and market norms and is given the opportunity for continued development and advancement during their tenure in the company. In return for these, an employee, regardless of rank or tenure is expected to carry oneself with integrity and honesty.
Panalpina's Code of Conduct outlines the expectations that the company has of its employees. All Panalpina employees are subject to this Code of Conduct and all are expected to understand and follow this Code and all applicable laws in their daily work.

At the same time, Panalpina's employees can expect to be treated fairly and with respect. For example, this extends to issues of discrimination, fair labor practicesand collective bargaining. As approximately 25 percent of Panalpina's employees are covered under collective bargaining agreements, the company complies with all applicable local laws and regulations regarding notice of operational changes at our facilities. Processes for employees to express concerns and/or file formal complaints are established and available for use. Typically, employees will first make their concerns known at the local facility level. If they cannot be resolved locally, they are then escalated to regional and ultimately corporate level. In 2014 there were 23 complaints about labor practices or discrimination that were brought to the attention of Panalpina's senior management and satisfactorily resolved.

Another factor that contributes to a high-performing workforce is that it recognizes issues regarding gender balance and equal treatment in the workplace. On the whole, Panalpina has a rather balanced representation of men and women, 53 percent male versus 47 percent female globally, balanced relatively equally across age groups. While there is certainly geographic variability in the gender representation, these figures reflect the opportunities that the company provides to its employees regardless of gender.

A critical element of Panalpina's commitment to fairness and transparency extends to how it recognizes and rewards performance. All employees are given regular performance reviews and in 2014, a global grading system was rolled out to ensure consistency and fairness of compensation. Salary ranges and a bonus target policy have been made available and the company is working to have them implemented in all countries in the midterm.

Workforce development and training

Training and development are critical cornerstones for Panalpina's success. In order to succeed in a highly dynamic, demanding business environment, employees must be equipped with the latest information and skills. Panalpina has a long-standing commitment to providing extensive training and development opportunities to its employees at all levels in the organization.
As a clear example of this, Panalpina is an organization that is organized according to the principles of a "matrix" organization. This enables the company to further its strategic goal of joint decision making between the products and geographies. In 2014, the company rolled out training specifically to address these objectives to the top managers to ensure that this information is shared throughout the organization.

Other training programs in 2014 included 29 employees participating in Navigating our Future, Panalpina's global talent program for high potential employees in mid senior positions who are willing to consider international careers. 440 employees participated in over 2,000 training hours across the Middle Management programs covering subjects of communications, empowerment, performance management and leadership. Over 200 participants attended Basics of Finance which was redesigned to reflect the new financial reporting system that was implemented in 2014. A new suite of programs titled "the Art of Delivery" in collaboration with the Royal Academy of Dramatic Arts and The Storyboard Approach were piloted to help employees hone their business presentation skills.

The Sales Academy continued rollout across the regions with a focus on consultative and value selling in order improve the skills of Panalpina's front-line sales team to drive greater value for its customers. In 2014, PanAcademy Online, Panalpina's e-learning platform, remained the main source of virtual learning for over 15,500 employees with 60 learning units offered in more than 15 languages. These learning units cover subjects such as the company's strategic environmental PanGreen initiative as well as operations, air, ocean and logistics competence, compliance and refresher courses on the Code of Conduct and anticorruption. Additionally, 2014 saw the expansion of PanFilms, the company's in-house portal to disseminate key strategic messages and product information across the globe.

The company also worked to recognize the potential of employees for future success by conducting "Talent Reviews" to calibrate the performance and potential of employees, to identify talent and to agree on succession plans and development actions for senior management. Such reviews have been conducted on all organizational layers. In addition to this, through a collaboration with an external partner, Panalpina conducted fourteen leadership assessments to identify potential replacements in senior management positions.

Looking ahead

In 2015, Panalpina will continue to build a stronger talent pipeline, with a high focus on young graduates, professional at early stages of their careers and exchange program and by intensifying collaboration with business schools and other talent suppliers. The PanLink rollout will continue, focusing on establishing an effective support structure, building strong data quality and basic analytics and include the deployment of additional modules such as learning management and time management. In 2015, the next employee engagement survey will be conducted to acquire data regarding the attitudes of employees and to understand better where opportunities for improvement lie. Efforts will be made to upgrade the skill set of human resource managers to support the transformation towards partnering on all organizational layers and supporting organizational changes. Lastly, the company aspires to building a strong "employer brand" to increase employee attraction through various methods, including leveraging social media activities for proactive recruiting of potential employee candidates.

INFORMATION TECHNOLOGY

Drivers for excellence – The ability to collect, process, analyze and present information quickly and accurately enables Panalpina to maximize revenue, reduce costs and provide a world-class service to the customers.

Information technology provides the foundation to deliver exceptional service to customers and to operate businesses efficiently. This is accomplished by building efficient infrastructure and providing tools that foster information exchange, productivity and innovation across all operations. An example of this is the globally rolled-out human resources platform PanLink, which provides new connectivity and data availability across the organization. Also in 2014, a new greenhouse gas calculator was deployed, allowing Panalpina in its PanGreen program to quickly and efficiently provide customers with information about the greenhouse gases emitted as a result of shipments made on their behalf.

Upgrading transportation management systems

The continued deployment of the transportation management system (SAP TM), which is part of Panalpina's larger Operations Transformation Program (OTP), is on track and expected to be completed in 2016. The new system will streamline and make Panalpina's freight-forwarding infrastructure more efficient, supporting the OTP's overall goal of increased efficiency and improved bottom-line performance. The pilot of the new, SAP-based global finance system was successfully deployed in Switzerland and the project is on track for deploying it further to the next wave of countries in early 2015.

World-class supply chain solutions

Further investment was made in Panalpina's customer systems' visibility (inventories, freight invoices) and execution (e.g. e-booking, e-billing) capabilities which not only provide the customers with value, but also help drive internal productivity. With the add-on myPanalpina+ we have complemented myPanalpina with two external tools from JDA and LOG-NET. These strategic partnerships are enabling us to deliver a comprehensive suite of powerful modules. Both software companies are market leaders and offer enhanced capabilities for advanced supply chain solutions from purchase order and freight management to system-based transport optimization, network modeling and reporting and analytics.

Security and privacy

Information security, privacy and data system resilience are topics of utmost importance to Panalpina. In recent years, the IT infrastructure has been strengthened by replacing and upgrading security technology and by updating the Panalpina Information Security Policy, which outlines to employees the expectations and requirements that the company has regarding the security of IT assets. Awareness campaigns and mandatory e-learning modules support these efforts. 2014 saw the completion of investment in the strategic upgrading of Panalpina's datacenter facilities to significantly improve resilience and disaster recovery capabilities.

Sustainable information technology

The IT infrastructure also contributes to Panalpina's overall sustainability efforts, as efficient equipment has enabled Panalpina to continue to reduce the energy and greenhouse gas footprint of its IT data centers. Furthermore, virtualization of servers has helped to significantly reduce the power consumption.

The information technology team continues to improve customer-facing systems to handle information and data efficiently. Sustainable practices such as e-billing and e-booking and paperless shipments, made possible by the advanced IT infrastructure, benefit both customers and employees by reducing the volume of paper usage. These initiatives ensure the alignment of IT with overall business goals and a commitment to sustainability.

SECURITY

Dedication to security – Panalpina Security provides strategies that help identify, respond to and mitigate security risks throughout complex global supply chains. Panalpina works closely with customers to produce the proactive security solutions that are necessary to manage risks in today's ever-evolving logistics world.

In 2014, Panalpina continued to add value for its customers through a variety of new and ongoing initiatives that provide enhanced security solutions throughout the world. Safeguarding customer assets during transportation is a priority that has recently been improved by real-time third-party shipment monitoring in Europe and Latin America and the use of security escorts and armored transports in South Africa and Latin America. These services reduce the threat of compromised shipments and better enable the recovery of stolen goods.

Enhanced security systems
Panalpina improved the integrity of its own security processes by upgrading its internal Security Risk Assessment tool to more efficiently record security data from facilities, identify anomalies and implement additional security measures throughout the supply chain network. The implementation of a new global incident management system streamlines processes, increases transparency and achieves synergies between operations, products and supporting services.

Sharing experiences in trainings
To align Security with other operational processes, Panalpina has developed a two-hour training curriculum for sales personnel, which incorporates security concepts and takes measurements during customer interfacing to support the organization's goals. Further support was provided to the organization's marketing, sales and account management efforts by using the Security team's structure, expertise and initiatives to add value for our customers and to differentiate our organization from that of our competitors. This includes devising effective and customized security solutions for specific countries, markets and operational setups by aligning them with inherent security risks and threats (per country, region, etc.).

Cooperation with subcontractors
This commitment to security mindfulness has also been exemplified by the development of a program for our subcontractors to raise awareness of the dangers drivers face during transport. Created in 2013, the Drivers Security Awareness Program positively reinforces vigilance among our subcontractors. This integration of Security's presence has allowed Panalpina to further distinguish itself from other providers.

QUALITY

Ensure excellence – Panalpina has a singular focus on understanding the needs of its customers and delivering the highest quality service. The company continuously evaluates customer's needs and satisfaction levels and constantly adjusts its portfolio of products to meet their requirements.

Panalpina's approach to quality management is based on its comprehensive Integrated Management System (IMS). This system, which includes global certifications according to ISO 9001, 14001 and OHSAS 18001 frameworks, supports the improvements in quality and sustainability services and helps ensure that Panalpina employees take ownership for the overall satisfaction of customers. Moreover, the management system complies with and supports, a range of international certifications and specific national or international legal requirements, such as C-TPAT, CSI /AMS and Aviation Security legislation.

Good Distribution Practices
In 2014, Panalpina made the decision to invest in global e-learning training and certification regarding Good Distribution Practices (GDP), a framework particularly important to customers from the pharmaceutical industry. The GDP guidelines specify requirements for how medicinal products within the healthcare global supply chain are transported, stored and ultimately distributed. In 2015, 1,500 employees will participate in an e-learning training concept and modules in order to ensure that Panalpina adheres to the new GDP rules.

Regular audits and root cause analysis
Panalpina's Integrated Management System is regularly reviewed by senior management to ensure optimal alignment with overall corporate goals and strategies and to improve the quality of the system itself, as well as the quality of products and services provided to customers. The internal audit function at the company independently, systematically and regularly reviews the management system. It also compares all the instructions defined in the system to the processes as they are performed in the day-to-day business of Panalpina and all its associated organizations. In addition to the efforts of the internal audit team, in 2014 much emphasis was placed on the findings and corresponding corrective actions based upon an audit by an external consultant. To ensure ongoing compliance with all applicable rules and regulations, Panalpina facilities were subjected to 117 audits by external inspectors and 131 audits by internal audit teams.

When incidents occur, Panalpina has a clearly defined set of processes to handle and analyze the incidents and to ensure that similar issues do not arise in the future. In 2014, Panalpina placed great emphasis on training and deployment of root cause analysis and Corrective and Preventive Action (CAPA) processes. When nonconforming incidents do occur, these must be reported in the Panalpina global Incident Handling Tool (IHT). This tool supports the incident-solving process and allows automatic action triggering and notification by the concerned parties. The appropriate teams then perform a thorough root cause analysis and CAPA process, to be able to identify potential weaknesses in the system and initiate corrective actions at the appropriate scale.

Continuous improvement
Another key quality-focused program at Panalpina is the Continuous Improvement Program (PanCIP). PanCIP is the embodiment of the approach and commitment to continuous improvement of the quality of all processes, products and services. The framework helps structure the daily task of checking operational processes, identifying problems and making improvements. The objectives of the program are to improve the level of quality and customer satisfaction throughout the whole Panalpina Group, by increasing overall competence and efficiency. It also creates transparency and enables the team to actively manage processes and shift from emergency planning to longer-term, more strategic activities.

Part of the approach to continuous improvement at Panalpina includes a focus on loss prevention and streamlined claims handling. In 2014, Panalpina sought to improve upon reporting incidents of theft, cargo damage and/or misrouting through the IHT system by identifying and correcting the causes and working the customers to resolve such claims efficiently. Metrics regarding such claims are monitored regularly; by crosschecking any claims with Panalpina's legal team, conducting corrective and preventative actions where appropriate, Panalpina can drive future improvements in performance.

Improving project management – PanPM
The PanPM program aims to further improve and professionalize project management within Panalpina. It is designed to improve the management and delivery of services to customers through well-trained PanPM champions deployed in every area and at every corporate level of Panalpina. The PanPM champions help to improve the management of projects and thus the quality, in a lasting and sustainable manner. The group of PanPM champions form an expert network in the company, empowering members of the staff and implementing guiding standard procedures, including usage of the software platform AtTask, for project management.

HEALTH AND SAFETY

Safe and successful – No single issue has a greater impact on performance and Panalpina is committed to giving the highest level of attention to health and safety awareness and training. Last year Panalpina was successful in achieving all of its 2014 health and safety performance targets.

Taking our role seriously
Panalpina's commitment to the highest level of health and safety performance is demonstrated by its global certification to the standards of OHSAS18001. One of the first major logistics companies to receive such certification globally, this demonstrates that the company has adopted the strong risk-based and data-driven management systems needed to identify and control health and safety risks, reduce the potential for accidents and proactively improve overall health and safety performance, year over year.

Health and safety performance
In 2014, Panalpina saw across-the-board improvements in its health and safety performance. Incidents that required any kind of medical treatment or resulted in missed work days decreased appreciably. Reported near misses increased, as did violations of health and safety requirements by subcontractors. However, much of that can be attributed to ongoing efforts to increase reporting of such incidents, rather than increases in their occurrence. Inspections increased significantly in 2014, indicating again the increased vigilance Panalpina is giving to the health and safety of its workplaces.

As an example of the successes enjoyed in 2014, Panalpina was the main contractor in the ATLAS project, an intensive effort to move an entire airport in Qatar, most of which within an 18-hour time window. Despite the complexity of the move and the short time window for the move, the team was able to execute the project without a single injury or incident relevant to health and safety.

Workplace health and safety
In Germany, programs were offered to employees regarding stress management, smoking cessation and ergonomics. Health and safety campaigns in Poland focused on workplace safety in warehouses, training regarding wellness and the safe transport of cargo. In the Netherlands there was an awareness campaign for staff on how to recognize a stroke or heart attack. In addition to regular training programs, Panalpina's Ghana facility introduced "Monthly Safety Moments," an e-mail campaign aimed at briefing the staff on basic health and safety tips within and outside the workplace. This past year, in the United States, Panalpina health and safety teams received training in federal OSHA rules and guidelines and implemented new programs on blood-borne pathogens and lock-out/tag-out techniques.

A culture of safety
Safety in Panalpina's storage facilities is not only to protect the physical well-being of employees and contractors, but it is also to adhere to various laws and regulations regarding workplace safety. The International Air Transport Association (IATA) and the International Marine Organization (IMO) are just two of the many organizations whose standards Panalpina must comply with. For example, only qualified workers are allowed to lift, shelve and store cargo in Panalpina's or subcontractors' warehouses using state-of-the-art equipment.

Employee behavior and an openness to acknowledging issues as they arise also has a strong impact on occupational health and safety. Panalpina's long-running program called O.O.P.S. (Observation of Performance Standard) encourages staff to freely report any concerns or incidents regarding health and safety or compliance with workplace safety standards and regulations. Panalpina can quickly identify any potentially systemic safety issues and through its Safety Alerts System, notify all facilities globally, to prevent similar incidents from occurring elsewhere.

Training and preparedness
Some of the work that Panalpina performs around the world has the potential to be quite dangerous if not executed carefully and with the proper equipment and training. Only qualified and competent personnel are allowed to perform tasks, all Panalpina employees are informed about the hazards of the work they are asked to do and they are provided with the highest quality safety equipment necessary. In the case unexpected events do occur, Panalpina has comprehensive emergency readiness and emergency response plans in place.

In 2014, Panalpina implemented a program where all health and safety managers will be trained according to the standards set by the Institute for Occupational Safety and Health. This rigorous program, hosted by the British Safety Council, covered a comprehensive range of health- and safety-related subjects including risk assessment, identifying hazards and measuring performance. Participants were required to develop a risk assessment plan and take a final examination. Panalpina is one of the only logistics providers to implement such a systemic and standardized level of training in workplace health and safety, which ensures a consistently high level of organizational competence among the health and safety team.

Good housekeeping
Panalpina utilizes a data-driven approach to identify opportunities to proactively improve upon its health and safety performance. For example, this past year a "Good Housekeeping" campaign was carried out at its offices and warehouses. Staff were shown the benefits of a clean and orderly workplace and how through proper maintenance and organization, many common yet easily preventable workplace accidents could be avoided.

In the logistics industry, a common source of accidents and injuries relates to the use of forklifts. In 2014, Panalpina implemented a forklift safety campaign, which included a comprehensive presentation from the health and safety management team, to ensure that all operators of forklifts are properly trained and that the equipment was being adequately maintained. As an added incentive, Panalpina provided a donation to UNICEF for each inspection performed, further motivating the employees to participate and widening the interest in the campaign to staff not normally engaged with forklift-related issues. In one 24-hour period, almost 1,000 equipment inspections were performed worldwide at Panalpina facilities, with results being displayed in real time on the Panalpina intranet.

Health campaigns
Panalpina's health campaigns are always well-received and popular morale boosters among the employees. Campaigns are offered at Panalpina facilities around the world and cover a variety of topics, with information and trainings about issues such as ergonomics, cardiovascular health, hygiene, physical activities, weight management, etc. Vendors are frequently invited to come on site and showcase their services including massage, dentistry, health clubs, weight loss, biometric screenings, chiropractors, acupuncture and dermatology screenings for skin cancer, etc.

ENVIRONMENT

Environmental performance – Panalpina's environmental programs are coordinated under the umbrella of its PanGreen programs. Started in 2013, PanGreen consists of a comprehensive portfolio of programs to monitor, improve and communicate Panalpina's commitment to environmental protection to its stakeholders.

Commitment to improvement
Effective environmental management systems provide a framework for constant awareness of impacts and enable an organization to recognize opportunities for improvement, even in the context of unknown circumstances and a rapidly changing business landscape. Since the introduction of PanGreen and even before, Panalpina has had comprehensive management systems (including ISO14001) in place that have allowed them to maintain a coordinated overview of the company's impacts and the opportunities to make improvements.

An indicator of these improvements is the steady increase in scores that Panalpina has received from the Carbon Disclosure Project (CDP), the world's leading platform for disclosures of corporate greenhouse gas inventories and management approaches. Starting in 2008, when Panalpina first participated in the CDP, it has steadily improved upon the scores it has received each year. This recognizes improvements in disclosures of emissions and increased transparency regarding the systems and processes designed to impact greenhouse gas emissions.

Another demonstration of improvement in environmental performance is the 2014 opening of a new warehouse, GLP Misato III, in the Saitama Prefecture, Japan. This facility is certified at the highest platinum level of the LEED (Leadership for Energy and Environmental Design) rating system. The five-story, state-of-the-art logistics facility in Greater Tokyo includes 94,718 square meters of floor space and is equipped with dual ramps allowing service vehicles to drive up to each floor – demonstrating the effectiveness of land use in a country where land is limited. Business continuity and environmental awareness are also key features for GLP Misato III. The property is equipped with seismic isolators that absorb 75 percent of all shock caused by earthquakes and other amenities including LED lighting, solar panels, green parking spaces and emergency sewage systems that ensure business continuity in case of natural disasters, while also creating a comfortable working environment for the Panalpina team. The facility was the first logistics facility in Japan to be awarded LEED Platinum.

Working with stakeholders
Increasingly, Panalpina's customers are asking for the company's cooperation and collaboration in helping them understand the impacts of the shipping and logistics services that Panalpina provides on their behalf. In 2014, the company began automatically calculating customers' greenhouse gas emissions from the transport services they use based on the reporting standard EN 16258. This recently introduced European standard includes upstream emissions from fuel production, other greenhouse gases besides CO_2 and energy consumption. Panalpina's state-of-the-art tool will run more accurate reports for customers so they can develop effective strategies to reduce the environmental impact of their global transport chains.

Panalpina's system calculates emissions for each shipment including pre- and on-carriage movements based on distance, weight, transport mode and the type of vessel or aircraft. The latter can usually be derived from flight numbers. For air freight, the actual routing – this can involve several airports – is used. For ocean freight, the ship size and speed reductions are considered. Distances are calculated using comprehensive GIS (Geographic Information System) data. Besides worldwide up-to-date road networks, this database also contains the geographic coordinates of over 100,000 airports and ports.

Engaging employees
In 2014, Panalpina organized its first Global Environment Day, a company-wide day for the entire Panalpina organization to celebrate the company's achievements in environmental stewardship and to provide opportunities for the Panalpina team to participate in environmental initiatives at the local facilities and in the communities where they operate.

Global Environment Day took many different forms at each Panalpina facility. Some Panalpina teams planted trees, while Panalpina Canada organized an entire environmental week celebration with environmental film viewings, e-mail campaigns and the distribution of LED light bulbs. In Ecuador, employees calculated their environmental footprint and learned about ways that they could minimize their environmental impacts in their daily lives. The Panalpina teams in Congo and Qatar organized photography contests and the team in Ghana learned about the potential savings from shutting off unused electronic devices. India held a salad-making contest and the Indonesia facility worked with its vendors to help them identify opportunities for energy savings.

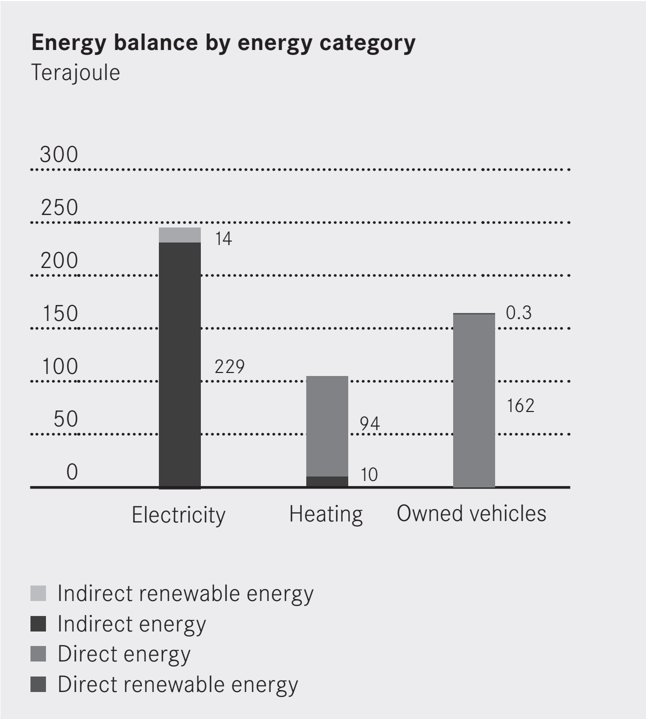
Other activities that engaged the Panalpina team across the company in 2014 included the “Thinking Green Awards” in Brazil, battery collection efforts in France and Mexico and water reduction efforts in many facilities including the United States, Mexico and the Czech Republic.

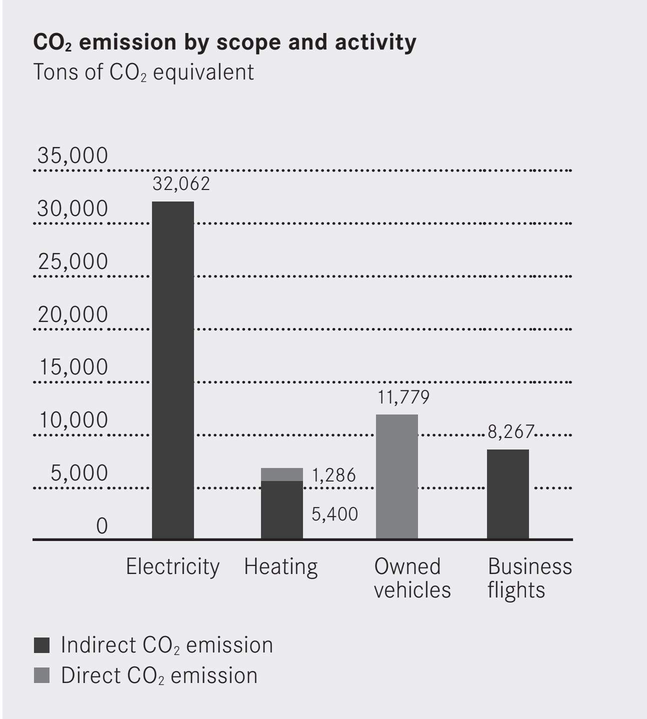
Metrics for 2014

In general, environmental metrics for 2014 showed across the board improvements relative to 2013. Total electricity consumption across the company decreased slightly and the energy used for heating Panalpina facilities decreased more significantly by 14 percent. The decrease in heating energy was primarily due to climatic conditions in several key locations where winter temperatures were more moderate than usual. Vehicle fuel consumption decreased slightly by 6 percent. Overall CO_2 emissions decreased by 8 percent, with most of that decrease attributable to a stricter travel policy that limited air travel, which thus reduced air-travel-associated emissions. Scope 2 emissions from indirect energy usage decreased slightly between 2013 and 2014. In 2014, there were 3.7 tons of CO_2 equivalent emissions per full-time equivalent employee versus 4.1 tons per FTE in 2013, a reduction of 9 percent.

Other environmental indicators routinely collected include paper consumption, which decreased by 8 percent despite increased business activities and water consumption, which decreased by 9 percent primarily due to weather and climatic conditions in the areas of key Panalpina facilities.

The table on the next page gives an overview of the environmental performance figures collected in 2014 across Panalpina’s global internal operations.





ACTIVITIES [1]	PERFORMANCE INDICATOR	UNIT	2013	2014
ENERGY AND CO_2				
Electricity	Consumption	Terajoule	248	244
Heating	Overall consumption	Terajoule	121	104
District heating	District heat	Terajoule	15	10
Vehicle fuel	Consumption [1] (Panalpina-owned and lease vehicles only)	Terajoule	174	163
CO_2 emissions [2]	Total emissions	Tons	63,398	58,793
	- Direct (Scope 1)	Tons	18,654	17,179
	- Indirect (Scope 2)	Tons	34,267	33,348
	- Indirect (Scope 3, business air travel [3])	Tons	10,478	8,267
	- Relative emissions per FTE	Tons/FTE	4.0	3.7
MATERIALS				
Paper	Consumption	Tons	1,055	967
Water	Consumption	$m^3/1000$	431	394

[1] Panalpina-owned and lease vehicles only
[2] CO_2 emissions were calculated according to guidelines of the Greenhouse Gas Protocol. Emission factors for direct emissions were taken from IPCC, 2006. Emission factors for indirect emissions were taken from the International Energy Agency (IEA) and from the UK Department for Environment, Food and Rural Affairs (Defra).
[3] Indirect emissions from subcontracted transportation are also significant. Yet, calculation of these emissions has only started in 2014. In addition, CO_2 emissions from subcontracted transportation are driven primarily by customer demand and requirements whereas emissions from business travel may be influenced by travel policies. Therefore only the latter is presented here.

SOCIAL COMMITMENTS

A responsible community approach – Panalpina is committed to making positive impacts in the communities where it operates. In 2014, Panalpina flew UNICEF relief goods to Sierra Leone. Panalpina's regional business units were involved in many local projects and support various programs that further educational opportunities for local residents or improve the surrounding environments.

Flight for UNICEF

One of the charitable activities in 2014 included a collaboration with the United Nations Children's Fund (UNICEF) to support the fight against the global Ebola crisis. On December 16, a donated Panalpina flight departed from Luxembourg to deliver nearly 80 tons of vital supplies to community centers in Sierra Leone. Relief goods such as masks, clothing, tents, food and medicine will greatly benefit patients and malnourished children in this heavily affected region.

Supporting community health

In Thailand, Panalpina employees conducted a drive to collect scrap aluminum to support the donation of an artificial leg to a person in need. The Panalpina team in Peru participated in a bottle collection drive to raise funds for a school to be able to provide breakfast for its students and promote healthier eating habits.

Educational programs

In 2014, Panalpina employees in Brazil developed a campaign to collect the e-waste produced by Panalpina and its staff when computers and network equipment are replaced. More than 270 pieces of equipment were collected and donated to Oxigenio, an organization that uses the electronics to teach local youth about the computer maintenance profession. The recycled equipment collected was then distributed to public schools.

Environmental improvement

Various Panalpina teams participated in landscaping activities in hopes of building a sustainable future for the children of tomorrow. In Japan, more than 200 books were collected and donated to a charity organization to raise money to plant trees locally. In conjunction with the Garden City Fund charity, Panalpina Singapore employees planted 22 trees. Panalpina Prague also co-organized an event with Sázíme Stromy to plant trees on the premises of an elementary school to help create a healthy environment for students and neighborhood residents. This also contributed to the ecological awareness of children attending the school. These trees were marked with a sign indicating they had been planted by Panalpina volunteers.

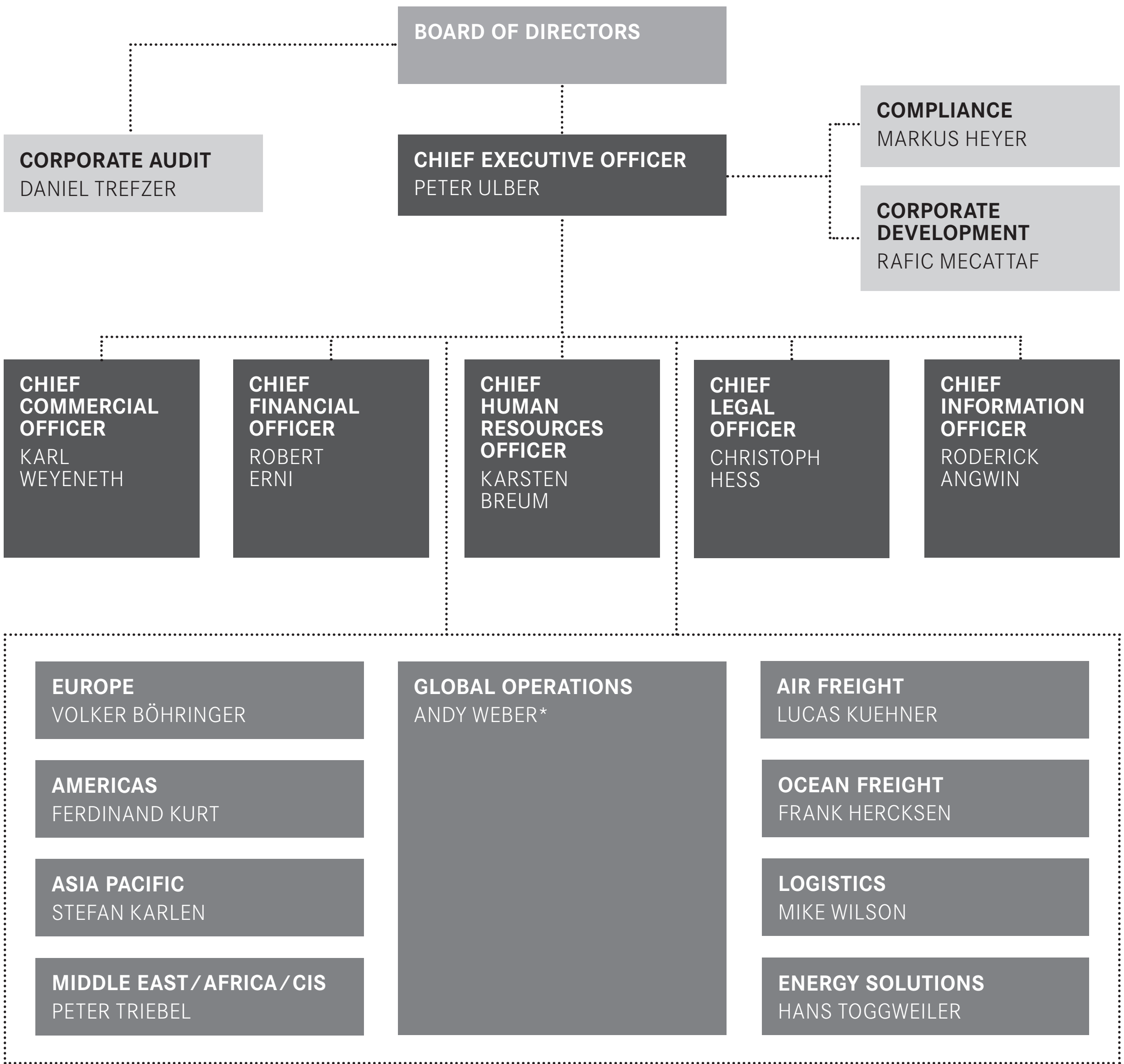
In Malaysia, the Panalpina team participated in a beach cleaning and volunteered at the Padang Kemunting Turtle Conservation Center, where they helped clean the hatching area for baby turtles and also collected a sizable cash donation to support the operations of the facility.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE

Panalpina is committed to a transparent management structure that is governed by international principles. This Corporate Governance Report complies with the Directive of the SIX Swiss Exchange and therefore provides investors with the corresponding key information.

GROUP MANAGEMENT STRUCTURE



Executive Board

\+ Executive Committee (ExCom)

* ExCom member as of January 1, 2015.
Sven Hoemmken, Head of Sales, served as ExCom member until December 31, 2014.

1 GROUP STRUCTURE AND SHAREHOLDERS

1.1 GROUP STRUCTURE

1.1.1 Operational group structure

Panalpina's business activities are primarily regionally oriented. The operating structure is divided into the following four regional segments:
- Americas (North, Central and South America)
- Asia Pacific
- Europe
- MEAC (Middle East, Africa and CIS)

Secondary, the business activities are subdivided into the following business segments:
- Air Freight
- Ocean Freight
- Logistics (value-added services, distribution solutions)

Supplementary information can be taken from the segmental reporting section of the Consolidated Financial Statements (pages 71 – 144).

1.1.2 Listed companies within the scope of consolidation

Panalpina World Transport (Holding) Ltd. (PWT), the ultimate holding company of the Panalpina Group, is the only listed company within the scope of consolidation. PWT has its registered office in Basel, Switzerland. The PWT shares are exclusively listed on the SIX Swiss Exchange. The market capitalization on the closing date amounted to CHF 3.17 billion (23,750,000 registered shares at CHF 133.50 per share).

The PWT shares are traded under Valor no. 216808, ISIN CH0002168083, symbol PWTN.

1.1.3 Nonlisted companies within the scope of consolidation

The main subsidiaries and associated companies are disclosed in the Consolidated Financial Statements (pages 71 – 144) itemized by registered office, nominal capital, equity interest in percent, investment and method of consolidation.

1.2 SIGNIFICANT SHAREHOLDERS

On December 31, 2014 the Ernst Göhner Foundation, Zug, Switzerland, is the main shareholder of PWT, with an equity participation of 45.9 percent.

Cevian Capital II Master Fund LP held a share capital of 12.3 percent on closing date. Other significant shareholders according to their most recent disclosure notices are Artisan Partners Limited Partnership (≥10 percent) and Janus Capital Group (≥5 percent). During the reporting year the following disclosure notices (listed by shareholders and transaction date) were filed on the SIX online publication platform:

Artisan Partners
17.03.2014 change in group composition (9.27 percent)
26.09.2014 increase of share ownership to 10.05 percent

Janus Capital Group
21.10.2014 increase of share ownership to 5.04 percent

1.3 CROSS-SHAREHOLDINGS

No cross-shareholdings exist between PWT and any other company.

2 CAPITAL STRUCTURE

2.1 CAPITAL

On the closing date, the ordinary share capital of PWT amounted to CHF 2,375,000 and is divided into 23,750,000 registered shares, with a nominal value of CHF 0.10 each.

2.2 AUTHORIZED AND CONDITIONAL SHARE CAPITAL

The extraordinary Shareholders' Meeting of PWT held on August 23, 2005 agreed with the Board of Directors' proposal to create an authorized share capital up to a maximum aggregate amount of CHF 6,000,000 by issuing a maximum of 3,000,000 registered shares with a nominal value of CHF 2.00 each. At the Shareholders' Meeting of May 10, 2011 the authorized share capital was renewed at the same value until May 2013. At the Shareholders' Meeting of May 8, 2012, the authorized share capital was reduced in conjunction with the reduction of the share capital (see section 2.3 below) to a maximum aggregate amount of CHF 300,000 by issuing a maximum of 3,000,000 registered shares with a nominal value of CHF 0.10 each. At the Shareholders' Meeting of May 15, 2013, the authorized share capital was renewed at the same value until May 15, 2015.

The Board of Directors is authorized to exclude the preemptive rights of shareholders and to convey them to third parties, provided that such new shares are to be used for the takeover of entire enterprises, divisions or assets of enterprises or participations or for the financing of such transactions. The Board of Directors has not yet made use of this authorization.

No decision has been made regarding the creation of conditional capital.

2.3 CHANGE IN CAPITAL OVER THE PAST THREE YEARS

At the Annual General Meeting of May 8, 2012, the share capital was reduced from CHF 50,000,000 to CHF 2,375,000 by way of cancellation of the repurchased 1,250,000 shares and further reduction of the nominal value per share from CHF 2.00 to CHF 0.10 each. No changes were made during the reporting year.

2.4 SHARES AND PARTICIPATION CERTIFICATES

On the closing date, 23,750,000 fully paid-in PWT registered shares with a nominal value of CHF 0.10 each were issued. On this date, no participation certificates were issued.

2.5 DIVIDEND-RIGHT CERTIFICATES

On the closing date, no dividend-right certificates had been issued.

2.6 LIMITATIONS ON TRANSFERABILITY AND NOMINEE REGISTRATIONS

2.6.1 Limitations on transferability for each share category; indication of statutory group clauses and rules for granting exceptions

Acquirers of PWT shares are entered into the share register as shareholders with voting rights upon provision of proof of the acquisition of the shares and provided that they expressly declare that they hold the shares in their own name and for their own account.

The Articles of PWT specify that any shareholder may exercise voting rights to a maximum of 5 percent of the total number of shares recorded in the commercial register. This limitation for registration in the share register shall also apply to persons who hold shares fully or in part through nominees within the meaning of the Articles. Furthermore, this limitation for registration in the share register also applies to registered shares that are acquired through the exercising of preemptive rights, warrants and conversion rights. The Board of Directors is empowered to allow exemptions from the limitation for registration in the share register in particular cases.

The Articles make provision for group clauses.

The limitations on transferability do not apply to the shares held by the Ernst Göhner Foundation because it held PWT shares prior to the implementation of the limitations (so-called grandfathering).

2.6.2 Reasons for granting exceptions in the year under review

No exceptions were granted during the reporting year.

2.6.3 Admissibility of nominee registrations; indication of any percent clauses and registration conditions

The Articles of PWT specify that the Board of Directors may register nominees with voting rights in the share register up to a maximum of 2 percent of the share capital recorded in the commercial register. Nominees are persons who do not expressly declare in their application that they hold the shares for their own account and with whom the company has entered into an agreement to this effect.

The Board of Directors is empowered to register nominees with voting rights exceeding 2 percent of the share capital recorded in the commercial register as long as the respective nominees inform PWT of the names, addresses, nationalities (registered office in the case of legal entities) and the shareholdings of those persons for whose account they hold 2 percent or more of the share capital recorded in the commercial register.

The Articles make provision for group clauses.

2.6.4 Procedure and conditions for cancelling statutory privileges and limitations on transferability

A resolution of the General Shareholders Meeting of PWT on which at least two-thirds of the voting shares represented agree is required for any abolition or change of the provisions relating to transfer limitations.

2.7 CONVERTIBLE BONDS, WARRANTS AND OPTIONS

There were no convertible bonds outstanding on the closing date.

The only issued options relate to the share and option participation program (Management Incentive Plan, MIP) and are for currently 747 senior managers of Panalpina. As of 2009, the Board of Directors and the Executive Board have been excluded from participation in this program. As of 2011, the options under the MIP program have been replaced by a free share ratio scheme. Please refer to page 58 – 69 of the Compensation Report.

3 BOARD OF DIRECTORS

3.1 MEMBERS OF THE BOARD OF DIRECTORS

At the Annual General Meeting of May 9, 2014, Rudolf W. Hug, Beat Walti, Ilias Läber, Chris E. Muntwyler, Roger Schmid, Hans-Peter Strodel and Knud Elmholdt Stubkjær were reelected to the Board of Directors for a one-year term.

On the closing date, the Board was composed of seven persons.

Three members of the Board of Directors (Rudolf W. Hug, Roger Schmid and Beat Walti) are also members of the Board of Trustees (Stiftungsrat) of PWT's main shareholder, the Ernst Göhner Foundation.

Ilias Läber is a member of the Board of Directors of Cevian Capital AG, the Swiss office of PWT's second largest shareholder.
The biographies of the members are as follows:

Rudolf W. Hug, Chairman. Swiss citizen. Born in 1944. Reelected in 2014 (until 2015).

Rudolf W. Hug holds a PhD in law from the University of Zurich and a MBA from INSEAD, Fontainebleau (France). In 1985, he participated in the Executive Program of the Graduate School of Business at Stanford University. From 1977 to 1997, he worked in several positions for Schweizerische Kreditanstalt (today Credit Suisse). During the period from 1987 to 1997, he ran the international division and served as a member of the Executive Board of Credit Suisse and Credit Suisse First Boston. Since 1998, Rudolf W. Hug has been active as an independent management consultant.

Rudolf W. Hug has been a member of the Board of Directors since 2005 and was appointed Chairman of the Board of Directors on May 15, 2007 following the retirement of his predecessor.

Beat Walti, Member of the Board of Directors since 2010. Swiss citizen. Born in 1968. Reelected in 2014 (until 2015).

Beat Walti holds a PhD in law from the University of Zurich. From 1998 to 2001 he was working as a consultant and engagement manager with McKinsey & Company in Zurich. In 2001, he was a co-founder and project manager of a start-up company in the healthcare sector. Since 2002, Beat Walti is a lawyer with Wenger & Vieli in Zurich specializing in corporate, commercial, contract, competition and antitrust law. He became partner with Wenger & Vieli in 2007 and used to be the firm's managing partner from 2012 to 2014.

Ilias Läber, Member of the Board of Directors since 2013. Swiss citizen. Born in 1974. Reelected in 2014 (until 2015).

Ilias Läber holds a Master of Science from ETH Zurich and a PhD in Finance from the University of Zurich. From 2001 to 2008, Ilias Läber worked at McKinsey & Company, ultimately as an Associate Principal. During this time he was responsible for projects in the area of operational improvement and corporate finance for midsized and multinational companies in Europe, the US and South America. In 2008 he joined Cevian Capital AG. In his role as Partner and Managing Director he is responsible for Cevian's Swiss office and investments in Switzerland and England.

Chris E. Muntwyler, Member of the Board of Directors since 2010. Swiss citizen. Born in 1952. Reelected in 2014 (until 2015).

Chris E. Muntwyler attended the School of Commerce in Zurich and completed various executive programs at Harvard University, IMD in Lausanne and at the Wharton University. From 1972 to 1999 he held several positions at Swissair, until 1981 in various leadership functions in the Marketing Division, in 1982 as General Manager Marketing and Sales Scandinavia and from 1986 for North America. In 1990, he took over the responsibility for the global Price and Distribution Policy and was then leading the development and introduction of the new Group IT strategy. Before leaving Swissair at the beginning of 1999, he was Vice President Global Distribution. From 1999 to 2008, Chris E. Muntwyler held several executive positions at DHL Express, in 1999 as Managing Director Switzerland, in 2002 as Managing Director Germany, in 2003 as Chief Executive Central Europe, and in 2005 as Chief Executive United Kingdom.

Today Chris E. Muntwyler is President and CEO of the management consulting company Conlogic AG.

Roger Schmid, Member of the Board of Directors since 2003. Swiss citizen. Born in 1959. Reelected in 2014 (until 2015).

Roger Schmid holds a university degree in law as well as a PhD in law from the University of Zurich. From 1991 to 1995, he was Legal Counsel and Director at Bank Leu (today Credit Suisse). Roger Schmid works as an Executive Director of the Ernst Göhner Foundation.

Hans-Peter Strodel, Member of the Board of Directors since 2010. Swiss citizen. Born in 1943. Reelected in 2014 (until 2015).

Hans-Peter Strodel holds a PhD in economics from the University of St. Gallen. From 1969 until 1974 he was an executive assistant at Maschinenfabrik Benninger und Heberlein AG. From 1975 until 1994, he held several positions at the Oerlikon-Bührle Group, in 1975 as Head of Planning and Marketing in Italy, and from 1980 as Head of Finance at Werkzeugmaschinenfabrik Oerlikon-Bührle AG and Oerlikon-Contraves. From 1995 until 2008, Hans-Peter Strodel was CFO at Schweizerische Post.

Knud Elmholdt Stubkjær, Member of the Board of Directors since 2011. Danish citizen. Born in 1956. Reelected in 2014 (until 2015).

Knud Elmholdt Stubkjær holds a shipping degree from the Mærsk International Shipping Academy, supplemented with various executive programs, e.g. from IMD and INSEAD. From 1977 through 2007, he held various positions within the A.P. Møller-Mærsk Group, including a number of postings in Asian and European countries. This included positions as Head of Mærsk Line United Kingdom, President of Mærsk K.K. Japan, CEO A.P. Møller-Mærsk Singapore and Regional Manager A.P. Møller Group Asia / Oceania / Middle East. In 1999, he became Head of Mærsk container business worldwide, based in Copenhagen, and the same year became one of five partners in the A.P. Møller-Mærsk Group. In 2008, he became partner in the E.R. Capital Holding Group in Hamburg, serving as CEO of one of its subsidiaries, E.R. Schiffahrt GmbH, a leading maritime service provider within container, bulk and offshore shipping. Since July 30, 2012, Knud Elmholdt Stubkjær is acting as CEO and CSO of Carrix Inc., Seattle, Washington.

All the members of the Board are non-executive members and do not actively perform any managerial functions at PWT or any of the Group companies. Nor have they held any executive positions within the past three years prior to this reporting year. None of the members of the Board of Directors has a substantial business relationship with PWT or any of its group companies.

3.2 OTHER ACTIVITIES AND VESTED INTERESTS

Rudolf W. Hug, Member of the Board of Trustees (Stiftungsrat) of the Ernst Göhner Foundation, Zug (Switzerland), Vice Chairman of the Board of Directors of Deutsche Bank (Schweiz) AG, Geneva (Switzerland) and Member of the Board of Trustees of the Ernst von Siemens Musikstiftung, Zug (Switzerland).

Beat Walti, Chairman of the Board of Trustees of the Ernst Göhner Foundation, Zug (Switzerland) and a member of the National Council (Swiss Federal Parliament).

Ilias Läber, Managing Director of Cevian Capital AG, Pfäffikon (Switzerland).

Chris E. Muntwyler, Member of the Board of Directors of Austrian Post in Vienna (Austria) and of National Express Group PLC, London (United Kingdom).

Roger Schmid, Member of the Board of Trustees and Executive Director of the Ernst Göhner Foundation, Zug (Switzerland).

Hans-Peter Strodel, Member of the Board of Directors of Skyguide, Meyrin (Switzerland).

Knud Elmholdt Stubkjær, Member of the Board of Directors of various Carrix, Inc.-related entities.

Other than these, the members of the Board of Directors do not hold other material offices, nor do they carry out any other principal activities that affect the Group.

3.3 ELECTIONS AND TERMS OF OFFICE

3.3.1 Principles of the election procedure and limitations on the terms of office

The Articles of PWT do not make provision for the general renewal of office for the Board of Directors. The members of the Board of Directors are elected at each General Meeting of Shareholders with a one-year period of office. They may be reelected at any time. The Organizational Regulations of PWT specify an age limit of 72 years for the members of the Board of Directors.

3.3.2 The first election and remaining term of office for each member of the Board of Directors

The timing of the first election and the remaining term of office for each member of the Board of Directors is specified under section 3.1.

3.4 INTERNAL ORGANIZATIONAL STRUCTURE

The Board of Directors is responsible for the ultimate management of the company and monitoring of the Executive Board. It represents the company externally and is responsible for all matters which have not been transferred to another executive body of the company by the Swiss Code of Obligations or the Articles. In line with the Articles, the Board of Directors has established Organizational Regulations that transfer certain management responsibilities to the Executive Board.

3.4.1 Allocation of tasks within the Board of Directors

The Chairman of the Board of Directors is elected at each General Meeting of Shareholders with a one-year period of office. The Vice Chairman is appointed by the Board of Directors. The Chairman (in his absence the Vice Chairman) directly supervises the business affairs and activities of the Executive Board and is entitled to regularly attend Executive Board meetings. The Corporate Auditor as well as the Corporate Secretary, in his capacity as secretary to the Board of Directors, are directly subordinated to the Chairman of the Board of Directors.

3.4.2 Member list, tasks and areas of responsibility for each committee of the Board of Directors

Three committees exist under the Board of Directors.

The Audit Committee consists of the following members of the Board of Directors: Hans-Peter Strodel (Chairman), Ilias Läber and Roger Schmid. The Audit Committee supports the Board of Directors with the review of the company's financial statements, the supervision of the financial accounting standards and reporting, the review of the effectiveness of the Internal Control System and with the efficiency of external and internal audit procedures, including risk management. The Audit Committee reviews the consolidated annual financial statements as well as the published interim financial statements and submits an application to the Board of Directors for approval. It regularly maintains contact with the Group Auditors and the Corporate Auditor. On this basis, it adopts the detailed reports of the Group Auditors and semiannual reports of Corporate Audit. It is therefore in the position to audit the quality, effectiveness and interaction between the control systems, to determine the audit priorities, to introduce proposed measures and to monitor their implementation. The Audit Committee determines the organization of Corporate Audit, adopts the internal audit charter and approves the annual planning and scope of internal audit.

In the field of risk management, the Audit Committee approves the detailed and weighted risk map of the Executive Board, adopts the necessary measures for risk control and risk mitigation and reports the respective outcome to the Board of Directors on a yearly 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 subsequent approval by the Audit Committee, contains risks identified and assessed by the respective corporate functions, Regional Management, Corporate Audit and the Group Auditors. The Group's key risks are annually reported to the Board of Directors.

During the reporting year the Audit Committee held five half day meetings. During Audit Committee meetings, direct discussions took place with representatives of the Group Auditors and Corporate Audit. Representatives from the Group Auditors were present at three of these meetings and the Corporate Auditor (being a permanent participant at the Audit Committee Meeting since August 2010) attended all of the above-mentioned meetings. At these meetings, the Executive Board was regularly represented by the CEO, the CFO and the Corporate Secretary.

The Compensation and Nomination Committee consists of the following members of the Board of Directors: Rudolf W. Hug (Chairman), Chris E. Muntwyler and Knud Elmholdt Stubkjær. The members of the Committee are elected at each General Meeting of Shareholders with a one-year period of office. It monitors the selection process for members of the Board of Directors, the Executive Board and other selected senior management positions, determines the overall remuneration and terms of employment for members of the Board of Directors and the Executive Board as well as remuneration bands for highly compensated employees. Regarding the compensation of the members of the Executive Board, the Committee makes a decision subject to the final approval of the Board of Directors; applications for the compensation of the Board members are decided by the Committee and shared with the Board of Directors. Each year the Committee decides on the bonus compensation for the CEO and the other members of the Executive Board for the previous year, based on recommendations of the Chairman (for the CEO) and the CEO (for other Executive Board members). Furthermore, the Committee regularly reviews the Board Stock Award Plan, the Executive Board Mid-Term and Long-Term Incentive Plans and the Group's Management Incentive Plan and submits proposals for final approval to the Board of Directors. Moreover, it approves concepts and policies for the Group's management performance assessment, succession planning and expat programs.

During the reporting year, the Compensation and Nomination Committee held four meetings of approximately two hours each. The Executive Board was regularly represented at these meetings by the CEO, the Chief HR Officer and the Corporate Secretary.

The Ethics and Compliance Committee consists of the following members of the Board of Directors: Rudolf W. Hug (Chairman), Roger Schmid and Beat Walti. It oversees the company's Business Ethics Program. It has also monitored Panalpina's adherence to the Administrative Agreement with the US Department of the Air Force which has expired in the reporting year. It further monitors the handling of major legal matters, including the pending antitrust investigations and related proceedings as well as the development of the company's compliance policies and procedures.

During the reporting year, the Committee has held three meetings. The Executive Board was represented at these meetings by the CEO and the Corporate Secretary.

The Committees generally meet prior to Board of Directors meetings. The chairmen of the committees inform and update the Board of Directors on the topics discussed and decisions made during such meetings. They submit proposals for approval related to decisions that fall within the scope of the Board of Directors.

Objectives, organization, duties and the cooperation with the Board of Directors are defined in the Terms of Reference of the respective committees which are reviewed and adopted by the Board of Directors.

The overall responsibility of the Board of Directors is not affected by these committees.

3.4.3 Working methods of the Board of Directors and its committees

During the reporting year, the Board of Directors held four full-day meetings. The Executive Board was represented by all its members at these meetings. In urgent cases, telephone conferences are organized in order for decisions to be taken.

At every meeting, the Executive Board updates the Board of Directors on business and key financial developments and main regional and segment developments. On a quarterly basis, detailed consolidated financial statements on the Group, regional and business segment levels are reported to the Board of Directors in accordance with International Financial Reporting Standards (IFRS). The Board of Directors is furnished in time with an agenda, detailed meeting documentation related to topics on the agenda and minutes.

3.5 DEFINITION OF AREAS OF RESPONSIBILITY

In line with the law and the Articles, the Board of Directors has transferred the responsibility to develop and implement the Group strategy, as well as the responsibility to supervise business and financial development of the Group's subsidiaries, to the Executive Board.

The Organizational Regulations adopted by the Board of Directors govern the cooperation between the Board of Directors, the Chairman and the Executive Board. They contain a detailed catalogue of duties and competencies which determine the financial thresholds within which the Board of Directors and the Executive Board can efficiently execute their daily business. The Organizational Regulations which also contain the Group's Approval Matrix with the related decision-making powers of the various bodies on Corporate and Regional level are accessible on Panalpina's website.

The main responsibilities of the Board of Directors on Group level include the determination of the business strategy on the basis of applications filed by the Executive Board, the approval of major Group policies and organizational structures, including topics related to Corporate Governance and Compliance, the approval of the annual operational and investment budgets, the approval of any extraordinary additional investment applications as well as financial planning. Further responsibilities include decisions regarding mergers and acquisitions and major management staff and remuneration decisions following recommendations and preparatory work of its Compensation and Nomination Committee.

3.6 INFORMATION AND CONTROL INSTRUMENTS VIS-À-VIS THE SENIOR MANAGEMENT

The Executive Board informs the Board of Directors in a written format on a monthly basis on the current course of business, covering the Group's consolidated monthly and year-to-date income statements, including deviation to budget and preceding year, regional- and product income statements, functional costs / FTE development, financial position, statements on cash flows and net working capital development.

A detailed update is provided at each Board of Directors meeting.

On a quarterly basis, the reporting covers the condensed consolidated interim financial statements including key developments, income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and explanatory notes, IR presentations and media release.

Further information regarding personnel and organizational changes, extraordinary events and the activities of analysts, investors and competitors form part of the regular reporting. Moreover, the Board of Directors annually reviews and approves the Group's targets for the individual regions and business segments and adopts the respective report of the Executive Board.

During the reporting year, the Chairman of the Board of Directors attended two Executive Board meetings and regularly receives the minutes of the Executive Board meetings. The members of the Executive Board regularly join meetings of the Board of Directors. In addition, individual senior executives attended specific topic discussions pertaining to their particular field of expertise. Furthermore, specific meetings of the Board of Directors are dedicated to a detailed review of major markets, business segments and the Group's strategy according to predefined schedule. For further details please refer to sections 3.4.2 and 3.4.3.

The Audit Committee of the Board of Directors monitors and assesses the activities of the Corporate Auditor as well as his cooperation with the Group Auditors.

The Audit Committee receives the Corporate Auditor's half-year reports and also adopts the comprehensive annual risk map of the Executive Board. The Audit Committee approves the proposed risk control and risk mitigation measures as well as the annual planning and scope of the internal audit, which is also based on the Risk Map. For further details please refer to section 3.4.2.

4 EXECUTIVE BOARD

4.1 MEMBERS OF THE EXECUTIVE BOARD

On the closing date, the Executive Board was composed of five persons.

Peter Ulber, President and Chief Executive Officer since June 2013, German citizen. Born in 1960.

Following his studies at the International School of Logistics in Hamburg, Peter Ulber held various management positions from 1985 to 2011 at Kuehne + Nagel in Europe, as well as North and South America. During his tenure, Peter Ulber was responsible for both ocean freight and airfreight, had overall responsibility for the global sales organization and joined the management board in 2008. As a result of a series of strategic acquisitions by Kuehne + Nagel, Peter Ulber was also heavily involved in the company's expansion in Europe, Asia and America.

At the end of 2011 he co-founded Charleston Enterprise Group LLC, a strategic management consultancy that offers consulting, management and investment strategies for international logistics companies as well as private equity firms with a primary focus on mergers and acquisitions as well as growth strategies.

Robert Erni, Chief Financial Officer since January 2013, Swiss citizen. Born in 1966.

Robert Erni has worked in various finance positions at Kuehne + Nagel for more than 19 years. Prior to the head office functions such as Head of Corporate Controlling (2009 to 2012) and Head of Accounting and Treasury (2004 to 2009), he gained profound finance and managerial expertise through several senior postings in Asia Pacific (Hong Kong and India), in South America (Argentina) and in the USA. Robert Erni holds a degree in Economics and Business Administration of the University of Economics and Business Administration, Lucerne (Switzerland).

Christoph Hess, Chief Legal Officer and Corporate Secretary, Swiss citizen. Born in 1955. Member of the Executive Board since October 2006. Responsible for Corporate Legal Services and Insurance.

Christoph Hess joined the Group's head office in 1994 as Secretary of the Board of Directors and the Executive Board. In this capacity he also manages both the Group's Legal and Insurance departments. He also managed Corporate Communications until August 2008. Christoph Hess holds a degree in law from the University of Basel and has been admitted to the bar in Switzerland.

Karl Weyeneth, Chief Commercial Officer, Swiss citizen. Born in 1964. Member of the Executive Board since April 2008, Chief Operating Officer until December 2013. Responsible for Marketing and Communication, Sales, QHSE, Security and Operations Transformation.

Karl Weyeneth joined the Group in 2007 as Regional CEO for North America, where he was responsible for the development and results of the subsidiaries in USA and Canada. He is a professional with profound leadership and management experience in logistics, including freight management, 3PL and contract logistics. Before joining Panalpina, he was President and CEO Americas of Hellmann Worldwide Logistics, Inc. (USA) and prior to this he was Executive Vice President and CFO of Danzas Management Latin America (USA), where he attained profound experience in all finance matters. He holds a Bachelor in Economics and Business Administration from the University of Berne, Switzerland.

Alastair Robertson, Chief Human Resources Officer, British citizen. Born in 1960. Member of the Executive Board since April 2008. Responsible for Human Resources. He has left the company in June 2014.

Alastair Robertson joined the Group in 2007 as Head of Global Human Resources. Before joining Panalpina, he had been a Vice President at Tetra Pak since 1996, where he held various positions in the field of Human Resources: between 1999 and 2001 as Vice President Human Resources Americas and from 2002 to 2004 as Vice President Human Resources Europe and Africa. From 1992 to 1996, he worked for W.H. Smith in the field of Personnel, Development and Training and between 1989 and 1992 he was with Graham Builders Merchants as Manager Human Resources Management, Training and Development. He previously served in the military, where he attained the rank of acting major and served in numerous countries. Alastair Robertson is a Fellow of the Chartered Institute of Personnel and Development, holds an MBA in Strategy and Marketing from the University of Huddersfield, Bradford (United Kingdom). He also attended the Royal School of Military Engineering and the Royal Military Academy in the United Kingdom.

Karsten Breum, Chief Human Resources Officer, Danish citizen. Born in 1972. He has joined the company in November 2014. Responsible for Human Resources.

Karsten Breum, a Danish citizen, joined Panalpina's Executive Board in 2014 as the company's Chief Human Resources Officer. After receiving a Masters in economics and business administration from Aarhus School of Business, Denmark in 1998, Karsten Breum spent a decade working in various human resources positions at A.P. Møller-Mærsk in Copenhagen, Antwerp and Singapore. In 2008, Breum was appointed Vice President Global Head of Human Resources for Damco; during his time at the company he was a member of the Global Executive Leadership Team and, in addition, completed his MBA at the University of Chicago's Booth School of Business. He was appointed Vice President Regional CEO of Damco in 2013, responsible and accountable for operational, as well as commercial activities in Asia Pacific.

Karsten Breum brings a wealth of expertise and knowledge to his role at Panalpina, gained from spending more than 14 years working internationally in all areas of human resources.

Roderick Angwin, Chief Information Officer, British Citizen. Born in 1959. Member of the Executive Board as of January 1, 2014. Responsible for Information Technology

Roderick Angwin joined Panalpina in 2012 as Chief Information Officer. He has extensive experience gained across a number of sectors and a broad range of international companies. His previous roles include five years as Group CIO for Wolseley plc, the international building materials distributor, and as IT Director on the Board of B&Q, part of the Kingfisher retail group. Other roles include ten years in various positions with Mars Inc., and as Group IT Director for Meyer plc, subsequently part of St. Gobain. Roderick Angwin holds a degree in Marine and Freshwater Biology from Stirling University Scotland.

4.2 OTHER ACTIVITIES AND VESTED INTERESTS

Peter Ulber: Managing partner and co-founder of Charleston Enterprise Group LLC, Charleston, USA.

4.3 MANAGEMENT CONTRACTS

No management contracts exist with any third party outside the Group.

5 COMPENSATION, SHAREHOLDINGS AND LOANS

5.1 CONTENT AND METHOD OF DETERMINING THE COMPENSATION AND THE SHARE-OWNERSHIP PROGRAMS

Please refer to the Compensation Report on page 54 – 69.

6 SHAREHOLDERS' PARTICIPATION

6.1 VOTING RIGHTS AND REPRESENTATION RESTRICTIONS

Each share carries one vote at the General Meeting of Shareholders. The Articles state that when exercising voting rights, no shareholder may directly or indirectly represent more than 5 percent of the total shares issued by the company for own and represented shares.

The Articles provide for group clauses.

The voting right restrictions are not applicable to representatives of the independent proxy holder of voting rights (unabhängiger Stimmrechtsvertreter).

The voting restrictions do not apply to the shares held by the Ernst Göhner Foundation, because it held PWT shares prior to the introduction of the voting restrictions (grandfathering).

Any abolition or change of the provisions relating to the restrictions on voting rights requires a resolution of the General Meeting of Shareholders on which at least two-thirds of the voting shares represented agree.

A written proxy entitles a shareholder to be represented at the General Meeting of Shareholders by his or her legal representative, or by another shareholder with the right to vote, or by the independent proxy holder of voting rights (unabhängiger Stimmrechtsvertreter).

6.2 STATUTORY QUORUMS

In principle, the legal rules on quorums apply. Supplementary to the quorums legally listed, a two-thirds majority of the shares represented at the General Meeting of Shareholders is required for the following resolutions:
- any abolition or change of the provisions relating to transfer restrictions;
- any abolition or change of the provisions relating to the restriction of voting rights;
- the transformation of registered shares into bearer shares;
- the dissolution of the company by way of liquidation;
- the removal of two or more members of the Board of Directors;
- the abolition of the respective provision in the Articles as well as the repeal or relief of the stated quorum. A resolution to increase the quorum as set forth in the Articles must be based on the consent of the increased quorum.

6.3 CONVOCATION OF THE GENERAL MEETING OF SHAREHOLDERS

There are no provisions deviating from the law.

6.4 AGENDA

Shareholders who individually or together with other shareholders represent shares in the nominal value of CHF 1 million may request that an item be placed on the agenda. Such a request must be made in writing to PWT at least 60 days prior to the General Meeting of Shareholders.

6.5 INSCRIPTIONS INTO THE SHARE REGISTER

Registered shares can only be represented by shareholders (or nominees) who have been entered into the PWT share register. Shareholders (or registered nominees) who cannot personally attend the General Meeting of Shareholders are entitled to nominate a representative according to the provisions in the Articles, who represents them by written proxy.

For the purpose of determining voting rights, the share register is closed for registration from the date upon which the General Meeting of Shareholders has been called (date of invitation) until the day after the General Meeting of Shareholders has taken place.

7 CHANGES OF CONTROL AND DEFENSE MEASURES

7.1 DUTY TO MAKE AN OFFER

No opting-out or opting-up provisions exist.

7.2 CLAUSES ON CHANGES OF CONTROL

Neither the contracts of the members of the Board of Directors nor of the Executive Board have a change-of-control clause.

8 AUDITORS

8.1 DURATION OF THE MANDATE AND TERM OF OFFICE OF THE LEAD AUDITOR

The mandate to act as statutory and Group Auditors is assumed by KPMG, Zurich on a yearly basis. Marc Ziegler replaced his predecessor Regula Wallimann as auditor in charge starting with the business year 2014.

8.2 AUDITING FEES

According to financial accounting, invoices for auditing fees for the financial year amounted to CHF 2.3 million.

8.3 ADDITIONAL FEES

The auditors KPMG were compensated with an additional amount of CHF 1.2 million for further services rendered in the financial year.

8.4 INFORMATIONAL INSTRUMENTS PERTAINING TO THE EXTERNAL AUDIT

The Group Auditors are supervised and controlled by the Audit Committee. The Group Auditors report to the Audit Committee and periodically the lead auditor participates in the meetings. During these meetings, the Group Auditors present a detailed audit plan for the current year including risk-based audit priorities, the audit scope, proposals regarding audit fees, organization and timing as well as updates and status of the results of the Internal Control System. In subsequent meetings they present interim audit findings with respective statements and recommendations later followed by a detailed audit report. Presentations also contain references to upcoming changes in legislation and IFRS. The main criteria for the selection of Group Auditors include independence, network capabilities, industry and IT experience of the audit team, a risk-based audit approach, a central process management as well as the integration of Corporate Audit and risk management functions. The Audit Committee annually assesses the performance of the Group Auditors and determines the audit fees (refer to section 3.5).

9 INFORMATION POLICY

Panalpina regularly updates its website at www.panalpina.com, informing the public of any major events, organizational changes and (quarterly) financial results. Press releases are accessible to all visitors to the website; alternatively, subscriptions can be made so that the latest press releases are automatically forwarded via e-mail. Furthermore, all publications such as the Annual Report (including the Corporate Governance and Compensation Report), customer magazine and sales brochures are available online. The dates of the General Meeting of Shareholders as well as dates of publication of the quarterly financial results are published in the Annual Report and appear in the Financial Calendar on the website (under Investor Relations). The minutes of shareholder meetings are available online.

COMPENSATION REPORT

COMPENSATION REPORT

The Compensation Report describes the remuneration philosophy and principles, as well as the governance framework related to the compensation of the Board of Directors and the Executive Board of Panalpina. The report also provides details around the different compensation programs and the remuneration related to the 2014 performance year.
The Compensation Report is based on sections 3.5 and 5 of the annex to the Corporate Governance Directive issued by SIX Swiss Exchange and Art. 13 to 16 of the Ordinance against Excessive Compensation in Listed Stock Companies (OaEC).

COMPENSATION GOVERNANCE

Compensation and Nomination Committee
The Compensation and Nomination Committee (CNC) consists of two or more members of the Board of Directors who are independent, insofar as they do not hold any executive position, nor act as consultant for the company and its subsidiaries. At the Annual General Meeting of Shareholders of May 9, 2014 the following members of the Board of Directors were reelected as members of the Compensation and Nomination Committee for a one-year term: Rudolf W. Hug, Chris E. Muntwyler and Knud Elmholdt Stubkjær. Rudolf W. Hug continued to act as the Chairman of the CNC.

With the exception of the election of the Chairman of the CNC by the Board of Directors, the CNC is self-constituting. It designates the secretary, who need not be a member of the CNC. If the CNC is not fully constituted, the Board of Directors appoints the missing members for the remaining term in office.

The CNC's main duties comprise the development and regular review of compensation policy and principles and performance criteria of the Panalpina Group and the regular review of their implementation including the presentation of motions and recommendations to the Board of Directors. Further they cover the preparation of all relevant decisions of the Board of Directors in relation to the compensation of the members of the Board of Directors and the Executive Board and the presentation of respective motions and recommendations to the Board of Directors.

In particular the CNC monitors the selection process for members of the Board of Directors, the Executive Board and other selected senior management positions. The Committee also determines the overall remuneration and terms of employment for members of the Board of Directors and the Executive Board as well as remuneration bands for highly compensated employees, and submits the relevant proposals to the Board of Directors for final approval. Furthermore, the Committee regularly reviews the compensation policy, including the incentive plans (such as the Board of Directors Restricted Stock Award Plan, the Executive Board Mid-Term and Long-Term Incentive Plans or the Performance Share Unit Plan and the Group's Management Incentive Plan) and submits proposals for final approval to the Board of Directors.

Approval framework

ITEM	RECOMMENDATION FROM	FINAL APPROVAL FROM
Compensation principles including incentive and share-based programs and pension provisions	Compensation and Nomination Committee	Board of Directors
Remuneration of the Board of Directors	Compensation and Nomination Committee	Board of Directors
Remuneration (at target) for the CEO	Chairman of the Board	Board of Directors
Remuneration (at target) for the members of the Executive Board	CEO	Board of Directors
Incentive payouts for the CEO	Chairman of the Board	Compensation and Nomination Committee
Incentive payouts for the members of the Executive Board	CEO	Compensation and Nomination Committee
Nomination process for Executive Board and Board of Directors	Compensation and Nomination Committee	Board of Directors
External Board of Directors mandates for Executive Board and Board of Directors		Compensation and Nomination Committee

The CNC holds its ordinary meetings normally one day before the meetings of the Board of Directors, typically four times per year and with an agenda typically as follows:

FEBRUARY	MAY
Compensation Report	Overall remuneration strategy
Budget aggregate Executive Board remuneration	Ad hoc topics
Budget aggregate Board of Directors remuneration	
Compensation level of Board, Committees and Chairman	
Executive Board bonus	
Executive Board performance evaluation for last year	
Salary review Executive Board and highly-paid employees	
BOD restricted share grant	
Management Incentive Program approval	
Performance Share Units performance evaluation of Total Shareholder Return versus peers and vesting, peer group review	

SEPTEMBER	DECEMBER
Review overall compensation policy EB and highly-paid employees (incl. bonus, Mid-Term Incentive Plan, Long-Term Incentive Plan, erformance Share Units, ... principles)	BOD and Committee evaluation / performance reviews
BOD, EB and ExCom succession planning / management development	Compensation and Nomination Committee self-evaluation review of compliance.
	Facilitate annual performance reviews of the Board and its committees.
	Management Incentive Program, review and policy changes
	EB objectives coming year

Besides the above framework, some additional ad hoc topics or recurrent topics are discussed.

The Chairman of the Committee may call for further meetings as necessary.

The Chairman of the CNC regularly updates the Board of Directors on the activities and decisions made during the Compensation and Nomination Committee meetings.

During the reporting year, the CNC held four meetings. The Executive Board was regularly represented at these meetings by the CEO, the CHRO and the CLO in his capacity as Secretary of the CNC. Members of the Executive Board do not attend discussions related to their own remuneration.

The Annual Shareholders' Meeting votes separately each year on the approval of motions from the Board of Directors concerning the aggregate amount of compensation for the Board of Directors until the following ordinary Shareholder's Meeting; and for the Executive Board for the following financial year. The Board of Directors may subdivide the relevant maximum aggregate amount into an amount for fixed compensation and an amount for variable compensation and present the corresponding motions to the Annual Shareholders' Meeting separately for approval. If the Shareholders' Meeting refuses to grant its approval, the Board of Directors may present a new motion or call an extraordinary Shareholders' Meeting. According to the Company's Articles of Association an additional amount is available to the maximum aggregate amount for the compensation of Executive Board members who are appointed after the Shareholders' Meeting has approved the relevant maximum aggregate amount. Such additional amount is 40 percent for the CEO and 25 percent for each new member of the Executive Board respectively.

Method of determination of compensation

The remuneration of the Executive Board members is reviewed yearly in order to ensure market competitiveness, internal fairness and pay-for-performance. The remuneration of the Executive Board members is benchmarked using the Switzerland Executive Compensation Survey published by Mercer. This survey includes compensation data of multinational companies in the general industry sector in Switzerland. No specific peer group is created, however Panalpina's role is evaluated using the Mercer job evaluation methodology, in order to compare with the relevant benchmark, e.g. roles of comparable size, scope and level of responsibilities. The median of the benchmark data is considered relevant for measuring compensation competitiveness.

On the basis of the external benchmark information, combined with internal peer comparisons, the Compensation and Nomination Committee defines the level of remuneration (at target) and the mix between fixed and variable compensation (at target) for the CEO and for the other members of the Executive Board, and submits its proposal to the Board of Directors for final approval.

In addition to fixed compensation, members of the Executive Board may be paid a variable compensation.

Variable compensation may contain short- to long-term compensation elements and may be made dependent upon the achievement of one or more performance criteria. Performance criteria may include personal targets or targets relating to the Panalpina Group, the market or benchmarks with peer groups, taking account of the function and level of responsibility of the relevant member of the Board of Directors or the Executive Board. The CNC sets the applicable performance criteria and their weighting and ascertains whether they have been achieved.

If compensation is provided in the form of shares, the Board of Directors or, if so delegated, the CNC determines the relevant conditions and prerequisites in one or more plans / regulations, including the date of allocation, fair valuation, holding, vesting and exercise periods (including acceleration, curtailment or annulment thereof in the event of predefined occurrences such as a change of control or the termination of an employment relationship) and any clawback mechanisms.

The compensation effectively paid out for a given business year depends on the actual company and individual performance. The performance is assessed through the annual performance management process, where individual objectives are determined and agreed upon at the beginning of the reporting year, and finally assessed by February of the following year. The performance assessment includes the achievement of individual objectives as well as an evaluation of the individual's behaviors, which are combined into an overall performance rating. The performance management process, including the determination of individual objectives at the beginning of the year and the performance assessment at year-end, is conducted by the Chairman of the Board of Directors for the CEO and by the CEO for the other members of the Executive Board. Individual objectives and performance assessment for the CEO and the other members of the Executive Board are subject to the approval of the Compensation and Nomination Committee.

COMPENSATION AND BENEFITS PRINCIPLES AND POLICY

In the volatile economy and the challenging business context in which Panalpina operates, it is critical to recruit, retain and develop a dedicated and capable team of employees with excellent skills, integrity and high ethical standards.

The remuneration model at Panalpina supports this fundamental objective. It also ensures that employees are rewarded for achieving results in line with the business objectives and are encouraged to demonstrate behaviors that are consistent with Panalpina's values.

Remuneration principles

- To provide a competitive remuneration package compared to the relevant talent market
- To create alignment to shareholders' interests, especially in terms of long-term value creation for the company and its stakeholders
- To drive a performance-oriented culture aligned with the achievement of the company's strategic objectives
- To encourage behaviors that are consistent with Panalpina's values and high ethical standards
- To be fair and transparent, and applied consistently throughout the company

The remuneration programs are designed to seek an appropriate balance between fixed and variable pay, as well as between short-term, mid-term and long-term rewards. They also provide a fair link between pay and performance from an operational perspective, from a shareholders' value creation perspective and from an external and relative peer performance perspective.

In order to achieve the above, the remuneration system has been reviewed and the first changes to the compensation programs were implemented as of January 1, 2014, through the introduction of a Performance Share Unit plan, replacing the previous Long-Term Incentive program and further enhancements are being considered for future years. The nature of those changes is described further below.

PRINCIPLES OF REMUNERATION OF THE BOARD OF DIRECTORS

The members of the Board of Directors receive a fixed annual compensation, which consists of a Board membership fee of CHF 150,000 - which already includes Committee membership - , an attendance fee of CHF 500 per meeting and a potential grant of free shares of the company in the amount of CHF 50,000 based on a decision within the discretion of the Compensation and Nomination Committee evaluating the Group's annual overall situation.

The Chairman of the Board of Directors receives a Board chairmanship fee of CHF 450,000, an attendance fee of CHF 500 per meeting and a grant of shares of CHF 50,000 under the same conditions as the other Board members as defined above.

The Board membership / chairmanship fee and the attendance fee are paid out in cash in June and December for the compensation period from AGM to AGM. The shares are granted for the previous business year based on the share's closing price on the SIX Swiss Exchange on April 30. The shares are blocked from trading during a restriction period of one year, except in case of change of control or liquidation, death or disability, where the shares are unblocked immediately. The shares remain blocked in all other instances.

The members of the Board of Directors do not participate in Panalpina's employee benefit or incentive plans, except for social security where applicable.

Remuneration model for the Board of Directors

IN CHF	CHAIRMAN	BOARD MEMBER
Annual board membership fee (cash)	450,000	150,000
Annual grant of shares	50,000	50,000
Meeting fee (per meeting)	500	500

PRINCIPLES OF REMUNERATION FOR THE EXECUTIVE BOARD

The remuneration of the members of the Executive Board consists of the following elements:
- Fixed compensation: annual base salary
- Variable compensation: annual bonus, mid-term incentive and long-term incentive (through Performance Share Units)
- Benefits: pension, insurances and benefits in kind

Remuneration model for the Executive Board

		PURPOSE	INSTRUMENT
Fixed compensation	Annual base salary	Recognize market value of role and individual skills, experience and performance	Monthly cash payments
Variable compensation	Annual bonus	Drive and reward short-term performance over 1 year	Annual cash incentive
	Mid-term incentive (MTIP)	Align short-term and long-term rewards through co-investment	Compulsory deferral of 40 % of annual bonus into blocked shares, with free matching shares (1:1) after a one-year period
	Long-term incentive (LTIP)	Drive and reward long-term performance (TSR) over 3 years versus peer group	Performance Share Unit Plan
Benefits	Pension benefits	Provide competitive retirement benefits and reward seniority and loyalty	Pension fund and insurances
	Perquisites	Provide competitive and cost-effective benefits by leveraging company's size	Perquisites and benefits in kind

Every year, the remuneration of the Executive Board members is benchmarked against the market, with the objective to provide a level of remuneration that is approximately in line with the median of the relevant benchmark and to allow for above-median compensation for sustained superior performance.

Annual base salary
The annual base salary takes into consideration the scope and responsibilities of the role, its market value and the skills, experience and performance of the individual in the role. The compensation policy is to pay annual base salaries that are in line with the median of the benchmark for a comparable role. The annual base salaries of the members of the Executive Board are reviewed every year, taking into consideration the company's financial situation, the economic environment, the benchmark information and the individual performance.

Annual bonus
The annual bonus rewards company and individual performance over a period of one year. The company performance weight has been increased in 2014 from 60 to 70 percent of the annual bonus. The 70 percent is measured by 3 components, Group Earnings Before Interest and Tax (EBIT) for 90 percent, the Days of Sales Outstanding (DSO) for 5 percent, and the Days of Payable Outstanding (DPO) for another 5 percent. For each of those objectives, a minimum and a maximum level of performance are defined: the threshold, below which no bonus is paid out and the ceiling, above which the bonus payout is capped at 150 percent. For the EBIT target, the threshold achievement level was increased in 2014 from 50 to 60 percent and the achievement ceiling to obtain maximum payout was decreased from 150 to 140 percent. For the DSO and DPO objectives, the threshold is set at 90 percent achievement and the ceiling at 110 percent achievement. The payout curve is linear between the threshold and the target, and between the target and the ceiling.

The individual performance weights for 30 percent of the annual bonus and is assessed through the formal performance management process, whereas individual objectives are determined and agreed upon at the beginning of the reporting year, and individual performance is assessed after year-end. For 2014, the individual objectives include Key Performance Indicators (KPIs) related to the operational business. The performance assessment includes the achievement of the individual objectives as well as an evaluation of the individual's behaviors that are consistent with Panalpina's values, which are combined into an overall performance rating, the Performance Evaluation Assessment Review (PEAR) rating. The PEAR rating translates into a payout percentage for the individual portion of the annual incentive, which can range from 0 percent to 120 percent of target.

Overview of performance objectives, their weighting and levels of performance

		WEIGHT	THRESHOLD PERFORMANCE	MAX PERFORMANCE	MAX PAYOUT
Group objectives	Group EBIT	63%	60%	140%	150%
	Days of sales outstanding	3.5%	90%	110%	150%
	Days of payables outstanding	3.5%	90%	110%	150%
Individual objectives	Individual key performance indicators	30%	rating	rating	120%

The annual bonus target is expressed as a percentage of annual base salary and amounts to 100 percent for the CEO, and between 67 percent and 80 percent for the other members of the Executive Board depending on their function. The actual bonus payout may range from 0 percent to 141 percent for the members of the Executive Board, depending on the effective performance achievement. The annual bonus payout is subject to the approval of the Compensation and Nomination Committee.

Mid-term incentive
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. The free matching shares are subject to a blockage period of one year.

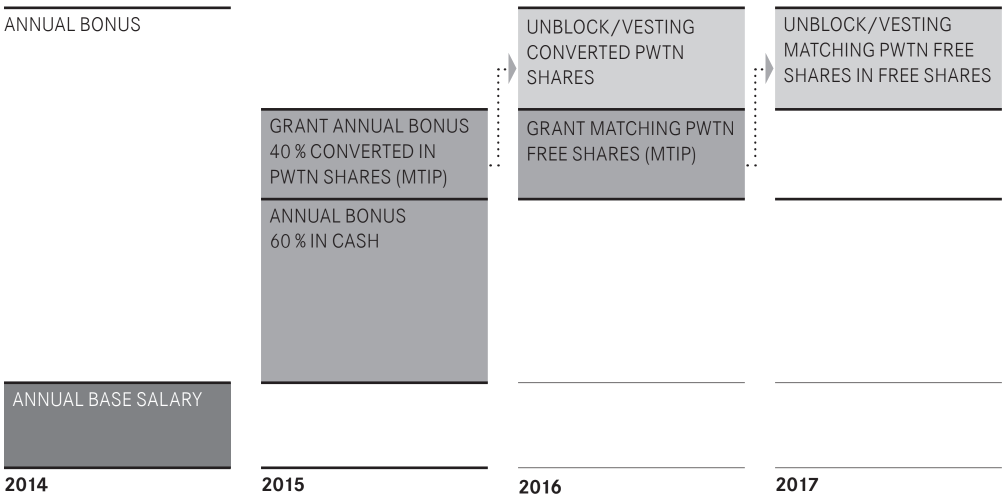
The applicable share price for determining the number of deferred bonus shares related to the bonus paid in 2014 (performance year 2013) was defined for a three-year cycle (from 2012 to 2014) as the PWTN closing price on April 30, 2012, which amounted to CHF 88.50.

The applicable share price for determining the number of deferred bonus shares related to the bonus paid in 2015 (performance year 2014) will be defined for a new three-year cycle (from 2015 to 2017) as the PWTN closing price on April 30, 2015.

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.

For the members of the Executive Board, 60 percent of the annual bonus is payable in cash and 40 percent is converted into PWTN shares that are matched with one free matching share each at the end of the one-year restriction period. The free matching shares are subject to a blockage period of one year. In case of voluntary resignation or termination for cause, the free matching shares will forfeit. 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.

Timeline of the MTIP



Long-term incentive in form of Performance Share Units
As of January 1, 2014, the members of the Executive Board participate in a new Long-Term Incentive Plan in form of Performance Share Units (PSU).

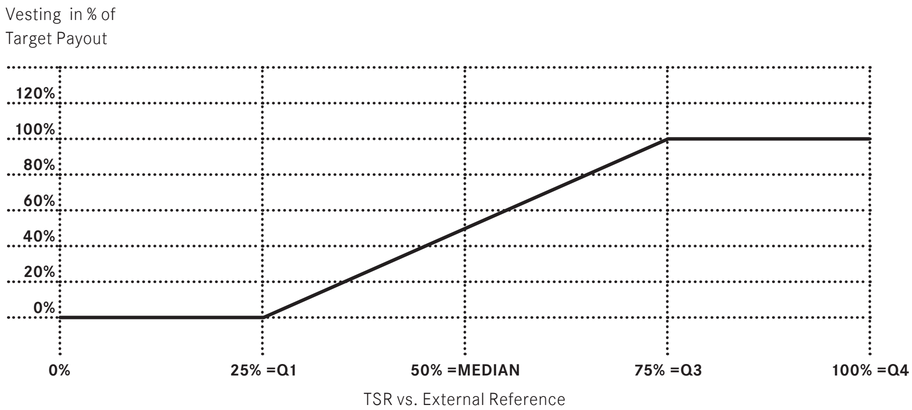
The purpose of the PSU plan is to motivate executives to contribute to the long term success and prosperity of the company and to encourage them to create shareholder value and at the same time to facilitate the retention of the executives.

The PSUs will be delivered through an annual rolling grant with a cliff vesting after 3 years, dependent on the achievement of the cumulative Total Shareholder Return (TSR) which will be measured against a peer group of companies in our industry.

The performance period related to the 2014 PSU grant, started on January 1, 2014, and ends on December 31, 2016. The cumulative Total Shareholder Return over the full three-year performance period will be measured.

The relative position versus the external peer group serves as basis for the vesting determination. Vesting of the PSUs in case the Total Shareholder Return performance ranks below Q1 (25th percentile) versus the external peer group is 0 percent. Between Q1 and Q3 (75th percentile), a linear vesting from 25 percent up to the maximum of 100 percent vesting is applied.

PSU Vesting Curve

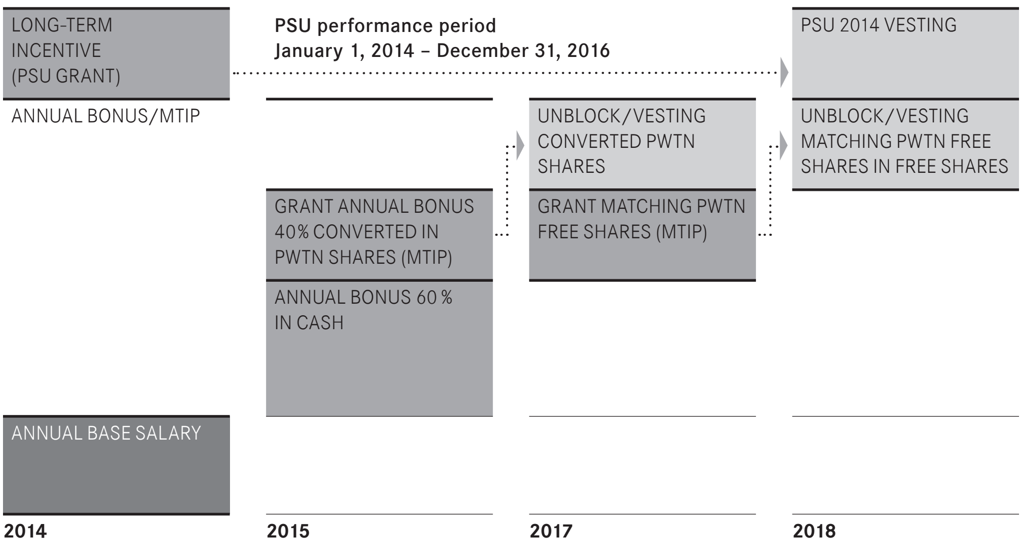


The external reference (peer group) consists of a balanced selection of companies within our industry taking into consideration, amongst other factors, market capitalization, turnover and geographic distribution.

PEER GROUP FOR TSR MEASUREMENT: NAME OF COMPANY
Panalpina World Transport (Holding) AG
United Parcel Service, Inc. Class B
Deutsche Post AG
FedEx Corporation
Kuehne & Nagel International AG
C.H. Robinson Worldwide, Inc.
Expeditors International of Washington, Inc.
Nippon Yusen Kabushiki Kaisha
Nippon Express Co., Ltd.
DSV A / S
Toll Holdings Limited
Agility Public Warehousing Co. K.S.C.
Con-way Inc.
Kawasaki Kisen Kaisha, Ltd.
UTi Worldwide Inc.
Hitachi Transport System,Ltd.
Hub Group, Inc. Class A
Kintetsu World Express, Inc.
Forward Air Corporation
Sinotrans Air Transportation Development Co. Ltd. Class A
Aramex PJSC
Norbert Dentressangle SA
SITC International Holdings Co., Ltd.
Hanjin Shipping Co., Ltd
CWT Limited

In the circumstances of retirement, disability and death, prorated vesting applies at the end of the plan performance period. The Compensation and Nomination Committee has the right to apply discretion for special circumstances.

Overview of compensation schedule for the CEO and Executive Board members



All previous Long-Term Incentive Plans never paid out in the past and have been closed as per December 31, 2013, but some vested rights were frozen at this date and will still need to be paid in the future. The carrying aggregate amount for these frozen vested rights for the Executive Board members (2 current members) amounts to CHF 565,000, which is subject to a potential payout beginning 2018 and to the condition that the respective employee is still employed with Panalpina.

Benefits

Executive Board members participate in the regular employee pension plans of the country where they have their employment contract. For Executive Board members employed in Switzerland, the company pension fund covers their annual base salary and the actual bonus up to an overall amount of CHF 846,000. Pension fund contributions are equally split between employer and employee for insured income up to CHF 400,000. In the supplemental scheme covering income between CHF 400,000 and CHF 846,000 (current maximum under Swiss law), contributions are paid by the company. The benefits provided under the pension fund exceed the legal requirements of the Swiss Federal Law on Occupational Retirement, Survivors and Disability Pension Plans (BVG) and are in line with typical market practice of other multinational companies in Switzerland.

Certain Executive Board members participate in a non-Swiss pension fund scheme whose benefits and contributions are equivalent to these of the Swiss pension plan.

Members of the Executive Board do not receive any executive benefits. They are entitled to a company car allowance and a general expense allowance, in accordance to the expense rules applicable to all employees at management levels in Panalpina Switzerland.

Employment contracts

Employment agreements with Executive Board members stipulate a notice period of twelve months. They do not contain any “golden parachutes” in case of a change of control, nor any severance provisions in case of termination of employment.

Change in the compensation model for the Executive Board for 2015

The compensation model for the members of the Executive Board is under constant review and assessment through the CNC, but no fundamental changes are planned for 2015, besides a planned change to the bonus scheme based on the following principles:

- A direct EBIT sharing model with only 1 financial KPI: EBIT (DSO and DPO not part anymore of financial bonus)
- Ability to adapt the EBIT ranges to reflect the actual market and potential (a threshold, target and maximum EBIT target will be determined by the CNC)
- More aggressive upside to motivate and reward overperformance:
    - 150 percent to 200 percent for financial KPI (EBIT)
    - 120 percent to 150 percent for individual performance
- Objective setting: “managing performance” and focus / cascade objectives better

The new scheme will set a direct percentage of EBIT between threshold and target and a direct percentage of EBIT above target up to the maximum. This will represent still 70 percent of the bonus potential and the remaining 30 percent continues to be measured through individual objectives, behavior and KPI. The maximum bonus potential will therefore increase from 141 percent of the target bonus to 185 percent. At target performance the new scheme, at conversion on January 1, 2015, will be equivalent to the current target bonuses.

Overview of future bonus structure

Financial objective		THRESHOLD	TARGET	MAXIMUM	WEIGHT
	EBIT	Threshold	Target	Maximum	**70 %**
	Distribution as % of EBIT		**X % + Y %**		

		OBJECTIVE	MEASUREMENT	TARGET PERFORMANCE (INDICATIVE)	WEIGHT
Individual objectives	1	Reduction of overhead expenses	CHF	Reduce by 10 %	**20 %**
	2				
	3				
	4				
	5				

Leadership competencies	1	Managing across matric boundaries – builds and uses networks	**10 %**
	2	Achieving customer and operational excellence – makes customer service a core value	
	3	Ensuring execution – translating strategy into operational plans	

Remark: The above objectives and competencies are only examples as illustration.

Remuneration of the Board of Directors and the Executive Board for 2014

2014 IN THOUSAND CHF	ANNUAL REMUNER-ATION	MEETING ATTEN-DANCE FEES	OTHER LONG-TERM BENEFITS	TERMI-NATION BENEFITS	SHARE-BASED PAYMENTS	SOCIAL SECURITY CONTRI-BUTIONS[1]	TOTAL COMPEN-SATION 2014
Board of Directors							
Rudolf W. Hug, Chairman	450	4			50	58	562
Beat Walti, Vice Chairman	150	2			50	24	226
Ilias Läber, Member	150	5			50	24	229
Chris E. Muntwyler, Member	150	4			50	24	228
Roger Schmid, Member*	150	4			50	12	216
Hans-Peter Strodel, Member	150	4			50	20	224
Knud Elmholdt Stubkjær, Member	150	3			50		203
Board of Directors leaving	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total remuneration of Board of Directors	**1,350**	**25**	**0**	**0**	**350**	**163**	**1,888**
Executive Board							
Peter Ulber, Chief Executive Officer	1,828				946	264	3,039
Members of the Executive Board	4,111				1,936	830	6,878
Executive Management leaving	368					126	494
Total remuneration of Executive Board	**6,308**	**0**	**0**	**0**	**2,883**	**1,221**	**10,411**
Total remuneration of key management personnel	**7,658**	**25**	**0**	**0**	**3,233**	**1,384**	**12,299**

[1] Employer contributions to social security and retirement benefits
* Remuneration and shares have been transferred to Ernst Göhner Stiftung (employer of respective board member)

The reward table 2014 has slightly been amended versus 2013 as follows:
- a separate column for attendance fees has been created for the BOD
- share-based programs include now besides the MTIP, the new PSU plan (which is reported in full at grant using IFRS valuation meth odology).
- social security (which was in 2013 part of the column short-term employee benefits) is now together with retirement contributions in a separate column. The social security and retirement contributions included are the actual contributions paid in 2014 for reward already earned.

Remuneration of the Board of Directors and the Executive Board for 2013

2013 IN THOUSAND CHF	SHORT-TERM EMPLOYMENT BENEFITS	POST-EMPLOYMENT BENEFITS	OTHER LONG-TERM BENEFITS	TERMINATION BENEFITS	SHARE-BASED PAYMENT[3]	TOTAL COMPENSATION 2013
Board of Directors						
Rudolf W. Hug, Chairman	508				50	558
Beat Walti, Vice Chairman	176				50	226
Ilias Läber, Member	90				50	140
Chris E. Muntwyler, Member	178				50	228
Roger Schmid, Member*	168				50	218
Hans-Peter Strodel, Member	173				50	223
Knud Elmholdt Stubkjær, Member	155				50	205
Board of Directors leaving						
Lars Förberg, Member	88					88
Total remuneration of Board of Directors	**1,536**	**0**	**0**	**0**	**350**	**1,886**
Executive Board						
Peter Ulber, Chief Executive Officer	1,194	83				1,277
Members of the Executive Board	3,240	373			965	4,578
Executive Management leaving	1,484	174			360	2,018
Total remuneration of Executive Board	**5,918**	**1,278**	**0**	**0**	**1,325**	**7,873**
Total remuneration of key management personnel	**7,454**	**1,278**	**0**	**0**	**1,675**	**9,759**

* Remuneration and shares have been transferred to Ernst Göhner Stiftung (employer of respective board member)

2014 versus 2013 Remuneration of the Board of Directors and the Executive Board

Board of Directors

No changes have been made to the structure of remuneration of the Board of Directors. The overall level of remuneration remained stable compared to 2013.

For 2014 the PWTN share value per April 30, 2014, amounted to CHF 138, therefore the amount of CHF 50,000 to be distributed, divided by a share price of CHF 138, translated in 362 restricted share grants. The effective grant date was May 14, 2014, at a fair market value of CHF 136.10 which gave a fair market value at grant of CHF 49,268.20. These restricted shares are blocked for one year as from the date of grant.

Executive Board

Overall comments affecting base salary evolution and other components

Although the remuneration levels for the members did not fundamentally change in 2014 versus 2013, besides the introduction of a new PSU plan replacing the old LTIP plan – which was closed end 2013 – the end picture is very mixed and shows an increase which might lead to the wrong conclusions.

This increase is to be seen in the following light:

1. The CEO was employed a full year in 2014 as opposed to 7.5 months in 2013, which is reflected in total paid base, bonus and pension contributions. In 2014 the CEO also participates for the first time in the MTIP and PSU grants.

2. The other members of the Executive Board were subject to a new composition.
   2.1. The CIO joined the Executive Board as per January 1, 2014, and was not a member before.
   2.2. The new CHRO joined the company and the Executive Board per November 1, 2014.

3. Executive management leaving: the previous CHRO left the company on July 31, 2014.

4. Reporting for share-based payments

The share-based payments as from 2014 include the MTIP and the PSU grants. In 2013 the PSU did not exist, The previous LTIP plan did never pay out and was therefore rather a cash- and not share-related plan. This year experienced a significant increase because the PSU value is now reported as the present theoretical value (IFRS model – CHF 101.35 per PSU) assuming median TSR performance versus peer group and a fair market value of the underlying share at grant date of CHF 139.80. This is theoretical though as per December 31, 2014, the TSR ranked below the 25th percentile of the peer group, so based on the first-year performance, no vesting would occur and the actual vesting will only be known at the end of the three-year performance cycle (December 31, 2016).

The amounts shown in the 2014 reward table for the Executive Board above include:
   4.1. Value of the deferred bonus shares to be granted in May 2015 for performance year 2014 (40 percent of the total bonus)
   4.2. Matching free shares offered on May 14, 2014 – to be granted on May 14, 2015 (matching of deferred bonus shares granted in 2014 for performance year 2013)
   4.3. The PSU present IFRS value granted on May 9, 2014. Had the PSU been fully earned and vested an extra social-security contribution would be due on PSU of CHF 89,000.

Annual bonus

The annual bonus payout amounts to 72 percent on average for the members of the Executive Board and 142 percent for the CEO. The bonus included in the 2014 reward table above is related to the cash bonus paid out in 2015, which related to the performance year 2014. The financial and individual objectives have been achieved as follows:

2014 annual bonus outcomes

MEASURES	WEIGHT	OUTCOMES RELATIVE TO PLAN		
Company performance	70%	Threshold	Target	Maximum
Earnings before interest and tax	63%			
Days sales outstanding	3.5%			
Days payable outstanding	3.5%			
Individual performance	30%	Threshold	Target	Maximum
Key performance indicators	30%			
Overall outcome				

MTIP (part of share-based payments in the reward tables above)

Executive Board members receive 40 percent of their annual bonus (paid in 2015 for performance 2014) in Company shares with a restriction period of one year. The number of shares to be received is based on the share’s closing price on April 30, 2015. This deferral value is included in the reward table.

On May 14, 2014, 6065 deferred bonus shares were granted in aggregate to the Executive Board at a fair market value of CHF 136.10. The CEO was not part of this grant in 2014. This relates to the bonus paid in 2014, performance in 2013. Based on the Executive Board members in service per December 31, 2014, 4943 free matching shares will be granted on May 14, 2015. These free matching shares are included in the 2014 reward table.

For transparency and reconciliation purposes only: on May 13, 2014, 1733 free matching shares were granted in aggregate to the Executive Board at a fair market value of CHF 135.60. This relates to the bonus paid in 2013, performance in 2012. The CEO was not part of this grant in 2014.

PSU (part of share-based payments in the reward tables above)
On May 9, 2014, 4000 PSUs were granted to the CEO and 7650 PSUs to other Executive Board members. The present theoretical value (IFRS model) included in the reward table per PSU amounts to CHF 101.35 assuming median TSR performance versus peer group and a fair market value of the underlying share at grant date of CHF 139.80. This is theoretical though as per December 31, 2014, the TSR ranked below the 25th percentile of the peer group, so based on the first-year performance, no vesting would occur.

OTHER SHARE-BASED OR LONG-TERM INCENTIVE COMPENSATION PLANS FOR SENIOR MANAGEMENT

Other top executives – MTIP, LTIP and PSU
Some executives of the core business functions (8 executives in 2014), who are not a member of the Executive Board, do participate in a Long-Term Incentive Plan (PSU) and in the Mid-Term Incentive Plan (MTIP) as described above for the Executive Board but with the following amendments:

MTIP: For these executives, 80 percent of the annual bonus is payable in cash and 20 percent is converted into PWTN shares that are matched with one free matching share each at the end of the one-year restriction period. All other plan features are the same as for the Executive Board as described above.

MTIP grants in 2014 for these executives
On May 14, 2014, 2928 deferred bonus shares were granted in aggregate to these executives at a fair market value of CHF 136.10. This relates to the bonus paid in 2014, performance in 2013. Based on the top executives in service per December 31, 2014, 2928 free matching shares will be granted on May 14, 2015.

On May 13, 2014, 1506 free matching shares were granted in aggregate to these executives at a fair market value of CHF 135.60. This relates to the bonus paid in 2013, performance in 2012.

LTIP: All previous Long-Term Incentive Plans never paid out and have been closed as per December 31, 2013, and some vested rights frozen at this date. The aggregated value for vested rights of the LTIP for these executives (3 executives) amounts to CHF 565,000, which is subject to a potential payout beginning 2018 and to the condition that the respective employee is still employed with Panalpina.

PSU: Similar as for the Executive Board, and effective as of the business year 2014, Performance Share Units (PSU) were introduced replacing the previous LTIP. The new plan provides for an annual grant of PSU with a three-year cliff vesting. The vesting is conditional upon the relative Total Shareholder Return (TSR) performance compared to a peer group of companies.

On May 9, 2014, 9800 PSUs were granted to these executives. The present theoretical value (IFRS model) per PSU amounts to CHF 101.35 assuming median TSR performance versus peer group and a fair market value of the underlying share at grant date of CHF 139.80. This is theoretical though as per December 31, 2014, the TSR ranked below the 25th percentile of the peer group, so based on the first year performance, no vesting would occur.

Senior management – MIP (Management Incentive Program)
Within this old plan the senior management had the option (voluntary) to invest part of their annual bonus in Panalpina shares with a discounted share price of 25 percent versus the moment of grant. These shares were blocked for 1 year. As a consequence Panalpina was matching these shares with stock options which had a vesting period of 3 years (1/3 after 1 year, 1/3 after 2 years and the last 3rd after 3 years). The total duration of the options amounts to 6 years from the date of grant. For senior management for the years 2009 and 2010 there are still outstanding stock options on December 31, 2014, as per the table below. All options from previous years are expired.

Management incentive plan (option plan)

YEAR	NUMBER OF PARTI-CIPANTS	DISCOUNT	NUMBER OF SHARES PURCHASED	OPTIONS GRANTED	EXERCISE PRICE	EXERCISE PRICE FOR US PARTICIPANTS	OPTIONS VESTED BUT NOT EXER-CISED YET	EXPIRY DATE
2009	166	25%	71,053	71,053	61.25	81.35	6,352	14.06.2015
2010	51	25%	13,453	13,453	95.65	87.75	1,874	14.06.2016

This plan was changed in 2011 replacing the stock options with matching free shares. Within this plan the senior management had the option (voluntary) to invest part of their annual bonus in Panalpina shares with a discounted share price of 10 percent versus the moment of grant. These shares are blocked for 1 year. As a consequence Panalpina is matching these shares with free share grants based on a ratio of 1 free share matched for 4 shares bought by the participant (for the 2011, 2012 and 2013 plans) and based on a ratio of 1 free share matched for 3 shares bought by the participant (for the 2014 plan). These free shares have a vesting period of 3 years (1/3rd after 1 year, 1/3 after 2 years and the last 3rd after 3 years). For senior management positions for the years 2011, 2012, 2013 and 2014 the grants are summarized on December 31, 2014, as per the table below.

Management incentive plan (free share plan)

YEAR	NUMBER OF PARTI-CIPANTS	DISCOUNT	NRUMBER OF SHARES PURCHASED	FREE SHARE RATIO	MATCHING SHARES GRANTED	VESTED FREE SHARES	FORFEITED FREE SHARES	NON-VESTED FREE SHARE
2011	87	10%	28,444	1 to 4	7,124	6,423	701	0
2012	38	10%	11,242	1 to 4	2,816	1,793	299	724
2013	30	10%	6,768	1 to 4	1,698	610	50	1,038
2014	51	10%	9,995	1 to 4	3,342	74	0	3,268

The members of the EB and the top executives who participate in the MTIP, LTIP or PSU plans are not eligible for the MIP plan as de scribed above to avoid overlaps.

As per end 2014, 747 senior managers are potentially eligible to the MIP.

Credits, loans or other monetary allowances

No contributions or other monetary allowances have been made to closely related parties of current or former members of the Board of Directors and Executive Board respectively.

Credits or loans in favor of members of the Board of Directors or Executive Board do not exist.

REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING OF PANALPINA WORLD TRANSPORT (HOLDING) LTD, BASEL

We have audited the accompanying remuneration report dated December 31, 2014, of Panalpina World Transport (Holding) Ltd for the year ended December 31, 2014. The audit was limited to the information according to articles 14 – 16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies contained in the table Remuneration of the Board of Directors and the Executive Board for 2014 on page 65 of the Compensation Report.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's Responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the remuneration report for the year ended December 31, 2014, of Panalpina World Transport (Holding) Ltd complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG AG

Marc Ziegler
Licensed Audit Expert
Auditor in Charge

Martin Rohrbach
Licensed Audit Expert

Zurich, March 2, 2015

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CONSOLIDATED INCOME STATEMENT

for the years ended December 31, 2014 and 2013

IN THOUSAND CHF	NOTES	2014	2013
Net forwarding revenue[1]	**5**	**6,707,113**	**6,757,632**
Forwarding services from third parties	5	(5,121,146)	(5,196,607)
Gross profit	**5**	**1,585,967**	**1,561,025**
Personnel expenses	6	(976,850)	(960,032)
Other operating expenses	9	(435,090)	(440,205)
Fines	27	0	(40,939)
EBITDA		**174,027**	**119,849**
Depreciation of property, plant and equipment	13	(31,972)	(34,278)
Amortization of intangible assets	14	(25,326)	(18,478)
Goodwill impairment	14	0	(19,112)
Operating result (EBIT)		**116,729**	**47,981**
Finance income	10	3,375	3,959
Finance costs	10	(4,711)	(16,468)
Profit before income tax (EBT)		**115,393**	**35,472**
Income tax expenses	11	(28,872)	(23,777)
Consolidated profit		**86,521**	**11,695**
Consolidated profit attributable to:			
Owners of the parent		87,241	11,862
Non-controlling interests	23	(720)	(167)
Earnings per share (in CHF per share)			
Basic	12	3.68	0.50
Diluted	12	3.67	0.50

[1] Refer to Note 2.6 for details to the change of presentation of net forwarding revenue.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the years ended December 31, 2014 and 2013

IN THOUSAND CHF	NOTES	2014	2013
Consolidated profit		**86,521**	**11,695**
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurement of the net defined benefit asset / (liability)	7	(20,470)	26,293
Income taxes on this component of other comprehensive income	11	5,099	(6,349)
Subtotal, net of tax		**(15,371)**	**19,944**
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets	15	0	349
Exchange difference on translations of foreign operations		2,442	(23,159)
Income tax on these components of other comprehensive income	11	0	(116)
Subtotal, net of tax		**2,442**	**(22,926)**
Other comprehensive income for the period, net of tax		**(12,929)**	**(2,982)**
Total comprehensive income for the period		**73,592**	**8,713**
Attributable to owners of the parent		73,020	9,051
Attributable to non-controlling interests	23	572	(338)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at December 31, 2014 and 2013

IN THOUSAND CHF	NOTES	2014	2013
ASSETS			
Non-current assets			
Property, plant and equipment	13	104,283	118,908
Intangible assets	14	122,029	118,093
Investments	15	28,269	28,349
Post-employment benefit assets	7	6,862	19,905
Deferred income tax assets	26	67,962	65,457
Total non-current assets		**329,405**	**350,712**
Current assets			
Other receivables and other current assets	18	101,191	102,671
Unbilled forwarding services		111,486	91,192
Trade receivables	19	1,012,647	1,059,582
Derivative financial instruments	20	2,960	2,905
Other current financial assets	15/21	0	5,472
Cash and cash equivalents	21	372,043	336,923
Total current assets		**1,600,327**	**1,598,745**
Total assets		**1,929,732**	**1,949,457**
EQUITY AND LIABILITIES			
Equity			
Share capital	22	2,375	2,375
Treasury shares	22	(2,089)	(3,339)
Retained earnings and reserves		720,618	698,472
Total equity attributable to owners of the parent		**720,904**	**697,508**
Non-controlling interests	23	12,245	11,673
Total equity		**733,149**	**709,181**
Non-current liabilities			
Borrowings	24	132	208
Provisions and other liabilities	25	76,518	77,617
Post-employment benefit liabilities	7	57,069	49,674
Deferred income tax liabilities	26	11,074	16,533
Total non-current liabilities		**144,793**	**144,032**
Current liabilities			
Trade payables		533,693	577,205
Other payables and accruals		158,229	152,017
Accrued cost of services		205,612	184,479
Borrowings	24	520	3,053
Derivative financial instruments	20	7,988	1,710
Provisions and other liabilities	27	120,212	155,366
Current income tax liabilities		25,536	22,414
Total current liabilities		**1,051,790**	**1,096,244**
Total liabilities		**1,196,583**	**1,240,276**
Total equity and liabilities		**1,929,732**	**1,949,457**

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**
Consolidated profit					87,241	87,241	(720)	86,521
Other comprehensive income				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, 23				(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**	**(2,088)**	**(186,648)**	**907,265**	**720,904**	**12,245**	**733,149**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended December 31, 2013

		ATTRIBUTABLE TO THE OWNERS OF THE PARENT					NON-CONTROLLING INTERESTS	TOTAL EQUITY
IN THOUSAND CHF	NOTES	SHARE CAPITAL	TREASURY SHARES	TRANSLATION RESERVE	RETAINED EARNINGS	TOTAL		
Balance on January 1, 2013		**2,375**	**(10,018)**	**(164,810)**	**905,965**	**733,512**	**9,241**	**742,753**
Consolidated profit					11,862	11,862	(167)	11,695
Other comprehensive income				(22,988)	20,177	(2,811)	(171)	(2,982)
Total comprehensive income for the period		**0**	**0**	**(22,988)**	**32,039**	**9,051**	**(338)**	**8,713**
Dividends paid	22, 23				(47,343)	(47,343)	(171)	(47,514)
Share-based payments employee share plan	8				780	780		780
Share-based payments option plan	8				(79)	(79)		(79)
Changes in treasury shares, net	22		6,679		(2,151)	4,528		4,528
Other changes in non-controlling interests	23				186	186	(186)	0
Reclassification of non-controlling interests to parent shareholders	23				(3,127)	(3,127)	3,127	0
Balance on December 31, 2013		**2,375**	**(3,339)**	**(187,798)**	**886,270**	**697,508**	**11,673**	**709,181**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the years ended December 31, 2014 and 2013

IN THOUSAND CHF	NOTES	2014	2013
Consolidated profit		**86,521**	**11,695**
Income tax expenses	11	28,872	23,777
Depreciation of property, plant and equipment	13	31,972	34,278
Amortization of intangible assets	14	25,326	18,478
Goodwill impairment	14	0	19,112
Impairment of financial assets	10	3	0
Interest income and dividend on available-for-sale financial assets	10	(2,186)	(3,205)
Interest expenses	10	1,112	1,497
Exchange differences	10	(1,035)	10,584
Loss / (gain) on sales of property, plant and equipment	9	513	(980)
Share-based payment transactions	6 / 8	1,937	701
Other non-cash (income) and expenses		(2,853)	(2,395)
		170,182	**113,542**
Working capital adjustments:			
(Increase) / decrease receivables and other current assets		55,027	(121,615)
Increase / (decrease) payables and accruals incl. accrued cost of service		(32,918)	49,595
(Decrease) / increase long-term provisions and other liabilities		(2,672)	2,869
(Decrease) / increase short-term provisions and other liabilities		(36,713)	29,404
Cash generated from operations		**152,906**	**73,795**
Interest paid		(1,472)	(1,497)
Income taxes paid		(28,403)	(29,831)
Net cash from operating activities		**123,031**	**42,467**
Interest received		2,184	2,700
Dividends received	10	141	510
Proceeds from sales of property, plant and equipment and Intangible		2,968	2,427
Proceeds from investments		968	2,685
Repayments of loans and long-term receivables		5,855	3,763
Proceeds from sales of other financial assets		6,102	952
Purchase of property, plant and equipment		(19,467)	(28,618)
Purchase of intangible assets and other assets		(28,612)	(22,294)
Purchase of investments		(102)	(179)
Purchase of other financial assets		(6,067)	(9,914)
Net cash used in investing activities		**(36,030)**	**(47,968)**
Free cash flow		**87,001**	**(5,501)**
Proceeds from short- and long-term borrowings		208	1,633
Repayment of short- and long-term borrowings		(2,775)	(48)
Dividends paid		(52,185)	(47,343)
Dividends paid to non-controlling interests	23	0	(171)
Purchase of treasury shares	22	(2,762)	0
Sale of treasury shares	22	2,040	4,529
Net cash used in financing activities		**(55,474)**	**(41,400)**
Effect of exchange rate changes on cash and cash equivalents		3,593	(9,237)
Net increase (decrease) in cash and cash equivalents		**35,120**	**(56,138)**
Cash and cash equivalents at the beginning of the year	21	336,923	393,061
Cash and cash equivalents at the end of the year	**21**	**372,043**	**336,923**

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, 2014, were authorized for issuance in accordance with a resolution by the Board of Directors on February 27, 2015.

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 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.

2.4 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.

2.5 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.

2.6 RESTATEMENT

Inconsistent to IAS 1, in the past Panalpina presented in the consolidated income statement in addition to the net forwarding revenue the invoiced forwarding services and the customs, duties and taxes separately. The correction of the presentation has been changed in these consolidated financial statements in accordance with IAS 8. This change does not affect the consolidated profit or loss. The development of the invoiced forwarding services as well as the customs, duties and taxes are newly integrated in the segment reporting.

In addition, the Group has made a minor presentational change to the disclosure of key management personnel compensation in note 28 to increase the understandability of the information provided.

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 adopted in 2014, effective from January 1, 2014: Amendments to IFRS 10, IFRS 11 and IAS 27 "Investment Entities", Amendments to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting", IFRIC 21 "Levies" and certain amendments to various standards from "Annual Improvements to IFRS 2010-2012 Cycle" issued by the IASB. These do not have a material impact on the Group's overall results and financial position as well as related disclosures.

The following new or revised standards, amendments to existings standards and interpretations have been issued, but are not yet effective:

- Annual Improvements to IFRS 2010-2012 Cycle (effective date July 1, 2014)
- Annual Improvements to IFRS 2011-2013 Cycle (effective date July 1, 2014)
- Annual Improvements to IFRS 2012-2014 Cycle (effective date January 1, 2016)
- IFRS 14 - Regulatory Deferral Accounts (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)
- IFRS 9 - Financial Instruments (effective date January 1, 2018)
- IFRS 15 – Revenue from Contracts with Customers (effective date January 1, 2017)
- 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 (effective date January 1, 2016)

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.

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.

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, at fair value of the recognized amounts of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date, any gains or losses arising from such remeasurement are recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

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.

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 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:

	2014			2013	
	STATEMENT OF FINANCIAL POSITION[1]	INCOME STATEMENT[2]		STATEMENT OF FINANCIAL POSITION[1]	INCOME STATEMENT[2]
EUR	1.20270	1.21459	EUR	1.22625	1.23048
USD	0.89793	0.91551	USD	0.89014	0.92682
HKD	0.12734	0.11806	HKD	0.11479	0.11949
CNY	0.15923	0.14859	CNY	0.14722	0.15074
CAD	0.85033	0.82903	CAD	0.83088	0.90004
GBP	1.53662	1.50706	GBP	1.46709	1.44952
BRL	0.37165	0.38954	BRL	0.38207	0.43150

[1] Year-end rate
[2] 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 current provisions and 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. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. 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. A defined benefit plan is a pension plan that is not a defined contribution 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]).

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. 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 provisions and 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. 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.

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 and comparative periods are as follows:

	YEARS
Warehouse and office buildings	25 – 40
Warehouse and transportation equipment	3 – 10
Office furnishings and equipment	5 – 10
EDP hardware	3
Trucks, trailers and special vehicles	3 – 10
Automobiles	3 – 5

The assets' residual value and estimated useful lives are regularly reviewed and adjusted. If appropriate, the future depreciation charge is accelerated.

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 recorded as the surplus of the consideration transferred over the Group's interest in the fair value of acquired net assets. 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 Brands

Separately acquired brands are shown at historical cost. Brands acquired in a business combination are recognized at fair value at the acquisition date. Brands 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 to allocate the cost of brands over their estimated useful lives of five to ten years.

3.11.3 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.

3.11.4 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 to eight years.

3.11.5 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 considered impaired and is written down 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 classi- fication 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. Such financial assets are normally carried at amortized cost using the effective interest rate 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).

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold them until maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method. This method uses an effective interest rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Gains and losses are recognized in the income statement when the investments are derecognized or impaired, as well as through the amortization process. The Group did not have any held-to-maturity investments during the periods under review.

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. After initial measurement, available-for-sale financial assets are measured at fair value with unrealized gains or losses recognized in comprehensive income until the investment is derecognized, at which time the cumulative gain or loss recorded in comprehensive income is reclassified to profit or loss, or determined to be impaired, at which time the cumulative loss recorded in comprehensive income is reclassified to profit or loss.

3.14.2.2 Impairment of financial assets

Financial assets are individually assessed for possible impairment at each reporting date. An impairment charge is recorded where there is objective evidence of impairment, such as where the issuer is in bankruptcy, default or other significant financial difficulty. In addition, any available-for-sale equity securities that have a market value of more than 25 percent below their original cost, net of any previous impairment, will be considered as impaired. Any available-for-sale equity securities that have a market value below their original cost, net of any previous impairment, for a sustained six-month period will also be considered as impaired. Any decreases in the market price of less than 25 percent of original cost, net of any previous impairment, which are also for less than a sustained six-month period are not by themselves considered as objective evidence of impairment. Such movements in fair value are recorded in equity until there is objective evidence of impairment or until the asset is sold or otherwise disposed of. For financial assets carried at amortized cost, any impairment charge is the difference between the carrying value and the recoverable amount, calculated using estimated future cash flows discounted using the original effective interest rate. For available-for-sale financial assets, the original cost, net of any previous impairment charge, is the amount currently carried in equity for the difference between the original cost, net of any previous impairment and at fair value. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For debt securities that are available-for-sale, the reversal is recognized in income statement. For equity securities held as available-for-sale, the reversal is recognized directly in equity.

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. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization and default or delinquency in payments (more than 30 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.

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 financial liabilities at amortized cost. The Group determines the classification of its financial liabilities at initial recognition. Financial liabilities are recognized initially at fair value and, 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 rate method.

3.14.3.3 Derecognition of financial liabilities

Financial liabilities are derecognized when the obligation under the liability is discharged or 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 liabilty / asset from post-employment plans net of taxes and the fair value reserve for available-for-sale 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 in particular for accrued costs of services, freight forwarding claims, short-term employee benefits, termination and other long-term employee benefits and decommissioning provisions. 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 ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments 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.

4.1 CRITICAL ACCOUNTING ESTIMATIONS AND ASSUMPTIONS

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 liablilities within the next financial year are addressed below.

4.1.1 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.

4.1.2 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.

4.1.3 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 on a single-case basis 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, 2014, the recognized liability for claims amounts to CHF 38.5 million (2013: CHF 40.0 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 7.6 million lower (2013: CHF 3.7 million). Using a more conservative percentile, the carrying amount of claim provisions would be approximately CHF 0.5 million higher (2013: 4.1 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 30.2 – Pending legal claims.

4.1.4 Deferred income tax assets

Deferred tax assets are recognized for unused tax losses 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 93.3 million resulting in a tax asset of CHF 30.7 million (2013: CHF 92.6 million resulting in a tax asset of CHF 29.8 million) and unrecognized tax loss carry-forwards to CHF 248.8 million (2013: 212.4 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 71.2 million (2013: CHF 63.3 million). If the Group failed to achieve the expected future taxable profits, the consolidated profit would decrease by CHF 30.7 million (2013 CHF 29.8 million), but the management believes that the full amount of the recognized deferred tax assets are recoverable in the foreseeable future.

4.1.5 Income taxes

At December 31, 2014, the net liability for current income taxes amounts to CHF 25.5 million (2013: CHF 22.4 million). As the Group is subject to income taxes in numerous jurisdictions, significant judgments are required in determining worldwide provisions for income taxes.

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. 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 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.

2014 (IN THOUSAND CHF)	EUROPE	MIDDLE EAST, AFRICA, CIS	AMERICAS	ASIA PACIFIC	TOTAL SEGMENTS	ELIMI-NATIONS	TOTAL GROUP
External forwarding services	3,481,599	674,158	2,592,272	1,424,409	8,172,438	0	8,172,438
Customs and duties	(884,397)	(143,065)	(340,856)	(97,007)	(1,465,325)		(1,465,325)
Intra-group forwarding services	1,208,290	200,825	837,872	1,703,342	3,950,329	(3,950,329)	0
Net forwarding revenue	**3,805,492**	**731,918**	**3,089,288**	**3,030,744**	**10,657,442**	**(3,950,329)**	**6,707,113**
Forwarding services	(3,191,839)	(584,793)	(2,603,603)	(2,691,240)	(9,071,475)	3,950,329	(5,121,146)
Gross profit	**613,653**	**147,125**	**485,685**	**339,504**	**1,585,967**	**0**	**1,585,967**
Personnel expenses	(419,877)	(81,243)	(303,235)	(172,495)	(976,850)	0	(976,850)
Other operating expenses	(167,475)	(48,101)	(134,425)	(85,089)	(435,090)	0	(435,090)
Adjusted EBITDA	**26,301**	**17,781**	**48,025**	**81,920**	**174,027**	**0**	**174,027**
Depreciation and amortization	(19,565)	(6,610)	(16,802)	(14,321)	(57,298)	0	(57,298)
Adjusted operating result (Segment EBIT)	**6,736**	**11,171**	**31,223**	**67,599**	**116,729**	**0**	**116,729**
Goodwill impairment							0
Fines							0
Reported operating result (EBIT)	**6,736**	**11,171**	**31,223**	**67,599**	**116,729**		**116,729**
Financial result							
Finance income							3,375
Finance costs							(4,711)
Profit before income tax (EBT)							**115,393**
Income tax expenses							(28,872)
Consolidated 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
Net forwarding revenue	347,796	1,241,431	1,740,482	351,603	1,076,262
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

2013 (IN THOUSAND CHF)	EUROPE	MIDDLE EAST, AFRICA, CIS	AMERICAS	ASIA PACIFIC	TOTAL SEGMENTS	ELIMI-NATIONS	TOTAL GROUP
External forwarding services	3,479,409	702,087	2,633,784	1,359,630	8,174,910	0	8,174,910
Customs and duties	(871,942)	(127,833)	(323,428)	(94,075)	(1,417,278)	0	(1,417,278)
Intra-group forwarding services	1,366,641	195,591	803,404	1,523,575	3,889,211	(3,889,211)	0
Net forwarding revenue	**3,974,108**	**769,845**	**3,113,760**	**2,789,130**	**10,646,843**	**(3,889,211)**	**6,757,632**
Forwarding services	(3,329,666)	(637,374)	(2,640,668)	(2,478,110)	(9,085,818)	3,889,211	(5,196,607)
Gross profit	**644,442**	**132,471**	**473,092**	**311,020**	**1,561,025**	**0**	**1,561,025**
Personnel expenses	(430,110)	(82,444)	(292,333)	(155,145)	(960,032)	0	(960,032)
Other operating expenses	(183,322)	(41,377)	(142,421)	(73,085)	(440,205)	0	(440,205)
Adjusted EBITDA	**31,010**	**8,650**	**38,338**	**82,790**	**160,788**	**0**	**160,788**
Depreciation and amortization	(18,216)	(7,193)	(15,278)	(12,069)	(52,756)	0	(52,756)
Adjusted operating result (Segment EBIT)	**12,794**	**1,457**	**23,060**	**70,721**	**108,032**	**0**	**108,032**
Goodwill impairment	(19,112)	0	0	0	(19,112)	0	(19,112)
Fines					(40,939)		(40,939)
Reported operating result (EBIT)	**(6,318)**	**1,457**	**23,060**	**70,721**	**47,981**		**47,981**
Financial result							
Finance income							3,959
Finance costs							(16,468)
Profit before income tax (EBT)							**35,472**
Income tax expenses							(23,777)
Consolidated profit							**11,695**

Information about **segment assets and liabilities:**

2013 (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	557,081	211,786	429,536	324,866	1,523,269	426,188		1,949,457
Segment liabilities	379,807	106,253	316,842	239,045	1,041,947		198,329	1,240,276

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:

2013 (IN THOUSAND CHF)	SWITZER-LAND	GERMANY	UNITED STATES OF AMERICA	BRAZIL	REPUBLIC OF CHINA
Net forwarding revenue	780,163	1,261,802	1,752,370	447,390	1,087,482
Segment non-current assets other than financial instruments, deferred tax assets and post-employment benefits assets	2,856	26,131	10,013	5,422	3,051

The Group did not have sales in excess of 10 percent of the total net forwarding revenues to any single external customer in 2013 or 2014.

5.1 INFORMATION BY PRODUCT

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

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 and duties	(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)
Adjusted EBITDA	**133,130**	**32,822**	**8,075**	**174,027**
Depreciation and amortization	(21,097)	(19,908)	(16,293)	(57,298)
Adjusted operating result (Segment EBIT)	**112,033**	**12,914**	**(8,218)**	**116,729**
Goodwill impairment	0	0	0	0
Fines	0	0	0	0
Reported operating result (EBIT)	**112,033**	**12,914**	**(8,218)**	**116,729**
Financial result				
Finance income				3,375
Finance costs				(4,711)
Profit before income tax (EBT)				**115,393**
Income tax expenses				(28,872)
Consolidated profit				**86,521**

2013 (IN THOUSAND CHF)	AIR FREIGHT	OCEAN FREIGHT	LOGISTICS	TOTAL GROUP
External forwarding services	3,490,122	3,549,223	1,135,565	8,174,910
Customs and duties	(434,516)	(767,752)	(215,010)	(1,417,278)
Net forwarding revenue	**3,055,606**	**2,781,471**	**920,555**	**6,757,632**
Forwarding services from third parties	(2,424,170)	(2,289,562)	(482,875)	(5,196,607)
Gross profit	**631,436**	**491,909**	**437,680**	**1,561,025**
Personnel expenses	(350,977)	(323,459)	(285,596)	(960,032)
Other operating expenses	(143,122)	(122,928)	(174,155)	(440,205)
Adjusted EBITDA	**137,337**	**45,522**	**(22,071)**	**160,788**
Depreciation and amortization	(18,053)	(17,497)	(17,206)	(52,756)
Adjusted operating result (Segment EBIT)	**119,284**	**28,025**	**(39,277)**	**108,032**
Goodwill impairment	(5,531)	(3,005)	(10,576)	(19,112)
Fines	(40,939)	0	0	(40,939)
Reported operating result (EBIT)	**72,814**	**25,020**	**(49,853)**	**47,981**
Financial result				
Finance income				3,959
Finance costs				(16,468)
Profit before income tax (EBT)				**35,472**
Income tax expenses				(23,777)
Consolidated profit				**11,695**

6 PERSONNEL EXPENSES

IN THOUSAND CHF	2014	2013
Wages and salaries	754,200	748,411
Compulsory social security contributions	98,654	94,258
Contributions to defined contribution plans	53,364	52,702
Expenses related to defined benefit plans (note 7)	9,506	4,559
Staff training	6,175	7,338
Share-based compensation (note 8)		
Equity-settled compensation plan	1,937	702
Cash-settled compensation plan	754	0
Other personnel-related expenses	52,260	52,062
Total personnel expenses	**976,850**	**960,032**
Number of employees (headcount on December 31)	**15,639**	**16,010**
thereof in Switzerland	**682**	**754**

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 (2013: 99 percent) of the Group's total plan assets and 81 percent (2013: 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	2014	2013
Changes in defined benefit obligation (DBO)		
DBO at beginning of year	**(273,535)**	**(290,693)**
Included in profit or loss		
Current service cost	(8,791)	(9,802)
Past service (costs) / gains	456	6,980
Interest expenses	(6,241)	(5,805)
	(14,576)	**(8,627)**
Included in OCI		
Remeasurement gains / (losses)		
– Actuarial gains / (losses) from:		
demographic assumptions	91	700
financial assumptions	(32,830)	9,642
experience adjustments	(3,479)	3,870
Currency impact	47	(171)
	(36,172)	**14,041**
Other		
Employee contributions	(6,493)	(6,365)
Benefits paid	23,068	18,109
	16,575	**11,744**
DBO at end of year	**(307,708)**	**(273,535)**
Represented by		
Swiss plans	(248,575)	(222,041)
Other plans	(59,133)	(51,494)
	(307,708)	**(273,535)**

7.3 MOVEMENT IN THE PLAN ASSETS

IN THOUSAND CHF	2014	2013
Changes in fair value of plan assets		
Fair value of plan assets at beginning of year	**243,766**	**231,706**
Included in profit or loss		
Interest income	5,070	4,068
	5,070	**4,068**
Included in OCI		
Remeasurement gains / (losses)		
Return on plan assets, excluding amounts included in interest income	15,749	12,081
Currency impact	103	(60)
	15,852	**12,021**
Other		
Employer contributions	7,026	6,971
Employee contributions	6,493	6,365
Benefits paid	(20,706)	(17,365)
	(7,187)	**(4,029)**
Fair value of plan assets at end of year	**257,501**	**243,766**
Represented by		
Swiss plans	255,208	241,666
Other plans	2,293	2,100
	257,501	**243,766**

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

IN THOUSAND CHF	2014	2013
Changes in net defined benefit (liability) / asset		
Balance at beginning of year	**(29,769)**	**(58,987)**
Net impact included in profit or loss	(9,506)	(4,559)
Net impact included in OCI	(20,320)	26,062
Net impact other	9,388	7,715
Balance at end of year	**(50,207)**	**(29,769)**
Split into		
Post-employment benefit assets	6,862	19,905
Post-employment benefit liabilities	(57,069)	(49,674)
	(50,207)	**(29,769)**

7.5 PLAN ASSETS

IN THOUSAND CHF	2014	2014	2013	2013
Major categories of plan assets				
Cash and cash equivalents	2,868	1.11%	2,119	0.87%
Equity investments	97,389	37.82%	84,026	34.47%
Equities Switzerland	18,775	7.29%	17,497	7.18%
Equities Global	66,126	25.68%	55,483	22.76%
Equities Emerging Markets	12,488	4.85%	11,046	4.53%
Bonds	113,216	43.97%	122,676	50.33%
Swiss Bonds (CHF)	45,996	17.86%	47,388	19.44%
Non-Swiss Bonds (CHF)	31,079	12.07%	39,041	16.02%
Non-Swiss Bonds (Foreign Currency)	36,141	14.04%	36,247	14.87%
Investment funds	0	0.00%	0	0.00%
Hedge funds and private equity	0	0.00%	0	0.00%
Real estate funds Switzerland	37,130	14.42%	29,006	11.90%
Others	6,898	2.68%	5,939	2.44%
Total	**257,501**	**100.00%**	**243,766**	**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 many 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):

	2014	2013
Discount rate	1.25%	2.35%
Future salary increase	1.16%	1.92%
Future pension increase	0.77%	1.14%

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, 2014, the weighted average duration of the DBO was 15.0 years (2013: 13.6 years). The Group expects to pay CHF 7.1 million in contributions in 2015.

DBO relating to the Swiss plans
At December 31, 2014, the duration of the DBO of CHF 248.6 million (2013: CHF 222.0 million) was approximately 14.6 years (2013: approximately 12.9 years). 615 active members (2013: 658) and 207 pensioners (2013: 198) were included in the 2014 actuarial valuation of the DBO.

DBO relating to the German plans
At December 31, 2014, the duration of the DBO of CHF 50.5 million (2013: CHF 43.8 million) was approximately 18 years (2013: approximately 18 years) related to 743 (2013: 811) active members (DBO of CHF 21.5 million, 2013 CHF 18.7 million), to 498 (2013: 457) deferred members (DBO of CHF 10.7 million, 2013: CHF 8.7 million) and to 217 (2013: 203) pensioners (DBO of CHF 18.3 million, 2013: CHF 16.4 million).

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

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

2013 IN THOUSAND CHF	INCREASE OF DBO	DECREASE OF DBO
Discount rate (change of 0.3%)	7,449	(7,101)
Future salary increase (change of 0.5%)	1,776	(1,804)
Future pension increase (change of 0.25%)	3,967	(3,801)

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 PROGRAM IV (MIP IV)

The remaining unexercized options expired during the period under review.

8.2 MANAGEMENT INCENTIVE PLAN 08 / 09 (MIP 08 / 09)

In June 2009, the Group introduced the Management Incentive Program 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.

8.3 MANAGEMENT INCENTIVE PLAN 09 / 10 (MIP 09 / 10)

In 2010 an additional management incentive plan was set up. 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 outstanding and their related average exercise prices:

	2014		2013	
	AVERAGE EXERCISE PRICE PER SHARE (IN CHF)	OPTIONS (NUMBER)	AVERAGE EXERCISE PRICE PER SHARE (IN CHF)	OPTIONS (NUMBER)
Options outstanding on January 1	102.27	23,558	126.74	97,650
Exercised	109.31	(7,315)	90.52	(41,248)
Forfeited	0.00	0	95.65	(45)
Expired	128.18	(8,017)	189.91	(32,799)
Options outstanding on December 31	**70.76**	**8,226**	**102.27**	**23,558**
Options exercisable on December 31	**70.76**	**8,226**	**102.27**	**23,558**

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

	2014		2013	
	EXERCISE PRICE OF OPTION (IN CHF)	NUMBER OF EXERCISED OPTIONS	EXERCISE PRICE OF OPTION (IN CHF)	NUMBER OF EXERCISED OPTIONS
International Management Incentive Plan IV	129.35	2,580	129.35	12,956
United States Management Incentive Plan IV	119.90	2,673	119.90	726
International Management Incentive Plan 08 / 09	61.25	1,112	61.25	18,222
United States Management Incentive Plan 08 / 09	81.35	950	81.35	2,231
International Management Incentive Plan 09 / 10	95.65	0	95.65	6,217
United States Management Incentive Plan 09 / 10	87.75	0	87.75	896
Weighted average exercise price of options exercised during the year	**109.31**		**90.52**	
Weighted average share price at the date of exercise	**134.90**		**114.69**	
Total number of exercised options		**7,315**		**41,248**

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

	2014	
	AVERAGE EXERCISE PRICE PER SHARE (IN CHF)	NUMBER OF OPTIONS EXPIRING AT YEAR-END
2015	63.61	6,352
2016	95.02	1,874
2017	0.00	0
Total	**70.76**	**8,226**

8.4 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.

	2014 MANAGEMENT INCENTIVE PLAN 10/11	2013 MANAGEMENT INCENTIVE PLAN 10/11
Outstanding free shares on January 1	1,406	3,339
Granted free shares	0	0
Vested free shares	(1,406)	(1,649)
Forfeited free shares	0	(284)
Free shares outstanding on December 31	**0**	**1,406**

8.5 MANAGEMENT INCENTIVE PLAN 11 / 12 (MIP 11 / 12)

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

	2014 MANAGEMENT INCENTIVE PLAN 11/12	2013 MANAGEMENT INCENTIVE PLAN 11/12
Outstanding free shares on January 1	1,627	2,562
Granted free shares	0	0
Vested free shares	(817)	(901)
Forfeited free shares	(22)	(34)
Free shares outstanding on December 31	**788**	**1,627**

8.6 MANAGEMENT INCENTIVE PLAN 12 / 13 (MIP 12 / 13)

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

	2014 MANAGEMENT INCENTIVE PLAN 12/13	2013 MANAGEMENT INCENTIVE PLAN 12/13
Outstanding free shares on January 1	1,698	0
Granted free shares	0	1,698
Vested free shares	(610)	0
Forfeited free shares	0	0
Free shares outstanding on December 31	**1,088**	**1,698**

8.7 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.

	2014 MANAGEMENT INCENTIVE PLAN 13/14
Fair value of free share (in CHF)	140.70
Granted free shares	3,342
Vested free shares	(74)
Forfeited free shares	0
Free shares outstanding on December 31	**3,268**

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 2013 and 2014 the members of the Executive Board and the Boards of Directors did not participate in the management incentive plans.

8.8 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. The free matching shares are subject to a vesting period of one-year. In case of voluntary resignation or termination for cause, the free matching shares will forfeit. 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 2014 (performance year 2013) was defined for a three-year cycle (from 2012 to 2014) as the PWTN closing price on April 30, 2012, which amounted to CHF 88.50. The applicable share price for determining the number of deferred bonus shares related to the bonus paid in 2015 (performance year 2014) will be defined for a new three-year cycle (from 2015 to 2017) with the PWTN closing price on April 30, 2015. 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 (8 executives in 2014) 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 2014, Executive Board members received 6,065 shares (2013: 1,625) at a fair market value of 136.10 CHF corresponding to 40 percent of the bonus 2013 and 1,733 free matching shares (2013: 9,580) at a fair market value of 135.60 CHF (related to the bonus paid in 2013 / performance year 2012). Top executives of the core business functions received 2,928 shares (2013: 1,614) corresponding to 20 percent of the bonus 2013 and 1,506 free matching shares (2013: 0) with the same fair market values as above.

The mismatch between shares granted in 2013 and matched shares in 2014 is due to a promotion of an Executive Committee member to the Executive Board beginning of 2014.

8.9 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, 2014, amounts to CHF 1,131 thousand (2013: CHF 377 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 liabilty will remain constant until payout in 2018.

8.10 LONG-TERM PERFORMANCE SHARE UNIT (PSU) PLAN

As of January 1, 2014, the members of the Executive Board and top executives of the core business functions (8 executives in 2014) participate in a new Long-Term Incentive Plan in form of Performance Share Units (PSU). The purpose of the PSU plan is to motivate executives to contribute to the long-term success and prosperity of the company and to encourage them to create shareholder value and at the same time to facilitate the retention of the executives. 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 (25) 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 performance period related to the 2014 PSU grant started on January 1, 2014 and will end on December 31, 2016. The cumulative TSR over the full three year performance period will be measured against the peer group and correlate into in the PSU vesting curve.

During the year 2014, 11,650 PSUs were granted to the Executive Board members and 9,800 to top executives of the core business functions. The present value per PSU at grant date amounted to 101.35 CHF (assuming median TSR performance versus peer group) versus a market value at grant date of 139.80 CHF.

8.11 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 2,534 shares (2013: 0).

8.12 COSTS OF SHARE-BASED COMPENSATION

Recognized costs of share-based compensation were as follows:

IN TCHF	2014	2013
Employee share plan	1,937	780
Option plan	0	(79)
Total cost of share-based payments	**1,937**	**702**

9 OTHER OPERATING EXPENSES

IN THOUSAND CHF	2014	2013
Communication expenses	33,137	34,178
IT expenses	51,009	42,061
Facility and utilities expenses	151,385	150,012
Leased equipments	8,263	8,343
Maintenance and repair expenses	31,254	34,158
Cars and motor vehicles expenses	27,756	29,402
Travel and promotion expenses	32,311	38,784
Administrative expenses	58,031	62,208
Insurance expenses and claims	18,875	19,315
Bad-debt and collection expenses	10,943	8,044
Gains on sales of property, plant and equipment	(1,452)	(2,265)
Losses on sales of property, plant and equipment	1,965	1,285
Other	11,613	14,680
Total other operating expenses	**435,090**	**440,205**

Bad-debt and collection expenses include CHF 0.8 million (2013: CHF 1.0 million) of credit insurance premiums.

10 FINANCE INCOME AND COSTS

IN THOUSAND CHF	2014	2013
Interest income		
Interest income on current bank accounts	1,970	2,290
Interest income on financial assets at fair value through profit or loss	9	7
Interest income on loans	0	1
Cash discount income	66	397
Subtotal interest income	2,045	2,695
Exchange differences	1,035	0
Dividend on available-for-sale financial assets	141	510
Fair value adjustments on financial assets	11	754
Other financial income	143	0
Total finance income	**3,375**	**3,959**
Interest expenses		
Interest expenses on loans	(104)	(112)
Interest expenses on current bank accounts	(689)	(854)
Interest expenses on financial leasing	(36)	(34)
Cash discount expenses	(283)	(497)
Subtotal interest expenses	(1,112)	(1,497)
Bank charges	(2,320)	(2,663)
Exchange differences	0	(10,584)
Guarantee fees expenses	(900)	(950)
Other financial expenses	(376)	(774)
Impairment on financial assets	(3)	0
Total finance costs	**(4,711)**	**(16,468)**
Net finance costs	**(1,336)**	**(12,509)**

11 INCOME TAX EXPENSES

IN THOUSAND CHF	2014	2013
Current income taxes		
Current period	31,819	32,384
Adjustments for prior periods	(1,692)	(2,599)
Total current income taxes	**30,127**	**29,785**
Deferred income taxes (note 26)		
Origination and reversal of taxes on temporary differences and on tax loss carry-forwards	228	(4,307)
Effect of changes in the tax rate on temporary differences	1,073	793
Utilization of non-recognized tax loss carry-forwards	(2,556)	(2,494)
Total deferred income taxes	**(1,254)**	**(6,008)**
Total income tax expenses	**28,872**	**23,777**

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	2014	2013
Profit before income tax	115,393	35,472
Tax at the applicable tax rate of 22.18% (2013: 22.48%)	25,594	7,974
Effective national tax rates	(799)	8,284
Utilization of not yet recognized tax loss carry-forwards	(2,556)	(2,494)
Not yet recognized tax loss carry-forwards	9,170	8,123
Adjustment of previous year tax provision	(1,692)	(2,599)
Effect of changes in the tax rate on temporary differences	1,073	793
Withholding tax on dividends received	1,264	341
Expenses not deductible for tax purposes and not taxable income	(388)	259
Miscellaneous	(2,795)	3,096
Actual tax charge	**28,872**	**23,777**

Income tax recognized in other comprehensive income is as follows:

	2014			**2013**		
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	(20,470)	5,099	(15,371)	26,293	(6,349)	19,944
Available-for-sale financial assets	0	0	0	349	(116)	233
Exchange differences on translation of foreign operations	2,442	0	2,442	(23,159)	0	(23,159)
Total	**(18,028)**	**5,099**	**(12,929)**	**3,483**	**(6,465)**	**(2,982)**

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	2014	2013
Consolidated profit attributable to owners of the parent	87,241	11,862
Weighted average number of ordinary shares outstanding	23,730	23,680
Basic earnings per share (in CHF)	**3.68**	**0.50**

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	2014	2013
Consolidated profit attributable to owners of the parent	87,241	11,862
Weighted average number of ordinary shares outstanding	23,730	23,680
Adjustments for share options	7	2
Adjustments for share ownership program	14	8
Weighted average number of ordinary shares for diluted earnings per share	23,751	23,690
Diluted earnings per share (in CHF)	**3.67**	**0.50**

At December 31, 2014, 0 options (2013: 13,270 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

2014 (IN THOUSAND CHF)	LAND AND BUILDINGS	MACHINERY AND 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**

2013 (IN THOUSAND CHF)	LAND AND BUILDINGS	MACHINERY AND EQUIPMENT	VEHICLES	CONSTRUCTION IN PROGRESS	TOTAL
Acquisition costs					
Balance on January 1	**144,508**	**238,079**	**37,948**	**2,327**	**422,862**
Translation differences	(4,167)	(6,790)	(946)	(217)	(12,120)
Additions	5,439	17,062	3,545	1,615	27,661
Disposals and deletions	(2,033)	(14,948)	(6,010)	(228)	(23,219)
Reclassifications	2,673	818	6	(3,497)	0
Balance on December 31	**146,420**	**234,221**	**34,543**	**0**	**415,184**
Accumulated depreciation					
Balance on January 1	**79,853**	**182,903**	**29,897**	**0**	**292,653**
Translation differences	(2,028)	(6,039)	(815)	0	(8,882)
Additions	7,760	23,306	3,212	0	34,278
Disposals and deletions	(1,842)	(14,645)	(5,286)	0	(21,773)
Reclassifications	(13)	12	1	0	0
Balance on December 31	**83,730**	**185,537**	**27,009**	**0**	**296,276**
Net book value on January 1	64,655	55,176	8,051	2,327	130,209
Net book value on December 31	**62,690**	**48,684**	**7,534**	**0**	**118,908**
Of which net book value of assets acquired under finance leases	**191**	**13**	**550**	**0**	**754**

14 INTANGIBLE ASSETS

2014 (IN THOUSAND CHF)	GOODWILL	SOFTWARE	BRANDS / CUSTOMER LISTS	OTHER INTANGIBLE ASSETS	TOTAL
Acquisition costs					
Balance on January 1	**81,297**	**139,226**	**36,450**	**854**	**257,827**
Translation differences	552	750	0	(14)	1,288
Additions	0	28,587	0	5	28,592
Disposals and deletions	0	(20,024)	0	(14)	(20,038)
Balance on December 31	**81,849**	**148,539**	**36,450**	**831**	**267,669**
Accumulated amortization and impairment losses					
Balance on January 1	**36,990**	**65,489**	**36,450**	**805**	**139,734**
Translation differences	(75)	676	0	(14)	587
Additions	0	25,289	0	36	25,326
Disposals and deletions	0	(20,010)	0	4	(20,006)
Balance on December 31	**36,915**	**71,444**	**36,450**	**831**	**145,640**
Net book value on January 1	44,307	73,737	0	49	118,093
Net book value on December 31	**44,934**	**77,095**	**0**	**0**	**122,029**

2013 (IN THOUSAND CHF)	GOODWILL	SOFTWARE	BRANDS / CUSTOMER LISTS	OTHER INTANGIBLE ASSETS	TOTAL
Acquisition costs					
Balance on January 1	**83,726**	**120,144**	**39,039**	**937**	**243,846**
Translation differences	(2,429)	(1,339)	(2,589)	(101)	(6,458)
Additions	0	22,141	0	18	22,159
Disposals and deletions	0	(1,720)	0	0	(1,720)
Balance on December 31	**81,297**	**139,226**	**36,450**	**854**	**257,827**
Accumulated amortization and impairment losses					
Balance on January 1	**19,925**	**51,947**	**37,086**	**753**	**109,711**
Translation differences	(2,047)	(1,252)	(2,453)	(95)	(5,847)
Additions	0	16,514	1,817	147	18,478
Impairment losses	19,112	0	0	0	19,112
Disposals and deletions	0	(1,720)	0	0	(1,720)
Balance on December 31	**36,990**	**65,489**	**36,450**	**805**	**139,734**
Net book value on January 1	63,801	68,197	1,953	184	134,135
Net book value on December 31	**44,307**	**73,737**	**0**	**49**	**118,093**

The net book value of software comprises accumulated, internally generated, capitalized software development costs of CHF 66.9 million (2013: CHF 49.2 million). All intangible assets with estimable useful lives are amortized over the period of their respective estimated useful lives to their estimated residual values and reviewed for impairment. In the fourth quarter of the previous year, management decided to discontinue certain activities in Norway. As a result (as volume and profitability were expected to significantly decrease), a goodwill impairment charge of CHF 19.1 million was recognized in 2013. During the period under review the Group did not recognize any goodwill impairment charge.

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	**2014**	**2013**
Air Freight division (CGU Airfreight) / various countries	31,018	31,018
Others	13,916	13,289
Grampian International Freight Aberdeen & Beverwijk (CGU Grampian) / United Kingdom	6,762	6,456
Panalpina World Transport (Singapore) Pte. Ltd. (CGU Janco) / Singapore	4,101	3,852
Panalpina World Transport (Pty) Ltd. (CGU Australia) / Australia	3,053	2,981
Total goodwill	**44,934**	**44,307**

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

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%

2013	**CGU AIR-FREIGHT**	**OTHERS**
Basis for recoverable amount	value in use	value in use
Pre-tax discount rate applied to the cash flow projections	7.91%	8.39% - 12.84%
Projection period	5 years	5 years
Terminal growth rate	1.00%	1.60% - 2.20%

Management considers that it is not likely for the assumptions used to change so significantly, as to eliminate the excess of recoverable amounts. A sensitivity analysis for CGU Airfreight has been prepared with the following outcome:

Amount of excess (+) / necessary impairment (–) in thousand CHF depending on discount and growth rate

	DISCOUNT RATE			
CGU AIRFREIGHT	**7.17%**	**12.17%**	**17.17%**	**22.17%**
Growth rate				
0.00%	1,725,700	918,444	583,923	401,859
1.00%	2,047,831	1,023,232	635,147	432,085
2.00%	2,494,897	1,148,734	693,183	465,345
3.00%	3,156,866	1,301,730	759,474	502,115

15 INVESTMENTS AND OTHER CURRENT FINANCIAL ASSETS

IN THOUSAND CHF	**2014**	**2013**
Available-for-sale investments	1,855	2,280
Fair value through profit or loss investments	401	1,040
Loans receivable	221	203
Long-term receivables	17,490	18,787
Other	8,302	6,039
Total investments	**28,269**	**28,349**
Fair value through profit or loss investments	0	5,472
Total other current financial assets	**0**	**5,472**

Long-term receivables primarily include rental and guarantee deposits.

15.1 AVAILABLE-FOR-SALE INVESTMENTS – UNQUOTED EQUITY SHARES

IN THOUSAND CHF	**2014**	**2013**
Balance on January 1	**2,280**	**2,025**
Translation differences	(227)	(197)
Additions	0	103
Disposals	(196)	0
Fair value adjustments recognized in profit or loss (Impairment)	(3)	0
Fair value adjustments recognized in other comprehensive income	0	349
Fair value adjustments reclassified to profit or loss	0	0
Balance on December 31	**1,854**	**2,280**
Less: non-current portion	1,854	2,280
Current portion	0	0

15.2 FAIR VALUE THROUGH PROFIT OR LOSS INVESTMENTS

IN THOUSAND CHF	2014	2013
Balance on January 1	**6,512**	**8,574**
Translation differences	(9)	(173)
Additions	102	42
Disposals	(6,215)	(2,685)
Fair value adjustments recognized in profit or loss	11	754
Balance on December 31	**401**	**6,512**
Less: non-current portion	401	1,040
Current portion	0	5,472

In the fourth quarter of the previous period, the Group has decided to fully dispose of its equity stake in Dimerco, a company listed on the Taipeh Stock Exchange, within the next 12 months. In the period under review all Dimerco shares were sold, disposal of shares amounted to CHF 5,376 thousand (2013: 2,674) while the gain for fair value adjustment recognized in profit or loss was CHF 57 thousand (2013: 604) during the period under review.

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

2014 (IN THOUSAND CHF)	CASH	AVAI-LABLE-FOR-SALE	FAIR VALUE THROUGH PROFIT OR LOSS HELD FOR TRADING	LOANS AND RECEI-VABLES	CARRYING AMOUNT	TOTAL (FAIR VALUE)
Trade receivables and other receivables				1,039,798	1,039,798	1,039,798
Unbilled forwarding services				111,486	111,486	111,486
Accrued interest income				72	72	72
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		1,854	0		1,854	1,854
Third-party loans				221	221	221
Rental and guarantee deposits				17,490	17,490	17,490
Other				8,230	8,230	8,230
Total on December 31, 2014	**306**	**1,854**	**3,361**	**1,549,033**	**1,554,555**	**1,554,555**

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**

2013 (IN THOUSAND CHF)	CASH	AVAI-LABLE-FOR-SALE	FAIR VALUE THROUGH PROFIT OR LOSS HELD FOR TRADING	LOANS AND RECEI-VABLES	CARRYING AMOUNT	TOTAL (FAIR VALUE)
Trade receivables and other receivables				1,082,783	1,082,783	1,082,783
Unbilled forwarding services				91,192	91,192	91,192
Accrued interest income				32	32	32
Cash and cash equivalents	619			336,304	336,923	336,923
Derivative financial instruments			2,905		2,905	2,905
Investments:						
Bonds and debentures			448		448	448
Shares		2,280	6,064		8,344	8,344
Third-party loans				203	203	203
Rental and guarantee deposits				18,787	18,787	18,787
Other				6,039	6,039	6,039
Total on December 31, 2013	**619**	**2,280**	**9,417**	**1,535,340**	**1,547,656**	**1,547,656**

2013 (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		913,701	913,701	913,701
Borrowings		2,834	2,834	2,834
Finance lease liabilities		427	427	427
Derivative financial instruments	1,710		1,710	1,710
Total on December 31, 2013	**1,710**	**916,962**	**918,672**	**918,672**

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)

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**

2013 (IN THOUSAND CHF)	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Available-for-sale financial assets	0	2,146	0	2,146
Fair value through profit or loss investments	6,512	0	0	6,512
Derivative financial assets	0	2,905	0	2,905
Available-for-sale financial assets at cost				134
Total				**11,697**
Derivative financial liabilities	0	1,710	0	1,710
Total				**1,710**

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).

No financial instruments were transferred into another level in either 2014 or 2013.

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 Hong Kong dollar. 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 manage their foreign exchange risk against their functional currency. The Group companies are required to hedge their entire foreign exchange risk exposure with the Group Treasury, if possible. To manage foreign exchange risks arising from future commercial transactions or recognized assets and liabilities, entities in the Group use forward contracts. Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the Group entity's functional currency. The Group Treasury is responsible for managing the net position using external derivative contracts. Each subsidiary designates contracts with the Group Treasury as fair value hedges. External foreign exchange contracts are designated at the Group level as hedges of foreign exchange risk on specific assets and liabilities on a gross basis.

At December 31, 2014, the Group's net foreign currency risk exposure amounted to CHF 338.5 million (2013: CHF 281.0 million). The following table demonstrates the sensitivity to a reasonable possible change of 10 percent weakening in the USD, EUR and AUD exchange rate toward CHF, with all other variables held constant, of the Group's profit before income tax (due to changes in the fair value of monetary assets and liabilities).

	PROFIT BEFORE INCOME TAX	
EFFECT IN THOUSAND CHF	**2014**	**2013**
US dollar	(43,911)	(45,493)
Euro	6,043	(4,322)
Australian dollar	9,685	9,278
Total effect	**(28,183)**	**(40,537)**

The movement in the pre-tax effect results from the change in the fair value of derivative financial instruments not designated in a hedging relationship and monetary assets and liabilities denominated in USD, EUR and AUD, in which the functional currency of the entity is a currency other than USD, EUR or AUD. Although the derivatives have not been designated in a hedge relationship, they act as a commercial hedge and will offset the underlying transactions should they occur. If the exchange rates of all currencies weakened by 10 percent towards CHF, the total maximum net effect would amount to CHF –28.5 million (2013: CHF –52.0 million).

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	**2014**	**2013**
Cash and cash equivalents (without cash in hand)	371,737	336,305
Derivative financial instruments	2,960	2,905
Trade receivables and other receivables	1,113,839	1,206,666
Loans and other financial assets	26,494	31,565
Total financial assets shown in statement of financial position subject to credit risk	**1,515,028**	**1,577,441**
Guarantees	355,755	527,058
Total credit risk	**1,870,783**	**2,104,499**

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 371.4 million (2013: CHF 339.1 million) and credit lines with various financial institutions totaling CHF 538.4 million (2013: CHF 535.1 million). Of this total, CHF 214.1 million (2013: CHF 209.8 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 based on contractual undiscounted payments.

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 and other payables	497,245	110,002		607,248
Accruals	244,639	45,632	0	290,271
Other liabilities	21,123	56,964	0	78,086
Foreign exchange contracts				
Cash inflow	230,428	11,583	0	242,011
Cash outflow	(411,603)	(81,534)	0	(493,137)
Total	**581,890**	**143,109**	**132**	**725,131**

2013 (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)	2,333	720	208	3,261
Trade and other payables	517,633	128,857	3,807	650,297
Accruals	217,229	16,891	29,285	263,405
Provisions and other liabilities	38,479	10,698	0	49,177
Foreign exchange contracts				
Cash inflow	364,895	57,803	0	422,698
Cash outflow	(233,429)	(31,354)	0	(264,783)
Total	**907,140**	**183,615**	**33,300**	**1,124,055**

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	**2014**	**2013**
Capital and reserves attributable to Panalpina shareholders	720,904	697,508
Equity attributable to non-controlling interests	12,245	11,673
Total equity	**733,149**	**709,181**
Total assets	**1,929,732**	**1,949,457**
Equity ratio	**38.0%**	**36.4%**

The Group is not subject to regulatory capital adequacy requirements.

18 OTHER RECEIVABLES AND OTHER CURRENT ASSETS

IN THOUSAND CHF	2014	2013
Taxes (VAT, withholding tax)	53,129	51,876
Accrued income	2,485	5,625
Accrued interest income	72	32
Personnel advances	2,703	3,348
Social security and payroll taxes	1,046	915
Prepaid rent expenses	7,061	4,075
Prepaid communication and IT expenses	395	5,960
Supplier rebates	27,072	22,168
Short-term loans	79	1,033
Others	7,149	7,639
Total other receivables and other current assets	**101,191**	**102,671**

19 TRADE RECEIVABLES

IN THOUSAND CHF	2014	2013
Commercial clients	1,034,099	1,073,743
Agents	12,031	12,674
Total trade receivables (gross values)	**1,046,130**	**1,086,417**
Individual allowance	(156)	(400)
Overall allowance	(33,327)	(26,435)
Total trade receivables (net)	**1,012,647**	**1,059,582**
Europe	377,801	421,882
thereof European Union and Rest of Europe	342,088	379,181
thereof Switzerland	35,713	42,701
Middle East, Africa, CIS	103,073	124,206
Americas	333,829	326,609
Asia Pacific	197,944	186,885
Total trade receivables (net)	**1,012,647**	**1,059,582**

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 provision for impairment of trade receivables:

IN THOUSAND CHF	2014	2013
Balance as of January 1	26,835	25,848
Receivables written off during the year as uncollectible	(4,041)	(5,107)
Changes in provision for doubtful accounts	10,689	6,094
Balance as of December 31	**33,483**	**26,835**

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	2014	2013
Commercial clients	1,034,099	1,073,743
Agents	12,031	12,674
Total trade receivables (gross values)	**1,046,130**	**1,086,417**
Allowance for bad debt	(33,483)	(26,835)
Total trade receivables (net)	**1,012,647**	**1,059,582**
of which:		
Not overdue	774,659	759,857
Past due not more than 30 days	177,758	194,805
Past due more than 30 days up to 180 days	94,556	117,559
Past due more than 180 days up to 360 days	23,655	16,417
Past due more than 360 days	14,245	12,105
Prepayment	(38,743)	(14,326)
Total trade receivables (gross)	**1,046,130**	**1,086,417**
Allowance for bad debt	(33,483)	(26,835)
Total trade receivables (net)	**1,012,647**	**1,059,582**

20 DERIVATIVE FINANCIAL INSTRUMENTS

IN THOUSAND CHF	CONTRACT VALUE 2014	CONTRACT VALUE 2013	POSITIVE REPLACEMENT VALUE 2014	POSITIVE REPLACEMENT VALUE 2013	NEGATIVE REPLACEMENT VALUE 2014	NEGATIVE REPLACEMENT VALUE 2013
Forward foreign exchange contracts	**722,823**	**685,792**	**2,960**	**2,905**	**(7,988)**	**(1,710)**
Forward trading hedges	722,823	685,792	2,960	2,905	(7,988)	(1,710)

IN THOUSAND CHF	CONTRACT VALUE 2014	CONTRACT VALUE 2013	POSITIVE REPLACEMENT VALUE 2014	POSITIVE REPLACEMENT VALUE 2013	NEGATIVE REPLACEMENT VALUE 2014	NEGATIVE REPLACEMENT VALUE 2013
Terms of the forward foreign exchange contracts	**722,823**	**685,792**	**2,960**	**2,905**	**(7,988)**	**(1,710)**
0 - 3 months	683,858	597,384	2,960	2,420	(7,911)	(1,070)
4 - 12 months	38,966	88,408	0	485	(78)	(640)

Derivative financial instruments are spread over the following currencies:

IN THOUSAND CHF	FORWARD FOREIGN EXCHANGE CONTRACTS 2014	FORWARD FOREIGN EXCHANGE CONTRACTS 2013
EUR	362,733	367,738
USD	119,095	95,642
CNY	70,912	35,355
HKD	40,726	41,920
CHF	35,405	30,413
MXN	23,431	25,707
VND	8,033	8,571
KRW	7,497	6,510
TWD	6,911	7,095
MYR	6,399	5,176
BRL	5,558	0
NOK	4,395	729
SEK	3,472	6,191
CAD	3,124	7,611
SGD	2,839	12,142
CZK	2,818	4,182
GBP	2,775	1,249
CLP	2,529	3,823
PEN	2,367	2,621
TRY	2,121	7,343
UYU	2,112	1,166
PLN	1,813	886
AUD	1,700	2,370
Other	4,058	11,354
Total	**722,823**	**685,792**

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.

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)**

2013 (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	2,905	(1,134)	1,771
Total on December 31	**2,905**	**(1,134)**	**1,771**
Financial liabilities			
Forward foreign exchange contracts	(1,710)	1,134	(576)
Total on December 31	**(1,710)**	**1,134**	**(576)**

21 CASH AND CASH EQUIVALENTS

IN THOUSAND CHF	2014	2013
Cash on hand	306	619
Cash at bank	368,908	340,710
Checks and bills of exchange in transit	2,829	(4,406)
Total cash and cash equivalents	**372,043**	**336,923**

Net cash (debt) is comprised as follows:

IN THOUSAND CHF	2014	2013
Cash and cash equivalents	372,043	336,923
Other current financial assets	0	5,472
Short-term borrowings	(520)	(3,053)
Long-term borrowings	(132)	(208)
Net cash	**371,391**	**339,134**

22 SHARE CAPITAL AND TREASURY SHARES

	OUT-STANDING NUMBER OF SHARES	ORDINARY SHARES	TREASURY SHARES	TOTAL
	Numbers	**In TCHF**	**In TCHF**	**In TCHF**
Shares issued	23,750,000	2,375		2,375
Treasury shares held	(33,467)		(3,339)	(3,339)
Balance on January 1, 2014	**23,716,533**	**2,375**	**(3,339)**	**(964)**
Treasury shares				
Purchased	(20,000)	0	(2,762)	(2,762)
Sold under employee share plan	15,104	0	1,795	1,795
Sold under employee option plan	7,315	0	744	744
Bonus settled with own shares	14,766	0	1,473	1,473
Movement	17,185	0	1,250	1,250
Shares issued	23,750,000	2,375		2,375
Treasury shares held	(16,282)		(2,089)	(2,089)
Balance on December 31, 2014	**23,733,718**	**2,375**	**(2,089)**	**286**

	OUT-STANDING NUMBER OF SHARES	ORDINARY SHARES	TREASURY SHARES	TOTAL
	Numbers	In TCHF	In TCHF	In TCHF
Shares issued	23,750,000	2,375		2,375
Treasury shares held	(100,398)		(10,018)	(10,018)
Balance on January 1, 2013	**23,649,602**	**2,375**	**(10,018)**	**(7,643)**
Treasury shares				
Sold under employee share plan	12,864	0	1,284	1,284
Sold under employee option plan	41,248	0	4,116	4,116
Bonus settled with own shares	12,819	0	1,279	1,279
Movement	66,931	0	6,679	6,679
Shares issued	23,750,000	2,375		2,375
Treasury shares held	(33,467)		(3,339)	(3,339)
Balance on December 31, 2013	**23,716,533**	**2,375**	**(3,339)**	**(964)**

The share capital is presented by 23,750,000 issued shares of CHF 0.10 par value (2013: 23,750,000 of CHF 0.10 par value), fully paid in. On December 31, 2014, the number of outstanding shares amounted to 23,733,718 shares (2013: 23,716,533) and the number of treasury shares to 16,282 (2013: 33,467). 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 9, 2014 approved a dividend of CHF 2.20 per share that was distributed in respect of the business year 2013. The total dividend paid in 2014 amounted to CHF 52.2 million (2013: CHF 47.3 million). The Shareholders' Meeting in 2013 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 15, 2015. 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 2014 of CHF 2.75 per share (2013: 2.20 per share). This is subject to approval at the Annual Meeting of Shareholders on May 12, 2015.

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.

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**
Reclassification of non-controlling interests to parent shareholders	**0**	**0**	**0**	**0**	**0**		**0**
Other changes in non-controlling interests	**0**	**0**	**0**	**0**	**0**		**0**
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**			

2013 (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	INTRAGROUP ELIMINATIONS	TOTAL
NCI percentage	**51%**	**51%**	**51%**	**51%**			
Non-current assets	88	186	19	104			
Current assets	13,167	16,317	6,769	5,013			
Non-current liabilities	0	0	(175)	(122)			
Current liabilities	(5,197)	(7,752)	(3,067)	(1,747)			
Net assets	**8,058**	**8,751**	**3,546**	**3,248**			
Carrying amount of NCI	**4,110**	**4,463**	**1,808**	**1,656**	**(364)**		**11,673**
Reclassification of non-controlling interests to parent shareholders	**0**	**0**	**0**	**0**	**3,127**		**3,127**
Other changes in non-controlling interests	**0**	**0**	**0**	**0**	**(186)**		**(186)**
Revenue	15,574	63,129	20,376	17,140			
Profit	(573)	1,572	(361)	(1,046)			
Other comprehensive income	18	(128)	(92)	(74)			
Total comprehensive income	**(555)**	**1,444**	**(453)**	**(1,120)**			
Profit allocated to NCI	**(292)**	**802**	**(184)**	**(533)**	**40**	**0**	**(167)**
OCI allocated to NCI	**9**	**(65)**	**(47)**	**(38)**	**(30)**	**0**	**(171)**
Cash flows from operating activities	914	3,299	(834)	3,652			
Cash flows from investment activities	(12)	(8)	(7)	(9)			
Cash flows from financing activities	(768)	(2,197)	0	0			
Dividends paid to NCI	(171)	0	0	0	0	0	(171)
Effect of exchange rate changes on cash and cash equivalents	2	(46)	33	(144)			
Net increase (decrease) in cash and cash equivalents	**(35)**	**1,048**	**(808)**	**3,499**			

In 2013, management reclassified the negative balance of non-controlling interests of Panalpina Transportes Mundiais Navegâçao e Trânsitos S.A.R.L. (Angola) to parent shareholders' equity.

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	2014	2013
Current liabilities		
Overdraft	9	2,263
Current portion of secured bank loans	337	571
Current portion of finance lease liabilities	175	219
Total current liabilities	**520**	**3,053**
Non-current liabilities		
Non-current portion of finance lease liabilities	132	208
Total non-current liabilities	**132**	**208**

24.1 TERMS AND REPAYMENT SCHEDULE

				2014		2013	
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	337	337	571	571
Total current liabilities				**337**	**337**	**571**	**571**

24.2 FINANCE LEASE LIABILITIES

	2014			2013		
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	184	9	175	223	4	219
Between 1 and 5 years	137	5	132	209	1	208
Total interest-bearing liabilities	**321**	**14**	**307**	**432**	**5**	**427**

The weighted average interest rate of bank borrowings and other financing liabilities is 6.43 percent (2013: 6.38 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	2014	2013
EUR	0	2,262
DZD	337	571
PLN	282	386
Others	33	42
Total	**652**	**3,261**

25 NON-CURRENT PROVISIONS AND OTHER LIABILITIES

2014 IN THOUSAND CHF	EMPLOYEE BENEFITS	CLAIMS AND OTHER PROVI-SIONS	TOTAL PROVI-SIONS AND OTHER LIABILITIES
Balance on January 1	**32,055**	**45,562**	**77,617**
Translation differences	872	549	1,422
Addition	7,671	3,649	11,320
Reversal of unused amount	(2,608)	(7,100)	(9,708)
Charged in income statement	**5,063**	**(3,451)**	**1,612**
Utilization	(2,904)	(1,229)	(4,133)
Balance on December 31	**35,086**	**41,431**	**76,518**

2013 IN THOUSAND CHF	EMPLOYEE BENEFITS	CLAIMS AND OTHER PROVI-SIONS	TOTAL PROVI-SIONS AND OTHER LIABILITIES
Balance on January 1	**34,097**	**38,984**	**73,081**
Translation differences	(439)	(1,148)	(1,587)
Addition	3,669	9,531	13,200
Reversal of unused amount	(3,492)	(1,244)	(4,736)
Charged in income statement	**177**	**8,287**	**8,464**
Utilization	(1,780)	(561)	(2,341)
Balance on December 31	**32,055**	**45,562**	**77,617**

Employee provisions mostly relate 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 performance.

The balance for claims represents a provision for certain claims brought forward against the Group by customers and forwarding agents. The balance as of December 31, 2014, 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).

The current portion of employee benefits and claims and other provisions are disclosed in note 27.

26 DEFERRED INCOME TAXES

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

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 at December 31							**67,962**
Thereof deferred income tax liabilities at December 31							**(11,074)**

2013 (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	**2,067**	**(11,763)**	**9,605**	**14,452**	**4,182**	**33,330**	**51,873**
Recognized translation differences	(130)	(145)	(765)	0	(247)	(1,321)	(2,608)
Recognized in income statement	(1,127)	1,556	5,875	1,117	750	(2,163)	6,008
Recognized in OCI	0	0	0	(6,349)	0	0	(6,349)
Net deferred income tax balance at December 31	**810**	**(10,352)**	**14,715**	**9,220**	**4,685**	**29,846**	**48,924**
Thereof deferred income tax assets at December 31							**65,457**
Thereof deferred income tax liabilities at December 31							**(16,533)**

YEAR OF EXPIRY OF UNRECOGNIZED TAX LOSS CARRY-FORWARDS (IN THOUSAND CHF)	2014	2013
2014	0	12,733
2015	4,434	5,856
2016	4,277	15,487
2017	1,313	0
2018	127	0
2019	1,112	0
Later	78,483	29,632
No expiry date	159,050	148,715
Total unrecognized tax loss carry-forwards	**248,795**	**212,423**

The total increase of CHF 36.4 million (2013: increase of CHF 21.4 million) derived mainly from unrecognized tax loss carry-forwards in Austria and France. Unrecognized deferred taxes on tax loss carry-forwards of CHF 2.6 million (2013: CHF 2.5 million) were utilized mainly in Belgium and Luxembourg. Utilization of recognized tax loss carry-forwards amounts to CHF 4.4 million (2013: CHF 15.8 million) mainly in Germany.

27 CURRENT PROVISIONS AND OTHER LIABILITIES

2014 (IN THOUSAND CHF)	EMPLOYEE BENEFITS AND OTHERS	OUT-STANDING VACATION ENTITLE-MENT	CLAIMS	RESTRUC-TURING	TOTAL
Balance on January 1	**74,457**	**23,035**	**49,178**	**8,696**	**155,366**
Translation differences	1,440	(50)	3,491	(41)	4,840
Addition	46,693	8,011	8,990	8,541	72,235
Reversal of unused amounts	(3,764)	(1,242)	(2,671)	(1,690)	(9,367)
Charged in income statement	**42,929**	**6,769**	**6,319**	**6,851**	**62,868**
Utilization	(42,936)	(7,184)	(48,041)	(4,701)	(102,862)
Balance on December 31	**75,890**	**22,570**	**10,947**	**10,805**	**120,212**

2013 (IN THOUSAND CHF)	EMPLOYEE BENEFITS AND OTHERS	OUT-STANDING VACATION ENTITLE-MENT	CLAIMS	RESTRUC-TURING	TOTAL
Balance on January 1	**51,585**	**22,238**	**33,225**	**17,431**	**124,479**
Translation differences	(1,298)	(996)	678	(396)	(2,012)
Addition	65,107	4,694	41,425	4,903	116,129
Reversal of unused amounts	(5,158)	(1,086)	(1,501)	(740)	(8,485)
Charged in income statement	**59,949**	**3,608**	**39,924**	**4,163**	**107,644**
Utilization	(35,779)	(1,815)	(24,649)	(12,502)	(74,745)
Balance on December 31	**74,457**	**23,035**	**49,178**	**8,696**	**155,366**

Apart from outstanding vacation entitlement, the current portions of provisions and other liabilities include personnel profit participation and related social security costs and payroll taxes, as well as compliance consultancy fees. During the period under review, a provision of CHF 36.2 million for personnel profit participation was recognized. In 2014, CHF 33.5 million of personnel profit participation (2013: CHF 34.1 million) was paid out. As of December 31, 2014 a provision of CHF 55.5 million (2013: CHF 51.3 million) was held for personnel profit participation including related social security costs and payroll taxes.

As disclosed in notes 4 and 25, claim provisions include the current portion of certain claims brought forward against the Group by customers and forwarding agents. Utilization of the claim provision in 2013 mainly included the payments of the WEKO claim (CHF 3.2 million) and the last portion of the FCPA settlement (CHF 17.1 million). Utilization of the claim provision in 2014 mainly included the payment to settle the class action lawsuit in the U.S. (USD 35 million). Further details on open legal claims are described in note 30.2 Pending Legal Claims.

The restructuring provision newly added in 2014 relates to headcount reductions in certain functions mainly in Europe. The additional provision recognized in 2013 relates to headcount reductions in certain functions mainly in Germany, Norway and Angola.

28 RELATED PARTIES

28.1 KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel consists of the Board of Directors and the Executive Board. The members of the Board of Directors receive a fixed annual compensation and participate in certain equity compensation plans (see note 8). In 2014, there were 7 (2013: 7) members of the Board of Directors.

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 2014, there were 6 (2013: 5) members of 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:

2014 IN THOUSAND CHF	SHORT-TERM EMPLOYEE BENEFITS[1]	POST-EMPLOYMENT BENEFITS	OTHER LONG-TERM BENEFITS	TERMINATION BENEFITS	SHARE-BASED PAYMENT[2]	TOTAL COMPENSATION 2014
Total remuneration of Board of Directors	1,538	0	0	0	350	1,888
Total remuneration of Executive Board	6,884	645	0	0	2,172	9,701
Total remuneration of key management personnel	**8,422**	**645**	**0**	**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 2015 related to the Performance Share Units Plan.

2013 IN THOUSAND CHF	SHORT TERM EM-PLOYEE BENEFITS[1]	POST-EM-PLOYMENT BENEFITS	OTHER LONG-TERM BEN-EFITS	TERMINA-TION BEN-EFITS	SHARE-BASED PAYMENT[2]	TOTAL COMPEN-SATION 2013
Total remuneration of Board of Directors	1,536	0	0	0	350	1,886
Total remuneration of Executive Board	5,918	630	0	0	1,325	7,873
Total remuneration of key management personnel	**7,454**	**630**	**0**	**0**	**1,675**	**9,759**

[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 2014 for the business year 2013. For the Executive Board, the disclosed amount includes the shares granted under the Mid-Term Incentive Plan (MTIP) and related to the 2013 annual bonus (grant in 2014) as well as the matching shares that will be transferred in 2014 related to the 2011 annual bonus / MTIP.

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.

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

	Number of PWT nominal shares	Number of options (end of vesting period)
		2014
Board of Directors		
Rudolf W. Hug, Chairman	7,564	0
Beat Walti, Vice Chairman	991	0
Ilias Läber, Member	0	0
Chris E. Muntwyler, Member	991	0
Roger Schmid, Member	6,875	0
Hans-Peter Strodel, Member	991	0
Knud Elmholdt Stubkjær, Member	564	0
Total on December 31, 2013	**17,976**	**0**
Executive Board		
Peter Ulber, Chief Executive Officer	0	0
Robert Erni, Chief Financial Officer	2,575	0
Christoph Hess, General Counsel and Corporate Secretary	5,079	0
Karl Weyeneth, Chief Operating Officer	2,801	303
Alastair Robertson, Chief Human Resources	5,119	0
Total on December 31, 2013	**15,574**	**303**
Total on December 31, 2013	**33,550**	**303**

28.2 MAJOR SHAREHOLDER

As of December 31, 2014, Ernst Göhner Stiftung holds 45.9 percent (31.12.2013: 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

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 in the fiscal year 2014 amounts to CHF 5.4 million (2013: CHF 4.9 million).

29 BUSINESS COMBINATIONS / DISINVESTMENTS

In 2014 and 2013 there were no business combinations and no significant subsidiaries were sold.

30 ADDITIONAL INFORMATION

IN THOUSAND CHF	2014	2013
Contractual commitments on non-cancellable operating lease contracts		
Less than one year	159,457	191,339
Between one and five years	258,191	344,270
More than five years	60,878	71,454
Total residual commitments	**478,526**	**607,063**

30.1 PLEDGED ASSETS

As of the statement of financial position date 2014 and 2013, the Group does not have any pledged assets.

30.2 PENDING LEGAL CLAIMS

Introduction

As mentioned in note 4 – 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. Whereas some investigations (Canada, Australia) were discontinued, Panalpina entered in earlier reporting periods into settlement agreements with competition authorities in the US, Switzerland and New Zealand.

In the reporting year Panalpina also entered into a settlement agreement with the Brazilian competition authorities and agreed to pay a settlement contribution of CHF 2.8 million. This amount has been fully provisioned in 2013.

In 2012 Panalpina received a notice from the Competition Commission Singapore requiring the provision of information related to certain airfreight surcharges which have been subject of the previous and meanwhile completed investigations by other competition authorities. Panalpina has provided this information in December 2012 and has responded to a further information request in November 2013. The pending anti-trust proceedings in Singapore may result in penalties imposed on Panalpina. Management however holds the view based on a legal opinion that the outcome of these proceedings will have no effect on the financial situation of the Group beyond the existing provision for pending claims.

In March 2012, the EU Commission has fined various major freight forwarding companies for anti-trust violations which occurred prior to 2008. Panalpina was ordered to pay a penalty of EUR 46.5 million. Panalpina has appealed the European Commission's decision to the European General Court.

30.3 SUBSEQUENT EVENTS

The Swiss National Bank announced on January 15, 2015 that it was discontinuing the minimum exchange rate of 1.20 CHF per EUR. The amounts reported in these Consolidated Financial Statements do not reflect any changes in foreign exchange rates after December 31, 2014. The Panalpina Group uses CHF as the presentation currency in its consolidated financial statements, therefore a weakening of foreign currencies against the CHF will have a negative currency translation impact on the Group's consolidated results when reported in CHF. The Group's foreign exchange risk management and the currency translation sensitivity of the Group's results to movements in foreign currency exchange rates is included in the Note 17.

31 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	75,060	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	7,299,297	100	1	K
Panalpina Ecuador S.A.	Quito	USD	100	100	1	K
Panalpina Aduanas S.A.	Lima	PEN	732	100	1	K
Panalpina Transportes Mundiales S.A.	Lima	PEN	4,008	100	1	K
Panalpina Ltda.	São Paulo	BRL	148,422	100	1	K
Panalpina Chile Transportes Mundiales Ltda.	Santiago	CLP	3,505,817	100	1	K
Panalpina Transportes Mundiales S.A.	Buenos Aires	ARS	67,242	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
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	100,050	100	1	K
Panindia Cargo Private Ltd.	Delhi	INR	100	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

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 ZAO	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	70,000	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

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 72 to 140 for the year ended December 31, 2014.

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, 2014 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, March 2, 2015

KEY FIGURES IN CHF

Five-year review

IN MILLION CHF	2014	2013	2012	2011	2010
Forwarding services	**8,172**	**8,175**	**8,066**	**7,926**	**8,676**
Change in %	*(0.03)*	*1.35*	*1.78*	*(8.64)*	*18.19*
Net forwarding revenue	**6,707**	**6,758**	**6,617**	**6,500**	**7,164**
Change in %	*(0.75)*	*2.13*	*1.81*	*(9.27)*	*20.25*
Gross profit	**1,586**	**1,561**	**1,465**	**1,477**	**1,480**
Change in %	*1.60*	*6.55*	*(0.81)*	*(0.21)*	*7.49*
in % of net revenue	*23.65*	*23.10*	*22.14*	*22.72*	*20.66*
Consolidated (loss) / profit	**86.5**	**11.7**	**(71.8)**	**127.4**	**(26.0)**
Change in %	*639.50*	*(116.30)*	*(156.37)*	*(590.06)*	*(348.94)*
in % of gross profit	*5.46*	*0.75*	*(4.90)*	*8.63*	*(1.76)*
EBITDA	**174.0**	**119.8**	**34.2**	**212.1**	**62.4**
Change in %	*45.26*	*250.29*	*(83.87)*	*240.09*	*(21.78)*
in % of gross profit	*10.97*	*7.67*	*2.33*	*14.36*	*4.21*
EBITA	**142.1**	**85.5**	**3.1**	**183.6**	**23.5**
Change in %	*66.15*	*2,658.06*	*(98.33)*	*682.11*	*(44.77)*
in % of gross profit	*8.96*	*5.48*	*0.21*	*12.43*	*1.59*
EBIT	**116.7**	**48.0**	**(39.6)**	**174.2**	**15.4**
Change in %	*143.19*	*(221.21)*	*(122.74)*	*1,033.97*	*(48.64)*
in % of gross profit	*7.36*	*3.07*	*(2.70)*	*11.79*	*1.04*
Cash generated from operations	**152.9**	**73.8**	**(39.6)**	**229.1**	**75.3**
Change in %	*107.19*	*(286.36)*	*(117.27)*	*204.35*	*(75.86)*
in % of gross profit	*9.64*	*4.73*	*(2.69)*	*15.51*	*5.09*
Net cash from operating activities	**123.0**	**42.5**	**(71.5)**	**193.5**	**37.0**
Change in %	*189.48*	*(159.44)*	*(136.92)*	*422.45*	*(85.74)*
in % of gross profit	*7.76*	*2.72*	*(4.88)*	*13.10*	*2.50*
Free cash flow	**87.0**	**(5.5)**	**(81.9)**	**41.9**	**6.2**
Change in %	*(1,681.84)*	*(93.28)*	*(295.43)*	*570.94*	*(97.24)*
in % of gross profit	*5.49*	*(0.35)*	*(5.59)*	*2.84*	*0.42*
Net working capital	**191.3**	**174.6**	**134.0**	**85.2**	**143.0**
Change in %	*9.59*	*30.29*	*57.28*	*(40.42)*	*8.20*

IN MILLION CHF	2014	2013	2012	2011	2010
Capital expenditure on fixed assets	**48.1**	**49.8**	**84.2**	**51.2**	**40.0**
Change in %	*(3.49)*	*(40.86)*	*64.45*	*27.87*	*(4.31)*
in % of gross profit	*3.03*	*3.19*	*5.75*	*3.47*	*2.71*
Net capital expenditure on fixed assets	**45.1**	**48.5**	**83.9**	**108.7**	**28.5**
Change in %	*(6.96)*	*(42.19)*	*(22.79)*	*281.81*	*(3.24)*
in % of gross profit	*2.84*	*3.11*	*5.73*	*7.36*	*1.92*
Depreciation and amortization (incl. impairment losses)	**57.3**	**71.9**	**73.9**	**37.9**	**47.0**
Change in %	*(20.27)*	*(2.71)*	*94.99*	*(19.37)*	*(5.65)*
in % of gross profit	*3.61*	*4.61*	*5.04*	*2.57*	*3.18*
Personnel expenses	**976.9**	**960.0**	**957.2**	**892.4**	**890.9**
Personnel					
Number of employees at year-end (world)	15,639	16,010	15,224	15,051	14,136
Number of employees at year-end (Switzerland)	682	754	759	775	749
Yearly average (world)	16,180	15,925	15,782	15,286	14,223
Productivity ratios (CHF)					
Net sales per average employee	414,521	424,364	419,272	425,226	503,703
Gross profit per average employee	98,018	98,022	92,826	96,624	104,062
Personnel expenses per average employee	60,372	60,283	60,650	58,380	62,641
Personnel cost in % of gross profit	*61.59*	*61.50*	*65.34*	*60.42*	*60.20*
Leverage (liabilities / equity)	**1.66**	**1.78**	**1.65**	**1.31**	**1.46**
Net interest-bearing liabilities	**(363)**	**(332)**	**(390)**	**(562)**	**(546)**
Gross gearing (interest-bearing liabilities / equity)	**0.01**	**0.01**	**0.00**	**0.01**	**0.01**
Net gearing (net interest-bearing liabilities / equity)	**(0.50)**	**(0.48)**	**(0.53)**	**(0.61)**	**(0.68)**
ROCE (EBIT less tax / capital employed) in %	**24.01**	**6.71**	**(19.42)**	**42.32**	**(5.40)**
Current cash debt coverage ratio (net operating cash flow / average current liability)	**0.11**	**0.04**	**(0.07)**	**0.19**	**0.04**
Cash debt coverage ratio (net operating cash flow / average total liability)	**0.10**	**0.03**	**(0.06)**	**0.16**	**0.03**
Return on equity in %	**12.2**	**1.6**	**(8.7)**	**14.8**	**(3.1)**
Change in %	*662.50*	*(118.39)*	*(158.78)*	*(577.40)*	*(360.81)*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION IN CHF

Five-year review

IN MILLION CHF	2014	2013	2012	2011	2010
ASSETS	**1,930**	**1,949**	**1,957**	**2,135**	**1,989**
Change in %	*(0.99)*	*(0.41)*	*(8.34)*	*7.32*	*3.35*
Non-current assets	**329**	**351**	**362**	**390**	**303**
Change in %	*(6.15)*	*(3.04)*	*(7.13)*	*28.73*	*(7.04)*
Property, plant and equipment	104	119	130	113	114
Change in %	*(12.37)*	*(8.46)*	*15.03*	*(0.73)*	*(19.27)*
Financial assets	103	114	98	135	111
Change in %	*(9.57)*	*16.33*	*(27.71)*	*21.59*	*(1.75)*
Intangible assets	122	118	134	142	78
Change in %	*3.41*	*(11.94)*	*(5.89)*	*81.84*	*8.65*
Current assets	**1,600**	**1,598**	**1,595**	**1,745**	**1,686**
Change in %	*0.15*	*0.19*	*(8.60)*	*3.47*	*5.47*
Liquid funds	372	337	393	574	555
Change in %	*10.40*	*(14.25)*	*(31.58)*	*3.33*	*1.30*
Receivables and other current assets	1,228	1,261	1,202	1,171	1,131
Change in %	*(2.59)*	*4.91*	*2.65*	*3.54*	*7.66*
LIABILITIES AND EQUITY	**1,930**	**1,949**	**1,957**	**2,135**	**1,989**
Change in %	*(0.99)*	*(0.42)*	*(8.30)*	*7.31*	*3.34*
Equity	**721**	**697**	**734**	**919**	**804**
Change in %	*3.43*	*(5.04)*	*(20.10)*	*14.22*	*(6.15)*
Share capital	2	2	2	50	50
Change in %	*18.75*	*0.00*	*(96.00)*	*0.00*	*0.00*
Treasury shares	(2)	(3)	(10)	(197)	(196)
Change in %	*(30.37)*	*(70.00)*	*(94.93)*	*0.65*	*1.78*
Translation reserves	(187)	(188)	(165)	(162)	(151)
Change in %	*(0.72)*	*13.94*	*1.85*	*7.30*	*10.70*
Retained earnings and other reserves	907	886	907	1,228	1,101
Change in %	*2.40*	*(2.32)*	*(24.77)*	*11.50*	*(3.02)*
Non-controlling interests	**12**	**12**	**9**	**9**	**8**
Liabilities	**1,197**	**1,240**	**1,214**	**1,207**	**1,177**
Change in %	*(3.50)*	*2.14*	*0.60*	*2.54*	*10.94*
Payables, accruals and deferred income	991	1,002	1,013	985	914
Change in %	*(1.08)*	*(1.09)*	*2.84*	*7.80*	*4.07*
Borrowings	9	5	3	12	10
Change in %	*72.80*	*66.67*	*(75.00)*	*23.23*	*(25.09)*
Provisions	197	233	198	210	254
Change in %	*(15.57)*	*17.68*	*(6.19)*	*(17.20)*	*49.20*

ANNUAL FINANCIAL STATEMENTS

Panalpina World Transport (Holding) Ltd.

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INCOME STATEMENT

for the years ended December 31, 2014 and 2013

IN THOUSAND CHF	NOTES	2014	2013
Income			
Income from participations	1	101,478	74,983
Financial income	2	8,672	10,282
Royalties income	3	47,562	27,302
Release of value adjustments on participations		1,882	0
Total income		**159,594**	**112,567**
Expenses			
Personnel expenses		12,711	7,046
Other administrative expenses	4	11,964	5,999
Financial expenses	5	31,534	11,855
Depreciation and value adjustments on investments		0	15,632
Total expenses		**56,209**	**40,532**
Taxes		1,185	389
Profit for the year		**102,200**	**71,646**

BALANCE SHEET
as of December 31

IN THOUSAND CHF	NOTES	2014	2013
ASSETS			
Current assets			
Cash		810	2,764
Cash pool receivables from Group companies		0	10,331
Receivables:			
due from Group companies		89	461
due from third parties		47	101
Marketable securities	6	0	5,472
Prepaid expenses and deferred charges		49,482	30,566
Total current assets		**50,428**	**49,695**
Non-current assets			
Other non-current assets		21	0
Participations	7	526,806	470,482
Loans due from Group companies		307,217	303,327
Treasury shares	8	150	1,400
Total non-current assets		**834,194**	**775,209**
Total assets		**884,623**	**824,904**
LIABILITES AND EQUITY			
Current liabilities			
Cash pool payables due to Group companies		31,348	23,936
Payables:			
due to Group companies		2,489	841
due to third parties		635	1,002
Financial liabilities due to Group companies		47,265	43,774
Accrued expenses		5,426	7,547
Total current liabilities		**87,162**	**77,100**
Non-current liabilities			
Loans due to Group companies		0	921
Provisions		926	363
Total non-current liabilities		**926**	**1,284**
Total liabilities		**88,088**	**78,384**
Equity			
Share capital	9	**2,375**	**2,375**
Legal reserve	10	475	475
Reserve for own shares		2,089	3,339
Special reserve		264,036	262,786
Retained earnings:			
balance brought forward from previous year		425,360	405,899
profit for the year		102,200	71,646
Total equity		**796,535**	**746,520**
Total liabilities and equity		**884,623**	**824,904**

NOTES TO THE FINANCIAL STATEMENTS

General
The Group's consolidated financial statements must be considered for an appropriate financial and economic assessment of the Panalpina Group. The statutory financial statements of Panalpina World Transport (Holding) Ltd. were prepared in accordance with the requirements of the Swiss Code of Obligations (SCO).

Valuation methods and translation of foreign currencies
Treasury shares are valued at the lower of cost or market value. Marketable securities are reported at market value. All other assets including participations are reported at cost less necessary depreciation or value adjustments. Assets and liabilities denominated in foreign currencies are translated into Swiss francs (CHF), using year-end rates of exchange, except participations which are translated at historical rates. Resulting exchange gains and losses are recognized in the income statement with the exception of unrealized gains which are deferred. Transactions during the year which are denominated in foreign currencies are translated at exchange rates effective at the relevant transaction dates.

1 INCOME FROM PARTICIPATIONS

The increase of CHF 26,495 thousand compared to the prior year is mainly due to the fact that in 2014 a company has been liquidated which results in an additional liquidation dividend of CHF 20,485 thousand.

2 FINANCIAL INCOME

The decrease of CHF 1,610 thousand compared to the prior year is mainly attributable to less foreign exchange gains of CHF 272 thousand, less interest income of CHF 399 thousand and decreased income of CHF 929 thousand on financial assets.

3 ROYALTIES INCOME

Since 2009, Panalpina World Transport (Holding) Ltd. charges a royalty fee to its subsidiaries for the use of the Panalpina network and trademark name. This fee increased in 2014 by CHF 20,260 thousand compared to the prior year.

4 OTHER ADMINISTRATIVE EXPENSES

The increase of CHF 5,965 thousand in other administrative expenses is mostly attributable to higher project costs in 2014 (CHF 2,921 thousand), increase in insurance costs (CHF 465 thousand) as well as additional withholding tax payments (CHF 1,245 thousand).

5 FINANCIAL EXPENSES

The increase in financial expenses of CHF 19,679 thousand is mainly due to an increase in loss coverage to subsidiaries.

6 MARKETABLE SECURITIES

In the year under review, the shares in Dimerco and Descartes have been fully sold.

7 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.

8 TREASURY SHARES

In the year under review, 20,000 treasury shares (2013: 0 shares) were purchased at an average price of 138.11. Treasury share sales totaled 37,185 shares (2013: 66,931 shares) with an average sale price of CHF 75.28 (2013: CHF 81.83). All shares are held to be used for share based payment.

The number of treasury shares held by Panalpina World Transport (Holding) Ltd. meets the definitions and requirements of art. 659, 659a, 663b para 10 and 671a SCO.

9 SHARE CAPITAL

The fully paid-in share capital on December 31, 2014 amounts to CHF 2.375 million consisting of 23.75 million registered shares at a par value of CHF 0.10 each. With regard to the authorized capital increase we refer to note 22 in the Group's financial statements.

NUMBER OF SHARES	31.12.2014	MOVEMENT IN YEAR	31.12.2013	MOVEMENT IN YEAR	31.12.2012
Total Panalpina World Transport (Holding) Ltd. shares issued	23,750,000	0	23,750,000	0	23,750,000
Total treasury shares held by Panalpina World Transport (Holding) Ltd.	16,282	(17,185)	33,467	(66,931)	100,398
in %	*0.07*		*0.14*		*0.42*

IN %	2014	2013
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	≥5
Janus Capital Group	≥5	–
Other investors	26.6	≤36.8
Panalpina World Transport (Holding) Ltd.	0.1	0.1
Bestinver Gestión, S.G. SGIIC, Spain	–	≤3
Nominees		
Chase Nominees Ltd., UK	–	5.2

10 LEGAL RESERVES

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.

11 GUARANTEES

IN THOUSAND CHF	2014	2013
Guarantees in favor of third parties		
Guarantees and indemnity liabilities, SCO, art. 663b para 1	284,981	480,072

Additionally, Panalpina World Transport (Holding) Ltd., Basel, has issued letters of awareness in favor of various banks concerning liabilities due from subsidiaries amounting to CHF 0.0 million (2013: CHF 0.1 million).

12 CONTINGENT LIABILITIES

In 2008, Panalpina World Transport (Holding) Ltd. has signed a letter of indemnity as a security for the intraday cash pool overdraft limits over a maximum amount of CHF 64,054 thousand (2013: CHF 64,500 thousand).

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

13 PENDING LEGAL CLAIMS

The status of the proceedings are disclosed under "pending legal claims" in note 30.2 of the Group's financial statements.

14 RISK MANAGEMENT

The detailed disclosures regarding risk management / assessment that are required by Swiss law are included in notes 16 and 17 of the Group's financial statements.

15 HIDDEN RESERVES

In the year under review, a net amount of CHF 1,585 thousand of hidden reserves was released.

16 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.

APPROPRIATION OF AVAILABLE EARNINGS

The Board of Directors proposes the following appropriation of available earnings of total CHF 527,560,497 at the Annual General Meeting:

IN CHF	**2014**
Distribution of an ordinary dividend of CHF 2.75 gross per share*	65,267,725
To be carried forward	462,292,772
Total	**527,560,497**

* It is not planned to pay dividends 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 146 to 151 for the year ended December 31, 2014.

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, 2014 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, March 2, 2015

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