

Consolidated Interim Report January to June 2006

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Consolidated Income Statement

for six months ended 30 June 2006 and 2005

in thousand CHF	2006	2005
Invoiced forwarding services	4,435,929	3,822,380
Customs, duty and taxes	(744,225)	(624,988)
Net forwarding revenue	3,691,704	3,197,392
Forwarding services from third parties	(2,933,452)	(2,526,531)
Contribution margin (gross profit)	758,252	670,861
Personnel expenses	(439,426)	(415,789)
Other operating expenses	(198,338)	(175,585)
Gains on sales of non-current assets	210	1,711
Depreciation of property, plant and equipment	(17,158)	(18,315)
Amortization of intangible assets	(6,966)	(5,385)
Impairment of financial assets	0	(174)
Operating result (EBIT)	96,574	57,324
Financial income	7,364	8,235
Financial expenses	(14,645)	(9,638)
Earnings before taxes	89,293	55,921
Taxes on income	(19,946)	(12,099)
<i>Earnings for the period</i>	<i>69,347</i>	<i>43,822</i>
Attributable to:		
Equity holders of the parent	69,131	43,875
Minority interest	216	(53)
<i>Consolidated net earnings</i>	<i>69,347</i>	<i>43,822</i>

Earnings per share for profit attributable to equity holders of the company during the periods (expressed in CHF per share)

- basic	2.79	1.75
- diluted	2.78	1.75

Consolidated Balance Sheet

as of 30 June 2006 respectively as of 31 December 2005

Assets (in thousand CHF)	June 30, 2006	Dec 31, 2005
Current assets		
Cash and cash equivalents	284,825	235,618
Financial assets held for trading	2,557	5,384
Trade receivables	1,054,828	1,108,443
Work in progress	89,159	82,459
Other receivables and other current assets	88,778	64,482
Total current assets	1,520,147	1,496,386
Non-current assets		
Property, plant and equipment	154,119	152,450
Financial and other assets	44,257	43,041
Intangible assets	104,443	108,792
Deferred tax assets	26,564	29,999
Total non-current assets	329,383	334,282
Total assets	1,849,530	1,830,668
Liabilities and equity (in thousand CHF)	June 30, 2006	Dec 31, 2005
Current liabilities		
Trade payables	389,920	437,375
Other payables and accruals	153,088	146,115
Accrued cost of services	197,683	157,592
Borrowings	39,728	29,588
Other liabilities	72,419	67,916
Current income tax liabilities	25,670	27,685
Total current liabilities	878,508	866,271
Non-current liabilities		
Borrowings	2,800	1,644
Provisions	91,744	83,733
Deferred tax liabilities	18,143	21,170
Total non-current liabilities	112,687	106,547
Total liabilities	991,195	972,818
Equity		
Share capital	50,000	50,000
Treasury shares	(22,103)	(20,000)
Translation and other reserves	(68,759)	(57,270)
Retained earnings	892,797	878,163
	851,935	850,893
Minority interests	6,400	6,957
Total equity	858,335	857,850
Total liabilities and equity	1,849,530	1,830,668

Condensed Consolidated Cash Flow Statement

for six months ended 30 June 2006 and 2005

in thousand CHF	2006	2005
Consolidated net income before taxes	89,293	55,921
Depreciation, impairment and amortization of fixed assets	24,124	23,874
(Decrease) increase in long-term provisions	8,086	7,362
Loss / (gain) on sales of fixed assets	(211)	(1,711)
Interest (income) / expenses	6,769	3,658
Other non-cash flow profit	1,353	0
Cash flow before interest and taxes	129,414	89,104
(Increase) / decrease in working capital	24,653	(11,130)
Total cash flow from operating activities	154,067	77,974
Interest and tax received (paid)	(27,260)	(22,465)
Utilized other liabilities and long-term provision	(14,845)	(18,445)
Net cash flow from operating activities	111,962	37,064
Cash flow from investing activities		
Purchase of property, plant and equipment	(22,679)	(15,930)
Purchase of intangible assets	(3,000)	(5,158)
Purchase of investments held for trading	0	(1,089)
Purchase of other financial investments	(2,519)	(1,050)
Total investments	(28,198)	(23,227)
Proceeds from sales of property, plant and equipment	1,312	2,734
Loan repayments	149	1,224
Proceeds from sales of securities	2,706	30
Repayment of other financial assets	853	1,970
Sale of intangible assets	18	77
Total cash flow from investing activities	(23,160)	(17,192)
Cash flow from financing activities		
Proceeds from (repayment of) short-term and long-term borrowings	12,464	2,521
Dividends paid	(49,384)	(60,000)
Dividends paid to minority interests	(100)	(92)
Purchase of treasury shares	(4,020)	0
Total cash flow from financing activities	(41,040)	(57,571)
Effect of exchange rate changes on cash and cash equivalents	1,445	(15,328)
Increase (decrease) in cash and cash equivalents	49,207	(53,027)
Cash and cash equivalents at the beginning of the period	235,618	230,097
<i>Cash and cash equivalents at the end of the period</i>	<i>284,825</i>	<i>177,070</i>

Consolidated Statement of Recognized Income and Expenses

for six months ended 30 June 2006 and 2005

in thousand CHF	2006	2005
Amounts recognized in equity for pension plan		
Effect of impact of limit in paragraph 58b	(6,304)	701
Tax effect	1,927	(174)
Initial recognition of a Defined Benefit Plan	(318)	(722)
Tax effect	145	247
Exchange difference on translations of foreign operations	(11,489)	23,622
<i>Net earnings recognized directly in equity</i>	<i>(16,039)</i>	<i>23,674</i>
Consolidated net earnings	69,347	43,822
<i>Total recognized earnings for the period</i>	<i>53,308</i>	<i>67,496</i>
Attributable to:		
Equity holders of the parent	53,092	67,549
Minority interest	216	(53)
<i>Total recognized earnings for the period</i>	<i>53,308</i>	<i>67,496</i>

Consolidated Statement of Changes in Equity

for six months ended 30 June 2006 and 2005

in thousand CHF	2006	2005
Balance at 1 January	857,850	787,909
Net income recognized directly in equity	(16,039)	23,674
Net income recognized in income statement	69,347	43,822
<i>Total recognized income and expenses</i>	<i>53,308</i>	<i>67,496</i>
Dividends paid	(49,484)	(60,000)
Changes in minority interests	(673)	53
Employees share option scheme:		
- value of employee services	1,353	0
Purchase of treasury shares	(2,103)	0
Loss on sale of treasury shares	(1,916)	0
<i>Balance at 30 June</i>	<i>858,335</i>	<i>795,458</i>

Condensed Notes to the Interim Consolidated Financial Statements

Accounting policies used in the consolidation

General

Panalpina World Transport (Holding) Ltd. (hereafter "the Company") and its subsidiaries (together "the Group"), is one of the world's leading providers of forwarding and logistics services, specialized in international air freight and ocean freight shipments and associated supply chain management solutions. The Group provides globally integrated door-to-door air and ocean freight forwarding solutions tailored to its global and local clients' individual needs. As a group Panalpina is headquartered, registered and domiciled in Basel and operates a network of around 500 branches in more than 80 countries.

The condensed consolidated interim financial statement was approved for issue by the Board of Directors on 9 August 2006.

Basis of preparation

The condensed interim financial statements are the unaudited interim consolidated financial statements of Panalpina World Transport (Holding) Ltd. and its subsidiaries for the six months period ended 30 June 2006. They are prepared in accordance with the International Accounting Standard 34 (IAS 34) "Interim Financial Reporting".

These interim consolidated financial statements should be read in conjunction with the consolidated annual financial statements for the year ended 31 December 2005, as they provide an update of previously reported information.

Accounting policies

The accounting policies used are consistent with those in the consolidated annual financial statements for the year ended 31 December 2005. The presentation of the interim consolidated financial statements is consistent with the consolidated annual financial statements, except where noted below. Where necessary, the comparatives have been reclassified or expanded from the previously reported condensed interim financial statement.

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

Income tax expenses are recognized based upon the best estimate of the weighted average annual income tax rate expected for the full financial year.

All figures included in these financial statements and notes to the financial statements are rounded to the nearest CHF 1,000 except where otherwise indicated.

Change in accounting policies

The following new standards, amendments to standards and interpretations are mandatory for financial year ending 31 December 2006:

- Amendment to IAS 39, "The fair value option", effective for annual periods beginning from 1 January 2006. This amendment does not have any impact on the classification and valuation of the Group's financial instruments classified as at fair value through profit or loss prior to 1 January 2006 as the Group is able to comply with the amended criteria for the designation of financial instruments at fair value through profit and loss.
- IFRIC 4, "Determining whether an arrangement contains a lease", effective for annual periods beginning after 1 January 2006. The Group has analyzed its contracts to identify any contract which required to be accounted for as leases in accordance with IAS 17 "Leases". Preliminary analyses have not revealed any agreements which are not operating leases, and their reclassification has had no impact on the expense recognized.

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2006 and have not been early adopted:

- IFRS 7, "Financial instruments: Disclosure", effective for annual period beginning after 1 January 2007. IAS 1, "Amendments to Presentation of Financial Statements (Capital Disclosures)". The Group assessed the impact of IFRS 7 and the amendment to IAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of IAS 1. The Group will apply IFRS 7 and the amendment to IAS 1 from annual periods beginning 1 January 2007.

Restatement

As described in the consolidated annual financial statements, in the second half of 2005 the Group discovered that accrued cost of services have been understated due to booking manipulations. In accordance with IAS 8, the Group is correcting material prior periods errors retroactively by restating the comparative amounts for the prior periods presented in which the error occurred. The effect of the restatement on those condensed interim financial statement is summarized below:

in thousand CHF	First half-year 2005
Income Statement	
(Increase) in forwarding expenses	(13,178)
Decrease in taxes on income	1,400
<i>(Decrease) in consolidated net earnings</i>	<i>(11,778)</i>

in thousand CHF	First half-year 2005
Balance Sheet	
(Increase) in accrued cost of services	(13,178)
Decrease in deferred tax liabilities	1,400
<i>(Decrease) in equity</i>	<i>(11,778)</i>

Scope and method of consolidation

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

During the first six months of 2006 the scope of consolidation did not change.

Equity

In the first six months of 2006, the Company acquired 72,200 of its own shares through purchases on the Swiss Stock Exchange. The total amount paid to acquire the shares, net of income taxes, was CHF 8.6 million. During the same period, the Company sold 54,520 shares for the total amount of CHF 4.5 million under the Management Incentive Plan II. Both transactions have been recorded into equity. 54,520 options were granted in the first half of 2006.

Dividends

The dividends distributed to third parties holders during the interim period totaled 49.4 million Swiss Francs (six months ended 2005 total CHF 60.0 millions) or CHF 2.00 per share and had been recorded to equity.

Income taxes

Income tax expense is recognized based on local management's best estimate of the weighted average annual income tax rate expected for the full financial year. The Group's effective tax rate increased slightly from 21.6% to 22.3%. The major reason for the increase comes from first time capitalization of deferred tax assets of previous periods in the first half year 2005.

Condensed segment information for six months ended 30 June 2006 and 2005

A) Primary reporting

	Net forwarding revenue		Segment contribution margin		Segment operating result (EBIT)	
in million CHF	2006	2005	2006	2005	2006	2005
Europe/Africa/Middle East/CIS	2,081	1,820	428	387	55	27
North America	826	699	151	127	4	(9)
Central and South America	336	310	66	57	7	4
Asia/Pacific	449	368	113	100	31	35
TOTAL GROUP	3,692	3,197	758	671	97	57

B) Secondary reporting

	Air Freight		Ocean Freight		Supply Chain Management		Total	
in CHF million	2006	2005	2006	2005	2006	2005	2006	2005
Gross forwarding revenue	1,934	1,711	1,790	1,521	712	590	4,436	3,822
Net forwarding revenue	1,731	1,548	1,354	1,130	607	519	3,692	3,197
Contribution margin (gross profit)	326	296	234	192	198	183	758	671

Business combinations

There were no acquisitions of subsidiaries or associated company during the interim period 2006 and 2005.

Material legal claims

In addition to the pending legal claims described in the consolidated annual financial statements, 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.

Subsequent events

There have been no other material events than described above between 30 June 2006 and the date of authorization that would require adjustments of the interim consolidated financial statements or disclosure.

Seasonality

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