



Corporate Governance: Committed to a transparent management structure

Panalpina is committed to a transparent management structure which is governed by international Corporate Governance principles. This Corporate Governance Report complies with the Directive of the SWX Swiss Exchange and therefore serves to provide investors with key information regarding Corporate Governance in an accessible format.

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 units:

- Europe/Africa/Middle East/CIS
- Asia/Pacific
- North America (USA and Canada)
- Central and South America

For strategic and organizational reasons the region Europe/Africa/Middle East/CIS has been divided into two sub-regions with Europe on the one side and Africa/Middle East/CIS on the other side. A similar regional split also exists in Asia/Pacific as China/Taiwan forms an independent sub-region. Each of the aforementioned regions is managed by its own Regional CEO.

Secondary, the business activities are subdivided into the following business segments:

- Air Freight
- Ocean Freight
- Supply Chain Management (logistics and overland transportation activities)

Supplementary information can be extracted from the segmental reporting section of the Consolidated Financial Statements (page 69).

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 SWX Swiss Exchange. The market capitalization on the closing date amounted to CHF 4,155 million (25,000,000 registered shares at CHF 166.20 per share).

On the closing date

- The free float consisted of 14,340,000 registered shares (= 57.36% of the share capital) and thereof
- PWT held treasury stock consisting of 177,783 registered shares (= 0.71% of the share capital).

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

1.1.3 Non-listed companies within the scope of consolidation

The main subsidiaries and associated companies are disclosed in the Consolidated Financial Statements (page 107) itemized by registered office, nominal capital, equity interest in percent, investment and method of consolidation.

1.2 Significant shareholders

The Ernst Göhner Foundation, Zug, Switzerland, is the main shareholder of PWT, with an equity participation of 42.64%.

1.3 Cross-shareholdings

Cross-shareholding between PWT and any other company does not exist.

2. Capital structure

2.1 Capital

On the closing date, the ordinary share capital of PWT amounted to CHF 50,000,000 and is divided into 25,000,000 registered shares, with a nominal value of CHF 2.00 each.

2.2 Authorized and conditional share capital

The extraordinary Shareholders' Meeting of PWT held on 23 August 2005 agreed to 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 any time until 22 August 2007. 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 take-over of entire enterprises, divisions or assets of enterprises or participations or for the financing of such transactions. The Board of Directors has not made use of this authorization as yet.

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

2.3 Change in capital over the past three years

With the exception of the share split introduced at the IPO, there has been no change in the share capital structure during the years 2004 until 2006.

2.4 Shares and participation certificates

On the closing date, 25,000,000 fully paid-in PWT registered shares with a nominal value of CHF 2.00 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 providing proof of the acquisition of the shares and providing that they expressly declare to 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% 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 which 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 Permissibility 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% 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% 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% 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 canceling 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 and warrants/options

There were no convertible bonds outstanding on the closing date.

The only issued options relate to the share and option participation program for members of the Board of Directors, the Executive Board and a further 124 senior managers of Panalpina. For further particulars please refer to point no. 5.6.

3. Board of Directors

3.1 Members of the Board of Directors

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

Three members of the Board of Directors (Gerhard Fischer, Wilfried Rutz and Roger Schmid) are also members of the Board of Trustees (*Stiftungsrat*) of PWT's main shareholder, the Ernst Göhner Foundation. The biographies of the members are as follows:

Gerhard Fischer, Chairman. Swiss citizen. Born in 1933. Elected 1991 (until 2007).

Gerhard Fischer, who has a commercial education, joined the Group in 1964 when he started working for Hans Im Obersteg Ltd., Zurich, at that time a Panalpina subsidiary. He was later nominated as delegate for the Group's Airfreight Far East division. From 1973 to 1978 he headed Air Sea Broker (today CPC Air). In 1978, he moved to the head office, where he led the air freight business of the entire Group. In 1980, he became managing director of Panalpina Nigeria. From 1986 to 1987, he was the Group's COO. In spring 1987, he was appointed CEO of the Group, and in 1991 he was elected as a member of the Board of Directors. In 1995, Gerhard Fischer was also elected Chairman of the Board of Directors in addition to his CEO function. In 1998, he handed over the CEO function to his successor.

On 3 January 2006, Gerhard Fischer took over the presidency of the Executive Board on an ad interim basis in addition to his mandate as Chairman. Since then he is an executive member of the Board of Directors of the Group. In June 2006, the Board of Directors announced the appointment of Monika Ribar as CEO and she assumed this function in October 2006. Due to Gerhard Fischer reaching retirement age, he will step down from the Board of Directors at the General Meeting of Shareholders in 2007.

Wilfried Rutz, Vice Chairman. Swiss citizen. Born in 1939. Elected 2003 (until 2007).

Wilfried Rutz holds a university degree in economics as well as a PhD from the University of St. Gallen. From 1992 until 2004 he acted as CEO of the Debrunner Koenig Group where he still is a member of its Board of Directors. He has been a member of the board of several Swiss companies in the private and the public sector. Since 2003, he has been a member of the Board of Directors of PWT and in 2005 he was elected as Vice Chairman.

Günther Casjens, member of the Board of Directors. German citizen. Born in 1950. Elected 2005 (until 2008).

Günther Casjens is a trained forwarding and shipping merchant. From 1974 until 2004 he held several positions at Hapag-Lloyd, in 1983 as deputy director of Europe / Far East Services, in 1987 as managing director North America Services and in 1988 as managing director North and South America Services. In 1990, Günther Casjens became deputy member of the executive board of Hapag-Lloyd and from 1991 until 2004 he was member of the

executive board of Hapag-Lloyd. In 2004, Günther Casjens became managing partner and chief executive officer of Nordcapital Holding GmbH & Cie KG.

Rudolf W. Hug, member of the Board of Directors. Swiss citizen. Born in 1944. Elected 2005 (until 2008).

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 until 1997, he ran the international division and served as 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 will be appointed as Chairman of the Board of Directors subsequent to the 2007 General Meeting of Shareholders following the official retirement of Gerhard Fischer.

Yuichi Ishimaru, member of the Board of Directors. Japanese citizen. Born in 1939. Elected 2005 (until 2008).

Yuichi Ishimaru holds a bachelor degree in economics from Keio University. He has worked for the Marubeni Corporation since 1963. From 1995 until 1998, Yuichi Ishimaru has been member of the board of directors of Marubeni Corporation and served as COO for Marubeni America Corporation, New York. From 1998 until 2000, Yuichi Ishimaru served as CEO for Europe and Africa for Marubeni Europe PLC, London. Since 2001, he also holds a position as executive vice president of Marubeni Corporation and since 2003 he has been acting as special advisor to Marubeni Corporation.

Glen R. Pringle, member of the board of Directors. American citizen. Born in 1947. Elected 2005 (until 2008).

Glen R. Pringle holds a Bachelor of Arts degree from the University of Alabama (College of Arts and Sciences). After his studies Glen R. Pringle worked as state director of sales for GENCO Instrument Company. Thereafter he worked at WVMJ/WBIL Radio Station as a manager of sales. As from 1986, Glen R. Pringle held the position of development director for the Alabama Development Office until 1995, when he became the development director of Retirement Systems of Alabama.

Roger Schmid, member of the Board of Directors. Swiss citizen. Born in 1959. Elected 2003 (until 2007).

Roger Schmid holds a university degree in law as well as a PhD in law from the University of Zurich. From 1991 until 1995, he was legal counsel and director at Bank Leu, a subsidiary of Credit Suisse. Since 2003, he has been a member of the Board of Directors. Roger Schmid works as an executive director of the Ernst Göhner Foundation.

All the members of the Board, excluding Gerhard Fischer during the period from January to October 2006, are non-executive members and do not actively perform any managerial functions at PWT or any of the Group companies. They have also not 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

Gerhard W. Fischer, Vice Chairman of the board of trustees (*Stiftungsrat*) of the Ernst Göhner Foundation, Zug.

Wilfried Rutz, Chairman of the board of trustees (*Stiftungsrat*) of the Ernst Göhner Foundation, Zug, member of the board of directors of Debrunner Koenig Holding AG, St. Gallen, and Alba Management AG, Olten.

Günther Casjens, member of the advisory board at Deutsche Bank AG, Hamburg, member of the advisory board at Deutsche Schiffsbank, Bremen, corporate adviser of Temasek Group, Singapore.

Rudolf W. Hug, member of the board of directors of the following companies: Swiss Post, Berne, Orell Füssli Holding AG, Zurich; Micronas Semiconductor Holding AG, Zurich; Deutsche Bank (Schweiz) AG, Geneva; Allreal Holding AG, Baar.

Roger Schmid, member of the board of trustees and executive director of the Ernst Göhner Foundation, Zug, member of the board of directors of Verwaltungs- und Privatbank (Schweiz) AG, Zurich and AIG Private Equity Ltd., Zug.

Other than these, the members of the Board of Directors do not hold other material offices or do not carry out any other principal activities that affect the Group.

3.3 Cross-involvement

No cross-involvement exists between board memberships at PWT and other listed companies.

3.4 Elections and terms of office

3.4.1 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 period of office shall be individually determined for each member at the time of his election. The members of the Board of Directors are elected at the General Meeting of Shareholders with a 3-years period of office. They may be re-elected at any time. The Organizational Regulations of PWT specify an age limit of 72 years for the members of the Board of Directors. In exceptional circumstances, the Board of Directors may however decide to extend this age limit up to the year of their 74th birthday.

3.4.2 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 item no. 3.1.

3.5 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 respectively the Articles. In line with the Articles, the Board of Directors has established Organizational Regulations which transfer certain management responsibilities to the Executive Board.

3.5.1 Allocation of tasks within the Board of Directors

The Board of Directors is self-constituting and appoints, from among its members, its Chairman and Vice Chairman. 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 Internal Auditor as well as the Corporate Secretary, in his capacity as secretary to the Board of Directors, is directly subordinated to the Chairman of the Board of Directors.

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

Two committees exist under the Board of Directors.

The Audit Committee consists of the following members of the Board of Directors: Wilfried Rutz (Chairman), Rudolf Hug and Roger Schmid. The Audit Committee supports the Board of Directors with the supervision of the financial accounting, financial reporting and 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. In addition, it regularly maintains contact with the Group Auditor and the Internal Auditor. Based on this, it adopts the detailed reports of the Group Auditors and semi-annual reports of Internal 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 the internal audit, adopts the internal audit charter and approves the annual planning/scope of internal audit. In the field of risk management, the Audit Committee approves the detailed and weighted risk map of the Executive Board and adopts the necessary measures for risk control and risk mitigation. During the reporting year the Audit Committee held seven half-day meetings. At one of the aforementioned meetings the sole topic on the agenda was the review of the booking manipulations, which have been discovered in December 2005 at the subsidiary Panalpina Airfreight Management Ltd. (now Panalpina Air & Ocean Ltd.). During Audit Committee meetings direct discussions took place with representatives of the Group Auditors and Internal Audit. Representatives from the Group Auditors were present at four of these meetings and at three of these meetings the Internal Auditor attended. At these meetings the Executive Board was

regularly represented by the CEO, the CFO and the Corporate Secretary.

The Compensation & Nomination Committee consists of the following members of the Board of Directors: Gerhard Fischer (Chairman), Wilfried Rutz and Roger Schmid. It monitors the selection process for members of the Board of Directors and the Executive Board and determines the overall remuneration and terms of employment for members of the Board of Directors and the Executive Board as well as for highly compensated employees. Furthermore, the Committee regularly reviews the proposed management share and option programs of the Group and submits proposals to the Board of Directors. During the reporting year, the Compensation & Nomination Committee held six meetings with a duration of approximately two hours each. The Executive Board was regularly represented at these meetings by the CEO, the Chief Administrative Officer and the Corporate Secretary.

As a rule, both Committees 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 taken 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 24 August 2005.

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

3.5.3 Work methods of the Board of Directors and its committees

During the reporting year, the Board of Directors held six half-day meetings and two telephone conferences.

The Executive Board was represented by the CEO, the CFO and the Corporate Secretary at these meetings.

In urgent cases, telephone conferences or decisions by circular may be organized in order for decisions to be taken.

At every meeting, the Executive Board is updating the Board of Directors on business and key financial developments, as well as information on debtor management. On a quarterly basis, detailed consolidated financial statements on group, regional and business segment level are reported to the Board of Directors. The Board of Directors is furnished in time with an agenda, detailed meeting documentation related to topics on the agenda and minutes.

3.6 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 on 27 October 2006 govern the cooperation

between the Board of Directors, the Chairman and the Executive Board. It contains a detailed catalogue of duties and competencies which determine the financial thresholds in which the Board of Directors and the Executive Board can efficiently execute their daily business. The Organizational Regulations also outline the reporting duties of the Executive Board on Group and Holding level.

3.7 Information and control instruments vis-à-vis the senior management

The Executive Board regularly informs the Board of Directors of business developments. Elements of this reporting include monthly financial reports, consolidated quarterly regional and business segment results (with actual figures, previous years' figures and budget figures), the reporting of business development in all regions and business segments (including focus and problematic organizations), the debtors' and creditors' reports (including DSO/DPO) as well as the net working capital.

The Chairman of the Board of Directors occasionally attends Executive Board meetings and regularly receives the minutes of the Executive Board meetings. The CEO and individual members of the Executive Board regularly joins meetings of the Board of Directors as well as meetings of its committees. For further details please refer to items 3.5.2 and 3.5.3.

The Audit Committee of the Board of Directors monitors and assesses the activities of the Internal Auditor as well as his cooperation with the Group Auditor. The Audit Committee receives the Internal 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/scope of the internal audit, which also is also based on the Risk Map. For further detail please refer to item 3.5.2.

4. Executive Board

4.1 Members of the Executive Board

The biographies of the Executive Board members are as follows:

Monika Ribar, CEO, Swiss citizen. Born in 1959. Member of the Executive Board since 2000 and CEO since October 2006.

Monika Ribar joined the Group in 1991. She held several positions within the Group's controlling, IT and global project management departments. From 2000 until 2005, she held the position of the CIO (Chief Information Officer) of the Group and was member of the Executive Board.

In 2005, Monika Ribar was appointed as CFO of the Group and in June 2006 her appointment as CEO was announced. She officially took over the CEO function in October 2006. She holds an university degree in Finance and Controlling from the University of St. Gall. She participated in the Executive Program of the Graduate School of Business at Stanford University, Palo Alto, California, in 1999.

Jörg Eggenberger, Chief Operations Officer, Swiss citizen. Born in 1961. Member of the Executive Board since 2000. Responsible for Air & Ocean Operations, Air & Ocean Procurement, Business Processes & Quality, Agent Relations, Security and Panprojects.

Jörg Eggenberger joined Panalpina in 1977 and has held several positions. From 1981 until 1982, he held a management position at Panalpina London, after which he returned to the marketing and sales department at the Swiss company. From 1985 until 1988, he held another management position with Panalpina in Melbourne. In 1989, he was assigned for a management position in Taipei and in 1990 he held the position of a branch manager at Panalpina Melbourne. From 1990 until 1991 he worked as manager Far East with Air Sea Broker (today CPC Air). In 1991, he became director of the Ocean Freight division at the corporate head office. In 1998, Jörg Eggenberger became managing director of the West Africa Division of Air Sea Broker. In 2000, Jörg Eggenberger became a member of the Executive Board as COO Eastern Hemisphere. In 2002, he was appointed Regional CEO of the Africa/Middle East/Central Asia/CIS division. In 2005, he was appointed as COO of the Group, and held this position until October 2006, when he was appointed as Chief Operations Officer and John Klompers was announced as the Chief Marketing & Sales Officer. Jörg Eggenberger is a trained forwarding merchant. In 2004, he participated in a senior management course at Columbia University, New York.

Christoph Hess, General Counsel & Corporate Secretary, Swiss citizen. Born in 1955. Member of the Executive Board since 2006. Responsible for Corporate Legal Services, Insurances and Corporate Communications.

Christoph Hess joined the Group's head office in 1994 as General Counsel and Secretary of the Board of Directors and the Executive Board. In his capacity he also manages both the Group's Legal/Insurance and Communications departments.

Christoph Hess holds a degree in law from the University of Basel and has been admitted to the bar in Switzerland.

Jürg Honegger, Chief Financial Officer (CFO), Swiss citizen. Born in 1964. Member of the Executive Board since October 2006. Responsible for Financial Reporting, Tax Management, Corporate Treasury, Controlling and Credit Control as well as Investor Relations.

Jürg Honegger started his career as Controller and Auditor for companies in Mexico and Switzerland. From 1994 to 2004, he was employed by the Volcafe Group, initially as Assistant to the Group CFO at their Headquarters, thereafter as Head of Finance in Colombia and later as Managing Director for its subsidiary in Uganda. In 1999, he was promoted to Group CFO and member of the Executive Board. He held this position until 2004. Subsequent to the acquisition of the Volcafe Group in 2004 by the new owner ED&F MAN Holdings Ltd., he held the position of Group Treasurer and Divisional Finance Director, based in London, until 2006.

Jürg Honegger has a degree in Business Administration (lic. oec. HSG) from the University of St. Gall.

John Klompers, Chief Marketing & Sales Officer, Dutch citizen. Born in 1964. Member of the Executive Board since October 2006. Responsible for Marketing & Sales, Key Account Management, Industry Verticals, Supply Chain Management and Oil & Gas.

John Klompers joined ChartAir Europe in 1995 (a company acquired by Panalpina in 1996) as Marketing & Sales Executive. In 1997, he was appointed as Branch Manager of Panalpina Eindhoven and Global Account Manager for a leading electronics company. In 1999, he became Managing Director of Panalpina Netherlands and in 2003 Managing Director of the Benelux area, which includes Panalpina country organizations in the Netherlands, Belgium and Luxembourg. In 2005, he was nominated as Regional Chief Executive Officer for Europe.

John Klompers holds bachelor degrees in Economics, Supply Chain Management and Marketing from universities in Eindhoven and Utrecht.

Roland Wider, Chief Administrative Officer, Swiss citizen. Born in 1959. Member of the Executive Board since 2002. Responsible for Human Resources, Corporate Information Technology, Project Management and Management Information System.

Roland Wider joined Panalpina in 2002 as CFO of the Group and member of the Executive Board. In 2005, he was appointed as Chief Administrative Officer of the Group. Prior to Panalpina, he held several management positions at different companies in Switzerland and in Asia. From 1996 until 1999 he was working for Kühne + Nagel in Hong Kong as the regional CFO for the Asia-Pacific region. Roland Wider holds a certificate in economics from the Höhere Wirtschafts- und Verwaltungsschule Zürich as well as a degree as certified public accountant from the Schweizerische Treuhand- und Revisionskammer.

Roland Wider has left the Company in April 2007.

4.2 Other activities and vested interests

Monika Ribar, member of the board of directors of Bank Julius Bär Ltd., Zurich. Member of the board of directors of Logitech International SA, Romanel/Morges.

John Klompers, member of the board of directors of Luxair SA, Luxembourg (subject to his election at the Luxair Annual General Meeting 2007).

4.3 Management contracts

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

5. Compensation, shareholdings and loans

5.1 Content and method of determining the compensation and the share-ownership programs

Both the compensation and principles governing the share ownership and option programs for Board of Directors and the Executive Board are determined and approved by the Board of Directors based on the proposal of the Compensation and Nomination Committee.

The members of the Board of Directors receive a fixed annual compensation. The salary package for the members of the Executive Board is made up of a fixed basic salary, expense allowance and a bonus, which depends on the Group's result (normalized EBIT) and on achievement of individual performance targets. The target bonus of the individual EB member equals between 50% and 100% of the individual annual basic salary.

The members of the Board of Directors as well as the members of the Executive Board had the possibility to voluntarily participate in the share and option program introduced in 2005 and continued in a modified program in the reporting year. Details are outlined in item 5.6.

The Executive Board contracts stipulate that as from reporting year 2007, 50% of the respective bonuses will be paid in cash and 50% in the form of shares according to the applicable share and option program.

5.2 Compensation for acting members of governing bodies (Board of Directors and senior management)

The total amount of compensation paid to the Board of Directors and the Executive Board during the financial year equaled CHF 7,877,000*, of which CHF 1,240,000* were paid to the (non-executive) members of the Board of Directors and CHF 6,637,000* to the Executive Chairman and the members of the Executive Board.

During the reporting year an Executive Board member received a severance payment of CHF 2,709,000.

5.3 Compensation to former members of the Board of Directors and the Executive Board

During the reporting year no compensation was paid to former members of the Board of Directors and Executive Board.

5.4 Share allotment in the year under review

Excluding the share and option program disclosed in item 5.6, no further shares or share options are allocated to the members of the Board of Directors or the Executive Board or any of its associated persons.

5.5 Share ownership

The following shares were registered in the name of the members of the Board of Directors, respectively the Executive Board (or associated persons) on closing date:

Members of the Board of Directors including associated persons held the following shares on closing date:

Name	Number of PWT nominal shares
Gerhard Fischer	8,180
Wilfried Rutz	8,250
Günther Casjens	8,950
Rudolf W. Hug	4,450
Yuichi Ishimaru	8,050
Glen R. Pringle	3,000
Roger Schmid	10,550
Total	51,430

Members of the Executive Board including associated persons held the following shares on closing date:

Name	Number of PWT nominal shares
Monika Ribar	5,550
Jörg Eggenberger	5,626
Christoph Hess	1,250
John Klompers	2,500
Roland Wider	2,800
Total	17,726

5.6 Options

During 2005, PWT introduced a share and option ownership program whereas members of the Board of Directors were offered a total of 26,250 PWT registered shares and the members of the Executive Board were offered a total of 15,000 PWT registered shares. The members of the Board of Directors purchased a total of 23,700 registered shares and the members of the Executive Board at that time purchased a total of 15,000 registered shares at the offering price of CHF 80.00 each. The sale of the shares purchased under this program was restricted to 16 September 2006. For every purchased share, the subscribers of this program have been allocated two options, each option entitling them to purchase one further share at the offering price. The option could be exercised from 17 September 2006 and for a period of two years i.e. until 16 September 2008, the option will lapse after the expiry of the aforementioned period.

In June of the reporting year, a slightly modified share and option program was introduced. Members of the Board of Directors were offered a total of 12,600 PWT registered shares and the members of the Executive Board were offered a total of 5,400 PWT registered shares. Within the scope of this program, the members of the Board of Directors purchased a total of 12,600 PWT registered shares and the members of the Executive Board purchased a total of 5,400 PWT registered shares at a purchase price of 75% of the average closing price of the shares at the SWX from January to May 2006 (CHF 111.30).

* Amounts rounded to the nearest CHF 1000.

The sale of the subscribed shares was restricted for one year i.e. up to 11 June 2007. With every subscribed share one option is attained, which is allocated to the extent of $\frac{1}{3}$ after a vesting period of one, two, respectively three years and entitles the participant to purchase to a share at the price of CHF 111.30. Options may be exercised after allocation until 11 June 2012 after which they expire.

Members of the Board of Directors including associated persons held the following options on closing date (subject to allocation).

Name	Year of allocation	Number of options	Term
Gerhard Fischer	2005	7,500	2005–2008
	2006	1,800	2006–2012
Wilfried Rutz	2005	4,500	2005–2008
	2006	1,800	2006–2012
Günther Casjens	2005	0	2005–2008
	2006	1,800	2006–2012
Rudolf W. Hug	2005	0	2005–2008
	2006	1,800	2006–2012
Yuichi Ishimaru	2005	5,000	2005–2008
	2006	1,800	2006–2012
Glen R. Pringle	2005	2,400	2005–2008
	2006	1,800	2006–2012
Roger Schmid	2005	7,500	2005–2008
	2006	1,800	2006–2012
Total		39,500	

Members of the Executive Board as well as associated persons held the following options on closing date (subject to allocation):

Name	Year of allocation	Number of options	Term
Monika Ribar	2005	7,500	2005–2008
	2006	1,800	2006–2012
Jörg Eggenberger	2005	3,750	2005–2008
	2006	1,800	2006–2012
Christoph Hess	2005	2,000	2005–2008
	2006	600	2006–2012
John Klompers	2005	5,000	2005–2008
Roland Wider	2005	2,500	2005–2008
	2006	1,800	2006–2012
Total		26,750	

5.7 Additional fees and remunerations

None of the members of the Board of Directors respectively the Executive Board including their associated persons received any additional fees or remuneration during the reporting year.

5.8 Loans granted by governing bodies

No loans were granted to any members of the Board of Directors or to any members of the Executive Board.

5.9 Highest total compensation

The highest total amount received by a single member of the Board of Directors during the reporting year amounted to CHF 1,664,000. This member purchased 1,800 PWTN registered shares during the reporting year according to the terms of the company's share and option program as stipulated in item 5.6. Consequently a total of 1,800 options were allocated that may be exercised after the restriction period until 2012, entitling this member to purchase one share per option at the price of CHF 111.30.

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% 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 corporate body (*Organvertreter*) as well as the independent proxy holder of voting rights (*Unabhängiger Stimmrechtsvertreter*). In order to facilitate the exercise of voting rights of deposited shares, the Board of Directors is entitled to enter into agreements with banks which deviate from the voting restrictions.

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 (so-called 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 legal representative, or by another shareholder with the right to vote, or by the representative of the corporate body (*Organvertreter*), or by the independent proxy holder of voting rights (*unabhängiger Stimmrechtsvertreter*) or by the proxy holder of deposited shares (*Depotvertreter*).

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 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 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 defence 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 changes 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 was taken over by PricewaterhouseCoopers AG, Basel, (PwC) for the first time for the 1972 financial year by a declaration of acceptance of May 1972.

The lead auditor, Thomas Brüderlin, who is responsible for the mandate, commenced duties in 2001.

8.2 Auditing fees

According to financial accounting, invoices for auditing fees for the financial year amounted to CHF 2,895,000.

8.3 Additional fees

The auditors PwC were compensated an additional amount of CHF 765,000 for further services rendered in the financial year.

8.4 Supervisory and control instruments pertaining to the audit

The Group Auditors are supervised and controlled by the Audit Committee. The Group Auditors also report to the Audit Committee and periodically the lead auditor participates at the meetings (refer to item 3.5).

9. Information policy

Panalpina regularly updates its Internet website www.panalpina.com, informing the public of any major events, organizational changes and (quarterly) financial results. Press releases are accessible there to all visitors to the website; alternatively subscriptions can be made so that all latest press releases are automatically forwarded via e-mail. Furthermore, all publications such as the Annual 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 printed in the Annual Report and appear in the Financial Calendar on the website (under *Investor Relations*).

www.panalpina.com/corpgov
