ANNUAL REPORT 2008

KUEHNE+NAGEL

KUEHNE + NAGEL GROUP KEY DATA

CHF million	2004 [1]	2005 [1]	2006 [1]	2007 [1]	2008
Invoiced turnover	11,563	14,049	18,194	20,975	21,599
Gross profit	2,323	2,769	5,253	6,014	6,253
% of turnover	20.1	19.7	28.9	28.7	29.0
EBITDA	478	575	857	1,019	1,020
% of gross profit	20.6	20.8	16.3	16.9	16.3
EBIT	322	443	602	693	736
% of gross profit	13.9	16.0	11.5	11.5	11.8
EBT	344	459	603	708	764
% of gross profit	14.8	16.6	11.5	11.8	12.2
Earnings for the year (Kuehne + Nagel share)	239	324	459	536	585
% of gross profit	10.3	11.7	8.7	8.9	9.4
Depreciation, amortisation and impairment of other intangible assets and goodwill	156	132	255	326	284
% of gross profit	6.7	4.8	4.9	5.4	4.5
Operational cash flow	488	575	857	1,043	1,015
% of gross profit	21.0	20.8	16.3	17.3	16.2
Capital expenditures for fixed assets	107	190	246	231	245
% of operational cash flow	21.9	33.0	28.7	22.1	24.1
Total assets	2,845	4,232	5,720	6,438	5,555
Non-current assets	827	1,004	2,290	2,119	1,864
Equity	799	1,577	1,964	2,367	2,073
% of total assets	28.1	37.3	34.3	36.8	37.3
Employees at year-end	21,193	25,607	46,290	51,075	53,823
Personnel expenses	1,272	1,500	2,959	3,396	3,518
% of gross profit	54.8	54.2	56.3	56.5	56.3
Gross profit in CHF 1,000 per employee	110	108	113	118	116
Manpower expenses in CHF 1,000 per employee	60	59	64	66	65
Basic earnings per share (nominal CHF 1) in CHF					
Consolidated earnings for the year (Kuehne + Nagel share) [2]	2.10	2.95	3.91	4.54	4.96
Distribution in the following year	0.90	1.10	1.50	1.90	2.30 [3]
in % of the consolidated earnings for the year	43.0	37.0	39.0	41.8	46.4
Development of share price					
Zurich (high/low in CHF)	50/28	74/46	99/69	131/91	113/57
Average trading volume per day	47,545	118,095	161,664	195,916	331,536

1 Restated for comparison purposes.
2 Excluding treasury shares.
3 Excluding extraordinary dividend.

CONTENTS

KLAUS-MICHAEL KUEHNE – Chairman of the Kuehne + Nagel International AG Board of Directors

REPORT OF THE BOARD OF DIRECTORS

Strong results despite economic downturn

Ladies and Gentlemen

The beginning of 2008 was characterised by strong growth and high earnings. But a noticeable slowdown occurred in the second half – particularly in the traffic from Asia to Europe and North America – with the fourth quarter showing a clear tendency towards recession. Notwithstanding this situation, the Kuehne + Nagel Group again achieved the best results in its history, increasing global turnover by 3.0 per cent (currency-adjusted 9.7 per cent) and net earnings by 9.1 per cent (currency-adjusted 14.5 per cent) compared to the previous year.

Shareholder structure

There were only slight changes in the Kuehne + Nagel International AG shareholder structure, which at the end of 2008 was as follows:

– Kuehne Holding AG	55.8 per cent
– Free float	42.6 per cent
– Treasury shares	1.6 per cent
	100.0 per cent

Board of Directors

At the beginning of the business year, Xavier Urbain resigned from the Board of Directors after having been appointed to the Management Board of Kuehne + Nagel International AG. At the Annual General Meeting in May, the age-related retirement of Bruno Salzmann was announced. He had been the Kuehne + Nagel Group's Chief Financial Officer for many years before being appointed to the Board of Directors in 1999. At the same time, Juergen Fitschen, member of the Deutsche Bank AG's executive committee, was elected to the Board of Directors.

At the Extraordinary General Meeting of Kuehne + Nagel International AG in December 2008, Karl Gernandt was elected to the Board of Directors and subsequently appointed its Delegate, effective January 1, 2009. At the same time, Klaus-Michael Kuehne stepped down from his function as Delegate. He remains Chairman and Bernd Wrede Vice Chairman.

Board committees

The Board of Directors' three regular committees are the Audit, the Investment, and the Nomination and Compensation Committees. In general, their meetings take place quarterly with the respective chairmen reporting findings in subsequent Board of Directors' meetings.

Management Board

In agreement with those involved, the Board of Directors accelerated the hand-over of the CEO function from Klaus Herms to Reinhard Lange. This change became effective January 1, 2009, rather than, as initially planned, by mid-2009. Klaus Herms will be responsible for special tasks until his retirement on June 30, 2009. As of February 1, 2008, Xavier Urban was appointed to the Management Board, where he is in charge of the Road & Rail Logistics business unit.

Business performance

While seafreight, airfreight and contract logistics operations initially performed according to plan, there was a strong slowdown in the third and fourth quarters. Business development and profit margins, however, remained satisfactory overall. The efforts to expand the European overland transport network yielded high growth rates. In the autumn of 2008 Kuehne + Nagel acquired the French groupage provider Alloin, securing a strong position in the national road transport sector of one of Europe's key industrial countries. This important acquisition added 3,170 employees to the Group as of January 1, 2009.

Results

The seafreight and airfreight businesses were the main contributors to the Kuehne + Nagel Group's good results in 2008. Contract logistics results, which were affected by extraordinary costs in some countries, were positive overall. Despite planned business expansion investments and start-up losses, European overland transport achieved satisfactory results.

Dividend

The Board of Directors' proposal to pay an extraordinary dividend of CHF 2.50 per share (due to the special proceeds stemming from the mid-2008 sale of a number of logistics assets) was approved at the Extraordinary General Meeting of December 2008. The Board of Directors will propose to distribute a dividend of CHF 2.30 per share for the business year 2008 (previous year: CHF 1.90) to the Annual General Meeting of May 13, 2009.

Business units

Seafreight volumes increased by 2 per cent to a total of 2.670 million container units (TEU) shipped. The most significant declines in volume were in traffics from Asia to Europe and from Europe to North America. Particularly well performed the seafreight business with the Middle East and South America.

International airfreight traditionally is heavily affected by economic downturns, and 2008 was no exception as volumes slumped in the second half compared to the same period of the previous year. For the whole year, however, a growth of 2 per cent was achieved.

Contract logistics saw a strong demand for complex services and additional warehousing and transport capacities, with the closure of a significant number of new business opportunities. Among the highlights were substantial contracts with two global customers from the airline and the cosmetics industries. The results were negatively affected by insufficient capacity utilisation in the United States, Canada and the United Kingdom as well as start-up costs in some East European countries.

In the Road & Rail Logistics business unit, Kuehne + Nagel focused on the further expansion of its European groupage network. Under the new management, processes were streamlined and bundling effects in traffic flows realised. The acquisition of the French groupage provider Alloin was an important strategic milestone. The incorporation of French operations into the Group’s road transport network is intended to generate strong business opportunities across Europe. The management of the European rail activities was placed in new hands and the focus on innovative concepts was strengthened.

The Real Estate business unit optimised its portfolio through the sale of warehousing and handling facilities as well as office buildings in five European countries. For a transitional period, most of the sold facilities were leased back. In addition, real estate property was created among else in Germany.

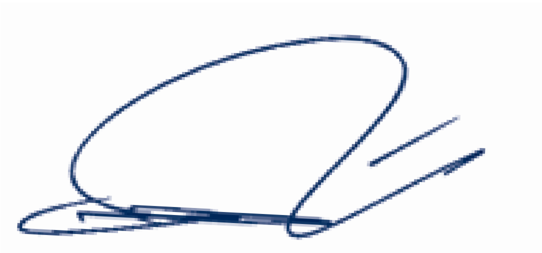
Nacora, the wholly-owned insurance broker, significantly improved its results; new offices were added to the network, which now comprises 30 countries.

Summary and outlook

The second half of the business year was characterised by an accelerating economic slowdown. In light of that fact and, especially, of the unfavourable economic outlook for 2009, in December 2008 the Board of Directors established an ad hoc Economic Committee, comprised of three of its members. The committee meets monthly with the Chairman of the Board of Directors and members of the Management Board to analyse the current business results and to review the measures initiated by the Management Board.

Initial 2009 development indicators confirm the subdued assessment for the year. The Kuehne + Nagel Group, however, is well prepared for difficult times due to its strong position in virtually all parts of the world, its innovative products and its financial strength. At an early stage in the economic situation, comprehensive cost-cutting measures were initiated and broadened during the first months of 2009. At the same time, Kuehne + Nagel plans to secure and extend the current market positions in the respective business units and to maximise business opportunities in European overland transport.

The Board of Directors expresses its sincere thanks to Klaus Herms for his successful work as Chairman of the Management Board during the past ten years. It also extends its support and best wishes for success to the new CEO, Reinhard Lange. At the same time the Board of Directors expresses its appreciation to the Management Board and all employees for their valuable contributions to the development of the company and to the remarkably good results in 2008. This gratitude is also extended to all the customers and business partners, with whom Kuehne + Nagel shares trust and cooperation.



Klaus-Michael Kuehne
Chairman of the Board of Directors

Front row, from the left:

DR. WILLY KISSLING

BERND WREDE, Vice Chairman

KLAUS-MICHAEL KUEHNE, Chairman

KARL GERNANDT, Delegate

Back row, from the left:

DR. JOACHIM HAUSSER

DR. WOLFGANG PEINER

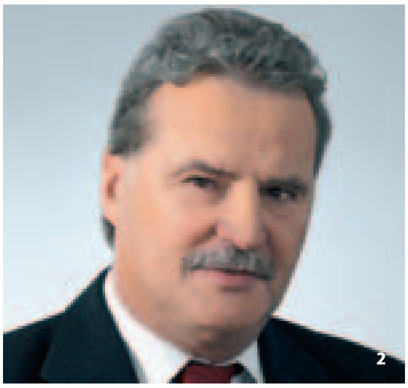
HANS LERCH

DR. GEORG OBERMEIER

DR. THOMAS STAEHELIN

JUERGEN FITSCHEN

As of January 1, 2009



1 **KLAUS HERMS,** Chief Executive Officer until December 31, 2008

2 **REINHARD LANGE,** Sea & Air Logistics; Chief Executive Officer as of January 1, 2009

3 **GERARD VAN KESTEREN,** Chief Financial Officer

4 **PETER ULBER,** Sea & Air Logistics as of January 1, 2009

5 **DIRK REICH,** Contract Logistics

6 **XAVIER URBAIN,** Road & Rail Logistics

7 **KLAUS-DIETER PIETSCH,** Human Resources

8 **MARTIN KOLBE,** Chief Information Officer

REPORT OF THE MANAGEMENT BOARD

Improved business result

Despite the increasing impact of the economic crisis on the logistics industry in the second half of 2008, the Kuehne + Nagel Group delivered improved results compared with the previous year. The Group's integrated logistics business model and the worldwide presence once again proved to be of significant advantage.

General conditions

Through the first two quarters of 2008, general economic conditions remained favourable for the global logistics business. Although the U.S. economy already had been suffering from a significant decline in consumer demand, the credit crisis had not dramatically affected other regions' economies. But from October 2008 onwards, the economic downturn rapidly spread to the industrialised countries and the emerging economies in Latin America, Eastern Europe and Asia. Even China, the decisive driver of world trade for the past years, was unable to evade this development. Mainly due to the deteriorating economic climate in the United States and Europe, Chinese exports significantly slumped after having generated above-average growth rates in previous years.

In the meantime, many governments launched economic stimulus plans in an attempt to soften further decline in demand; their effectiveness, however, has yet to be proven.

Logistics industry

In the third quarter 2008, transport volumes and inventory turnover substantially declined due to the lack of demand for investment and consumer goods. Logistics providers with flexible cost and organisation structures that can quickly adapt to changing market situations are better able to cope with such an environment. In addition, risks can be minimised by a geographically broad coverage and by focussing on a variety of customer segments.

While 2007 was characterised by large acquisitions and restructuring processes, 2008 saw a decline in takeover activities. This trend is expected to continue in 2009, even as the industry remains under pressure to consolidate.

Given the difficult economic times and associated cost pressure, companies in trade and industry are increasingly concentrating on their core competences. In addition, many are reluctant to invest in their own logistics infrastructure, all of which will push the outsourcing trend. Also, complex supply chain management will become more important, opening business opportunities for logistics providers with efficient processes and global organisational structures.

Business performance

Although growth rates were below prior years' levels, Kuehne + Nagel was able to maintain its high margins in both sea- and airfreight thanks to strong productivity and strict cost management. Market shares were expanded worldwide. Growth again was the primary target in the overland business, with the acquisition of the French groupage provider Alloin filling a major gap in the Group's European overland transport network. Contract logistics benefited from the company's global presence and its comprehensive service offering, which allowed it to generate new business to partly compensate for the volume decrease caused by the economic situation. As in previous years, the Insurance Broker and the Real Estate business units' activities supported good business performance.

In spite of the economic slowdown and exchange-rate effects that affected the Kuehne + Nagel regions to varying degrees, each contributed to 2008's improved business result.

Outlook for 2009

The current global economic crisis is unparalleled in terms of scope and pace, and it is impossible to predict its length. A critical factor will be whether the economic stimulus plans initiated by the various governments globally will succeed in their effort to fight recession and revive the world economy.

In 2009, the Kuehne + Nagel Group will have to demonstrate its flexibility and its capabilities to sustain its position in the global logistics market.

The effectiveness of the company's strategy, however, has been proven and is reflected in the 2008 business results. In view of the declining economy, measures were taken during the final months of 2008, including stricter cost management and further optimisation of all business units' processes and productivity.

Regardless of the economic environment, Kuehne + Nagel intends to focus on gaining further market share through strategic investments and organic growth in all fields of activity. The Group's financial strength, as well as its high service quality and its business model of integrated logistics form a solid basis to achieve this.

Reinhard Lange
Chairman of the Management Board

STATUS REPORT

Turnover

In 2008 Kuehne + Nagel's turnover amounted to CHF 21,599 million representing an increase of 3.0 per cent or CHF 624 million compared to the previous year. The impact from organic growth amounted to CHF 1,657 million, from acquisitions to CHF 374 million. In addition, exchange rate fluctuation resulted in a negative impact of CHF 1,407 million.

At regional level, Middle East, Central Asia and Africa achieved with 27.5 per cent the highest organic growth rate. Favourable turnover increases were achieved also in the Americas (13.9 per cent), in Asia-Pacific (12.3 per cent) and in Europe (3.9 per cent).

Exchange rate fluctuations between 2007 and 2008, based on average yearly exchange rates, led to a significant lower valuation of the British pound of 16.4 per cent, of the U.S. dollar as well as depending currencies (e.g. a number of countries in Asia, South America and the Middle East) of 9.5 per cent and of the euro of 3.3 per cent against the Swiss franc. When comparing the turnover in the income statement, a negative currency impact of approximately 6.7 per cent must be taken into consideration in 2008.

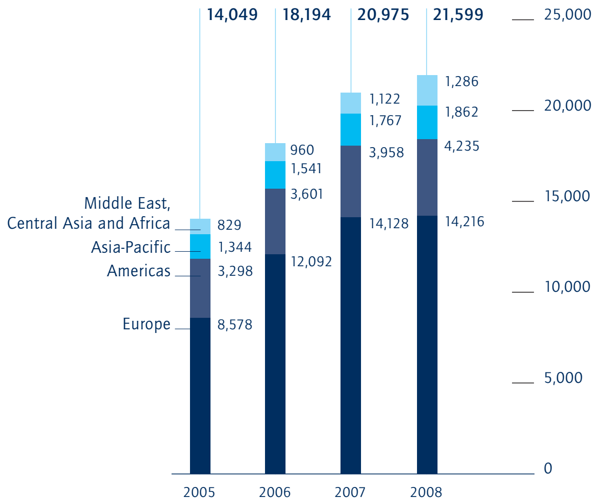
Income

Gross profit

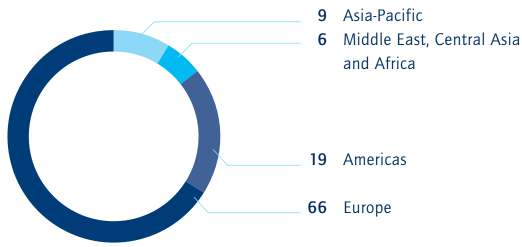
Gross profit, a better indicator of performance than turnover in the logistics and forwarding industry, reached in 2008 CHF 6,253 million, which is a 4.0 per cent increase compared to the previous year. This increase has mainly been achieved through organic growth (CHF 547 million) and acquisitions (CHF 132 million). A negative exchange rate development has impacted the gross profit by CHF 440 million.

In the Middle East, Central Asia and Africa gross profit increased by 12.7 per cent (organic growth rate 23.8 per cent), in the Americas by 2.5 per cent (organic growth rate 11.9 per cent), in Asia-Pacific by 5.1 per cent (organic growth rate 11.6 per cent) and in Europe by 3.9 per cent (organic growth rate 8.2 per cent).

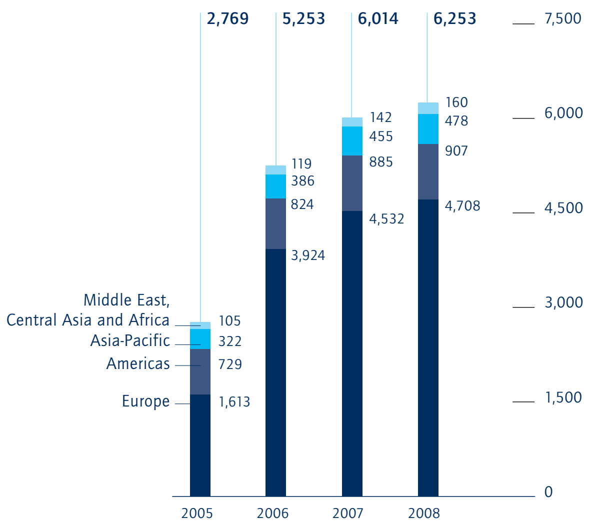
Regional turnover
CHF million



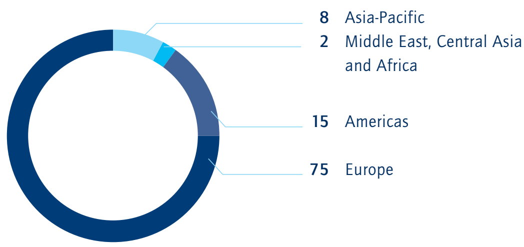
Regional turnover
Per cent



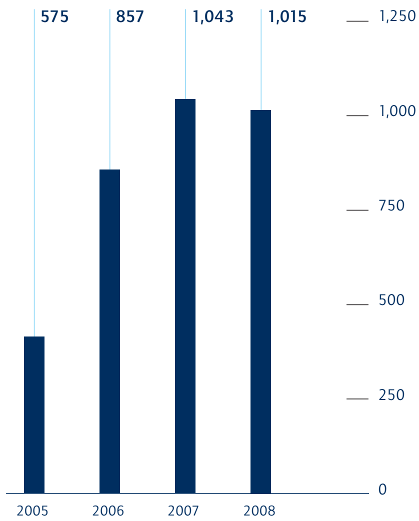
Regional gross profit
CHF million



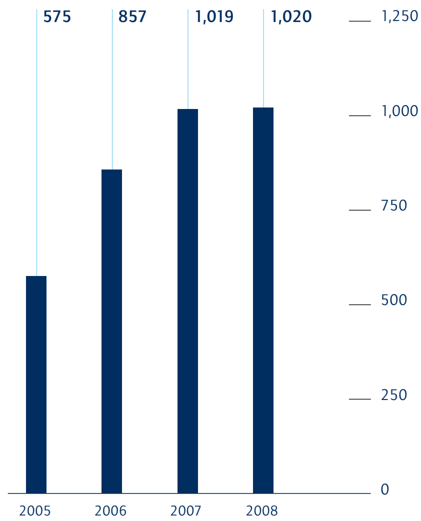
Regional gross profit
Per cent



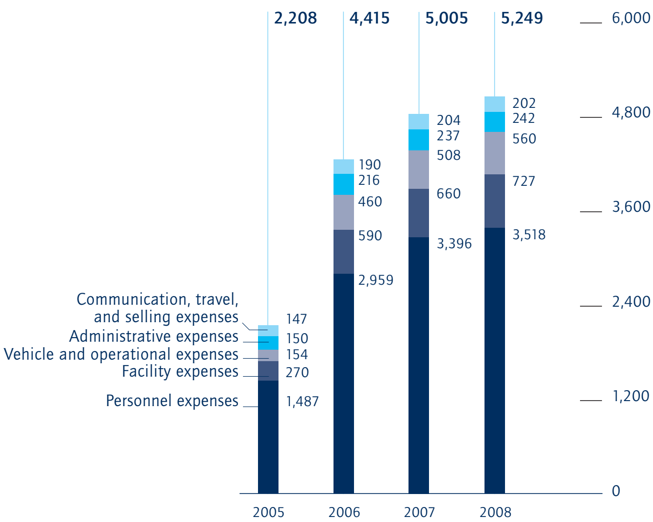
Operational cash flow
CHF million



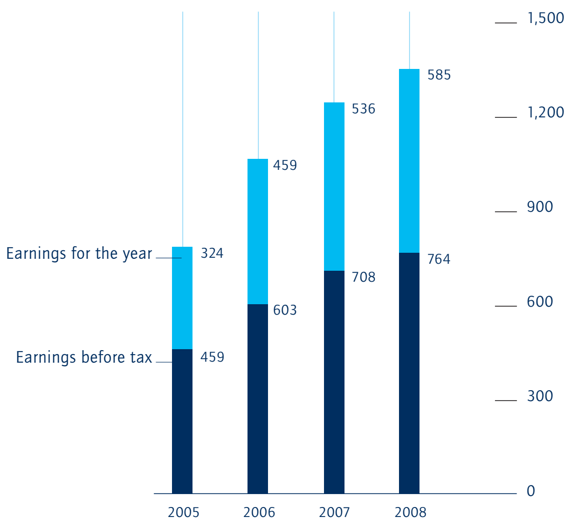
EBITDA
CHF million



Operational expenses
CHF million



Earnings before tax / earnings for the year
CHF million



Operational cash flow

The operational cash flow – the sum of the net income for the year plus/minus non-cash-related transactions – decreased by CHF 28 million to CHF 1,015 million (for further information, please refer to the cash flow statement on page 85).

EBITDA

The earnings before interest, tax, depreciation and amortisation of property, plant and equipment, goodwill and other intangible assets increased only marginally by CHF 1 million or 0.1 per cent compared to the previous year; organic growth amounting to CHF 60 million was nearly eliminated by a negative exchange rate impact of CHF 59 million. Europe generated the largest EBITDA contribution of CHF 626 million (61.4 per cent) followed by Asia-Pacific with CHF 182 million (17.8 per cent), the Americas with 174 million (17.1 per cent) and the Middle East, Central Asia and Africa with CHF 38 million (3.7 per cent).

Despite the significant reduction of volumes in the second half of 2008 due to the economical crisis, the EBITDA margin could be maintained closely to the previous year's level at 4.7 per cent compared to 4.9 per cent in 2007. The increase of the manpower cost by CHF 122 million or 3.6 per cent is mainly due to the increase of employees by 2,748. Cost reduction programmes have been initiated at the end of 2008 to compensate the reduced freight volumes. In 2009 these initiatives will return an improved level of productivity and a reduced cost base.

EBIT/earnings for the year

The increase of earnings before interest and tax (EBIT) by CHF 43 million was mainly generated by organic growth (CHF 102 million) but heavily impacted by a negative exchange rate development (CHF 39 million) and acquisitions (CHF 20 million).

EBIT in Europe increased by CHF 41 million (11.6 per cent) and in the Middle East, Central Asia and Africa by CHF 9 million (39.1 per cent). Despite a negative exchange rate impact the EBIT in Asia-Pacific could be maintained at the previous year's level, whereas in the Americas it was lower by CHF 7 million. The EBIT margin (in per cent of invoiced turnover) was slightly increased to 3.4 per cent compared to the previous year's 3.3 per cent.

The earnings for the year increased by CHF 49 million to CHF 585 million compared to the previous year, whereby a margin (in per cent of the invoiced turnover) of 2.7 per cent was achieved (2007: 2.6 per cent).

Financial position

Total assets and liabilities of the Group decreased by CHF 883 million to CHF 5,555 million compared to 2007. The changes are mainly due to the negative exchange rate impact, the sale of properties and an increased payment of dividends. The changes in property, plant and equipment, goodwill and other intangibles assets are shown in detail in notes 26 and 27 to the Consolidated Income Statement. Cash and cash equivalents increased by CHF 206 million; for further information, refer to the cash flow statement on page 85.

Trade receivables amounting to CHF 2,143 million represent the most significant asset of the Kuehne + Nagel Group. The days outstanding of 41.9 days in 2007 decreased slightly to 37.6 days in 2008. The equity of the Group has reduced by CHF 294 million to CHF 2,073 million due to the payment of an extraordinary dividend and a negative exchange rate impact. This represents an equity ratio of 37.3 per cent (2007: 36.8 per cent). Developments of other key figures on capital structure are shown in the following table:

Kuehne + Nagel Group key figures on capital structure *

CHF million	2005	2006	2007	2008
1 Equity ratio (in per cent)	37.3	34.3	36.8	37.3
2 Return on equity (in per cent)	28.2	25.9	24.6	24.8
3 Debt ratio (in per cent)	62.7	65.7	63.2	62.7
4 Short-term ratio of indebtedness (in per cent)	55.6	55.6	54.1	55.1
5 Intensity of long-term indebtedness (in per cent)	7.2	10.0	9.1	7.6
6 Fixed assets coverage ratio (in per cent)	187.4	110.8	139.4	133.9
7 Working capital	877	247	835	632
8 Receivables terms (in days)	38.8	41.4	41.9	37.6
9 Vendor terms (in days)	41.1	51.2	51.4	44.0
10 Intensity of capital expenditure (in per cent)	23.7	40.0	32.9	33.6

* Previous years have been restated for comparison purposes.

1 Total equity in relation to total assets at the end of the year.
2 Net earnings for the year in relation to share + reserves + retained earnings as of 1.1. of the current year less dividend paid during the current year as of date of distribution + capital increase (incl. share premium) as of date of payment.
3 Total liabilities – equity in relation to total assets.
4 Short-term liabilities in relation to total assets.
5 Long-term liabilities in relation to total assets.
6 Total equity (including minority interests) + long-term liabilities in relation to non-current assets.
7 Total current assets less current liabilities.
8 Turnover in relation to the receivables outstanding at the end of the current year.
9 Expenses for services from third parties in relation to trade liabilities/accrued trade expenses at the end of the current year.
10 Non-current assets in relation to total assets.

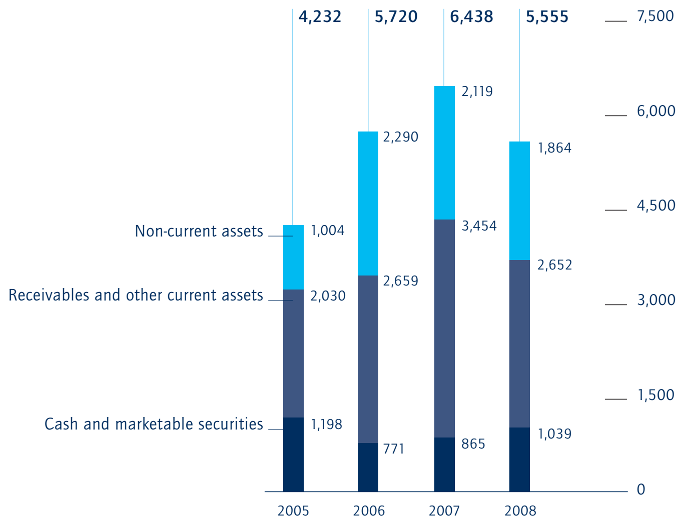
Investments, depreciation and amortisation

In 2008 the Kuehne + Nagel Group invested a total of CHF 245 million for capital expenditures. All capital expenditures in 2008 were financed by the operational cash flow of CHF 1,015 million generated during 2008.

Investments in properties and buildings amounted to CHF 93 million, and CHF 152 million were spent for other fixed assets, operating and office equipment.

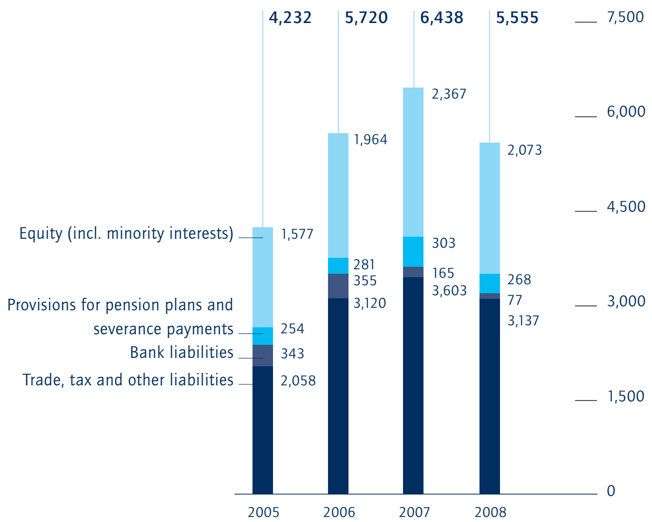
Assets

CHF million



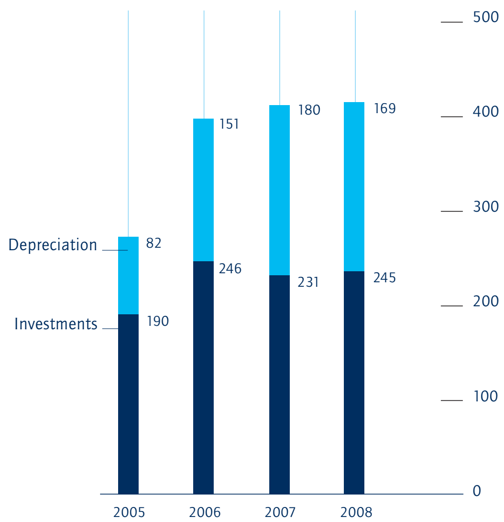
Liabilities

CHF million



Investments in fixed assets / depreciation

CHF million



During the course of 2008 the following major investments were made in properties and buildings:

Region/Location	CHF million	
Europe		
Duisburg, Germany	25	Extension of a logistics and distribution centre
Bremen, Germany	12	Extension of a logistics and distribution centre
Hamburg, Germany	21	Completion of a logistics and distribution centre
Rennerod, Germany	8	Purchase of a logistics terminal
Saint Pierre de Chandieu, France	8	Purchase of a logistics terminal
Ferrières, France	5	Extension of a logistics and distribution centre
Schindellegi, Switzerland	2	Extension of corporate head office
	81	
Middle East, Central Asia and Africa		
Dubai, UAE	12	Completion of a logistics and distribution centre
Total	**93**	

The allocation per category is as follows:

	CHF million
Operating equipment	77
Vehicles	15
Leasehold improvements	24
IT hardware	25
Office furniture and equipment	11
Total	**152**

The allocation by region is as follows:

	CHF million
Europe	116
Americas	22
Asia-Pacific	9
Middle East, Central Asia and Africa	5
Total	**152**

Depreciation, amortisation and impairment losses on goodwill and other intangibles in 2008 amounted to CHF 284 million and are allocated in the profit and loss statement as indicated in note 41, pages 124 to 127.

Development of capital expenditure and depreciation of fixed assets over a period of four years

CHF million	2005	2006	2007	2008
Capital expenditure				
Fixed assets				
Properties and buildings	99	111	58	93
Operating and office equipment	91	135	173	152
Intangible assets				
Goodwill in consolidated companies	37	462	113	–
IT software	23	19	27	34
	250	**727**	**371**	**279**
Depreciation and amortisation				
Fixed assets				
Buildings	16	28	29	21
Operating and office equipment	66	124	151	148
Intangible assets				
Impairment of goodwill	25	6	31	6
Amortisation/impairment of other intangible assets	25	97	115	109
	132	**255**	**326**	**284**

Planned investments in 2009

In 2009 the Kuehne + Nagel Group plans to invest about CHF 250 million for capital expenditures compared to a spending of CHF 245 million in 2008. These investments might be deferred to following years if the economic situation further deteriorates with a long term impact on business development.

Planned investment per category

	CHF million
Properties and buildings	130
Operating equipment	30
Vehicles	50
Leasehold improvements	15
IT hardware	15
Office furniture and equipment	10
Total	**250**

Expected allocation per business segment

	CHF million
Seafreight	20
Airfreight	15
Road & Rail Logistics	40
Contract Logistics	45
Real Estate	130
Total	**250**

In 2009 the depreciation on fixed assets is estimated at CHF 180 million and the amortisation of intangible assets at CHF 90 million (excluding potential acquisitions of companies).

Expected investments per region

	CHF million
Europe	190
Americas	40
Asia-Pacific	15
Middle East, Central Asia and Africa	5
Total	**250**

Planned acquisitions

In order to reach the strategic goal of a turnover of CHF 5 billion in the Road & Rail Logistics business unit, further acquisitions in Italy, Spain and Eastern European countries can be expected within the next two years.

Shareholder return

The financial crisis impacted negatively the indexes (SMI/SPI) in 2008, and the Kuehne + Nagel share performed in line with the market.

Share price and market capitalisation (at December 31)

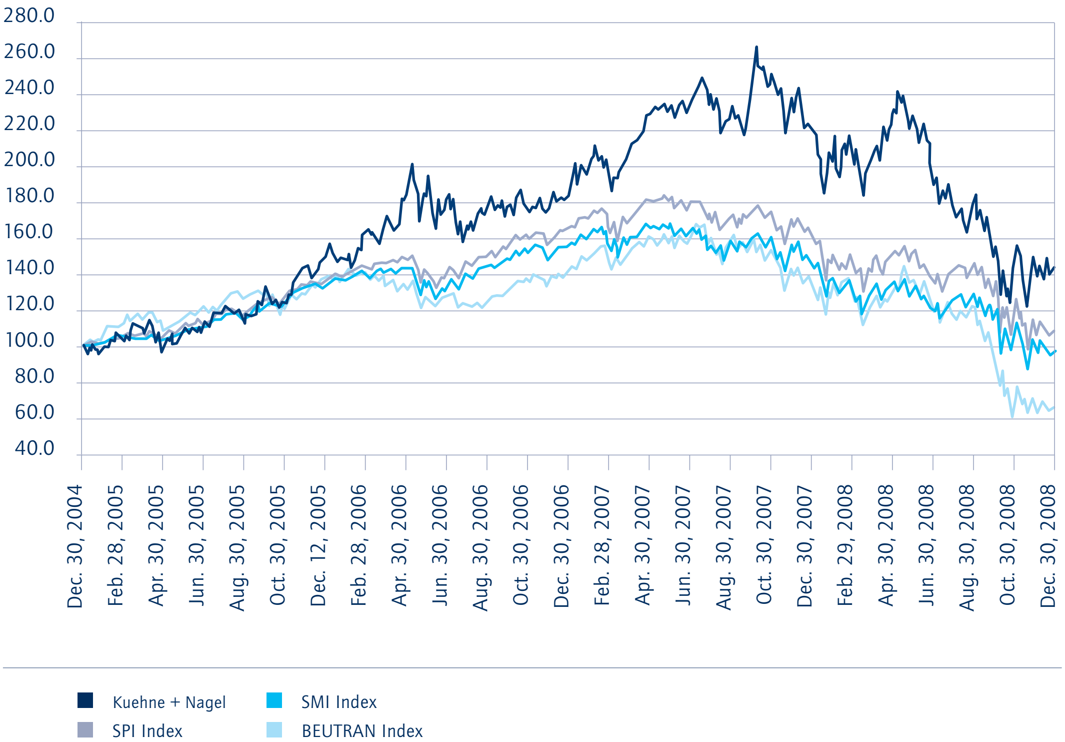
	2008	2007	per cent change
Share price (CHF)	67.55	108.50	–37.7
Market capitalisation (millions of CHF)	8,106	13,020	–37.7

Total shareholder return development in per cent

	2008	2007
Increase/(decrease) year over year (CHF)	-40.95	19.85
Dividend per share including extraordinary dividend (CHF)	4.40	1.90
Total return (CHF)	-36.55	21.75

Kuehne + Nagel share price compared with SMI, SPI, and Bloomberg Europe Transportation Index 2005

January 2005 – December 2008



Dividend

The Board of Directors is proposing an increase of 21.1 per cent of the dividend for 2008 to CHF 2.30 per share for approval at the Annual General Meeting. If the dividend proposal is approved by the shareholders, dividend payments on the shares will amount to CHF 271 million (2007: CHF 224 million), resulting in a payout ratio of 46.4 per cent (2007: 41.8 per cent). Based on the share price at year-end 2008 the dividend yield on the Kuehne + Nagel share is 3.4 per cent (2007: 1.8 per cent).

Seafreight: Less dynamic growth

At first sight, 2008 was another successful year for Kuehne + Nagel's seafreight business, whose result surpassed even the previous year's record figure. This is documented by the turnover of CHF 10,032 million (2007: CHF 9,641 million) and the operating result of CHF 458 million, which was 7.3 per cent higher than in the previous year. However, most of the volume increase took place in the first half of the year. From the third quarter onwards the accelerating world economic downturn also affected the seafreight business.

REPORTS OF THE BUSINESS UNITS

Seafreight

Container market

Since the second half of 2008, international maritime trade has had to contend with an unusually strong headwind. The smouldering financial and economic crisis at first led to a fall only in traffic to and from the USA, but in the fourth quarter there was a marked drop in cargo volumes on almost all routes.

The Asia-Europe trade was the one most severely affected by the rapid weakening of the world economy. On these routes, first-quarter growth rates of more than 10 per cent gave way to falls in the cargo volume of between 7 and 8 per cent in the fourth quarter. Exports from Asia to North America were down by roughly 7 per cent. There was hardly any growth even in intra-Asian traffic, the world's biggest market in terms of volume.

Container exports from Europe to North America also slumped heavily during the year with a decline of more than 15 per cent, while the situation in the tradelanes to Asia was little better. Small increases in volume could be achieved only in traffic to and from Latin America.

Overall, the volume of containers handled internationally in 2008 showed an increase of just around 3 per cent, a figure well below that of the two previous years.

Position sustained in a difficult environment

The development in the global seafreight market also slowed Kuehne + Nagel's dynamic growth, volumes increased by 2 per cent. In accordance with its strategic objectives Kuehne + Nagel was able to keep margins stable and substantially increase its shares of business in a number of markets.

On the main routes from Asia to Europe and from Europe to North America, cargo volumes were down by 2 to 6 per cent. On the other hand, contrary to the market trend, Kuehne + Nagel substantially increased its export traffic from Asia to North and Latin America and the Middle East. In many minor trades the company also benefited from its global network and increased its volumes by between 15 and 25 per cent.

Freight rates

The significant falls in freight rates, particularly on the Europe-North America and Asia-Europe routes, resulted on the one hand from the declining transport volume due to the economic downturn, and on the other hand from the excess supply of shipping capacity.

In all trades the enormous rise in the price of oil, which broke all records in the summer, resulted in a substantial increase in bunker adjustment factors. These surcharges were reduced in line with the fall in the oil price in the second half of the year.

Shipping companies

Shipping capacity expanded by a further 13 per cent in 2008; at the end of the year, 25 vessels capable of carrying more than 10,000 TEU were in service. The influx of new capacity into the market thus greatly outstripped the growth of demand. By laying up ships and deferring the execution of orders for new tonnage, the ship owners initiated a correction process which is likely to intensify in the current business year.

Optimisation of internal and external processes

Kuehne + Nagel is pursuing a strategy of standardising and optimising all operational processes in a single IT system of its own development. This enables all employees to access the data they require for the efficient performance of their work on a real-time basis, thus improving the exchange of data and information with customers and suppliers.

Communication with the shipping companies is handled via the internet platform INTTRA. 70 per cent of all data (besides container booking data other information is transmitted) is now exchanged electronically between Kuehne + Nagel and the shipping companies. As well as reducing the error rate, this also speeds up the transfer of information.

A new version of the logistics information system KN Login, which is valued by customers, was introduced worldwide in December 2008. The technical platform based on cutting-edge technology provides faster and more secure access to consignment information, as well as offering improved monitoring facilities and extended reporting functionalities. This further development enables customers to more efficiently manage their supply chains through optimised transparency.

Consolidated container business (LCL)

The positive development in the consolidated container sector LCL (Less than Container Load) continued in 2008. Despite the economic downturn, Kuehne + Nagel increased its volume by 5.4 per cent. The consolidation of the freight at newly created gateways in Central America and on the Indian subcontinent, and the concentrated efforts to market this product, proved beneficial. There has been no shift from the objective of increasing the LCL volumes in the company's own network and reducing the use of Non Vessel Operating Common Carriers (NVOCC).

Niche products

To meet the manifold needs of its customers, Kuehne + Nagel has for several years specialised in various niche products which now have a high market acceptance. In the first nine months of the year the company generated double-digit growth rates with the shipment of forestry products (paper, cellulose and wood). In the fourth quarter, however, there was a substantial fall in the transport of recyclable products.

Despite seasonal fluctuations, growth in reefer container traffic was also very satisfactory as a result of the concentration on certain goods categories and regions. The results in the beverage logistics business, a segment in which Kuehne + Nagel has been active for many years, exceeded expectations, particularly in the field of wine logistics.

Emergency and relief logistics

Kuehne + Nagel considers it as an obligation to help people in crisis areas. For that reason, the company supports well-known international aid organisations and NGOs with its logistics expertise. In 2008 the resources in this product sector were further strengthened so as to enable end-to-end solutions to be supplied from a single source.

River shipping

River shipping is a safe, economical and environment-friendly means of transport. Largely because of its low CO_2 emissions, there has been a growth in demand for this ecological transport mode, to the considerable benefit of the Kuehne + Nagel river shipping organisation. This was documented by an above-average increase in the volume of traffic and the results. Its share in the Austrian shipping agency and forwarding company Panta Rhei Befrachtungs- und Speditionsgesellschaft enables Kuehne + Nagel to extend its inland shipping network towards Eastern Europe and to quote on a one-stop shop basis for transport services from the ARA ports to the mouth of the Danube (and back) with connections to the Black Sea, the Mediterranean and the Adriatic. It is aimed to make use of the resultant synergies to develop efficient, river barge-based transport concepts that are in line with the current needs of the market and customers.

Oil, energy and project services

The good level of orders in this segment is underpinned by the expansion of the infrastructure in Europe, West Africa and North and South America. It is planned to expand the presence in Russia and the Middle East.

Outlook for 2009

No substantial recovery of the seafreight market is likely to take place in the current business year, and this will be reflected in the results of Kuehne + Nagel. The company will face up to the harsh climate with stringent cost management, high productivity and an expansion of its attractive range of services, and will consistently pursue its aim of a continuous increase in market shares.

Performance Seafreight

CHF million	2008	Margin per cent	2007	Margin per cent	Variance 2008/2007 per cent
Turnover	10,032	100.0	9,641	100.0	4.1
Gross Profit	1,377	13.7	1,270	13.2	8.4
EBITDA	458	4.6	427 *	4.4	7.3
Number of operational staff	7,830		7,506		4.3
TEU '000	2,670		2,618		2.0

* Restated for comparison purposes.

Airfreight: Increased market shares

In the last quarter of 2008 the direct impact of the economic crisis made itself particularly felt in the international airfreight business. In December, IATA (International Air Transport Association) registered the biggest ever decline in traffic volume (–22.6 per cent). Although this heavy drop also had a substantial impact on Kuehne + Nagel's airfreight activities, contrary to the development of the market the company again increased its volume of business last year. Export tonnage amounted to 835,000 tonnes, which represents an increase of 2 per cent over the strong result for the previous year.

Airfreight

Market development

The global airfreight market began the year 2008 with a growth of more than 4 per cent. Clear signs of a slowdown as a result of the financial and economic crisis were already apparent in May and June, and became more severe as of the third quarter. In the subsequent months, the reported figures on the transported volume of international airfreight showed an alarming development. The Chinese People's Republic, which in the past years had been the engine of growth for airfreight, began clearly to splutter, and in the year under review even the "peak season" failed to materialise. This resulted in a fall of 17 per cent in the volume of cargo in Asia, the region whose home markets account for almost 45 per cent of the total freight volume.

Development of rates

The falling demand in the business year 2008 led to falling freight rates in almost all trades, although a number of airlines already tried to combat this trend by cutting their capacity. The ever-faster spiralling of the oil price, which peaked in the summer, also presented serious problems for the airlines.

Development of Kuehne + Nagel's airfreight business

In the first half of the year Kuehne + Nagel achieved growth rates well above the market average. Business developed particularly well in Europe, where, above all, the German national organisation recorded substantial increases in cargo volume. The airfreight business also showed a better than average development in other regions, where new customers were won and the scope of existing contracts was enlarged.

However, even Kuehne + Nagel was not immune from the slackening of the overall market in the fourth quarter which resulted from the economic downturn. First there was a decline in demand in Asia, after which falls in volume were encountered worldwide and particularly in European exports.

Kuehne + Nagel products

The standardised, time-defined airfreight products are now available all over the world. The changeover to the new Kuehne + Nagel products, all of which are based on Cargo 2000, the recognised quality standard of the airfreight industry, was also completed in 2008. All three products – KN Express, KN Expert and KN Extend – are meeting with a good market acceptance as a result of their special functionalities. They offer a high visibility and uniform, transparent invoicing for every country.

The following specialised airfreight solutions are tailored to the requirements of specific industries:

Aviation & Aerospace Logistics

The aviation logistics field of activity, which offers airlines tailor-made solutions for spare parts and maintanance, was extended in the year under review to meet the market needs of the aerospace industry. The enlargement of the customer base and the continuing trend towards outsourcing resulted in a notable expansion of business. Services of other Kuehne + Nagel business units were also integrated into many of these comprehensive solutions.

Hotel Logistics

The Hotel Logistics business segment is specialised in supplying hotel toiletries, guest amenities and spa products to the top-range hospitality market worldwide. It also provides turn-key solutions in connection with new construction and renovation projects for well-known hotel chains and casino operators on all five continents.

In 2008 large-scale projects were handled for hotels with several thousand rooms and for casinos in Las Vegas and Macao. In addition, logistics support was successfully provided for the opening of hotels in remote holiday destinations in the Indian Ocean and boutique hotels in India and Europe. The takeover of the Las Vegas-based firm Quality Transportation Services, Inc. will allow an expansion of this segment both in North America and all over the world. Customers can benefit from an enlarged product range and complete end-to-end solutions.

Ship Spares & Marine Logistics

Ship owners and ship management agencies are making increasing use of Kuehne + Nagel's specialised spare parts logistics service, which includes IT-based special solutions in and around ship operations.

Perishables Logistics

In the year under review, Kuehne + Nagel pushed consistently forward with the development of its network specialised in perishable goods, which it established in 2007. Whereas this formerly concentrated on the transport of fresh flowers, the focus has now also been placed on other products all round the globe.

Outlook for 2009

The forecasts for global airfreight in 2009 are hardly encouraging. Although a reduction in capacity is expected to bring a slight easing of the situation in the first months of the year, it is difficult to forecast what effects this will have over the whole year. Kuehne + Nagel is facing up to the challenges by concentrating on the company's strengths, further increasing the efficiency of its operational processes and offering customers an excellent standard of quality.

Performance Airfreight

CHF million	2008	Margin per cent	2007	Margin per cent	Variance 2008/2007 per cent
Turnover	3,859	100.0	3,719	100.0	3.8
Gross profit	726	18.8	698	18.8	4.0
EBITDA	221	5.7	219 *	5.9	0.9
Number of operational staff	3,823		3,656		4.6
Tons '000	835		818		2.1

* Restated for comparison purposes.


KÜHNE+NAGEL

Road & Rail Logistics: Marked expansion of the European overland transport network

With the acquisition of the French groupage provider Alloin, an important milestone was set in the implementation of the strategy of the Road & Rail Logistics business unit. The standardised production processes supported efficiency improvements in the Kuehne + Nagel overland transport network. Main target for 2009 is an expansion of activities combined with an increase in profitability.

Road & Rail Logistics

European road transport

With volumes up by approximately 2 per cent, growth in the European road transport market continued in 2008 despite a considerable drop of shipment levels in the fourth quarter as a result of the worsening economic environment.

In the first nine months of the year Kuehne + Nagel achieved high growth rates exceeding the market average. A major boost was provided on the one hand by the two new members of the Group, the German groupage providers G.L. Kayser and Cordes & Simon, for whom the change of network partners was effected with no appreciable difficulties, and on the other hand by the more intensive sales activities resulting in a number of new lucrative contracts with customers in the consumer goods sector. Due to the significant slowdown in demand in the fourth quarter, the order volume was 10 per cent lower than in the previous year's period.

The consistent standardisation of production processes and the continuing improvements of quality led to a substantial increase in the gross profit margin by 13.1 per cent. Notable improved results were achieved in Scandinavia and Luxembourg.

Expansion of the European land transport network

After good progress had been made with the expansion of groupage operations in Germany by acquisitions and organic growth, in the year under review a high priority was assigned to the development of road transport in France, one of the leading industrial countries. After a careful evaluation of candidates for acquisition, in October 2008 the negotiations with the Alloin Group were concluded successfully. Due to the integration of the French company into the existing structures, Kuehne + Nagel is able to optimise its offering of integrated logistics services and processes. Alloin operates 53 cross-docking terminals all over France and is continuously expanding its customer base.

Rail transport

The first three quarters of 2008 saw a continuation of the strong growth of the rail logistics market in Europe, the CIS countries and Central Asia, which had been experienced over the past years. As a result of its presence in all major markets, Kuehne + Nagel was able to highly benefit from this growth and build up important new customer relations. In the fourth quarter the world economic crisis also impacted these traffics, thus slowing the growth rate for the full business year 2008.

Customers increasingly are showing a strong interest in developing new business in the field of rail logistics on a joint basis with Kuehne + Nagel. This trend was reinforced by high energy prices and the intensive discussion over a reduction of CO_2 emissions in transport logistics. The partial bottlenecks experienced with a number of railway companies with regard to waggons and traction were countered by Kuehne + Nagel by the long-term leasing of capacity and by drawing on its strong, multimodal transport network.

Besides the initiation of business in new markets, in the year under review attention focused on further process optimisation. As planned, the introduction of a uniform software has already been completed in a number of important regions.

Outlook for 2009

Despite the economic downturn, in 2009 Kuehne + Nagel is endeavouring to achieve further growth in both road and rail transport. With the aim of further increasing the density of its European network, possible acquisitions in Italy, Spain, Eastern Europe and other areas are under evaluation. For rail transport, business in the CIS and Southeast European markets still occupies a central position. In addition to the expansion of conventional traffic, there are also plans for the development of intermodal transport solutions.

A high priority is attached to improving the efficiency of operational processes, in particular by the central purchasing of freight capacity. It is aimed to reduce transport costs and CO_2 emissions by maximising capacity utilisation. Furthermore, the introduction of Kuehne + Nagel's standardised IT solutions will continue in the fields of both road and rail transport.

Performance Road & Rail Logistics

CHF million	2008	Margin per cent	2007	Margin per cent	Variance 2008/2007 per cent
Turnover	2,853	100.0	2,821	100.0	1.1
Gross profit	590	20.7	515	18.3	14.6
EBITDA	23	0.8	34 *	1.2	-32.4
Number of operational staff	4,099		4,516		-9.2

* Restated for comparison purposes.

Contract Logistics: Market position consolidated

Despite adverse exchange rate effects, turnover in contract logistics was sustained at the previous year's high level, further consolidating the market position. The declining results in the second half of 2008 are a reflection of the economic environment.

Contract Logistics

Global growth setback

The economic recession that began to affect important markets in mid-2008 resulted in a significant reduction in the movement of goods and a contraction of more than 5 per cent in the global contract logistics market.

The industries which use comprehensive contract logistics services varied widely in their development. Whereas growth continued in the cosmetics, aviation and pharmaceutical industries, in particular the beverage industry in the United Kingdom and the automotive industry all over the world were affected by the sales crisis.

Development of Kuehne + Nagel's business

The falling demand from a number of large customers first became apparent in the Asian import hubs in California, and then progressively spread via Canada to the United Kingdom. As a consequence, capacity utilisation reduced and pressure on margins increased in these countries. The development of business in Central Europe remained stable. Despite the difficult world economic situation in the second half of the year, double-digit growth rates were achieved in Eastern Europe, Asia and Latin America. Whereas in the Eastern European countries, particularly Russia and Poland, new business was burdened by substantial start-up costs, the results in Asia showed an increasingly positive development.

Customers further reduce number of logistics providers

The globalisation of contract logistics is continuing, with increasing concentration on the few providers with a global presence. Customers with international operations are using Kuehne + Nagel's services in a growing number of countries and are considering a further reduction in the number of their logistics providers. With 500 locations in 63 countries, Kuehne + Nagel is one of the biggest providers in the world contract logistics market. The network in Eastern Europe expanded threefold over the last five years, and now comprises 55 locations with a total storage area of 640,000 square metres in 14 countries. In the coming years Kuehne + Nagel will continue to invest in the continuous expansion of its contract logistics operations in Latin America, Eastern Europe and the Far East.

More flexible cost structures

The oil price, currency exchange rates, trade volumes and the demand for individual products showed fluctuations of unprecedented magnitude in the year under review. The development of flexible cost structures, particularly in the warehouse area, is therefore of crucial importance for the growth of business.

With the global implementation of Kuehne + Nagel's new production system and improved management tools, it is aimed to increase productivity, introduce leaner and more flexible processes and thus create the foundation to better adapt costs to fluctuations in volume. The Kuehne + Nagel production system was developed in the first three quarters of 2008 and tested in 18 locations in the last three months of the year. Because of the promising results, its implementation in almost 100 additional locations is planned for 2009.

End-to-end solutions and comprehensive capabilities

Kuehne + Nagel is one of the few global supply chain management providers who offers globally all essential logistics services from warehousing and transport to a wide range of value-added services.

The Lead Logistics business segment, in which customer-specific supply chain and information technology solutions are offered with notable success, more than doubled its turnover in the last five years. In 2008 large and important customers in the pharmaceutical, medical technology and consumer goods industries were added in this sector, and the lead logistics control centres in the USA, France and India were expanded.

Airbus contract confirms innovative strength

The contract with Airbus for the exclusive provision of all production logistics services at all Airbus locations in Europe, which was won against major competition, is an impressive demonstration of the Kuehne + Nagel Group's undiminished innovative strength. After Hamburg and Bremen, in 2008 Kuehne + Nagel took over responsibility for Airbus logistics in Spain; further locations in the United Kingdom and France will follow in 2009. Decisive factors for the award of this comprehensive logistics contract were the high quality, flexibility, and rapid implementation approach as well as the financial stability of the Kuehne + Nagel Group.

Globally standardised IT solutions

The many years of investment in a standardised warehousing and transport management system are increasingly paying off. It clearly differentiates Kuehne + Nagel from its competitors, for no other logistics provider has a globally uniform system in operation for 575 customers in 150 locations in 49 countries. Customers benefit from a significantly faster integration of data and higher reliability.

Outlook for 2009

Due to volume declines, the global contract logistics market will continue to contract in the first half of 2009. The strong demand, however, shows that capital restraints in many industries will lead to an increased outsourcing trend.

Kuehne + Nagel will focus on strict cost management, elimination of weak spots, increasing efficiency and strengthening sales activities.

Performance Contract Logistics

CHF million	2008	Margin per cent	2007	Margin per cent	Variance 2008/2007 per cent
Turnover	4,732	100.0	4,666	100.0	1.4
Gross profit	3,514	74.3	3,490	74.8	0.7
EBITDA	216	4.6	246 *	5.3	-12.2
Number of operational staff	28,755		27,162		5.9

* Restated for comparison purposes.

Real Estate

Restructuring and renewal of the logistics real estate portfolio

2008 was a significant year for the Real Estate business unit. A high added value was generated by a large portfolio sale. In addition, several new projects were successfully completed.

In March 2008 Kuehne + Nagel signed a sale and lease-back agreement with Goodman European Logistics Fund which concerned 19 logistics assets in five countries (Austria, Belgium, France, Germany and Spain) with a total usable area of 425,000 square metres. Most of the facilities involved in this transaction were properties acquired in earlier corporate takeovers whose location and design were no longer in keeping with the strategic profile of Kuehne + Nagel's modern logistics infrastructure. The sale proceeds of more than CHF 300 million represent a major transaction in the company's history and at the same time the largest international sale of industrial property in Europe in the past two years.

In addition to this extensive restructuring operation, within the framework of the continuous portfolio optimisation two existing warehouse facilities were enlarged and a logistics terminal was newly constructed and commissioned on schedule. The new buildings are located at strategic hubs in Germany. Four logistics centres and an extension to the Group headquarters in Schindellegi, Switzerland, are now under construction and will be successively commissioned during 2009.

Facilities under construction

Commissioning 2009	Usable area (sqm)
Canada: Toronto	39,000
France: Ferrières	11,800
Germany: Hamburg Obergeorgswerder	53,000
United Arab Emirates: Dubai	19,550

Corporate real estate management

Worldwide, the Real Estate business unit provided active support in the leasing of new facilities and sales of individual logistics properties. This work focused primarily on the selection of investors and developers and the subsequent negotiations on leasehold projects, on contract management and technical monitoring, and also upon the conduct of due diligence audits on the real estate portfolios of logistics firms considered for acquisition. In the United States' market, which has become attractive for real estate investments, two suitable facilities in the Inland Empire logistics hub in Los Angeles were identified and submitted to the Management Board for consideration.

Global real estate portfolio

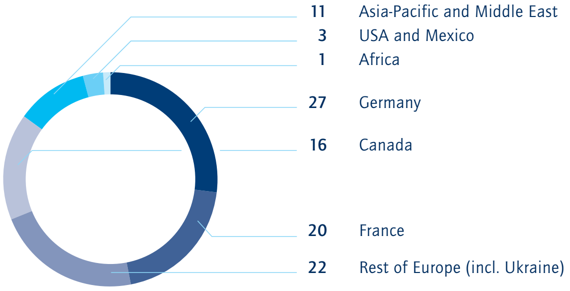
After the transaction with Goodman, at the end of the year Kuehne + Nagel's real estate portfolio comprised 53 logistics facilities and office buildings all over the world.

Area breakdown

	Usable area (sqm)
Logistics facilities	987,000
Office space	105,000
Land	2,110,000

Portfolio structure according to countries and regions

Per cent



Market development

Particularly in the last quarter of 2008 the real estate sector was severely affected by the financial and economic crisis and at present it is difficult to foresee when the recessive phase will come to an end. In this economic environment there are not only dangers but also opportunities. For instance, with a view to the qualitative expansion of the portfolio there are attractive opportunities for the acquisition of high-grade real estate.

In general, the following trends are in evidence in the market for logistics real estate:
– Significant value adjustments even in suitable locations and in established markets, whereas countries with emerging economies are more severely affected.
– Rise in cap rates of up to 30 per cent, often in combination with higher rents.
– A number of well-known investors and construction companies have been particularly hard hit by the financial crisis and are temporarily unable to finance new projects. In general, if any, only long-term lease agreements with unfavourable conditions for new lessees are being offered.
– The construction costs price spiral has been curbed and is now tending slightly downwards.

Strategic success factors

Kuehne + Nagel defines the following elements as important pillars of the Real Estate business unit:
– A high-quality portfolio of owned real estate in strategically important locations with a sufficient usable area and a modern infrastructure is of crucial importance to ensure relative independence from the present volatile market for leased property. With a comparatively high proportion of such properties, Kuehne + Nagel is strongly positioned to face up to the situation.
– Long-term lease agreements on fair conditions, such as were concluded for various properties involved in the portfolio sale, can bridge over the present uncertain situation until a cyclical stabilisation of the market takes place.

Outlook for 2009

The most important objectives in the real estate field are the timely identification and securing of the surfaces required for Kuehne + Nagel's business activities. Great importance is also attached to the punctual completion, in accordance with the budgeted cost, of the projects now under construction. In line with a pragmatic real estate strategy, high-quality properties in very good locations shall be identified and acquisition possibilities evaluated.

Performance Real Estate

CHF million	2008	2007	Variance 2008/2007 per cent
Gross profit	95	105	–9.5
EBITDA	82	77 *	6.5

* Restated for comparison purposes.

Insurance Broker

Organic growth, increased earnings and satisfied customers

In the year under review the globally active Nacora Group increased its gross profit, an important key figure for the insurance broker business, by 13.9 per cent as a result of organic growth. For the first time the Nacora Group measured customer satisfaction; the results confirmed its high standard of service all over the world.

In mid-2008 the financial crisis also struck the insurance industry: What was formerly the world's biggest insurance company in terms of stock market capitalisation was rescued from insolvency only by a government loan. Other major insurers could also be affected by the aftermath of the U.S. real estate crisis. It remains to be seen how the market stands up to its effects and what capacity the world's major insurers are still able to provide in 2009.

Despite these developments, in the year under review the global insurance market again showed decreased premium levels, from which Nacora customers also benefited. The Nacora Group was able to achieve further growth, which was contrary to the trend of the market.

Expansion of the network

In 2008 national companies were established in Colombia, Venezuela, New Zealand and Austria, and additional offices opened in Atlanta and Madrid. The Nacora Group's network now comprises 46 offices in 30 countries.

Specialisation in cargo insurance

As in the past years, the cargo insurance business developed extremely well. The demand-oriented product portfolio was expanded by the conclusion of a cooperation agreement with a Lloyd's syndicate. Nacora expects this to bring additional business in the field of transport insurance.

Selective marketing initiatives

Customers in trade, industry and the public sector account for a substantial part of the Nacora portfolio. The Group selectively stepped up its sales efforts in specific markets in this field of business.

High customer satisfaction worldwide

The Nacora Group has maintained high standards of service for many years, and these are assured by a competent and motivated workforce. In 2008 the Group for the first time measured the degree of customer satisfaction all over the world. At almost 100 per cent, this is probably the highest rate in the international insurance broker business. The Group is proud of this result, which it intends to maintain by continuing to offer the same high standard of service.

Outlook for 2009

In the current business year the Nacora Group again aims to achieve profitable growth. Against the background of the present recession and the sometimes dramatic fall in economic output in certain key markets, this is a challenging target. In 2009 the expansion of the network will be pushed ahead according to plan with the establishment of companies in Russia and India.

Performance Insurance Broker

CHF million	2008	Margin per cent	2007	Margin per cent	Variance 2008/2007 per cent
Turnover	118	100.0	123	100.0	–4.1
Gross profit	41	34.7	36	29.3	13,9
EBITDA	20	48.8	16 *	13.0	25.0
Number of operational staff	171	417.1	159		7.5

* Restated for comparison purposes.

SUSTAINABILITY

Human Resources

The success of Kuehne + Nagel is largely based on the commitment and qualification of its employees. To meet the increasingly complex customer demands, they must recognise the respective business structures, economic conditions and requirements, and use these as a basis for the development of solutions that generate high added value.

The rapid changes in the economic environment also require staff to show a high degree of flexibility, a strong results-oriented attitude and responsible behaviour.

The human resources policy of Kuehne + Nagel therefore assigns a prominent position to the systematic and sustained development of the company's workforce. Specially designed training programmes increase and update professional, social and managerial competences and provide the basis for a rapid adaptation of processes to necessary changes. Work in the field of human resources is thus regarded as a contribution to the successful implementation of corporate strategy.

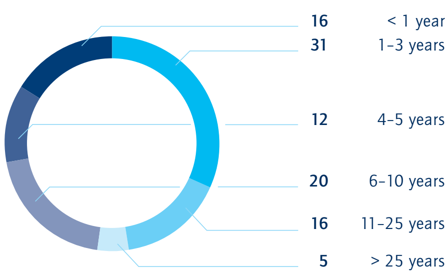
Training and further education

A professional team of training experts in Group headquarters develops the global framework for all further training activities and ensures the local implementation in the organisation through the regional human resources departments. In 2008 more than 7,000 conventional training and further education courses took place all over the world. These included specialised, IT and product courses as well as sales seminars.

For many courses the "Centra" platform served as a basis for communication. This software solution allows a virtual interconnection of global teams, enabling them to take part in short training sessions to advance their knowledge. As part of its current cost-optimisation programme, Kuehne + Nagel is preparing the necessary infrastructure to use this platform also for international meetings as a cost-, time- and resource-efficient alternative to business travel.

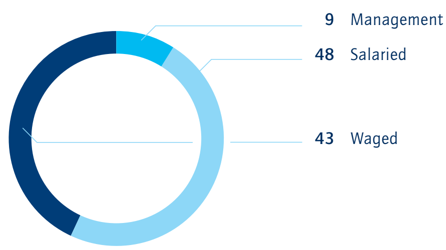
Duration of employment

Per cent



Personnel structure

Per cent



All further education activities from enrolment to the delivery of the certificate of completion are administered via the Kuehne + Nagel intranet, thus permitting efficient management of the training campaigns. In the year under review the reporting facilities were enhanced with the addition of a feedback system which enables every training course to be assessed electronically and in standardised form in a matter of minutes.

Computer-based training

The portfolio of internal computer-based training courses (CBT) was greatly expanded in 2008; it now comprises more than 200 CBT courses in a number of languages. These are self-study courses that staff members can manage themselves within a certain period of time via the company intranet. This approach encourages permanent learning and further personal development. At the same time, the participants can immediately check the knowledge they have acquired in their private study and obtain a certificate as evidence of successfully completing the course. The subjects of the courses include primarily software training as well as process and product training. CBT enables global training standards to be verifiably implemented in a short time and at low cost.

Management training

In 2008 a total of 445 management seminars were attended by roughly 4,000 members of the managerial staff all over the world. Special importance was attached to the ability to recognise trends at an early stage, to initiate necessary changes and to contribute to the success of the business by continuous improvement.

In addition, further management development and training initiatives were realised, such as the implementation of a global competence model and the group-wide introduction of a performance management process.

Development of managers' own potential

The development of its management talent has been high on Kuehne + Nagel's list of priorities for many years. In 2008, 40 young applicants from all over the world began a two-year period of intensive training under the High Potential (HIPO) programme. In the intensive selection procedure an endeavour was made to significantly increase the proportion of female participants; this now stands at one third, which is within the target range.

The HIPO course consists of four core modules: strategy development, project and change management, leadership competence, and global teamwork. The teams, which are international in their composition, are assigned interesting, topical problems and projects for which they devise solutions that are able to be implemented after they have received the approval of top management. As evidence of its achievement, the HIPO "graduation class" of 2008 presented to the Management Board two successful projects from the fields of relief logistics and carbon footprint/green logistics.

Kuehne + Nagel measures the benefit of this programme for management talent by the concrete contribution it makes to the development of the participants' careers. It is therefore gratifying that in the year under review many former HIPO participants could be deployed in international functions within the organisation.

Job evaluation

The introduction of a uniform system of job evaluation progressed according to plan during 2008. This is intended to facilitate career and succession planning and to establish uniform, group-wide standards for the assessment of jobs and their relative importance.

International staff mobility

International deployments and rotation programmes provide excellent opportunities for the further professional development of staff at all levels of the global Kuehne + Nagel organisation. As a result of the central coordination of worldwide vacancies and internationally mobile employees, in 2008 many managerial and specialist positions could again be filled with members of the existing workforce.

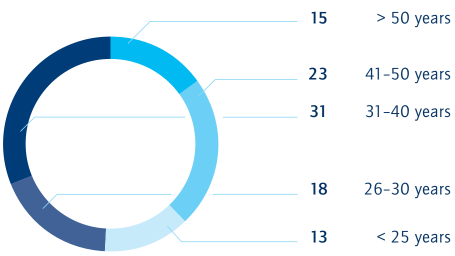
Professional experience in different cultures and markets is an important qualification criterion for Kuehne + Nagel managerial staff. The possibility of pursuing an international career also makes the company a very attractive employer.

Number of employees

The total workforce of the Kuehne + Nagel Group increased by 5 per cent, from 51,075 employees in 2007 to 53,823 in 2008.

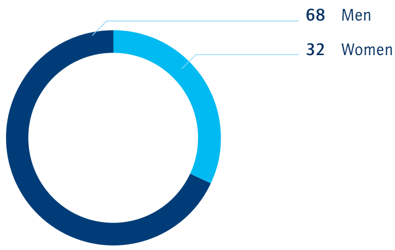
Age

Per cent



Personnel structure

Per cent



A personal commitment to the common good

In 2008 the Kuehne Foundation again contributed to the qualitative improvement and development of training and further education, research and teaching in the field of logistics and transport. The sole donor of this public-interest foundation, Klaus-Michael Kuehne, also regards his commitment to sustainability as an important part of his social responsibility as an entrepreneur and citizen. For his many years of service to the development of logistics research and teaching, in November 2008 Klaus-Michael Kuehne was awarded an honorary doctorate (Dr. rer. pol. h.c.) by the WHU – Otto Beisheim School of Management.

Sponsorship in the field of logistics

In 2008 support was given to a number of institutes at well-known universities. In this context one of the main objectives is to closely interlink the various fields to which support is given in order to ensure high-quality training and further education.

- Kühne School of Logistics and Management (renamed Kühne Business School as of February 1, 2009) in collaboration with the Technical University of Hamburg-Harburg
- Professorship and Kuehne Centre for Logistics Management at WHU – Otto Beisheim School of Management, Vallendar, Germany
- Centre for International Logistics Networks at the Technical University of Berlin
- Professorship for Logistics Management at the Swiss Federal Institute of Technology (ETH), Zurich
- Professorship for Logistics Management at Tongji University, Shanghai
- Reorientation of the German Foreign Trade and Transport Academy (DAV) in Bremen, Germany

It is planned to extend the network of university institutions supported by the Kuehne Foundation both inside and outside Europe. With this aim in view, at the end of 2008 the Logistics Centre of Excellence GmbH, Hamburg, and the Klaus-Michael Kuehne Foundation, Hamburg, were set up by the Kuehne Foundation, Schindellegi, Switzerland.

Kühne School of Logistics and Management / Kühne Business School, Hamburg

The Kühne School is the successor to the Hamburg School of Logistics, which was founded in 2003. Regarded as the academic flagship of the Kuehne Foundation, it has had, in 2007, 30 million euros placed at its disposal over a period of seven years. It is planned to establish the Kühne School as a leading educational, further training and research institution in the field of business administration with the emphasis on the maritime sector. Following the introduction of the master's degree course "International Economic Engineering", since the winter semester 2008 this graduate school has also offered a master's course in "Logistics, Infrastructure and Mobility". This innovative and interdisciplinary course of study for the first time links together the two themes of logistics and transport, both of which have a big future potential but are often dealt with separately, and opens up new career prospects for its graduates. A central element of the Kühne School is its research department, which will incorporate up to 15 professorships. Research will focus on various maritime topics, logistics, risk management and analysis, and the implementation and evaluation of sustainability criteria in logistics processes.

For further training at university level, since 2003 the school has offered a one-year full-time English-language MBA course in logistics management and a two-year in-job MBA with German as the language of instruction. In addition, for the third time the Kühne School is holding a 14-day Summer School whose successful participants receive a university certificate.

Kuehne Centre for Logistics Management, WHU Vallendar

In order to put the results of top-level research into practice, it is essential for papers to be presented at international scientific conferences and published in journals of international repute. In the past year great importance was therefore attached to an intensive exchange of experience and joint projects with companies in the logistics sector in other countries. This resulted in projects with companies from the fields of logistics, services, trade and industry. The WHU Campus for Supply Chain Management was very successful in 2008, more than 250 managers and students attended. In November 2008 the 7th Logistics Day of the Kuehne Foundation took place, the topic of which was "Innovations in Logistics".

The research and dissertation topics in 2008 included the following:

- Supply chain risks and their insurability
- Horizontal cooperation between logistics providers
- Carbon accounting in supply chains
- Intra-organisational cooperation in the context of key account management by logistics providers
- Dependencies on supplier losses

Centre for International Logistics Networks, Technical University of Berlin

In 2008 the competence centre, which was founded in 2005, was represented at many international conferences and intensified its cooperation with universities in Germany and other countries. Its main fields of research include the analysis of networks in international logistics, safety in global logistics networks and global supply chain footprint design. A dissertation on the subject of disaster logistics was also sponsored and successfully completed.

As from March 1, 2009 an additional professorship for logistics networks will be established and sponsored at the centre. This is closely linked with the chair of logistics at the Tongji University of Shanghai, which is also supported by the Kuehne Foundation. 2008 also saw the beginning of a scientific exchange programme which reflects the interlinking of the various professorships and centres supported by the Kuehne Foundation.

Professorship at the Swiss Federal Institute of Technology (ETH), Zurich
In May 2008 an incumbent was appointed to the chair of logistics management, which is sponsored by the Kuehne Foundation. The new professorship is focussed on research into strategic aspects of procurement and supply management, logistics and transport management, as well as industrial marketing management. Its teaching activities include all aspects of supply chain management. Jointly with Forum SCM, in the field of further training the sixth MBA SCM (Master of Business Administration in Supply Chain Management) course was started; the seventh course, which begins in 2009, will be under the auspices of the chair of logistics management.

Professorship for International Logistics Networks at the Tongji University, Shanghai
In mid-2008 an experienced Chinese professor was appointed to a chair of logistics which has been established at the Chinese-German University College (CDHK). At the CDHK, 17 professorships are sponsored by German firms and foundations with the aim of promoting economic and scientific cooperation with China. This department will also collaborate closely with the other institutions sponsored by the Kuehne Foundation and take part in further training as well as in joint research projects.

German Foreign Trade and Transport Academy (DAV), Bremen
In close collaboration with the German Logistics Association (BVL), Bremen, the Kuehne Foundation provided DAV with significant support in the realignment of its activities and the building-up of a new infrastructure. It is also involved in the plan to establish a private academy with a bachelor degree course at the DAV. DAV is Germany's oldest further training institution for logistics and transport, and has received support from the Kuehne Foundation for many years.

Medical projects
In addition to logistics projects, by its deed of foundation the Kuehne Foundation is also committed to the support of medical, cultural, social and humanitarian projects.

Allergy research
The Centre for Allergy Research, which was initiated by the Kuehne Foundation at the Children's Hospital of the University Paediatric Clinic in Zurich, again received support from the Kuehne Foundation in the year under review. The centre undertakes research into allergology, immunology and inflammatory diseases of the skin, especially those affecting children. The cooperation with the University Paediatric Clinic will continue until the middle of 2009. In order to further extend the activities in the field of allergy research, the Kuehne Foundation is engaged in negotiations with leading medical professors from Switzerland and Germany for the creation of a lighthouse project in a still unexplored segment of the public health sector.

Promotion of child health
The second year of the joint project with the Cleven-Becker Foundation and the Institute for Sports and Sports Science of the University of Basel has been a successful one. In an initial phase, exercise behaviour was studied and important measures to combat childhood obesity were implemented at selected schools. Various workshops, publications and activities provided positive support for the project. The next phase will study nutrition and nutritional behaviour.

Social and humanitarian projects
For many years the Kuehne Foundation has had a partnership with an orphanage in Bosnia-Herzegovina, a mission station in Kenya and a home for handicapped people in Germany. For a considerable time the Kuehne Foundation has also supported the Schweizer Tafeln, which distribute surplus food to needy people.

The Corps of Volunteers of the Lyceum Alpinum in Zuoz, Switzerland, was provided with funds which enabled students at the boarding school to renovate a school in Romania in cooperation with building professionals.

Cultural projects
In 2008 the Kuehne Foundation was for the first time a co-sponsor of the Lucerne Festival. It gave its support to the youth orchestra part of the programme, allowing a platform to be created for the presentation of talented young musicians. Since this partnership has proved successful and the Lucerne Festival is one of the leading cultural events in Switzerland, the Kuehne Foundation will continue this sponsorship in 2009.

Support was also given to other music festivals such as the Music Summer on the Lake of Zurich in Switzerland and the Mecklenburg-West Pomerania Music Festival in Germany.

Klaus-Michael Kuehne is the sole donor of the Kuehne Foundation.

Quality, Safety, Health, Environment (QSHE)

QSHE meets changing demands

Kuehne + Nagel attaches a high priority to the integrated implementation of qualitative, economic, ecological and social measures. In this area it takes account of the ever higher standards expected by customers, staff and the public. The integrated QSHE management system embraces the fields of quality, safety, health and the environment, and in the year under review it again made substantial contributions to the sustainability of Kuehne + Nagel's activities.

Outstanding hallmarks of quality

In 2008 Kuehne + Nagel again received a number of awards and prizes which testify to the high quality of the services it provides. One example is the success achieved in the Awards for Excellence in the United Kingdom, where the Chartered Institute of Logistics and Transport (CILT) conferred the Logistics Best Practice Award upon the British Kuehne + Nagel organisation. The honour recognised the exemplary optimisation of the whole supply chain from Asia for a customer, the second largest British retailer, which brings a reduction of transit times and costs as well as improved control and visibility.

Kuehne + Nagel holds a number of international certificates, among which are the quality standard ISO 9001 and the environmental standard ISO 14001, as well as certificates of conformity with other industry-oriented standards. In October 2008, after global recertification inspections the renowned Bureau Veritas Certification issued six updated certificates for a further period of three years.

Improved data quality with the aid of status codes

Year after year, Kuehne + Nagel sets itself ambitious new goals with regard to all aspects of QSHE; in 2008 it focused its attention on a further improvement of data quality. The ambitious target of a more than 99.0 per cent availability of the status codes of all sea- and airfreight shipments at the planned time of departure was again exceeded. Furthermore, a detailed evaluation of data quality again proved an excellent catalyst for further improvements.

Recognised training provider in the field of dangerous goods

The correct handling of dangerous goods and dangerous substances is of special importance with regard to the protection of health and the environment. As a result of its many years of experience in this field, Kuehne + Nagel is a recognised provider of training courses in accordance with the regulations on carriers of dangerous goods. In Germany alone, in 2008 the number of trained dangerous goods course instructors, all of whom have passed the external examination of the Chamber of Commerce, increased to more than 130. With a snowball effect they transfer their knowledge in the company and ensure that dangerous goods are everywhere transported in accordance with the regulations.

Workplace safety and health protection with certificate

Kuehne + Nagel is committed not only to providing its employees with continuous training and further education, but also to fair terms of employment and safe working conditions. The principal requirements are set down in the occupational protection standard 18001 of OHSAS (Occupational Health & Safety Assessment series). In the year under review Kuehne + Nagel voluntarily submitted to checks on its conformity with the requirements of this standard, and was again successful: The number of locations certified in accordance with this standard increased by a further 50 per cent and now stands at 160 locations in 33 countries.

Partly by the stringent application of this programme for more occupational safety and health protection, Kuehne + Nagel makes a major contribution towards increased social sustainability and therefore to staff satisfaction.

Security management: Greater transparency and increased investments

In 2008 a worldwide survey of the security measures at Kuehne + Nagel warehouses was carried out. The results are now available in a security database and serve as a basis for further improvements in accordance with the safety standards of the company. In response to the growth in organised crime, in the year under review substantial security investments were made globally in order to make the flow of goods more secure.

Security certifications: Better safe than sorry

Kuehne + Nagel has already held C-TPAT certification (Customs-Trade Partnership Against Terrorism) since 2003. In 2008 the American customs authorities again carried out a number of detailed audits of the complete fulfilment of these exacting security requirements in North America and in many other locations, mainly in Europe. In Europe Kuehne + Nagel is continuously raising its security standard and has applied for the status of Authorised Economic Operator (AEO) in all major countries.

Under the aegis of the high-tech industry, TAPA (Transported Asset Protection Association) has defined stringent security test criteria, which Kuehne + Nagel already fulfils in many locations. In 2008, in independent audits at two important locations in Europe, Bureau Veritas Certification carried out a check on the high safety standards and certified their conformity with the highest TAPA standard level A. In this way the Kuehne + Nagel Group has again made substantial contributions to improved security throughout the supply chain – notably to the benefit of large international customers.

Environmental management

As a globally operating logistics provider, Kuehne + Nagel is aware of its responsibility to the environment, and in particular is meeting the challenges of global climate change with a large number of measures and initiatives. The UN Environment Programme (UNEP) estimates that the transport sector accounts for 26 per cent of energy consumption, with a corresponding contribution to the greenhouse effect. Kuehne + Nagel's activities are therefore focused on CO_2 emissions, the carbon footprint, in which connection a distinction is made between internal and external emissions. The internal carbon footprint is generated in office buildings and logistics centres, and includes heating, hot water and electricity consumption, transport in and around the warehouse and employees' journeys between their home and their workplace. The external carbon footprint is generated indirectly by the transport services which Kuehne + Nagel organises on land, on water and in the air.

As a general rule, in its environmental activities Kuehne + Nagel aims to combine positive ecological effects with economic benefits. In the year under review a number of measures were instituted which underline the sustained and structured commitment of the Kuehne + Nagel Group in the field of environmental protection: The management has approved an "Environment Statement" which represents the future basis of the Group's environment-related activities. An Environment Controller was also appointed who gathers, processes and analyses the Group's environmentally relevant data and information, further develops the reporting system, standardises calculation standards, coordinates environmental activities in the Group, supervises and advises on projects and introduces initiatives for environmental measures.

As a pilot project, in the year under review in the United Kingdom Kuehne + Nagel developed a "Global Facility Carbon Calculator" (GFCC) which calculates the CO_2 emissions for hot water, heating, fuel consumption and electricity at its British locations and also documents their water consumption and waste volume. This enables inventories to be taken and analyses to be made, comparisons between locations to be effected, developments to be identified and the effects of measures to be monitored. After a successful test phase, which already demonstrated substantial potentials for optimisation, the GFCC is to be progressively introduced all over the world as from 2009.

Internal carbon footprint

Kuehne + Nagel is certified according to environmental standard 14001 at 161 locations in 39 countries; in these places, environment-conscious management and operation are integrated into the procedures and regulations and the staff receive appropriate instruction. Regular audits by QSHE teams and checks carried out by independent bodies, such as Bureau Veritas Certification, ensure the observance of the standards.

Further progress was achieved within the framework of the green logistics initiative in the Contract Logistics business unit. This includes the realisation of energy-saving potentials in the warehousing field, as for instance by the replacement of incandescent lamps, daylight-dependent dimming, the use of reflectors or the avoidance of peak loads by the analysis of load profiles. Furthermore, in new construction projects new standards are being set in such areas as wall and roof insulation and lighting. Further measures include the increased use of alternative energy sources such as photovoltaic systems, solar water heating and wind power plants. In view of the size and worldwide presence of Kuehne + Nagel in 500 logistics centres with a total area of 7 million square metres in 63 countries, all these small steps add up to a relatively large effect.

These predominantly technical improvements have been complemented by efforts to increase staff awareness: In the British locations of Kuehne + Nagel, for example, Site Environment Champions have been appointed to act on the one hand as advisers who inform and instruct the employees on environmental issues, and on the other hand to keep record of environment-related data and savings.

External carbon footprint

Whereas Kuehne + Nagel can directly influence the CO_2 emissions in its own facilities, a reduction in external greenhouse gas emissions can be achieved only in cooperation with customers and suppliers. The following are just a few examples from the various business units:

Seafreight: Use of alternatives

The Kuehne + Nagel seafreight business unit is making increasing use of opportunities to reduce CO_2 emissions by reduced transport speeds, the preferential use of shipping companies with modern and more environment-friendly fleets, the transfer of transport to and from the ports from road to rail or inland waterway, and the use of coastal shipping in European interport transport.

Airfreight: Lightweight pallets

In 2008 Kuehne + Nagel entered into a strategic alliance with Airdex International Inc., a developer and producer of patented lightweight airfreight pallets, to offer interested customers solutions for environment-friendly airfreight transport at a lower cost. The project integrates the rotating use of the Airdex polymer pallet, which weighs only 3 kg, as a part of the customer's supply chain. This brings a substantial reduction in the weight of packing, with corresponding savings in transport costs and fuel consumption compared with conventional wooden pallets.

Overland transport: Use of modern diesel engines

As well as by the continuous optimisation of transport routes and capacity utilisation, overland transport also contributes to a reduction of the carbon footprint by giving greater preference to transport companies whose vehicles are equipped with modern diesel engines. For example, the Kuehne + Nagel subsidiary PACT, which specialises in the handling of high-tech products, uses mainly vehicles of emission classes Euro 4 and Euro 5 for the goods of one of the world's leading computer manufacturers.

Contract logistics: Use of a new stretch film

In France in 2008, Kuehne + Nagel implemented an environment-friendly and cost-saving project to reduce the consumption of packing film while at the same time improving the stability of the packing. The stretch film has two different surfaces: an outer surface with good sliding properties which facilitates loading, and an adhesive inner surface which stabilises the load so as to prevent damage to the transported goods. The use of this 100 per cent recyclable material reduces the weight and consumption of film, and reduces costs by more than a quarter.

Outlook for 2009

The integrated QSHE management system will be continuously expanded during the present business year. Here, the development on a group-wide environmental controlling system will be focused.

Information Technology

Application development with focus on customer benefit

In the year under review the spectrum of information technology applications offered by Kuehne + Nagel was further expanded both in the field of standardised market offerings and with regard to customer-specific, complex and global solutions. An important prerequisite for this was the introduction of a standardised software development environment consisting of processes, guidelines and tools. The implementation of the applications themselves was effected close to the customer by IT specialists deployed all over the world.

The introduction of Web services met the need of many customers for increased data integration. Above all, these offer benefits in terms of automation and the synchronisation of customers' processes with those of Kuehne + Nagel. The associated competence centre guarantees the smooth and secure application of this new technology. Besides the additions to the offering, the existing integration solutions also recorded strong growth in 2008.

KN Login: New version successfully introduced

With the completion of the global introduction of KN Login Shipment Visibility for Internet-based consignment tracking at the end of 2008, the most important component of the KN Login product was successfully placed on a new technological basis. The application is now fully implemented in modern Java and Web technology, which has allowed decisive improvements in its user-friendliness and look-and-feel. Existing core features, such as high adaptability to the current needs of customers and industry, and simple integration into the IT systems of customers, have been extended. A global data consolidation concept ensures that all transport- and order-relevant information is made available in real time all over the world.

Modernisation of the existing core applications

Progress is being made with the further development and modernisation of the existing core applications in the fields of air, sea and land transport. These are important cornerstones not only for Kuehne + Nagel's information technology, but also for the competitiveness of the company in a dynamic market environment.

Own data centres guarantee process and data security

As a result of consistently applied consolidation measures, the three data centres operated by Kuehne + Nagel in Hong Kong, Naugatuck (USA) and Hamburg are on a sound and scalable foundation for all business-critical applications.

In 2008 the further standardisation of the IT processes led to an additional improvement in the quality and availability of Kuehne + Nagel's services and products. The successful implementation of the "follow the sun" concept (progressive transfer of IT control from time zone to time zone) provides customers with a guarantee of smooth operation around the clock and around the globe.

Kuehne + Nagel attaches the utmost importance to the security of the data entrusted to it. In the year ended, the relevant guidelines, processes and organisation structures were again further developed so as to enhance the quality of data protection.

Outlook for 2009

The cost-effective support of business objectives and the continuous realisation of innovative IT solutions are the guiding elements of Kuehne + Nagel's information technology offering. These will continue to be pursued in the current business year.

In view of the special challenges of the year 2009, an even stronger focus will be placed on increased efficiency. The relevant preparations were already made in 2008, for instance with the identification and optimisation of major cost drivers at all levels of information technology. In contract logistics, new systems were developed in order to continuously improve the efficiency of the business processes by means of key figures which are consolidated centrally. After their successful introduction, beginning in 2009 a similar procedure will be adopted in other business units.

Risk Management

In accordance with Article 663b of the Swiss Code of Obligations, Kuehne + Nagel carries out an annual risk assessment. In conformity with the Swiss Code of Best Practice for Corporate Governance, the risk management system at Kuehne + Nagel covers both financial and operational risks. A risk is understood to be the possibility of an adverse event which has a negative impact on the achievement of the company's objectives.

Risk management as an integral part of the internal control system

Risk management is fundamentally considered as a part of the Internal Control System (ICS). Measures for the prevention and minimisation of risks are taken proactively at various levels and are an integral part of management responsibility. In this connection operational risks are dealt with where they arise in accordance with the areas of responsibility assigned.

Conduct of a risk assessment in 2008

The examination and assessment of financial risks was carried out by the financial and accounting department. An independent risk assessment procedure was adopted for operational risks; Kuehne + Nagel decided in favour of the interview method.

In cooperation with the regional managements a number of risks were identified and listed in a risk catalogue in accordance with the results of structured interviews with the top management. Strategic risks and the adoption of countermeasures were dealt with at Management Board level. Within the framework of the corporate governance process, the Audit Committee of the Board of Directors was regularly informed on the progress of the risk assessment procedure.

The risk groups include:

- Financial risks such as interest rate, credit and financial market and currency risks, which are subject to the constant monitoring and control of the financial and accounting department (see Consolidated Financial Statement, note 47).
- Risks to operational network availability as a result of force majeure such as natural disasters and also instability of the political and regulatory environment.
- Furthermore, in view of the worldwide presence of Kuehne + Nagel, potential risks in the field of information technology and security are becoming ever more important.
- The strong growth of the Kuehne + Nagel Group also makes increased demands upon personnel management, notably with regard to occupational health and safety risks.

  The countermeasures include emergency plans, comprehensive measures to ensure IT security, or the preventive programmes supported by the QSHE organisation.

- As a fast-growing company with the declared aim of further expansion, the attention of the management focuses in particular upon risks associated with merger and acquisition activities. In such cases too, Kuehne + Nagel takes precautionary measures, particularly in the fields of due diligence and change and integration management.
- The growing density of regulation and the increasing complex and internationally interwoven business relations tend to increase the risks in the legal and compliance area. Kuehne + Nagel's risk management is concerned primarily with contract and liability risks, fraud risks, and risks of intentional and unintentional breaches of the law.
- As a globally operating logistics provider, from the viewpoint of the tax and customs authorities Kuehne + Nagel shares responsibility for the correct and complete declaration of the transported goods. Special attention should be paid to the risks of inadequate representation provisions and the observance of export regulations.

Organisation of risk management

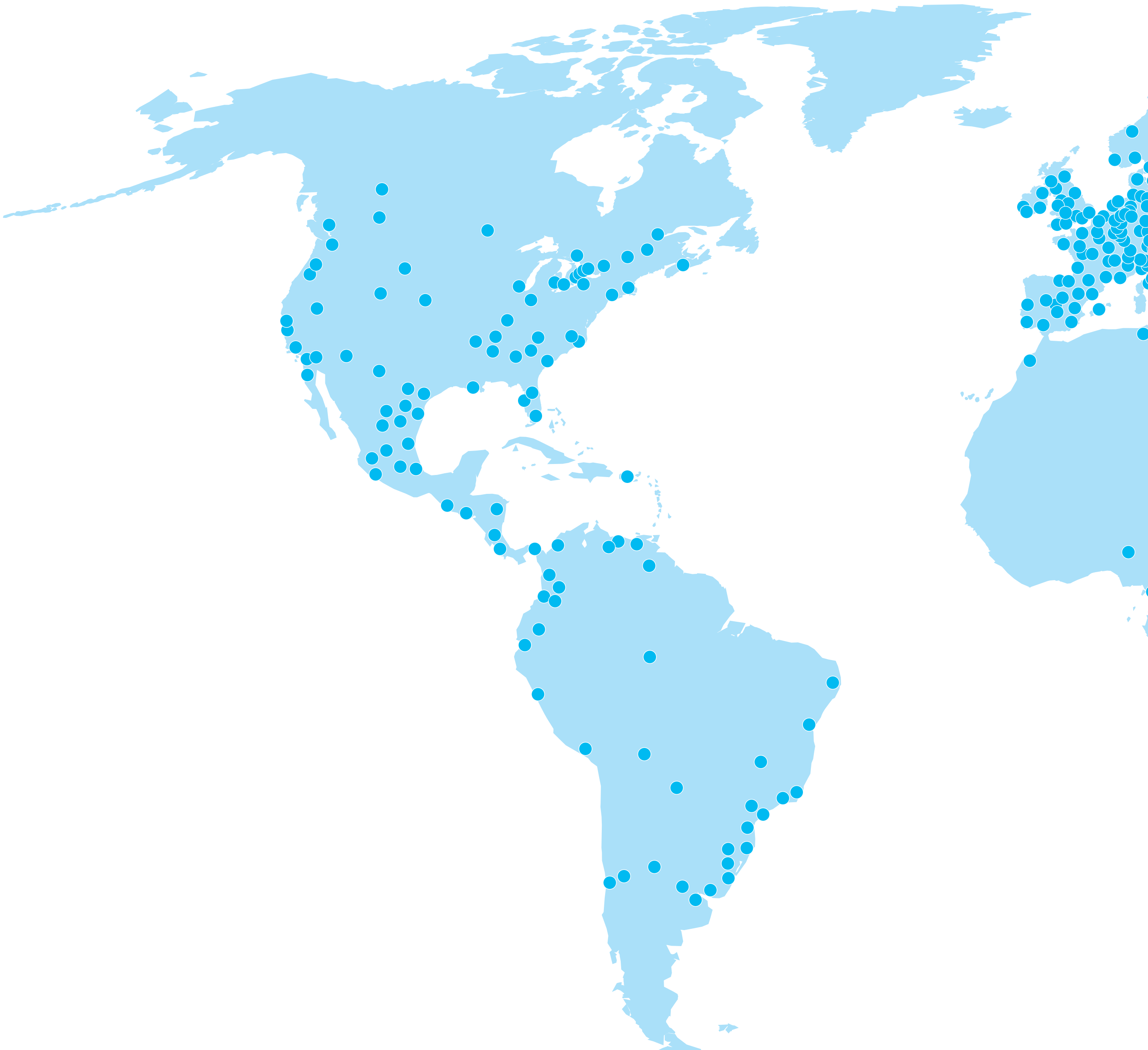
A continuous dialogue between management, risk management and the Audit Committee is maintained in order to assure the company's effectiveness in this area. The risk catalogue is subjected to regular review and critical analysis so as to ensure a continuous further development of the risk management system.

The risk management system is governed by the Risk Assessment Guideline, which defines the structural and procedural organisation of risk assessment. In addition, a Risk Assessment Committee has been established which comprises members from operational and staff positions in order to explore all risks from both the operational and the inter-divisional angle.

Summarised assessment of the risk situation

In the 2008 business year there were no recognisable risks that would have hindered the Kuehne + Nagel Group and its further development. In 2009 the primary risk is considered to be the impact of the present financial and economic crisis on the development of the result, and it is here that the Management Board and the ad hoc Economic Committee, which includes three members of the Board of Directors, will focus their attention.

GLOBAL NETWORK



Afghanistan
Albania
Angola
Argentina
Australia
Austria
Azerbaijan
Bahrain
Bangladesh
Belarus
Belgium

Bolivia
Bosnia and Herzegovina
Brazil
Bulgaria
Cambodia
Canada
Chile
China
Colombia
Costa Rica

Croatia
Cuba
Cyprus
Czech Republic
Denmark
Dominican Republic
Ecuador
Egypt
El Salvador
Equatorial Guinea
Estonia

Finland
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Kuwait
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Luxembourg
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Thailand
Trinidad and Tobago
Tunisia
Turkey
Turkmenistan
Uganda
Ukraine
United Arab Emirates
United Kingdom
Uruguay
USA
Uzbekistan
Venezuela
Vietnam
Zambia
Zimbabwe

CORPORATE GOVERNANCE

Kuehne + Nagel is committed to good corporate governance

Good corporate governance is an important and integral part of the management culture of the Kuehne + Nagel Group (the Group). The principles of corporate governance, as defined in the Directive on Information Relating to Corporate Governance of the SIX Swiss Exchange, are laid down in the Articles of Association, the Organisational Rules, and the Committee Regulations of the holding company of the Group, Kuehne + Nagel International AG, Schindellegi, Switzerland. Furthermore, Kuehne + Nagel follows the worldwide best practice recommendations evolving continuously and is committed to the standards established in the Swiss Code of Best Practice for Corporate Governance.

Group structure and shareholders

Under Swiss company law Kuehne + Nagel is organised as a limited company that has issued shares of common stock to investors. Kuehne + Nagel International AG is the parent company of the Kuehne + Nagel Group.

Operational group structure

The operational structure of the Group is divided into the following segments:

Primary segment consisting of the business units:
– Seafreight
– Airfreight
– Road & Rail Logistics
– Contract Logistics
– Real Estate
– Insurance Brokers

Secondary segment consisting of the geographical regions:
– Europe
– Americas
– Asia-Pacific
– Middle East, Central Asia and Africa

Business performance is reported according to this operational structure. For further information on the business units, please refer to the sections “Reports of the Business Units” and the “Consolidated Financial Statements” respectively.

Listed companies of the Group

Kuehne + Nagel International AG (KNI), the ultimate holding company, is the only company listed within the scope of the Group’s consolidation. KNI has its registered office in Schindellegi, Switzerland, and its shares are listed on the SIX Swiss Exchange, Zurich. The company’s market capitalisation on the closing date (December 31, 2008) amounted to CHF 8,106 million (120 million registered shares at CHF 67.55 per share).

Of the total KNI share capital, on the closing date

– the free float consisted of	51,167,761 shares =	42.6 per cent, and
– KNI-held treasury shares consisted of	1,932,239 shares =	1.6 per cent

KNI shares are traded under the symbol “KNIN”, the security number is 2,523,886 and ISIN is CH0025238863.

Non-listed companies in the Group's consolidation

The main subsidiaries and associated companies of the Group are disclosed in the appendix ‘Significant subsidiaries and joint ventures’ to the Consolidated Financial Statements (pages 144 to 149), including particulars as to the country, name of company, location, share capital, and Kuehne + Nagel's stake in per cent.

Main shareholders

The main shareholder of the Group is Kuehne Holding AG, Schindellegi, Switzerland, which holds 55.8 per cent of the KNI share capital and is 100 per cent owned by Klaus-Michael Kuehne.

The Kuehne Foundation held 4.3 per cent of the KNI share capital as at the closing date.

Cross-shareholdings

On the closing date there were no cross-shareholdings in place.

Capital structure

Ordinary share capital on the closing date

The ordinary share capital of KNI amounts to CHF 120 million and is divided into 120 million registered shares of CHF 1 nominal value each.

Authorised and conditional share capital

The Annual General Meeting held on April 30, 2008 extended its authorisation of approved share capital up to a maximum of CHF 20 million by a further two years until April 30, 2010.

At the Annual General Meeting held on May 2, 2006 the shareholders approved a 1:5 split of the registered shares and a commensurate increase in the number of Kuehne + Nagel shares. At the same time the nominal value per share relating to approved share capital and conditional share capital was also lowered from CHF 5 to CHF 1.

Change in capital over the past three years

During the years 2006 through 2008 no changes in capital other than related to conditional and approved share capital as outlined above occurred.

Shares and participating certificates

On the closing date 120 million registered shares of CHF 1 nominal value each were outstanding. At the same date, no participating certificates were outstanding.

Profit sharing certificates

There were no participating certificates outstanding as at the closing date.

Limitations on transferability and nominee registrations

Each share has one vote. All shares have equal voting rights and no preferential rights or similar entitlements exist. The Articles of Association do not provide for any limitations on the transfer of the shares. Nominees are entered in the share register only upon their written agreement to declare the names, addresses, and shareholdings of the respective persons on whose account they are holding shares.

Convertible bonds and warrants/options

No convertible bonds, warrants, or options were outstanding as at the closing date other than related to the Group's Employee Share Purchase and Option Plan.

Board of Directors

As at December 31, 2007, Xavier Urbain stepped down from the Board of Directors. As at February 1, 2008, he joined the Management Board of KNI.

At the Annual General Meeting of April 30, 2008, Juergen Fitschen, a German citizen, was elected and both Bernd Wrede and Hans Lerch were re-elected to the Board of Directors for a three-year term. Bruno Salzmann, long-time member whose mandate expired at the Annual General Meeting, retired from the Board.

At the Extraordinary General Meeting of December 9, 2008, Karl Gernandt, a German citizen, was elected to the Board of Directors for a three-year term.

On the closing date the Board of Directors comprised ten members. Their biographical particulars are as follows:

Klaus-Michael Kuehne, Executive Chairman, German, age 71

Trained as banker and freight forwarder.

Other significant activities: Member of the Advisory Board of Hapag-Lloyd AG, Hamburg; and of the Landesbeirat Hamburg of Deutsche Bank AG.

Positions within the Kuehne + Nagel Group:

1958–1966	Entrance into the family business followed by various management positions
1966–1975	Chief Executive Officer of the Group
1975–1992	Delegate and member of the Board of Directors
1992–today	Executive Chairman (as of 1.1.2009 Chairman) of the Board of Directors elected until the Annual General Meeting 2009
	Chairman of the Nomination and Compensation Committee

Bernd Wrede, Vice Chairman, German, age 65

Studied at the Universities of Wuerzburg and Hamburg. From 1982 to 2001 member of the Board of Hapag-Lloyd AG, Hamburg, and its Chairman as of 1993. Currently an independent management consultant.

Other significant activities: Member of the Advisory Board of Citigroup, Frankfurt, and member of the Board of Trustees of the ZEIT Foundation, Hamburg.

Positions within the Kuehne + Nagel Group:

1999–2002	Member of the Board of Directors
2002–today	Vice Chairman of the Board of Directors elected until the Annual General Meeting 2011
	Member of the Audit Committee
	Member of the Nomination and Compensation Committee
	Member of the Investment Committee

Karl Gernandt, German, age 48

After completing his studies in business administration at the University of St. Gallen, Switzerland, Karl Gernandt worked for Deutsche Bank AG from 1988 to 1995. There he held positions including that of assistant to the Spokesman of the Board of Management and the Chairman of the Supervisory Board, as well as functions in international banking in Germany, Asia and the USA. From 1996 to 1999 he set his mark on the Financial Institution Group of A.T. Kearney GmbH. In 1999 Gernandt moved to Holcim (Deutschland) AG as Chairman of the Board of Management, and was at the same time a member of the European Management Team of Holcim Ltd., Switzerland. In March 2007 he became CEO of Holcim Western Europe, based in Brussels. Since October 1, 2008 Karl Gernandt has been nominated as Delegate of the Board of Directors of Kuehne Holding AG, Schindellegi, and a board member of the Kuehne Foundation. He is also Managing Director of the Klaus-Michael Kuehne Foundation in Hamburg.

Positions within the Kuehne + Nagel Group:

9.12.2008–today	Member of the Board of Directors elected until the Annual General Meeting 2011
1.1.2009–today	Delegate of the Board of Directors

Juergen Fitschen, German, age 60

Trained as wholesale and export trader, then graduated in business administration from Hamburg University. Joined Deutsche Bank AG in 1987 and was promoted to the Group Executive Committee in 2002. He is Global Head of Regional Management and, since 2004, also serves as Chairman of the Management Committee Germany.

Other important positions: Member of the Supervisory Board of Metro AG and Schott AG.

Positions within the Kuehne + Nagel Group:

2008–today	Member of the Board of Directors elected until the Annual General Meeting 2011

Dr. Joachim Hausser, German, age 64

Holds a PhD in economics from the Université de Genève. Former bank executive currently an independent financial consultant.
Other significant activities: Chairman of the Supervisory Board of Ludwig Beck am Rathauseck Textilhaus Feldmeier AG, Munich, and member of the Advisory Board of GETRAG Getriebe- und Zahnradfabrik Hermann Hagenmeyer GmbH & Cie, Ludwigsburg.
Positions within the Kuehne + Nagel Group:

1992–today	Member of the Board of Directors elected until the Annual General Meeting 2009 Chairman of the Investment Committee

Dr. Willy Kissling, Swiss, age 64

Holds a PhD in business administration from the University of Berne and a PMD from Harvard Business School, Cambridge, USA. Former President and CEO of Landis & Gyr Corporation (1987–1996). From 1998 to 2005, Chairman and, until May 2002, CEO of Unaxis Holding AG, Pfäffikon (since September 2006: OC Oerlikon Corp. AG, Pfäffikon).
Other significant activities: Member of the Board of Directors of Holcim AG, Jona, and of Schneider Electric S.A., Paris; Chairman of the Board of Directors of Grand Hotels Bad Ragaz AG.
Positions within the Kuehne + Nagel Group:

2003–today	Member of the Board of Directors elected until the Annual General Meeting 2009 Member of the Investment Committee

Hans Lerch, Swiss, age 59

Trained in tourism and longtime career at Kuoni Reisen Holding AG: from 1972–1985 assignments in the Far East as well as various responsibilities at the company's headquarters; from 1999–2005 President and CEO of Kuoni Travel Holding Ltd.
Other significant activities: President of the Board of Directors of SR Technics Holding AG; President of the Board of Directors of Octagon Worldwide AG, Zurich; Vice Chairman of the Board of Directors of New Venturetech AG, Zurich; and member of the Board of Alpitour S.p.A., Torino.
Positions within the Kuehne + Nagel Group:

2005–today	Member of the Board of Directors elected until the Annual General Meeting 2011 Member of the Nomination and Compensation Committee

Dr. Georg Obermeier, German, age 67

Holds a PhD in business administration from the University of Munich. From 1989–1998 member of the Board of Directors of VIAG AG, Berlin/Munich, and as of 1995 its Chairman. From 1999–2001 Executive Chairman of RHI AG, Vienna. Currently Managing Partner of Obermeier Consult GmbH, a consultancy for strategic issues.
Other significant activities: Memberships on the Supervising Committees of the following companies: Energie-Control GmbH, Vienna, Regulierungsbehörde für Strom und Gas; Chairman of the Board of Directors of Arques Industries AG, Starnberg; Bilfinger Berger Industrial Services AG, Munich.
Positions within the Kuehne + Nagel Group:

1992–today	Member of the Board of Directors elected until the Annual General Meeting 2009 Member of the Audit Committee Member of the Nomination and Compensation Committee

Dr. Wolfgang Peiner, German, age 64

Studied business administration at the Universities of Hamburg and Lawrence, Kansas, and holds a Master in Accounting and Finance. He was member and Chairman of the Management Board of Gothaer Insurance Group from 1984 to 2001 and Head of the Ministry of Finance of the Free and Hanseatic City of Hamburg from 2001 to 2006.

Other significant activities: Since early 2007 Chairman of the Board of Directors of HSH Nordbank AG and Germanischer Lloyd AG; Managing Director of the Board of Trustees of the Kuehne Foundation; member of the Board of Directors of Studio Hamburg GmbH; and since April 2007 General Represantative of Susat & Partner OHG, an accountancy and audit firm.

Positions within the Kuehne + Nagel Group:

2000–2001	Member of the Board of Directors
2007–today	Member of the Board of Directors elected until the Annual General Meeting 2010

Dr. Thomas Staehelin, Swiss, age 61

Holds a PhD in law from the University of Basel; Lawyer.

Other significant activities: Chairman of the Board of Directors of Kuehne Holding AG; Vice Chairman of the Board of Directors and Chairman of the Audit Committee of Siegfried Holding AG, Zofingen; member of the Board and Chairman of the Audit Committee of Inficon Holding AG, Bad Ragaz; Chairman of the Board of Directors of Swissport International SA, Opfikon, and of Scobag AG, Basel; member of the Board of Directors of Lantal Textiles, Langenthal; member of the Board and Committee President of Economiesuisse; President of the Basel Chamber of Commerce; Chairman of Vereinigung der Privaten Aktiengesellschaften; and member of the Swiss Foundation for Accounting and Reporting Recommendations (FER-SWISS GAAP).

Positions within the Kuehne + Nagel Group:

1978–today	Member of the Board of Directors elected until the Annual General Meeting 2009 Chairman of the Audit Committee

With the exception of the Chairman of the Board of Directors, Klaus-Michael Kuehne, and the Delegate, Karl Gernandt, all members of the Board of Directors are non-executive directors and none of them serves as a member of the Management Board.

Election and duration of tenure

The election for Board membership is carried out whenever the tenure expires. Instead of summary election of the whole Board of Directors, individual re-elections are held for each member. This allows shareholders to judge the contribution of each member of the Board of Directors separately.

Board members are elected for a period of three years. There are no limits regarding the number of terms of service or the age of the incumbents.

Internal organisation, Board committees and meetings in 2008

According to the Articles of Association and Swiss corporate law the main tasks of the Board of Directors comprise:

- strategic direction and management of the company,
- accounting matters,
- financial control and planning,
- appointing and dismissing Management Board members and other senior executives,
- supervisory control of business operations, and
- submission of proposals to the Annual General Meeting, in particular the KNI and Group Financial Statements.

Klaus-Michael Kuehne is the Chairman of the Board of Directors. As of January 1, 2009, the Board of Directors has signed specified powers to Karl Gernandt, its new Delegate. In particular, this applies to the areas of investment, finance and accounting, as well as personnel. The entire Board of Directors, however, is responsible for decisions on such above-mentioned aspects that are of significant importance to KNI. The scope of responsibilities of the Board of Directors and the Executive Chairman are stipulated in the Organisational Rules.

The Board of Directors convenes at least four full-day meetings annually, with the Management Board being at least represented by the CEO and the CFO of the Group. The Board of Directors has the discretion to invite other members of the Management Board to attend these meetings.

In urgent cases the Board of Directors can also take decisions by written circular resolutions.

Audit Committee

The Audit Committee consists of three to five non-executive, predominantly independent members of the Board of Directors elected for a period of three years. Re-election as member of the Audit Committee is possible. Members of the Management Board cannot be members of the Audit Committee.

The Audit Committee reviews and clears the quarterly financials prior to publication. As part of the regular contacts between the Audit Committee and both the internal and the external auditors, the quality and functioning of the internal control mechanisms are reviewed and evaluated continually on the basis of written reports from the internal audit department, as well as of management letters from the external auditors based on their interim audits in order to set priorities for the year-end audit. Furthermore, regular contact with the external auditors throughout the year enables the Audit Committee to obtain knowledge of problem areas at an early stage. This allows it to propose to the Management Board the timely introduction of any corrective measures.

Dr. Thomas Staehelin was the Chairman of the Audit Committee as at the closing date, assisted by its members Bernd Wrede and Dr. Georg Obermeier.

The Audit Committee holds at least four meetings annually. The Chairman, the Vice Chairman and the Delegate of the Board of Directors can take part in the meetings as advisors. Unless otherwise determined by the Audit Committee, the CEO, the CFO and the audit partner-in-charge take part in all meetings, whilst the head of internal audit is invited as advisor whenever needed. In 2008 the audit partner-in-charge attended three meetings of the Audit Committee. The Committee's Chairman reports in detail to the other members of the Board of Directors about the topics discussed and the decisions taken and/or to be submitted to the entire Board of Directors for approval.

Nomination and Compensation Committee

The Nomination and Compensation Committee consists of three to five members of the Board of Directors elected for a period of three years. Re-election is possible. The Chairman of the Board of Directors is permitted to be part of the Nomination and Compensation Committee as long as it still predominantly consists of non-executive and independent members.

In the area of nomination the Committee is responsible for securing the competent staffing of the Management Board. For this purpose the Committee, on the one hand, develops guidelines and criteria for the selection of candidates, and on the other hand provides the initiatory gathering of information as well as review of potential new candidates according to the aforementioned guidelines. The Committee prepares the adoption of a final resolution, which is reserved to the Board of Directors.

In the field of compensation the Committee defines the principles of compensation for the members of both the Board of Directors and the Management Board. The Committee recommends the amounts of compensation for each member of the Board of Directors. Moreover, it evaluates the individual performance of each member of the Management Board and approves their compensation in amount and composition.

On the closing date Klaus-Michael Kuehne was the Nomination and Compensation Committee's Chairman with Bernd Wrede, Hans Lerch and Dr. Georg Obermeier as its members.

The Nomination and Compensation Committee convenes on invitation of the Chairman as often as business requires, but at least three times a year. Members of the Management Board can take part in Nomination and Compensation Committee meetings by invitation.

The Board of Directors is informed by the Chairman of the Nomination and Compensation Committee about all issues discussed, in particular, about all decisions within the competence of the Board of Directors.

Investment Committee

The Investment Committee consists of three to five members of the Board of Directors, elected for a period of three years. Re-election is possible. The Chairman of the Board of Directors may be part of the Investment Committee as long as it predominantly consists of non-executive and independent members.

The Investment Committee advises the Board of Directors on investment planning of the Group and respective financing issues. Significant investments of the Group are reviewed by the Investment Committee as preparation to any decision made by the Board of Directors. In its advisory role the Investment Committee thereby considers the strategy of the Management Board and impact on the budget.

On the closing date Dr. Joachim Hausser was the Chairman of the Investment Committee assisted by its members Dr. Willi Kissling and Bernd Wrede.

The Investment Committee convenes on invitation of the Chairman as often as required by business, but at least four times a year. The Chairman, the Vice Chairman and the Delegate of the Board of Directors can take part in the meetings as advisors. On invitiation, members of the Management Board, usually the CEO, the CFO and who-ever is in charge of the business unit the respective investment is in connection with, may take part in Committee meetings.

The Committee's Chairman regularly reports in detail to the other members of the Board of Directors about the topics discussed and the decisions taken and/or to be submitted to the entire Board of Directors for approval.

Rules of competence between the Board of Directors and the Management Board

The Board of Directors executes the non-transferable and inalienable duties of the ultimate management of the Group. As far as the non-transferable and inalienable duties of the Board of Directors are not concerned, the management responsibility of the Kuehne + Nagel Group is an obligation of the Delegate of the Board of Directors. He is entitled to transfer responsibilities and competences relating to the operational management to the Management Board. The Management Board is responsible for the development, execution and supervision of the day-to-day operations of the Group and the Group companies to the extent they are not allocated to the Annual General Meeting, the Audit Committee, the Board of Directors or the Delegate of the Board of Directors by law, by the Articles of Association, or by the Organisational Rules. The Organisational Rules lay down which businesses are able to be approved by the Management Board and which businesses require the approval of the Delegate of the Board of Directors or the Board of Directors pursuant to approval requirements based on the extent and manner of the respective business.

Information and control system versus the Management Board

The Management Board informs the Board of Directors on a regular and timely basis about the course of business by means of a comprehensive financial MIS (Management Information System) report which provides monthly worldwide consolidated results by segment and country including comparative actual, budgeted, and prior-year figures two weeks after a month's end at the latest.

The Delegate of the Board of Directors takes part in the Management Board meetings regularly, while the CEO and the CFO are generally invited to meetings of the Board of Directors as well as to the meetings of the Audit and Investment Committees. Members of the Management Board can take part in Nomination and Compensation Committee meetings by invitation. Depending on the agenda, the Board of Directors has the discretion to invite other members of the Management Board to attend its meetings.

Board and committes: Membership, attendance, number and duration of meetings

	Board of Directors	Audit Committee	Nomination and Compensation Committee	Investment Committee
Number of meetings in 2008	4	7	6	5
Approximate duration of each meeting	6 hours	4 hours	1 hour	3 hours
Klaus-Michael Kuehne	4	7	6	5
Bernd Wrede	4	7	6	4
Karl Gernandt [3]	1	–	–	–
Juergen Fitschen [2]	2	–	–	–
Dr. Joachim Hausser	4	–	–	5
Dr. Willy Kissling	4	–	–	5
Hans Lerch	4	–	6	–
Dr. Georg Obermeier	4	7	6	–
Dr. Wolfgang Peiner	4	–	–	–
Bruno Salzmann [1]	2	3	–	2
Dr. Thomas Staehelin	3	7	–	–

1 Resigned from the Board of Directors per April 30, 2008.
2 Since April 30, 2008.
3 Since December 9, 2008.

Management Board

Effective February 1, 2008, Xavier Urbain was appointed to the Management Board of KNI to take over the responsibility for the business unit Road & Rail Logistics.

Dr. Alexander Schmid-Lossberg, member of the Management Board and responsible for global Human Resources and Legal Counsel, left the Group effective January 31, 2008. His function has been taken over by Klaus-Dieter Pietsch.

Reinhard Lange, who was appointed as the successor to CEO Klaus Herms by the Board of Directors of KNI in September 2007, has taken up his new function on January 1, 2009. Peter Ulber has been appointed to the KNI Management Board with effect from January 1, 2009. He is responsible for the business units Sea & Air Logistics, and succeeds Reinhard Lange.

The biographical particulars of the Management Board are as follows:

Klaus Herms, German, age 67

Graduated in business administration from DAV, Bremen.
Other significant positions: Member of the Advisory Board of Fraport, Frankfurt; and member of the Board of Directors of Swissport International SA, Opfikon.
Positions within the Kuehne + Nagel Group:

1968–1969	Trainee in Bremen, Germany
1969–1974	Sales representative for project business Far East in Hong Kong
1974–1988	Regional Manager Far East in Hong Kong
1988–1999	Line Chief Executive Asia-Pacific region and member of the Group Management of KNI
1999–31.12.2008	Chief Executive Officer of the Group, Chairman of the Management Board of KNI
1.1.–30.6.2009	Reponsible for special tasks

Reinhard Lange, German, age 59

Trained freight forwarder.
Positions within the Kuehne + Nagel Group:

1971–1985	Head of Seafreight Import, Bremen, Germany
1985–1990	Regional Director Seafreight Asia-Pacific, Hong Kong
1990–1995	Member of the German Management Board responsible for seafreight and industrial packing
1995–1999	President and Chief Executive Officer of Kuehne + Nagel Ltd., Toronto, Canada
1999–31.12.2008	Chief Operating Officer (COO) Sea & Air Logistics of the Group
2007–31.12.2008	Deputy CEO
1.1.2009–today	Chief Executive Officer of the Group, Chairman of the Management Board of KNI

Gerard van Kesteren, Dutch, age 59

Chartered accountant. Spent 17 years at Sara Lee Corporation in various management positions in finance, lastly as Director of Financial Planning and Analysis.
Positions within the Kuehne + Nagel Group:

1989–1999	Financial Controller Kuehne + Nagel Western Europe
1999–today	Chief Financial Officer (CFO) of the Group

Martin Kolbe, German, age 47

Graduated computer scientist. Positions in IT management including IT Field Manager with Deutsche Post World Net, responsible for DHL Europe and DHL Germany as well as member of the Supervisory Board in several DPWN-associated companies.

Position within the Kuehne + Nagel Group:

2005–today	Chief Information Officer (CIO) of the Group

Klaus-Dieter Pietsch, German, age 67

Graduated in business administration. Held various positions in industry in the field of human resources and information technology.

Positions within the Kuehne + Nagel Group:

1987–31.3.2007	Executive Vice President Human Resources/Quality Management of the Group
1.4.2007–31.1.2008	Executive Vice President Quality Management/Special Projects
1.2.2008–31.3.2009	Executive Vice President Human Resources

Effective April 1, 2009, Lothar Alexander Harings will succeed Klaus-Dieter Pietsch as Head of Global Human Resources and join the Management Board of KNI.

Dirk Reich, German, age 45

Graduated from the Koblenz School of Corporate Management in Germany followed by positions with Lufthansa AG and VIAG AG.

Positions within the Kuehne + Nagel Group:

1995–2001	Senior Vice President Corporate Development
2001–today	Executive Vice President Contract Logistics of the Group
30.4.2008–today	Company Secretary

Peter Ulber, German, age 48

Graduated in business administration and joined Kuehne + Nagel in 1983.

Positions within the Kuehne + Nagel Group:

1983–1988	Various management positions within the North America organisation
1988–2001	Regional Director of the South America region
2001–2006	National Manager of the UK organisation
2006–2008	Regional Manager of the North West Europe region including the country organisations of UK, Denmark, Finland, Ireland, Norway and Sweden
1.1.2009	Executive Vice President Sea & Air Logistics of the Group

Xavier Urbain, French, age 51

Holds a PhD in economics and a degree in higher accounting studies (DECS). From 1997–2003, CEO of Hays Logistics and member of the Management Board of the Hays Group. After the 2003 acquisition of Hays Logistics through Platinum Equity he continued as CEO (Hays Logistics rebranded as ACR). Following the takeover of ACR through Kuehne + Nagel he was appointed Regional Manger South West Europe. He left the Group at the end of 2006.

Positions within the Kuehne + Nagel Group:

2006	Regional Manager, South West Europe
2007–31.12.2007	Member of the Board of Directors
1.2.2008–today	Executive Vice President Road & Rail Logistics of the Group

Compensation, shareholdings and loans

The compensation to the Board of Directors and Management Board is regulated and reviewed by the Nomination and Compensation Committee periodically.

The Board of Directors regulates the compensation, allocation of shares and granting of loans to the Board of Directors, while the Board of Directors' Nomination and Compensation Committee regulates such matters for the Management Board.

For the year 2008 the members of the Board of Directors received a guaranteed compensation as well as a compensation for participation in the respective committees as follows:

Member of Board of Directors in CHF	Guaranteed Compensation	Additional Compensation Audit Committee	Additional Compensation Nomination and Compensation Committee	Additional Compensation Investment Committee
Chairman of the Board of Directors	225,000			
Vice Chairman	187,500			
Others	150,000	15,000	10,000	10,000

The members of the Management Board receive an income with a fixed and a profit-linked component and have the possibility to participate in the Employee Share Purchase and Option Plan.

Remuneration accrued for and paid to members of the Board of Directors and the Management Board

The total remuneration accrued for and paid to the members of the Board of Directors and the Management Board in the financial year 2008 amounted to CHF 20 million, of which CHF 18 million were paid to the executive member of the Board of Directors and the members of the Management Board, and CHF 2 million to the non-executive members of the Board of Directors.

Further details on the remuneration accrued for and paid to the members of the Board of Directors and the Management Board can be found in note 13 (remuneration report) to the 2008 Financial Statements of Kuehne + Nagel International AG.

Shareholders' participation

Restrictions and delegation of voting rights

Each share equals one voting right. Restrictions on voting rights do not exist.

For resolutions concerning the discharge of the members of the Board of Directors, persons who currently take part in the company's management in any manner do not have a voting right. This restriction does not apply to members of the external auditing company.

Registered shares can only be represented at the Annual General Meeting either by shareholders or beneficiary owners whose personal particulars and size of shareholdings are listed in the KNI share register. As per Swiss law (OR 689d), such shareholders and/or beneficiary owners who are not in a position to attend the Annual General Meeting are entitled to nominate a representative by written proxy.

Statutory quorums

The legal rules on quorums and terms apply.

Calling of an Annual General Meeting

The calling of an Annual General Meeting is guided by the law. The agenda contains all necessary information needed to deliberate each item on the agenda. In particular, this includes information for the appointment of new members to the Board of Directors and, in the event of changes to an article of association, the announcement of the new wording.

Agenda of the Annual General Meeting

Shareholders owning shares with a total nominal value of at least CHF 1 million can request that items be added to the agenda up to 45 days prior to the date fixed for the Annual General Meeting by submitting details of their proposals in writing.

Registration of shareholders into the share register

Registered shares can only be represented at the Annual General Meetings by either shareholders or beneficiary owners whose personal particulars and size of shareholdings have been entered in the KNI share register. Such shareholders and/or beneficiary owners who are not in a position to attend the Annual General Meeting are entitled to nominate a representative by written proxy.

The share register remains closed for any movements during eight calendar days preceding and including the date of the Annual General Meeting.

Changes of control and defence measures

Duty to make an offer

There are no opting-out or opting-in rules provided for in the Articles of Association.

Clauses on changes of control

No member of either the Board of Directors or the Management Board or other senior management staff has clauses on change of control in their employment contracts.

Statutory auditors

Duration of the mandate and term of office of the lead auditor

KPMG, Zurich, initially adopted the mandate for the business year 2002 as per declaration of acceptance dated May 8, 2002. The re-election for the business year 2008 was confirmed with the declaration of acceptance dated February 27, 2008.

The audit partner-in-charge and responsible for the mandate, Roger Neininger, started his assignment on July 1, 2002.

Audit fees

According to the Group's financial records, the fees charged for auditing services for the year 2008 amounted to CHF 4.1 million.

Additional fees

In addition to the fees mentioned above, the statutory auditors are asked on a very restrictive basis to provide certain consulting services beyond the mandate of the annual audit. In 2008 an amount of CHF 0.2 million was incurred in this connection.

Supervisory and controlling instruments towards the statutory auditors

The work performed by the external statutory auditors is supervised, controlled, and duly monitored by the Board of Directors' Audit Committee. The statutory auditors report to the Audit Committee regularly and in 2008 attended three Audit Committee meetings in the person of the audit partner-in-charge. In 2008 the audit partner-in-charge also attended one meeting of the Board of Directors. Main criteria for the selection of the external audit company are its worldwide network, its reputation, and its competitive pricing.

Information policy

The Kuehne + Nagel Group aspires to ensure a comprehensive and consistent information policy. The ambition is to provide analysts, investors and other stakeholders with high levels of transparency that meet best practice standards accepted worldwide.

To this end Kuehne + Nagel uses print media and, in particular, its corporate website,
www.kuehne-nagel.com, where up-to-date information is available.

This information contains an overall presentation of the company, detailed financial data as well as information on environmental and security matters, which are of increasing importance. Furthermore, Kuehne + Nagel provides up-to-date information on significant, business-related occurrences and organisational changes, and updates all general information on the company continually.

The Annual Report covering the past financial year is available for download in extracts or in its entirety in English and German. In addition, detailed contact information per field of activity is available to any persons interested.

Kuehne + Nagel publishes its quarterly financial data on its corporate website. Prior to the first quarterly results being released the financial calendar is published announcing the dates of the upcoming quarterly reports as well as of the Annual General Meeting.

CONSOLIDATED FINANCIAL STATEMENTS 2008 OF THE KUEHNE + NAGEL GROUP

Income Statement

CHF million	Note	2008	2007	Variance per cent
Invoiced turnover	41	**21,599**	**20,975**	**3.0**
Customs duties and taxes		–3,607	–3,855	
Net invoiced turnover		**17,992**	**17,120**	**5.1**
Net expenses for services from third parties		–11,739	–11,106	
Gross profit	41	**6,253**	**6,014**	**4.0**
Personnel expenses	20	–3,518	–3,396*	
Selling, general and administrative expenses	21	–1,731	–1,609	
Other operating income, net	22	16	10	
EBITDA		**1,020**	**1,019**	**0.1**
Depreciation of property, plant and equipment	26	–169	–180	
Amortisation of other intangibles	27	–100	–89	
Impairment of other intangibles	27	–9	–26	
Impairment of goodwill	27	–6	–31	
EBIT		**736**	**693**	**6.2**
Financial income	23	33	27	
Financial expenses	23	–13	–18	
Result from joint ventures and associates	41	8	6	
Earnings before tax (EBT)		**764**	**708**	**7.9**
Income tax	24	–176	–169*	
Earnings for the year		**588**	**539**	**9.1**
Attributable to:				
Equity holders of the parent company		**585**	**536**	**9.1**
Minority interests		3	3	
Earnings for the year		**588**	**539**	**9.1**
Basic earnings per share in CHF	25	**4.96**	**4.54***	**9.3**
Diluted earnings per share in CHF	25	**4.95**	**4.52***	**9.5**

* Since January 1, 2008, the Group recognises all actuarial gains and losses arising from defined benefit plans immediately in equity. This change in accounting policy was recognised retrospectively and comparatives have been restated. Refer to note 4.

Balance Sheet

CHF million	Note	Dec. 31, 2008	Dec. 31, 2007
Assets			
Property, plant and equipment	26	955	1,021
Goodwill	27	540	639
Other intangibles	27	202	288
Investments in joint ventures	28	10	11
Deferred tax assets	24	157	160*
Non-current assets		**1,864**	**2,119**
Prepayments		88	99
Work in progress	29	269	322
Trade receivables	30	2,143	2,537
Other receivables	31	152	165
Cash and cash equivalents	32	1,039	865
Assets held for sale	19/26/27	–	331
Current assets		**3,691**	**4,319**
Total assets		**5,555**	**6,438**
Liabilities and equity			
Share capital		120	120
Reserves and retained earnings		1,359	1,702*
Earnings for the year		585	536*
Total equity attributable to the equity holders of the parent company		**2,064**	**2,358**
Minority interests		9	9
Total equity	**33**	**2,073**	**2,367**
Provisions for pension plans and severance payments	34	268	303*
Deferred tax liabilities	24	111	162
Bank liabilities	36	12	80
Finance lease obligations	37	32	42
Non-current liabilities		**423**	**587**
Bank and other interest bearing liabilities	36/37	65	85
Trade payables	38	1,129	1,329
Accrued trade expenses/deferred income	38	873	1,124
Current tax liabilities		152	125
Provisions	39	111	99
Other liabilities	40	729	722
Current liabilities		**3,059**	**3,484**
Total liabilities and equity		**5,555**	**6,438**

* Since January 1, 2008, the Group recognises all actuarial gains and losses arising from defined benefit plans immediately in equity. This change in accounting policy was recognised retrospectively and comparatives have been restated. Refer to note 4.

Schindellegi, February 26, 2009

KUEHNE + NAGEL INTERNATIONAL AG

Reinhard Lange	Gerard van Kesteren
CEO	CFO

Statement of Recognised Income and Expense

CHF million	2008	2007 [1]
Earnings for the year	**588**	**539**
Foreign exchange differences	–361	25
Actuarial gains/(losses) on defined benefit plans, net	–2	13
Revaluation of initial share in Orient Transport Company Ltd. [2]	–	2
Net income recognised directly in equity, net of tax	**–363**	**40**
Total recognised income and expense for the period	**225**	**579**
Attributable to:		
Equity holders of the parent company	222	576
Minority interests	3	3
Impact of change in accounting policy on retained earnings at January 1	2	

1 Since January 1, 2008, the Group recognises all actuarial gains and losses arising from defined benefit plans immediately in equity. This change in accounting policy was recognised retrospectively and comparatives have been restated. Refer to note 4. As a consequence of the change, the Group is now required to present a statement of recognised income and expense (SORIE) as a primary financial statement. Previously, the Group presented a statement of changes in equity. A reconciliation of the movement in capital and reserves is now presented in note 33.

2 Refer to note 5.

Cash Flow Statement

CHF million	Note	2008	2007
Cash flow from operating activities			
Earnings for the year		588	539*
Reversal of non-cash items:			
Income tax	24	176	169*
Financial income	23	–33	–27
Financial expenses	23	13	18
Result from joint ventures and associates	41	–8	–6
Depreciation of property, plant and equipment	26	169	180
Amortisation of other intangibles	27	100	89
Impairment of goodwill and of other intangibles	27	15	57
Expenses for employee share purchase and option plan	20	14	15
Gain on disposal of property, plant and equipment	22	–7	–12
Gain on disposal of assets held for sale	22	–10	–
Loss on disposal of property, plant and equipment	22	1	2
Net addition to provisions for pension plans and severance payments		–3	19*
Total operational cash flow		**1,015**	**1,043**
(Increase)/decrease work in progress		10	–33
(Increase)/decrease trade receivables, prepayments		34	–340
Increase/(decrease) other liabilities		135	48
Increase/(decrease) trade payables, accrued trade expenses/deferred income		–121	332
Income taxes paid		–207	–191
Total cash flow from operating activities		**866**	**859**
Cash flow from investing activities			
Capital expenditure			
– Property, plant and equipment	26	–265	–229
– Other intangibles	27	–38	–26
Disposal of property, plant and equipment		52	22
Disposal of assets held for sale		310	–
Acquisition of subsidiaries, net of cash acquired	42	–15	–165
Interest received	23	32	27
Dividend received from joint ventures and associates		6	5
Total cash flow from investing activities		**82**	**–366**
Cash flow from financing activities			
Proceeds of interest bearing liabilities		9	24
Repayment of interest bearing liabilities		–59	–92
Interest paid	23	–13	–15
Purchase of treasury shares	33	–23	–54
Disposal of treasury shares	33	12	45
Dividend paid to shareholders of the company	33	–519	–177
Dividend paid to minority shareholders	33	–2	–2
Total cash flow from financing activities		**–595**	**–271**
Exchange difference on cash and cash equivalents		–147	–10
Increase/(decrease) in cash and cash equivalents		**206**	**212**
Cash and cash equivalents at the beginning of the year, net	32	**812**	**600**
Cash and cash equivalents at the end of the year, net	32	**1,018**	**812**

* Since January 1, 2008, the Group recognises all actuarial gains and losses arising from defined benefit plans immediately in equity. This change in accounting policy was recognised retrospectively and comparatives have been restated. Refer to note 4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ACCOUNTING POLICIES

1 Organisation

Kuehne + Nagel International AG (the company) is incorporated in Schindellegi (Feusisberg), Switzerland. The Company is one of the world's leading global logistics providers. Its strong market position lies in seafreight, airfreight, contract logistics and overland businesses.

The Consolidated Financial Statements of the company for the year ending December 31, 2008 comprise the Company, its subsidiaries and its interests in joint ventures (the Group).

2 Statement of compliance

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

3 Basis of preparation

The Consolidated Financial Statements are presented in Swiss francs (CHF) million. The Consolidated Financial Statements are based on the individual financial statements of the consolidated companies as of December 31, 2008. Those financial statements have been prepared in accordance with uniform accounting policies issued by the Group which comply with the requirements of the International Financial Reporting Standards (IFRS) and with Swiss law. The Consolidated Financial Statements are prepared on a historical cost basis except for certain financial instruments which are stated at fair value. Non-current assets and disposal groups held for sale are stated at the lower of the carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The true result may differ from these estimates. Judgments made by management in the application of IFRS that have a significant effect on the Consolidated Financial Statements and estimates with a significant risk of material adjustment in the next year are shown in note 50.

The accounting policies are the same as those applied in the Consolidated Financial Statements for the year ending December 31, 2007 except for the fact that the Group, as of January 1, 2008, immediately recognises all actuarial gains and losses arising from defined benefit plans directly in equity (refer to note 4). The new interpretations and the amended standard that are effective for the 2008 reporting year were not applicable to the Group, or did not have a significant impact on the Consolidated Financial Statements.

Adoption of new standards in 2008

The following new and revised Standards and Interpretations have been issued but are not yet effective and are not applied early in these Consolidated Financial Statements. Their impact on the Consolidated Financial Statements has not yet been systematically analysed. The expected effects as disclosed below the table reflect a first assessment by Group management.

Standard/interpretation	Effective date	Planned application
IFRIC 13 – Customer Loyalty Programmes [1]	July 1, 2008	reporting year 2009
IFRIC 16 – Hedges of Net Investment in a Foreign Operation [1]	October 1, 2008	reporting year 2009
IAS 1 revised – Presentation of Financial Statements [2]	January 1, 2009	reporting year 2009
IAS 23 revised – Borrowing Costs [1]	January 1, 2009	reporting year 2009
IFRS 8 – Operating Segments [5]	January 1, 2009	reporting year 2009
Improvements to International Financial Reporting Standards 2008 [1]	January 1, 2009/ July 1, 2009	reporting year 2009/2010
Amendment to IFRS 2 – Share-based Payment – Vesting Conditions and Cancellations [1]	January 1, 2009	reporting year 2009
Amendments to IAS 32 – Financial Instruments: Presentation and IAS 1 – Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation [1]	January 1, 2009	reporting year 2009
Amendments to IFRS 1 – First-time Adoption of International Financial Reporting Standards and IAS 27 – Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [1]	January 1, 2009	reporting year 2009
IFRIC 15 – Agreements for the Construction of Real Estate [1]	January 1, 2009	reporting year 2009
IFRS 1 revised – First-time Adoption of International Financial Reporting Standards – Restructuring of Format [1]	January 1, 2009	–
IFRS 3 revised – Business Combinations [4]	July 1, 2009	reporting year 2010
IAS 27 amended – Consolidated and Separate Financial Statements [4]	July 1, 2009	reporting year 2010
Amendment to IAS 39 – Financial Instruments: Recognition and Measurement – Eligible Hedged Items [1]	July 1, 2009	reporting year 2010
IFRIC 17 – Distributions of Non-cash Assets to Owners [1]	July 1, 2009	reporting year 2010
IFRIC 18 – Transfer of Assets from Customers [1]	July 1, 2009	reporting year 2010

1 No or no significant impacts are expected on the Consolidated Financial Statements.
2 The impact on these Consolidated Financial Statements is expected to result in additional disclosures or changes in presentation.
3 The impact on the Consolidated Financial Statements can not yet be determined with sufficient reliability.
4 The accounting for future business combinations and future transactions with non-controlling interests (formerly minority interests) will be impacted.
5 The adoption of IFRS 8 is not expected to lead to any changes in respect of the Group's identification of segments.

4 Change in accounting policy

The Group recognises since January 1, 2008 all actuarial gains and losses arising from defined benefit plans immediately in equity. In its Consolidated Financial Statements for periods beginning before January 1, 2008 the Group applied the corridor method to recognise actuarial gains and losses in the income statement over the expected average remaining working lives of employees participating in the plan. This change in accounting policy was made because the Group wants to eliminate the impact of changes in actuarial assumptions on its earnings by recognising actuarial gains and losses directly in equity.

The change in accounting policy was recognised retrospectively in accordance with IAS 19 Employee Benefits and IAS 8 Accounting Policies, Change in Accounting Estimates and Errors. Comparatives have been restated.

The change in accounting policy had the following impact on these Consolidated Financial Statements:

CHF million		2007
Income statement		
Decrease in personnel expenses		8
Increase in income tax expense		–3
Increase in earnings for the year		**5**
Income and expense		
Increase in net income recognised directly in equity		20
Increase in income tax on net income recognised directly in equity		–7
Increase in earnings for the year		5
Increase in total recognised income and expense for the year		**18**
Balance sheet	Dec. 31, 2008	Dec. 31, 2007
Cumulative decrease/(increase) in provisions for pension plans and severance payments	1	3
Cumulative (decrease)/increase in deferred tax assets	2	–1
Cumulative increase/(decrease) in retained earnings	**3**	**2**
Earnings per share		2007
Increase basic earnings per share in CHF		0.04
Increase diluted earnings per share in CHF		0.04

The adjustment to retained earnings at January 1, 2007 was CHF –16 million.

5 Scope of consolidation

The Group's significant subsidiaries and joint ventures are listed on pages 144 to 149. The significant changes in the scope of consolidation in 2008 relate to the following companies (for further information on the financial impact of acquisitions refer to note 42):

	Capital share * acquired in per cent equals voting rights	Currency	Share capital in 1'000	Acquisition / incorporation date
Acquisitions				
Elite Airfreight Inc., USA [1]	100	USD	1	January 1, 2008
Coiltrans S.a.r.l, Luxembourg [2]	100	EUR	13	January 1, 2008
QTS Group, USA [3]	100	USD	2	November 28, 2008
Incorporation				
Kuehne + Nagel Ltd., Maldives	100	USD	1	February 1, 2008
Nacora East Europe GmbH, Austria	100	EUR	35	May 1, 2008
Kuehne + Nagel DWC L.L.C., UAE	100	AED	300	May 1, 2008
Nacora Insurance Services Ltd., New Zealand	100	NZD	10	November 1, 2008

* For capital share as per December 31, 2008, please refer to the list of the Group's significant subsidiaries and joint ventures on pages 144 to 149. There were no significant divestments in the year 2008.

1 Elite has been an expert in the specialised oil and gas equipment transportation market since having been founded 22 years ago. Core strength of Elite is the transportation of hazardous materials specifically for use within the drilling industry.

2 Coiltrans is a road logistic company in Luxembourg.

3 The Quality Transportation Services Group (QTS Group) serves the hospitality and gaming industries throughout North America. Its primary services are overland transportation, warehousing and furniture, fixtures and equipment installation.

Significant changes in the scope of consolidation for the year 2007 related to the following companies:

	Capital share * acquired in per cent equals voting rights	Currency	Share capital in 1'000	Acquisition / incorporation date
Acquisitions				
Orient Transport Company Ltd., Saudi Arabia 1	50	SAR	1,000	January 1, 2007
G.L. Kayser Group, Germany 2	100	EUR	1,784	December 13, 2007
Cordes & Simon Group, Germany 3	100	EUR	3,945	December 27, 2007
European Brokers S.p.A., Italy 4	40	EUR	73	December 31, 2007
Nakufreight Ltd., Cyprus 5	30	CYP	10	December 31, 2007
Pact Benelux B.V., Netherlands 6	40	EUR	18	December 31, 2007
Incorporation				
Kuehne + Nagel Ltd., Trinidad & Tobago	100	TTD	31	April 1, 2007
Kuehne + Nagel L.L.C, Qatar	100	QAR	200	April 1, 2007
Kuehne + Nagel Aduaneiras, Brazil	100	BRL	900	April 1, 2007
Kuehne + Nagel Real Estate Holding AG, Switzerland	100	CHF	100	June 1, 2007
Kuehne + Nagel Real Estate Inc., USA	100	USD	–	August 1, 2007
Kuehne + Nagel Logistics S.A., Uruguay	100	UYU	360	August 1, 2007
KN Subic Logistics Inc., Philippines	100	PHP	1,875	November 1, 2007
Kuehne + Nagel Drinkflow Asset Control Ltd., Great Britain	50	GBP	–	December 1, 2007

* For capital share as per December 31, 2007, please refer to the list of the Group's significant subsidiaries and joint ventures on pages 147 to 153 of the Annual Report 2007. There were no significant divestments in the year 2007.

1 The Group previously owned 50 per cent of the share capital and applied the equity accounting method. The main activities are seafreight and airfreight.

2 G.L. Kayser is a medium-sized family business headquartered in Mainz, Germany. The company ranks among the leading logistics providers in the Rhine-Main region with an annual turnover of CHF 200 million and around 700 employees. Its business focus is on international and national overland activities and on the provision of state-of-the-art logistics solutions. In contract logistics, G.L. Kayser offers customers a comprehensive portfolio of services and has 120,000 square metres of warehouse space under management at four locations in the region.

3 Cordes & Simon was founded in 1934 and has developed into one of the leading logistics providers in North-Rhine Westphalia, Germany. The company's business focus is on national and international groupage services. It employs 550 staff and reported a turnover of CHF 165 million in 2006. In addition to the headquarters in Hagen and a branch in Wilnsdorf, Cordes & Simon operates in the Berlin-Brandenburg region, as well as in Freiberg near Stuttgart and in Villingen-Schwenningen.

4 The Group previously owned 30 per cent of the share capital of European Brokers. European Brokers acts as an insurance broker.

5 The Group previously owned 70 per cent of the share capital of Nakufreight and applied the full consolidation method. The main activity of Nakufreight is seafreight.

6 The Group previously owned 60 per cent of the share capital of Pact Benelux and applied the full consolidation method. The main activity is road logistics.

6 Principles of consolidation

The subsidiaries are companies controlled, directly or indirectly, by Kuehne + Nagel International AG, where control is defined as the power to govern the financial and operating policies of a company so as to obtain benefits from its activities. This control is normally evidenced when Kuehne + Nagel International AG owns, either directly or indirectly, more than 50 per cent of the voting rights or potential voting rights of a company. Subsidiaries are included in the Consolidated Financial Statements by the full consolidation method as from the date on which control is transferred to the Group until the date control ceases. The minority interests in equity as well as earnings for the period is reported separately in the Consolidated Financial Statements.

Associates and joint ventures

Investments in associates and joint ventures are accounted for by the equity method. Associates are companies over which the Group exercises significant influence but which it does not control. Significant influence is normally evidenced when the Group owns 20 per cent or more of the voting rights or potential voting rights of the company. Joint ventures are entities that are subject to contractually established joint control. The Group's share of income and expenses of associates and joint ventures is included in the income statement from the date significant influence or joint control commences until the date significant influence or joint control ceases.

Transactions eliminated on consolidation

Intra-group balances, transactions, income and expenses are eliminated in preparing the Consolidated Financial Statements.

Foreign exchange translation

Year-end financial statements of consolidated companies are prepared in their respective functional currencies and translated into CHF (the Group's presentation currency) as of year-end. Assets and liabilities, including goodwill and fair value adjustments arising on consolidation, are translated at year-end exchange rates and all items included in the income statement are translated at average exchange rates for the year, which approximate actual rates. Exchange differences originating from such translation methods have no impact on the income statement since they are directly recognised in equity.

Transactions in foreign currencies within individual subsidiaries are translated into the functional currency at actual rates of the transaction day. Monetary assets and liabilities are translated at year-end rates. Non-monetary assets and liabilities that are stated at historical cost are translated at actual rates of the transaction day. Non-monetary assets and liabilities that are stated at fair value are translated at the rate at the date the values are determined. Exchange differences arising on the translation are included in the income statement.

The major foreign currency conversion rates applied are as follows:

Income statement and cash flow (average rates for the year)

	2008 CHF	Variance per cent	2007 CHF
EUR 1.–	1.5883	–3.3	1.6420
USD 1.–	1.0851	–9.5	1.1987
GBP 1.–	2.0024	–16.4	2.3965

Balance sheet (year-end rates)

	2008 CHF	Variance per cent	2007 CHF
EUR 1.–	1.5033	–9.8	1.6673
USD 1.–	1.0714	–7.2	1.1551
GBP 1.–	1.5660	–31.5	2.2878

7 Financial assets and liabilities

The accounting policy applied to financial instruments depends on how they are classified. Financial assets and liabilities are classified into the following categories:

– The category **financial assets or liabilities at fair value through profit or loss** only includes financial assets or liabilities held for trading. There are no financial assets or liabilities that, upon initial recognition, have been designated at fair value through profit or loss. As of December 31, 2008 and 2007 the Group did not have any financial assets or liabilities held for trading with the exception of a few derivative instruments (see below).

– **Loans and receivables** are carried at amortised cost, calculated using the effective interest rate method, less allowances for impairment (see below).

– **Financial assets/investments available for sale** include all financial assets/investments not assigned to one of the above mentioned categories. These include investments in affiliates that are not associates or joint ventures and investments in bonds and notes. Financial assets/investments available for sale are recognised at fair value, changes in value (after tax) are recognised directly in equity until the assets are sold, at which time the amount reported in equity is transferred to the income statement.

– **Financial liabilities** that are not at fair value through profit or loss are carried at amortised cost calculated using the effective interest rate method.

The fair value of investments held for trading and investments available for sale is their quoted bid price at the balance sheet day.

Derivatives and hedge accounting

Derivative financial instruments (foreign exchange contracts) are used to hedge the foreign exchange exposures on outstanding balances in the Group's internal clearing system, centralised at head office. Given that the Group's hedging activities are limited to hedges of recognised foreign currency monetary items, the Group does not apply hedge accounting. Derivatives held to hedge foreign currency exposures are carried at fair value, and all changes in fair value are recognised immediately in the income statement. All derivatives with a positive fair value are shown as other receivables, while all derivatives with a negative fair value are shown as other liabilities. No material open derivative contracts were outstanding as of December 31, 2008 and 2007.

Impairment of financial assets

If there is any indication that a financial asset (loan, receivable or financial asset/investment available for sale) may be impaired, its recoverable amount is calculated. The recoverable amount of the Group's loans and receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

Trade receivables are reported at their anticipated recoverable amounts. The allowance for bad debts is determined based on individual basis, or on a portfolio basis, where there is objective evidence that impairment losses have been incurred. The allowance account is used to record impairment losses unless the Group is satisfied that no recovery of the amount owning is possible; at that point the amount considered irrecoverable is written off against the financial assets directly.

Where an asset's recoverable amount is less than its carrying amount, the asset is written down to its recoverable amount. All resultant impairment losses (after, for available for sale equity securities, reversing previous revaluations recognised in equity) are recognised in the income statement.

An impairment loss in respect of a financial asset is reversed if there is a subsequent increase in recoverable amount that can be related objectively to an event occurring after the impairment loss was recognised. Reversals of impairment losses are recognised in the income statement, with the exception for reversals of impairment losses on available for sale equity securities for which any reversals are recognised in equity.

8 Segment reporting

The segment reporting reflects the structure of the Group. A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment) which is subject to risks and rewards that are different from those of other segments.

The **primary segmentation** covers the business units **Seafreight, Airfreight, Road & Rail Logistics, Contract Logistics, Real Estate** and **Insurance Brokers**. The **secondary segmentation** represents the main **geographical areas.**

Segment assets and liabilities cover all operating balance sheet positions which are directly, or on reasonable basis, attributable to a segment.

9 Property, plant and equipment

Property, plant and equipment are included in the Consolidated Financial Statements at cost less accumulated depreciation and accumulated impairment losses. The depreciation is calculated on a straight line basis considering the expected useful life of the individual assets. The estimated useful life for the major categories are:

	Years
Buildings	40
Vehicles	4–5
Leasehold improvements	3
Office machines	4
IT hardware	3
Office furniture	5

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other expenditure is recognised in the income statement as an expense as incurred.

10 Leases

Leases that transfer substantially all the risks and rewards of ownership of the leased asset to the Group are classified as finance leases. Other leases are classified as operating leases.

Assets leased under finance leases are included at the present value of the future minimum lease payments or their fair value if lower, less accumulated depreciation and accumulated impairment losses. Leased assets are depreciated over the shorter of the lease term and their useful life. The interest portion of the lease payments is expensed through the income statement based on the effective interest rate inherent in the lease.

Operating lease payments are treated as operating cost and charged to the income statement on a straight line basis over the lease period unless another basis is more appropriate to reflect the pattern of benefits to be derived from the leased asset.

Any gain or loss from sale and lease-back transaction resulting in operating leases is taken directly to the income statement if the transaction is established at fair value. If the transaction is established below fair value, any loss that is compensated by future lease payments at below market price is deferred and amortised over the length of the period the asset is expected to be used. Any other loss is recognised in the income statement immediately. If the transaction is established above fair value the gain arising on the transaction is deferred and amortised over the period the asset is expected to be used. If the fair value at the time of the sale and lease-back transaction is less than the carrying of the asset, a loss equal to the difference between the carrying amount and the fair value is recognised immediately.

11 Intangibles

Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill arising on an acquisition represents the excess of the cost of the acquisition over the fair value of the net identifiable assets acquired, and is allocated to cash generating units. Goodwill is stated at cost less accumulated impairment losses. Goodwill is tested annually for impairment. The impairment test may be performed at any time during an annual period, provided it is performed at the same time every year. The Group tests its goodwill for impairment at year-end. However, if there is an indication that goodwill would be impaired at any other point in time, an impairment test is performed.

Negative goodwill arising on an acquisition is recognised directly in the income statement.

Other intangibles

Other identifiable intangibles (i.e. software, customer lists, customer contracts etc.) purchased from third parties or acquired in a business combination are separately recognised as intangibles, and are stated at cost less accumulated amortisation and accumulated impairment losses. Intangibles acquired in a business combination are recognised separately from goodwill if they are subject to contractual or legal rights or are separately transferable and their fair value can be reliably estimated. Software is amortised over its estimated useful life, three years maximum. Other intangibles are amortised on a straight line basis over their estimated useful life (up to ten years maximum). There are no intangibles with indefinite useful life recognised in the Group's balance sheet.

12 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and in hand and short-term deposits with a term of three months or less from the date of acquisition. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash at banks and in hand and short-term deposits less bank overdrafts.

13 Impairment

The carrying amounts of the Group's investments in associates and joint ventures, its intangibles and property, plant and equipment, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Goodwill is tested for impairment every year. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Calculation of a recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and its value in use. 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment losses

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

14 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. If the effect is material, provisions are 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, where appropriate, the risks specific to the liability.

15 Pension plans, severance payments and share participation plans

Some consolidated companies maintain pension plans in favour of their personnel in addition to the legally imposed social insurance schemes. The pension plans partly exist as independent trusts and are operated either under a defined contribution or under a defined benefit plan.

Defined benefit plans

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. The calculation is performed by an independent, qualified actuary using the projected unit credit method.

All actuarial gains and losses arising from defined benefit plans are recognised immediately in equity.

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised in the income statement as an expense when incurred.

Severance payments

The Group provides severance benefits to employees as legally required in certain countries, which are accounted for as defined benefit plans if material.

Share-based compensation

The Group has a share purchase and option plan that allows Group employees to acquire shares of the company. The employees can buy shares with a small reduction of the actual share price. In addition, for each share purchased under this plan, the company grants two options to the participants. Each option entitles the participant to purchase one share of Kuehne + Nagel International AG at a specified price. For further details about the programmes, refer to note 35.

For the share purchase plan, the difference between the fair value of the shares at purchase date and the purchase price of the shares is recognised as a personal expense with a corresponding increase in equity. The fair value of the shares granted is measured at the market price of the company's shares, adjusted to take into account terms and conditions upon which the shares were granted.

The fair value of options granted is recognised as a personnel expense with a corresponding increase in equity. The fair value of the granted options is calculated using the lattice binominal model, taking into account the terms and conditions upon which the options were granted. The fair value of the options is measured at grant date and spread over the relevant vesting periods. The amount recognised as a personal expense is adjusted to reflect actual and expected levels of vesting.

16 Revenue recognition

The income statement presentation reflects the unique nature of the income generated by an entity operating in the logistics and forwarding business. Turnover from services rendered is recognised in the income statement when the related services are performed and invoiced. In case the order has not yet been completed and not invoiced, the incurred costs are deferred and included under work in progress.

The gross profit which represents the difference between the turnover and the services rendered by third parties provides a better indication of performance in the logistics industry than turnover.

17 Interest expenses and income

Interest expense and income is recognised as it accrues using the effective interest method.

18 Income taxes

Income tax on earnings for the year comprises current and deferred tax. Both current and deferred tax is recognised in the income statement, except to the extent that the tax relates to items recognised directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised based on the balance sheet liability method, on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. The following temporary differences are not accounted for: The initial recognition of goodwill, the initial recognition of assets or liabilities that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax recognised is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset in respect of temporary differences or tax losses is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

19 Non-current assets held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than from continuing use. The asset (or disposal group) must be available for immediate sale in its present condition and the sale must be highly probable. Immediately before classification as held for sale, the measurement of the assets (and all assets and liabilities in a disposal group) is updated in accordance with applicable IFRS. Then, on initial classification as held for sale, non-current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale are included in the income statement.

On December 31, 2007, the Group had classified properties of CHF 250 million, other intangibles of CHF 35 million and goodwill of CHF 46 million as non-current assets held for sale. During the year 2008, the sale of 19 warehouses was finalised and resulted in a net gain before tax of CHF 10 million. These sold warehouses have been leased back under operating lease contracts. The unsold three warehouses have been reclassified to property, plant and equipment as of December 2008 (for further information refer to notes 26 and 27).

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations, or is a company acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal, or when the operation meets the criteria to be classified as held for sale, if earlier.

As of the year-end 2008 and 2007 the Group did not have any discontinued operations.

NOTES TO THE INCOME STATEMENT

20 Personnel expenses

CHF million	2008	2007
Salaries and wages	2,830	2,765
Social expenses and employee benefits	597	529
Expenses for employee share purchase and option plans	14	15
Pension plan expenses		
– defined benefit plans	21	30 *
– defined contribution plans	40	41
Other	16	16
Total	**3,518**	**3,396**

* Since January 1, 2008, the Group recognises all actuarial gains and losses arising from defined benefit plans immediately in equity. This change in accounting policy was recognised retrospectively and comparatives have been restated. Refer to note 4.

21 Selling, general and administrative expenses

CHF million	2008	2007
Administrative expenses	226	227
Communication expenses	97	103
Travel and promotion expenses	105	101
Vehicle expenses	340	317
Operating expenses	220	191
Facility expenses	727	660
Bad debt and collection expenses	16	10
Total	**1,731**	**1,609**

22 Other operating income (net)

CHF million	2008	2007
Gain on disposal of property, plant and equipment	7	12
Gain on disposal of assets held for sale	10	–
Loss on disposal of property, plant and equipment	–1	–2
Total	**16**	**10**

23 Financial income and expenses

CHF million	2008	2007
Interest income on bank deposits	32	27
Exchange differences (net)	1	–
Financial income	**33**	**27**
Interest expenses	–13	–15
Exchange differences (net)	–	–3
Financial expenses	**–13**	**–18**
Net financial result	**20**	**9**

24 Income tax

CHF million	2008	2007
Current tax expense		
– in current year	225	208
– under/(over) provided in prior years	–2	–9
	223	**199**
Deferred tax expense from:		
– changes in temporary differences	–23	–20 *
– impact of deferred tax assets not recognised	–24	–10
	–47	**–30**
Income tax	**176**	**169**

* Since January 1, 2008, the Group recognises all actuarial gains and losses arising from defined benefit plans immediately in equity. This change in accounting policy was recognised retrospectively and comparatives have been restated. Refer to note 4.

Income tax of CHF –2 million (2007: CHF 7 million) relating to actuarial gains and losses arising from defined benefit plans is recognised in equity.

Reconciliation of the effective tax rate

CHF million	2008	per cent	2007	per cent
Earnings before tax according to the income statement	764		708*	
Income tax/expected tax rate	**191**	**25.0**	**195***	**27.5**
Tax effect on:				
– tax exempt income/expenses	14	1.8	1	0.1
– tax losses utilised	–9	–1.2	–14	–2.0
– impact of deferred tax assets not recognised	–24	–3.1	–10	–1.4
– changes in tax rate for previously recognised deferred tax assets	–	–	–2	–0.3
– under/(over) provided in prior years	–2	–0.3	–9	–1.3
– other	6	0.8	8*	1.1
Income tax/effective tax rate	**176**	**23.0**	**169**	**23.7**

* Since January 1, 2008, the Group recognises all actuarial gains and losses arising from defined benefit plans immediately in equity. This change in accounting policy was recognised retrospectively and comparatives have been restated. Refer to note 4.

Deferred tax assets and liabilities

	Assets		Liabilities		Net	
CHF million	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007
Property, plant and equipment	42	46	–48	–60	–6	–14
Goodwill and other intangibles	9	14	–45	–85	–36	–71
Trade receivables	17	18	–5	–2	12	16
Other receivables	5	7	–9	–10	–4	–3
Finance lease obligation	15	17	–	–1	15	16
Provisions for pension plans and severance payments	8	11**	–	–	8	11
Other liabilities	54	40	–4	–4	50	36
Tax value of loss carry-forwards recognised	7	7	–	–	7	7
Tax assets/(liabilities)	**157**	**160***	**–111**	**–162***	**46**	**–2**
* Of which acquired in business combinations (opening balance sheet)	4	5	–2	–13	2	–8

** Since January 1, 2008, the Group recognises all actuarial gains and losses arising from defined benefit plans immediately in equity. This change in accounting policy was recognised retrospectively and comparatives have been restated. Refer to note 4.

The recognised deferred tax assets relating to tax losses carried forward are expected to be used by the end of 2009 at the latest.

Unrecognised deferred tax assets

CHF million	Dec. 31, 2008	Dec. 31, 2007
On tax losses	37	50
Deductible temporary differences	68	79
Total	105	**129**

It is not probable that future taxable profits will be available against which the unrecognised deferred tax assets can be used. The unrecognised deferred tax assets relating to tax losses expire by the end of the following years:

Year	2008 CHF million	2007 CHF million
2012 and later	37	50
Total	**37**	**50**

25 Earnings per share

The following reflects the income and share data used in the basic and diluted earnings per share computations for the years ending December 31.

CHF million	2008	2007
Earnings for the year attributable to the equity holders of the parent company in CHF million	**585**	**536***
Weighted average number of ordinary shares outstanding during the year	117,897,171	117,982,126
Effect of dilutive shares:		
Share options	179,905	714,253
Adjusted weighted number of ordinary shares applicable to diluted earnings per share	118,077,075	118,696,378
Basic earnings per share in CHF	**4.96**	**4.54***
Diluted earnings per share in CHF	**4.95**	**4.52***

* Since January 1, 2008, the Group recognises all actuarial gains and losses arising from defined benefit plans immediately in equity. This change in accounting policy was recognised retrospectively and comparatives have been restated. Refer to note 4.

NOTES TO THE BALANCE SHEET

26 Property, plant and equipment

2008

CHF million	Properties, including buildings on third parties' land	Properties, buildings under finance leases	Other operating and office equipment	Total
Cost				
Balance as of January 1, 2008	724	111	747	1,582
Additions through business combinations	–	–	1	1
Other additions	85	8	152	245
Disposals	–37	–	–82	–119
Adjustments/transfers	–14	1	13	–
Transfer from assets held for sale *	22	–	–	22
Effect of movements in foreign exchange	–99	–12	–174	–285
Balance as of December 31, 2008	**681**	**108**	**657**	**1,446**
Accumulated depreciation and impairment losses				
Balance as of January 1, 2008	100	3	458	561
Depreciation charge for the year	18	3	148	169
Disposals	–11	–	–71	–82
Adjustments/transfers	–1	–	1	–
Transfer from assets held for sale *	5	–	–	5
Effect of movements in foreign exchange	–17	–1	–144	–162
Balance as of December 31, 2008	**94**	**5**	**392**	**491**
Carrying amount				
As of January 1, 2008	**624**	**108**	**289**	**1,021**
As of December 31, 2008	**587**	**103**	**265**	**955**

* As of December 2007, 22 warehouses in the Real Estate segment were classified as assets held for sale. During the year, the sale of 19 warehouses was finalized and resulted in a net gain before tax of CHF 10 million. The remaining three warehouses cannot be sold within short term and have therefore been reclassified to property, plant and equipment as of December 2008. The impact on earnings of this reclassification is not material.

Fire insurance value as of December 31, 2008: CHF 1,838 million. No property, plant and equipment were pledged and no restriction on title exists as of December 31, 2008.

2007

CHF million	Properties, including buildings on third parties' land	Properties, buildings under finance leases	Other operating and office equipment	Total
Cost				
Balance as of January 1, 2007	901	154	653	1,708
Additions through business combinations	–	–	6	6
Other additions	58	–	173	231
Disposals	–1	–	–98	–99
Adjustments/transfers	46	–49	3	–
Transfer to assets held for sale *	–316	–	–	–316
Effect of movements in foreign exchange	36	6	10	52
Balance as of December 31, 2007	**724**	**111**	**747**	**1,582**
Accumulated depreciation and impairment losses				
Balance as of January 1, 2007	128	4	387	519
Depreciation charge for the year	26	3	151	180
Disposals	–	–	–88	–88
Adjustments/transfers	5	–4	–1	–
Transfer to assets held for sale *	–66	–	–	–66
Effect of movements in foreign exchange	7	–	9	16
Balance as of December 31, 2007	**100**	**3**	**458**	**561**
Carrying amount				
As of January 1, 2007	**773**	**150**	**266**	**1,189**
As of December 31, 2007	**624**	**108**	**289**	**1,021**

* The Group has entered into an agreement to sell 22 warehouses. The transaction was planned to be completed in the first half year of 2008. As a consequence, the Group has reclassified the properties as held for sale according to the criteria as outlined in note 19 (for further information refer to note 27 and to the following pages). The warehouses are part of the Real Estate segment.

Fire insurance value as of December 31, 2007: CHF 2,434 million. No property, plant and equipment were pledged and no restriction on title exists as of December 31, 2007.

27 Goodwill and other intangibles

2008

CHF million	Goodwill	Other intangibles [1]
Cost		
Balance as of January 1, 2008	704	536
Addition through business combinations	–	26
Other additions	–	34
Retirements	–	–7
Effects of movements in foreign exchange	–112	–88
Balance as of December 31, 2008	**592**	**501**
Accumulated amortisation and impairment losses		
Balance as of January 1, 2008	65	248
Amortisation charge for the year	–	100
Impairment loss [2]	6	9
Retirements	–	–7
Effect of movements in foreign exchange	–19	–51
Balance as of December 31, 2008	**52**	**299**
Carrying amount		
As of January 1, 2008	**639**	**288**
As of December 31, 2008	**540**	**202**

1 Other intangibles mainly comprise customer contracts/lists and logistic networks based on contractual agreements as well as software.

2 An impairment charge of CHF 15 million was recorded relating to goodwill and other intangible assets recognised upon the acquisition of ACR Greece (acquired in January 2006). The anticipated level of profitability for contract logistics services at the date of acquisition has not been achieved. The future expected cash flows were also worse than originally anticipated. Based on the impairment test performed, the whole carrying amount of goodwill of CHF 6 million and the whole carrying amount of other intangible assets of CHF 9 were written off. The estimate of the recoverable amount was based on value in use (see also page 108).

2007

CHF million	Goodwill	Other intangibles [1]
Cost		
Balance as of January 1, 2007	649	487
Addition through business combinations [2]	113	77
Other additions	–	27
Retirements	–	–16
Transfer to assets held for sale [4]	–46	–46
Effects of movements in foreign exchange	–12	7
Balance as of December 31, 2007	**704**	**536**
Accumulated amortisation and impairment losses		
Balance as of January 1, 2007	45	157
Amortisation charge for the year	–	89
Impairment loss [3]	31	26
Retirements	–	–16
Transfer to assets held for sale [4]	–	–11
Effect of movements in foreign exchange	–11	3
Balance as of December 31, 2007	**65**	**248**
Carrying amount		
As of January 1, 2007	**604**	**330**
As of December 31, 2007	**639**	**288**

1 Other intangibles mainly comprise customer contracts/lists and logistic networks based on contractual agreements as well as software.

2 Goodwill arose upon acquisitions of 100 per cent of the shares of the G.L. Kayser Group, Germany, (CHF 51 million) and the Cordes & Simon Group, Germany, (CHF 50 million) and some other small acquisitions (CHF 12 million) because certain intangible assets did not meet the IFRS 3 criteria for recognition as intangible assets at the date of acquisition (see further note 42). These assets are mainly represented by management expertise, work force and geographic presence.

3 An impairment charge of CHF 57 million was recorded relating to goodwill and other intangible assets recognised upon the acquisition of the Mönkemöller Group, Germany, (acquired in June 2005) and the acquisition of 50 per cent of the shares of companies in Greece (acquired in January 2006). The anticipated level of profitability for both activities at the date of acquisition has not been achieved. The future expected cash flows were also worse than originally anticipated; this led the Group to assess the recoverable amount of the Mönkemöller and the Greece operations. Based on the impairment tests performed, the carrying amount of goodwill of CHF 31 million and the carrying amount of other intangible assets of CHF 24 million were written off. The estimate of the recoverable amount was based on value in use (see also page 108). Furthermore, the termination of a customer contract at an ex ACR company in Portugal led to an impairment of the carrying amount of other intangible assets of CHF 2 million.

4 In relation to the planned disposal of properties (see note 26) the respective carrying amount of goodwill and the intangibles has been transferred to assets held for sale.

Impairment testing of goodwill

The Group has performed impairment tests of goodwill at the end of the financial year 2008. For the purpose of impairment testing, goodwill is allocated to cash-generating units which are expected to benefit from the synergies of the corresponding business combination. The allocation of goodwill to the respective business units/geographical regions is illustrated in note 41.

For the goodwill allocated to the cash-generating units, the impairment tests are based on calculations of value in use. Cash flow projections are based on actual operating results and three-year business plans. Cash flows beyond the three-year period are extrapolated using estimated long-term growth rates. The growth rates do not exceed the long-term average growth rate for the logistic industry in which the cash-generating units operate. Future cash flows are discounted based on the Weighted Average Cost of Capital (WACC), taking into account risks that are specific to cash-generating units tested for impairment.

Key assumptions used for value-in-use calculations of goodwill:

Business acquired	ACR Group Europe [1]	Kuehne + Nagel Inc., USA (USCO)	Multiple units	Total
Year acquired	2006	2001	2004–2007	
Carrying amount of goodwill in CHF million	**342**	**95**	**103**	**540**
Cash-generating unit within segment	Contract Logistics	Contract Logistics	All Segments	
Basis for recoverable amount	Value in use	Value in use	Value in use	
Discount rate in per cent [2]	10.6–12.1	13.3	10.2–10.3	
Projection period	3 years	3 years	3 years	
Terminal growth rate in per cent	1.5	1.5	1.5	

1 ACR Group Europe Goodwill relates to Great Britain (CHF 105 million), France (CHF 85 million), Netherlands (CHF 70 million) and other various countries (CHF 82 million).

2 The discount rates applied are pre-tax rates.

Key assumptions have not changed from the previous year. With the exception of ACR Greece all recoverable amounts significantly exceed its carrying amounts and consequently, there was no need for the recognition of further impairment of goodwill in the financial year 2008.

A sensitivity analysis for the two major acquisitions – USCO Group and ACR Group – has been prepared with the following outcome:

Sensitivity analysis of goodwill USCO Group

Amount of excess (+)/necessary impairment (–) in CHF million depending on:

CHF million	Discount rate 12.0 per cent	13.0 per cent	14.0 per cent	15.0 per cent
Growth rate				
0.0 per cent	2	–8	–17	–25
0.5 per cent	6	–5	–14	–23
1.0 per cent	11	–1	–11	–20
1.5 per cent	17	3	–7	–17

Sensitivity analysis of goodwill ACR Group

Amount of excess (+)/necessary impairment (–) in CHF million depending on:

CHF million	Discount rate 12.0 per cent	13.0 per cent	14.0 per cent	15.0 per cent
Growth rate				
0.0 per cent	1,031	912	810	720
0.5 per cent	1,081	953	845	749
1.0 per cent	1,136	998	882	781
1.5 per cent	1,195	1,046	922	814

28 Investments in joint ventures

As of December 31, 2008, the following investments in joint ventures are held (all with 50 per cent voting rights):

- KN-ITS S.A.L., Lebanon
- Cologic S.A., Luxembourg
- Kuehne + Nagel Drinkflow Logistics, Ltd., Great Britain
- Kuehne + Nagel Drinkflow Logistics (Holdings) Ltd., Great Britain
- Kuehne + Nagel Drinkflow Asset Control Ltd., Great Britain
- Sindos Railcontainer Services S.A., Greece

The table below provides summary financial information on joint ventures (100 per cent):

CHF million	Dec. 31, 2008	Dec. 31, 2007
Non-current assets	242	127
Current assets	103	99
Non-current liabilities	187	134
Current liabilities	138	69
Net invoiced turnover	664	682
Earnings for the year	4	2

No investments in associates were held at December 31, 2008 and December 31, 2007.

29 Work in progress

This position decreased from CHF 322 million in 2007 to CHF 269 million in 2008, which represents a billing delay of 4.7 working days against the previous year's 5.4 days.

30 Trade receivables

CHF million	2008	2007
Trade receivables	2,214	2,606
Impairment allowance	–71	–69
Total trade receivables	**2,143**	**2,537**

The majority of all billing is done in the respective Group companies' own functional currencies and is mainly in EUR 47.3 per cent (2007: 47.8 per cent), USD 10.9 per cent (2007: 10.8 per cent) and GBP 10.0 per cent (2007: 11.3 per cent).

Trade receivables of CHF 33 million (2007: CHF 44 million) are pledged as security for own bank liabilities in South Africa.

The Group has a credit insurance programme in place, covering trade receivables, focusing mainly on small and medium exposures. The credit insurance policy covers up to 80 per cent of the approved customer credit limit, excluding any items more than 120 days past due. As a company policy, the Group excludes companies meeting certain criteria (so called blue chip companies) from its insurance programme.

The Group establishes an impairment allowance that represents its estimate of incurred losses in respect of trade receivables. The two components of this impairment allowance of CHF 71 million (2007: CHF 69 million) are:
– specific loss component that relates to individually significant exposure and
– a collective loss component based on historical experience.

Trade receivables with credit insurance cover are not included in the impairment allowance. The individual impairment allowance relates to specifically identified customers representing extremely high risk of being declared bankrupt, Chapter 11 companies in the USA and customers operating with significant financial difficulties (such as negative equity). The impairment allowance for individually significant exposures is CHF 44 million (2007: CHF 39 million) at year-end 2008.

The collective impairment allowance based on overdue trade receivables is estimated considering past experience of payment statistics. The Group has established a collective impairment allowance of CHF 27 million (2007: CHF 30 million), which represents 2.9 per cent (2007: 2.1 per cent) of total outstanding trade receivables, excluding trade receivables with insurance cover (see above) and trade receivables included in the individual impairment allowance.

The majority of the amount not past due relates to customers that have good track record with the Group and are subject to yearly credit risk assessments. Therefore, the Group does not believe that an additional impairment allowance for these trade receivables is necessary.

	2008			2007		
	Gross (excluding insured receivables and individual allowance)	Collective allowance	Collective allowance per cent of subtotal	Gross (excluding insured receivables and individual allowance)	Collective allowance	Collective allowance per cent of subtotal
Not past due	676	–	–	1,047	–	–
Past due 1–30 days	163	–	–	252	–	–
Past due 31–90 days	42	2	5	47	2	5
Past due 91–180 days	28	3	10	43	5	10
Past due 181–360 days	17	17	100	17	17	100
More than 1 year	5	5	100	6	6	100
Total	**931**	**27**	**2.9**	**1,412**	**30**	**2.1**

The movement in the impairment allowance during the year was as follows:

	2008			2007		
CHF million	Individual allowance	Collective allowance	Total allowance	Individual allowance	Collective allowance	Total allowance
Balance as of January 1	39	30	69	33	33	66
Additions through business combinations	–	–	–	–	4	4
Additional impairment losses recognised	12	9	21	12	3	15
Reversal of impairment losses	–7	–12	–19	–6	–10	–16
Balance as of December 31	**44**	**27**	**71**	**39**	**30**	**69**

Trade receivables outstanding as of the year-end averaged 37.6 days (2007: 41.9 days). 94.1 per cent (2007: 94.4 per cent) of the total trade receivables were outstanding between 1 and 90 days.

31 Other receivables

CHF million	Dec. 31, 2008	Dec. 31, 2007
Receivables from tax authorities	71	72
Deposits	33	36
Other	48	57
Total	**152**	**165**

The majority of the other receivables are held in the respective Group companies' own functional currencies, which would be EUR 54.0 per cent (2007: 60.4 per cent) USD 7.1 per cent (2007: 6.6 per cent) and GBP 0.4 per cent (2007: 0.1 per cent).

32 Cash and cash equivalents

CHF million	Dec. 31, 2008	Dec. 31, 2007
Cash and cash equivalents	1,039	865
Bank overdraft	–21	–53
Cash and cash equivalents in the cash flow statement (net)	**1,018**	**812**

The majority of the above mentioned amounts is held in commercial banks. The majority of cash and cash equivalents is managed centrally in order to limit currency risk. A netting system and a Group cash pool are in place which also further reduce the currency exposure. Most of the bank balances held by Group companies are in their respective functional currencies, which are mainly in CHF, EUR, USD and GBP.

33 Equity

Reconciliation of the movement in capital and reserves

CHF million	Share capital	Share premium	Treasury shares	Actuarial gains & losses*	Cumulative translation adjustment	Retained earnings*	Total equity attributable to the equity holders of parent company	Minority interest	Total equity
Balance as of January 1, 2007	120	668	-77	–	-17	1,275	1,969	6	1,975
Change in accounting policy	–	–	–	–	–	-16	-16	–	-16
Restated balance as of January 1, 2007	**120**	**668**	**-77**	**–**	**-17**	**1,259**	**1,953**	**6**	**1,959**
Net income recognised directly in equity	**–**	**–**	**–**	**13**	**25**	**2**	**40**	**–**	**40**
Earnings for the year	–	–	–	–	–	536	536	3	539
Total recognised income and expense for the year	**–**	**–**	**–**	**13**	**25**	**538**	**576**	**3**	**579**
Purchase of treasury shares	–	–	-54	–	–	–	-54	–	-54
Disposal of treasury shares	–	18	27	–	–	–	45	–	45
Dividend paid	–	–	–	–	–	-177	-177	-1	-178
Expense of employee share purchase and option plan	–	–	–	–	–	15	15	–	15
Changes in minority interests	–	–	–	–	–	–	–	1	1
Balance as of December 31, 2007	**120**	**686**	**-104**	**13**	**8**	**1,635**	**2,358**	**9**	**2,367**
Balance as of January 1, 2008	120	686	-104	–	8	1,646	2,356	9	2,365
Change in accounting policy	–	–	–	13	–	-11	2	–	2
Restated balance as of January 1, 2008	**120**	**686**	**-104**	**13**	**8**	**1,635**	**2,358**	**9**	**2,367**
Net income recognised directly in equity	**–**	**–**	**–**	**-2**	**-361**	**–**	**-363**		**-363**
Earnings for the year	–	–	–	–	–	585	585	3	588
Total recognised income and expense for the year	**–**	**–**	**–**	**-2**	**-361**	**585**	**222**	**3**	**225**
Purchase of treasury shares	–	–	-23	–	–	–	-23	–	-23
Disposal of treasury shares	–	-3	15	–	–	–	12	–	12
Dividend paid	–	–	–	–	–	-519	-519	-2	-521
Expense of employee share purchase and option plan	–	–	–	–	–	14	14	–	14
Changes in minority interests	–	–	–	–	–	–	–	-1	-1
Balance as of December 31, 2008	**120**	**683**	**-112**	**11**	**-353**	**1,715**	**2,064**	**9**	**2,073**

* Since January 1, 2008, the Group recognises all actuarial gains and losses arising from defined benefit plans immediately in equity. This change in accounting policy was recognised retrospectively and comparatives have been restated. Refer to note 4.

Share capital and treasury shares

2008	Balance Dec. 31, 2008				Jan. 1, 2008
Main shareholders	Registered shares of nominal CHF 1 per share	CHF million	Capital share per cent	Voting share per cent	Registered shares of nominal CHF 1 per share
Kuehne Holding AG, Schindellegi	66,900,000	67	55.8	56.7	66,900,000
Public shareholders	51,167,761	51	42.6	43.3	51,105,736
Entitled to voting rights and dividend	**118,067,761**	**118**	**98.4**	**100.0**	**118,005,736**
Treasury shares	1,932,239	2	1.6		1,994,264
Total	**120,000,000**	**120**	**100.0**		**120,000,000**

In 2008 the Group sold 306,091 (2007: 775,315) treasury shares for CHF 12 million (2007: CHF 45 million) under the Employee Share Option and Purchase Plan. 244,066 treasury shares have been purchased for CHF 23 million (2007: 482,471 treasury shares for CHF 54 million).

On December 31, 2008 the Company had 1,932,239 treasury shares (2007: 1,994,264), of which 1,523,106 (2007: 1,855,054) are blocked under the Employee Share Purchase and Option Plan; refer to note 35 for more information.

2007	Balance Dec. 31, 2007				Jan. 1, 2007
Main shareholders	Registered shares of nominal CHF 1 per share	CHF million	Capital share per cent	Voting share per cent	Registered shares of nominal CHF 1 per share
Kuehne Holding AG, Schindellegi	66,900,000	67	55.8	56.7	66,900,000
Public shareholders	51,105,736	51	42.6	43.3	50,812,892
Entitled to voting rights and dividend	**118,005,736**	**118**	**98.4**	**100.0**	**117,712,892**
Treasury shares	1,994,264	2	1.6		2,287,108
Total	**120,000,000**	**120**	**100.0**		**120,000,000**

Approved and conditional share capital

At the Annual General Meeting held on April 30, 2008 it has been decided to create an approved share capital increase up to a maximum of CHF 20 million restricted for two years. This option expires on April 30, 2010.

Dividends

The proposed dividend payment subject to approval by the Annual General Meeting is as follows:

Year	per share	CHF million	
2009	CHF 2.30	271	(2008: CHF 1.90 per share amounting to CHF 224 million)

Extraordinary dividend

On successful completion of sale and lease-back agreements for 19 warehouse locations, the Board of Directors have proposed to pay an extraordinary dividend. At the Extraordinary General Meeting held on December 9, 2008 the proposal has been approved for an extraordinary dividend of CHF 2.50 per share (amounting to CHF 295 million). The extraordinary dividend was paid out in December 2008.

Capital management

The Group defines the capital that it manages as the Group's total equity, including minority interests. The Group's main objectives when managing capital are:

– to safeguard the Group's ability to continue as a going concern, so that it can continue to provide services to its clients and generate returns to its investors,
– to provide an adequate return to investors based on the level of risk undertaken,
– to have the necessary financial resources available to allow the Group to invest in areas that may deliver future benefits for clients and investors.

Capital is monitored on the basis of the equity ratio and its development is shown in the table below:

CHF million	2008	2007	2006	2005	2004
Total equity	2,073	2,367	1,964	1,577	799
Total assets	5,555	6,438	5,720	4,232	2,845
Equity ratio in per cent	**37.3**	**36.8**	**34.3**	**37.3**	**28.1**

The Group is not subject to regulatory capital adequacy requirements as known in the financial services industry.

34 Provisions for pension plans and severance payments

The Group maintains defined benefit pension plans predominantly in Germany, Benelux, the USA and Switzerland as well as defined contribution plans in some other countries. Retirement benefits vary from plan to plan reflecting applicable local practices and legal requirements. Retirement benefits are based on years of credited service and the compensation as defined.

CHF million	Pension plans*	Severance payments	Total
Balance as of January 1, 2007	**223**	**41**	**264**
Change in accounting policy	25	–	25
Restated balance as of January 1, 2007	**248**	**41**	**289**
Addition through business combinations	4	1	5
Provisions made	30	16	46
Provisions used	–18	–8	–26
Actuarial (gains)/losses recognised in equity, excluding tax	–20	–	–20
Effect of movements in foreign exchange	8	1	9
Balance as of December 31, 2007	**252**	**51**	**303**
Provisions made	21	6	27
Provisions used	–23	–7	–30
Actuarial (gains)/losses recognised in equity, excluding tax	2	–	2
Reclassification	20	–20	–
Effect of movements in foreign exchange	–28	–6	–34
Balance as of December 31, 2008	**244**	**24**	**268**

	2008			2007*		
CHF million	Funded plans	Unfunded plans	Total	Funded plans	Unfunded plans	Total
Present value of obligations	104	227	331	110	236	346
Fair value of plan assets	–87	–	–87	–94	–	–94
Present value of net obligations	17	227	244	**16**	**236**	**252**
Recognised liability for defined benefit obligations	**17**	**227**	**244**	**16**	**236**	**252**

* Since January 1, 2008, the Group recognises all actuarial gains and losses arising from defined benefit plans immediately in equity. This change in accounting policy was recognised retrospectively and comparatives have been restated. Refer to note 4.

CHF million	2008 Funded plans	2008 Unfunded plans	2008 Total	2007* Funded plans	2007* Unfunded plans	2007* Total
Pension plan assets						
Debt securities	39	–	39	42	–	42
Equity securities	23	–	23	27	–	27
Property	6	–	6	3	–	3
Others	19	–	19	22	–	22
Total	**87**	**–**	**87**	**94**	**–**	**94**
Movements of fair value of plan assets						
Opening fair value of plan assets	94	–	94	88	–	88
Contributions paid in to the plan	11	–	11	9	–	9
Actuarial gains/(losses) recognised in equity	–14	–	–14	–4	–	–4
Benefits paid by the plan	–5	–	–5	–1	–	–1
Expected return on plan assets	5	–	5	4	–	4
Exchange differences	–4	–	–4	–2	–	–2
Closing fair value of plan assets	**87**	**–**	**87**	**94**	**–**	**94**
Expected payments to defined benefit plan in next year	10	–	10	10	–	10
Return on plan assets	–9	–	–9	–1	–	–1

* Since January 1, 2008, the Group recognises all actuarial gains and losses arising from defined benefit plans immediately in equity. This change in accounting policy was recognised retrospectively and comparatives have been restated. Refer to note 4.

The expected long-term rate of return on assets is based on the whole portfolio of assets rather than on the individual asset categories.

	2008			2007*		
CHF million	Funded plans	Unfunded plans	Total	Funded plans	Unfunded plans	Total
Movements of present value of defined benefit obligations						
Opening liability for defined benefit obligations	110	236	346	108	220	328
Liabilities assumed through business combinations	–	–	–	–	4	4
Current service costs including employee contribution	8	4	12	7	4	11
Interest costs	5	12	17	5	10	15
Benefits paid by the plan	–5	–12	–17	–1	–9	–10
Actuarial (gains)/losses recognised in equity	–6	–6	–12	–15	–9	–24
Amendments of plan	–3	18	15	8	8	16
Exchange differences	–5	–25	–30	–2	8	6
Closing liability for defined benefit obligations	**104**	**227**	**331**	**110**	**236**	**346**
Expense recognised in the income statement						
Current service costs	4	4	8	7	4	11
Interest costs	5	12	17	5	10	15
Expected return on plan assets	–5	–	–5	–4	–	–4
Past service cost	1	–	1	–	8	8
Expense recognised in Personnel expenses (refer note 20)	**5**	**16**	**21**	**8**	**22**	**30**
Actuarial gains/(losses) recognised in equity, excluding tax						
Cumulative amount as of January 1	11	9	20	–	–	–
Recognised during the year	–8	6	–2	11	9	20
Exchange differences	–1	–1	–2	–	–	–
Cumulative amount as of December 31	**2**	**14**	**16**	**11**	**9**	**20**

* Since January 1, 2008, the Group recognises all actuarial gains and losses arising from defined benefit plans immediately in equity. This change in accounting policy was recognised retrospectively and comparatives have been restated. Refer to note 4.

Principal actuarial assumptions at the balance sheet date:

Per cent	2008 Funded plans	2008 Unfunded plans	2008 Total	2007 Funded plans	2007 Unfunded plans	2007 Total
Discount rate	2.1–6.6	5.3–5.6	2.1–6.6	2.5–6.0	3.0–5.0	2.5–6.0
Expected rate of return on plan assets	2.0–4.5	–	2.0–4.5	2.0–5.0	–	2.0–5.2
Future salary increases	1.5–2.5	1.5–3.0	1.5–3.0	1.0–4.0	1.0–4.1	1.0–4.2
Future pension increases	1.0–1.5	1.0–2.0	1.5–2.0	1.0–3.0	1.0–3.1	1.0–3.2
Fluctuation rate	1.5–2.0	1.5–2.5	1.5–2.5	1.5–2.0	1.5–2.1	1.5–2.2

CHF million	2008 Funded plans	2008 Unfunded plans	2008 Total	2007* Funded plans	2007* Unfunded plans	2007* Total	2006* Funded plans	2006* Unfunded plans	2006* Total
Historical information									
Present value of the defined benefit plan obligations	104	227	331	110	236	346	108	220	328
Fair value of plan assets	87	–	87	94	–	94	88	–	88
Surplus/(deficit) in the plan	–17	–227	–244	–16	–236	–252	–20	–220	–240
Experience adjustment arising on plan obligations	1	2	3	4	–2	2	6	–1	5
Experience adjustment arising on plan assets	–12	–	–12	3	–	3	–1	–	–1

* Since January 1, 2008, the Group recognises all actuarial gains and losses arising from defined benefit plans immediately in equity. This change in accounting policy was recognised retrospectively and comparatives have been restated. Refer to note 4.

35 Employee Share Purchase and Option Plan

In 2001 Kuehne + Nagel International AG implemented an Employee Share Purchase and Option Plan. This plan allows Group employees to acquire shares of the company. The employees can buy shares with a small reduction of the actual share price. The price of the shares is 90.0 to 96.5 per cent of the share price corresponding to the average closing price of one share at the SIX Swiss Exchange during the months April to June. There are no vesting conditions. The shares are restricted for a period of three years before being released to the employees.

In addition, for each share purchased under this plan, the company grants two options to the participants. Each option entitles the participant to purchase one share of Kuehne + Nagel International AG at a specified price. The exercise price is 100 per cent of the share price corresponding to the average closing price of one share at the SIX Swiss Exchange during the months April to June. The options vest three years after the grant date and can be exercised during the three-year period starting on the vesting date. The options cannot be settled in cash.

Shares granted

The fair value of the shares granted is measured at the market price of the company's shares, adjusted to take into consideration the conditions upon which the shares will be granted, such as blocking periods. 12,878 number of shares were granted in 2008 (2007: 302,995).

CHF per share	2008	2007
Fair value of shares granted at measurement date	97.05	112.80

The difference between the fair value of the shares at purchase date and the purchase price of the shares is recognised as a personnel expense (2008: CHF 0 million, 2007 CHF 2 million) with a corresponding increase in equity.

Options

The terms and conditions of the granted options are as follows:

Grant date	Exercise period	Number issued	Exercise price CHF	Number outstanding as of Dec. 31, 2008	Number outstanding as of Dec. 31, 2007
June 30, 2001	July 1, 2004–June 30, 2007	439,000	18.52	–	–
June 30, 2002	July 1, 2005–June 30, 2008	388,250	22.20	–	59,000
June 30, 2003	July 1, 2006–June 30, 2009	462,900	18.90	32,000	69,000
June 30, 2004	July 1, 2007–June 30, 2010	413,260	35.00	61,390	143,890
June 30, 2005	July 1, 2008–June 30, 2011	451,230	51.80	311,420	443,980
June 30, 2006	July 1, 2009–June 30, 2012	538,154	87.14	503,254	533,194
June 30, 2007	July 1, 2010–June 30, 2013	605,990	110.71	590,980	605,990
June 30, 2008	July 1, 2011–June 30, 2014	25,756	107.27	24,062	–
Total		**3,324,540**		**1,523,106**	**1,855,054**

The vesting condition is employment during the three-year vesting period. The number and weighted average exercise prices of share options are as follows:

	2008		2007	
	Weighted average exercise price (CHF)	Number of Options	Weighted average exercise price (CHF)	Number of Options
Options outstanding as of January 1	**77.73**	**1,855,054**	**52.49**	**1,726,604**
Options granted during the year	107.27	25,756	110.71	605,990
Options cancelled during the year	83.73	–63,644	66.19	–5,220
Options exercised during the year	37.01	–294,060	27.68	–472,320
Options outstanding as of December 31	**85.83**	**1,523,106**	**77.73**	**1,855,054**
Options exercisable as of December 31		404,810		271,890

The weighted average contractual life of the options outstanding at December 31, 2008 is 3.6 years (2007: 4.2 years). The options outstanding at December 31, 2008 have an exercise price in the range of CHF 18.9 to CHF 110.71 (2007: CHF 22.20 to CHF 110.71).

CHF	2008	2007
Fair value of options granted at measurement date	25.89	35.92
Share price	97.05	112.80
Exercise price	107.27	110.71
Expected volatility in per cent	30.27	32.28
Option life	6 years	6 years
Dividend yield in per cent	1.27	1.37
Risk-free interest rate (based on Swiss government bonds) in per cent	3.10	3.07

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information. The share options are granted under a service condition. Service conditions are not taken into account in the grant date fair value measurement of the services received.

CHF million	2008	2007
Employee expenses		
Expense arising from employee share purchase	–	2
Expense arising from employee option plan	14	13
Total expense for employee share purchase and option plan	**14**	**15**

36 Bank liabilities and other interest bearing liabilities

CHF million	Dec. 31, 2008	Dec. 31, 2007
Less than 1 year	65	85
Between 1–5 years	12	71
After 5 years	–	9
Total	**77**	**165**

The current bank and other interest bearing liabilities include the short-term portion of non-current loans of CHF 33 million (2007: CHF 2 million) and finance lease liabilities due for payment within one year of CHF 11 million (2007: CHF 10 million). Current bank and other interest bearing liabilities less than one year in the amount of CHF 65 million also include bank overdrafts of CHF 21 million (2007: CHF 54 million), which is included in cash and cash equivalents for the purpose of the consolidated cash flow statement.

The majority of the loans and bank overdrafts is in the respective Group companies' own functional currencies, which is in USD 18.6 per cent (2007: 28.5 per cent) and EUR 69.3 per cent (2007: 57.7 per cent) and is on the terms of prevailing market conditions. The majority of bank overdraft facilities is repayable on notice or within one year of contractual term. The applicable interest rates are at prime interest rates of the respective country. Long-term bank liabilities are repayable within the next five years with applicable fixed interest rates ranging from 3.6 to 5.2 per cent.

The non-current portion of finance lease liabilities amounts to CHF 32 million (2007: CHF 42 million) and is presented separately on the face of the balance sheet.

37 Finance lease obligations

		2008			2007	
CHF million	Payments	Interest	Principal	Payments	Interest	Principal
Between 2–5 years	35	3	32	46	4	42

38 Trade payables/accrued trade expenses/deferred income

CHF million	Dec. 31, 2008	Dec. 31, 2008
Trade payables	1,129	1,329
Accrued trade expenses	764	981
Deferred income	109	143
Total	**2,002**	**2,453**

The majority of all trade payables is in the respective Group companies' own functional currencies, which is in USD 9.0 per cent (2007: 6.6 per cent), GBP 9.9 per cent (2007: 11.4 per cent) and EUR 55.3 per cent (2007: 57.0 per cent).

39 Provisions

The movements for provision were as follows:

CHF million	Claim provision [1]	Provision for deductible of transport liability insurance [2]	Other [3]	Total provision
Balance as of January 1, 2007	30	23	43	96
Additions through business combination	2	–	–	2
Provisions used	–11	–12	–9	–32
Provisions reversed	–8	–	–16	–24
Provisions made	22	18	16	56
Effect of movements in foreign exchange	–	–	1	1
Balance as of December 31, 2007	**35**	**29**	**35**	**99**
Balance as of January 1, 2008	35	29	35	99
Additions through business combination	–	–	–	–
Provisions used	–11	–12	–9	–32
Provisions reversed	–8	–3	–5	–16
Provisions made	28	16	28	72
Effect of movements in foreign exchange	–6	–	–6	–12
Balance as of December 31, 2008	**38**	**30**	**43**	**111**

1 Some companies are involved in legal cases based on forwarding and logistic operations. Some legal cases have been settled in the reporting period, and corresponding payments have been made.

2 An additional provision for deductible transport liability has been recognised for the current year’s exposure.

3 Other provisions consist mainly of provisions for dilapidation costs amounting to CHF 16 million (2007: CHF 14 million) and of provisions for onerous contracts amounting to CHF 10 million (2007: CHF 10 million).

40 Other liabilities

CHF million	Dec. 31, 2008	Dec. 31, 2008
Personnel expenses (including social security)	393	373
Other tax liabilities	88	73
Other operating expenses	186	213
Other	62	63
Total	**729**	**722**

NOTES TO THE SEGMENT REPORTING

41 Segment reporting

Primary reporting

	Total		Seafreight		Airfreight	
CHF million	2008	2007 *	2008	2007 *	2008	2007 *
Invoiced turnover (external customers)	**21,599**	**20,975**	**10,032**	**9,641**	**3,859**	**3,719**
Invoiced inter-segment turnover	–	–	1,939	1,708	2,273	2,086
Customs duties and taxes	–3,607	–3,855	–2,694	–2,730	–620	–641
Net invoiced turnover	**17,992**	**17,120**	**9,277**	**8,619**	**5,512**	**5,164**
Net expenses for services from third parties	–11,739	–11,106	–7,900	–7,349	–4,786	–4,466
Gross profit	**6,253**	**6,014**	**1,377**	**1,270**	**726**	**698**
Total expenses	–5,233	–4,995	–919	–843	–505	–479
EBITDA	**1,020**	**1,019**	**458**	**427**	**221**	**219**
Depreciation of property, plant and equipment	–169	–180	–20	–23	–11	–14
Amortisation of other intangibles	–100	–89	–24	–16	–12	–8
Impairment of other intangibles	–9	–26	–	–	–	–
Impairment of goodwill	–6	–31	–	–	–	–
EBIT	**736**	**693**	**414**	**388**	**198**	**197**
Financial income	33	27				
Financial expenses	–13	–18				
Result from joint ventures and associates	8	6	3	2	–	1
Earnings before tax (EBT)	**764**	**708**				
Income tax	–176	–169				
Earnings for the year	**588**	**539**				
Attributable to:						
Equity holders of the parent company	**585**	**536**				
Minority interests	3	3				
Earnings for the year	**588**	**539**				
Additional information						
Segment assets	5,555	6,438	1,193	1,335	451	622
Segment liabilities	3,482	4,071	1,112	1,219	496	522
Allocation of goodwill	540	639	5	5	2	2
Allocation of other intangibles	202	288	7	10	1	6
Capital expenditure property, plant and equipment	245	231	11	24	5	14
Capital expenditure other intangibles	34	27	13	10	7	6
Property, plant and equipment, goodwill and intangibles through business combinations	27	196	8	17	–	4
Non-cash expenses	99	102	16	17	10	10

* Since January 1, 2008, the Group recognises all actuarial gains and losses arising from defined benefit plans immediately in equity. This change in accounting policy was recognised retrospectively and comparatives have been restated. Refer to note 4.

Road & Rail Logistics		Contract Logistics		Real Estate		Insurance Brokers		Eliminations		Unallocated	
2008	2007 *	2008	2007 *	2008	2007 *	2008	2007 *	2008	2007 *	2008	2007 *
2,853	**2,821**	**4,732**	**4,666**	**5**	**5**	**118**	**123**	**–**	**–**		**–**
740	678	163	243	90	100	64	60	–5,269	–4,875		–
–160	–298	–133	–186	–	–	–	–	–	–		–
3,433	**3,201**	**4,762**	**4,723**	**95**	**105**	**182**	**183**	**–5,269**	**–4,875**		**–**
–2,843	–2,686	–1,248	–1,233	–	–	–141	–147	5,179	4,775		–
590	**515**	**3,514**	**3,490**	**95**	**105**	**41**	**36**	**–90**	**–100**		**–**
–567	–481	–3,298	–3,244	–13	–28	–21	–20	90	100		–
23	**34**	**216**	**246**	**82**	**77**	**20**	**16**	**–**	**–**		**–**
–14	–14	–103	–99	–21	–30	–	–	–	–		–
–19	–19	–44	–40	–1	–5	–	–1	–	–		–
–	–24	–9	–2	–	–	–	–	–	–		–
–	–31	–6	–	–	–	–	–	–	–		–
–10	**–54**	**54**	**105**	**60**	**42**	**20**	**15**	**–**	**–**		**–**
1	1	4	2	–	–	–	–	–	–		–
476	653	1,521	1,711	696	1,067	12	14	–	–	1,206	1,036
451	591	973	1,177	23	15	55	53	–	–	372	494
73	80	460	552	–	–	–	–	–	–	–	–
34	52	160	220	–	–	–	–	–	–	–	–
9	20	107	115	113	58	–	–	–	–	–	–
5	3	9	8	–	–	–	–	–	–	–	–
4	106	15	67	–	–	–	2	–	–	–	–
13	14	40	41	4	3	16	17	–	–	–	–

Secondary reporting

CHF million	Total 2008	Total 2007 *	Europe 2008	Europe 2007 *	Americas 2008	Americas 2007 *
Invoiced turnover (external customers)	**21,599**	**20,975**	**14,216**	**14,128**	**4,235**	**3,958**
Invoiced inter-region turnover	–	–	3,072	2,858	747	688
Customs duties and taxes	–3,607	–3,855	–2,179	–2,498	–709	–721
Net invoiced turnover	**17,992**	**17,120**	**15,109**	**14,488**	**4,273**	**3,925**
Net expenses for services from third parties	–11,739	–11,106	–10,401	–9,956	–3,366	–3,040
Gross profit	**6,253**	**6,014**	**4,708**	**4,532**	**907**	**885**
Total expenses	–5,233	–4,995	–4,082	–3,894	–733	–713
EBITDA	**1,020**	**1,019**	**626**	**638**	**174**	**172**
Depreciation of property, plant and equipment	–169	–180	–131	–143	–22	–21
Amortisation of other intangibles	–100	–89	–85	–84	–11	–3
Impairment of other intangibles	–9	–26	–9	–26	–	–
Impairment of goodwill	–6	–31	–6	–31	–	–
EBIT	**736**	**693**	**395**	**354**	**141**	**148**
Financial income	33	27				
Financial expenses	–13	–18				
Result from joint ventures and associates	8	6	7	5	–	–
Earnings before tax (EBT)	**764**	**708**				
Income tax	–176	–169				
Earnings for the year	**588**	**539**				
Attributable to:						
Equity holders of the parent company	**585**	**536**				
Minority interests	3	3				
Earnings for the year	**588**	**539**				
Additional information						
Segment assets	5,555	6,438	3,155	4,124	699	730
Segment liabilities	3,482	4,071	2,349	2,823	363	360
Allocation of goodwill	540	639	438	530	95	102
Allocation of other intangibles	202	288	179	277	20	7
Capital expenditure property, plant and equipment	245	231	198	150	23	28
Capital expenditure other intangibles	34	27	31	25	–	1
Property, plant and equipment, goodwill and intangibles through business combinations	27	196	2	176	25	6
Non-cash expenses	99	102	87	91	5	5

* Since January 1, 2008, the Group recognises all actuarial gains and losses arising from defined benefit plans immediately in equity. This change in accounting policy was recognised retrospectively and comparatives have been restated. Refer to note 4.

Asia-Pacific		Middle East, Central Asia and Africa		Eliminations		Unallocated corporate	
2008	2007*	2008	2007*	2008	2007*	2008	2007*
1,862	**1,767**	**1,286**	**1,122**	**–**	**–**		**–**
1,213	1,089	158	141	–5,190	–4,776		–
–229	–198	–490	–438		–		–
2,846	**2,658**	**954**	**825**	**–5,190**	**–4,776**		**–**
–2,368	–2,203	–794	–683	5,190	4,776		–
478	**455**	**160**	**142**	**–**	**–**		**–**
–296	–275	–122	–113		–		–
182	**180**	**38**	**29**	**–**	**–**		**–**
–11	–11	–5	–5		–		–
–3	–1	–1	–1		–		–
–	–	–	–		–		–
–	–	–	–	–	–		–
168	**168**	**32**	**23**	**–**	**–**		**–**
–	–	1	1	–	–		
278	328	217	220	–	–	1,206	1,036
274	277	124	117	–	–	372	494
–	–	7	7	–	–	–	–
–	–	3	4	–	–	–	–
8	33	16	20	–	–	–	–
3	1	–	–	–	–	–	–
–	–	–	14	–	–	–	–
5	5	2	1	–	–	–	–

NOTES TO THE CASH FLOW STATEMENT

42 Acquisition of businesses for subsidiaries

2008

During the year a number of subsidiaries were acquired (each individually not material, see note 5) which had the following effect on the Group's assets and liabilities:

	Acquisitions		
CHF million	Carrying amounts	Fair value adjustments	Recognised values
Property, plant and equipment	1	–	1
Other intangibles	–	26	26
Other non-current assets	–	4	4
Trade receivables	7	–1	6
Other current assets	1	–	1
Acquired cash and cash equivalents (net)	1	–	1
Subtotal assets	**10**	**29**	**39**
Trade payables	–5	–	–5
Other current liabilities	–1	–	–1
Non-current liabilities	–1	–3	–4
Subtotal net identifiable assets and liabilities	**3**	**26**	**29**
Total consideration			**29**
Contingent consideration			**–13**
Purchase price, paid in cash			**16**
Acquired cash and cash equivalents (net)			–1
Net cash outflow			**15**

Effective January 1, 2008, the Group acquired Elite Airfreight. Elite has been an expert in the specialised oil and gas equipment transportation market since having been founded 22 years ago. Core strength of Elite is the transportation of hazardous materials specifically for use within the drilling industry.

The Group acquired Coiltrans S.a.r.l., a road logistic company in Luxembourg, as of January 1, 2008.

Effective November 28, 2008, the Group acquired the Quality Transportation Services Group (QTS Group). The QTS Group serves the hospitality and gaming industries throughout North America. Its primary services are overland transportation, warehousing and furniture, fixture and equipment installation.

No goodwill arose on these acquisitions because all intangible assets did meet the IFRS 3 criteria for recognition as other intangible assets at the date of acquisition.

All acquisitions contributed CHF 18 million of loss to the consolidated earnings in 2008. If all the acquisitions had occurred on January 1, 2008, Group invoiced turnover would have been CHF 21,607 million, consolidated EBITDA would have been CHF 1,019 million and consolidated earnings for the year would have been CHF 584 million.

The initial accounting of the acquisition made in November 2008 was only determined provisionally.

In the 2008 interim condensed Consolidated Financial Statements, the initial accounting for the acquisitions made in the first half of 2008 was only determined provisionally. No material adjustments to these values were deemed necessary after having finalised the purchase accounting in the second half of the year.

2007

During the year a number of subsidiaries were acquired (each individually not material, see note 5) which had the following effect on the Group's assets and liabilities:

	Acquisitions		
CHF million	Carrying amounts	Fair value adjustments	Recognised values
Property, plant and equipment	9	–3	6
Other intangibles	5	72	77
Other non-current assets	1	4	5
Trade receivables	44	–	44
Other current assets	19	6	25
Acquired cash and cash equivalents (net)	11	–	11
Subtotal assets	**89**	**79**	**168**
Trade payables	–32		–32
Other current liabilities	–17	–13	–30
Non-current liabilities	–9	–10	–19
Subtotal net identifiable assets and liabilities	**31**	**56**	**87**
Proportionate fair value of investment			–7
Goodwill			113
Total consideration			**193**
Contingent consideration			**–17**
Purchase price, paid in cash			**176**
Acquired cash and cash equivalents (net)			–11
Net cash outflow			**165**

Effective January 1, 2007, Kuehne + Nagel International AG, Switzerland acquired the remaining 50 per cent of Orient Transport Comp. Ltd. (OTC), Saudi Arabia. The purchase price of CHF 14 million for the shares of OTC was paid in cash. Until the end of financial year 2006, OTC was a Joint Venture and accounted for under the equity method. As of January 1, 2007, the shares of OTC are consolidated by the full consolidation method. Various book of businesses were acquired from seafreight forwarders in Slovenia, Norway and the USA, and a warehouse operator in Colombia. The purchase price for all these acquisitions amounted to CHF 18 million, of which CHF 7 million was paid in cash.

Effective December 13 and 27, 2007 respectively, the G.L. Kayser Group and the Cordes & Simon Group have been acquired and both are consolidated. The purchase price for 100 per cent of the shares of G.L. Kayser amounts to CHF 75 million (paid in cash) and for Cordes & Simon to CHF 86 million (of which CHF 80 million paid in cash and CHF 6 million recognised as contingent consideration).

All acquisitions contributed CHF 3 million of loss to the consolidated earnings in 2007. If all the acquisitions had occurred on January 1, 2007, Group invoiced turnover would have been CHF 21,296 million and consolidated earnings for the year would have been CHF 529 million.

In 2007 goodwill of CHF 113 arose on these acquisitions because certain intangible assets did not meet the IFRS 3 criteria for recognition as other intangible assets at the date of acquisition. These assets are mainly management expertise, workforce and geographic presence.

The initial accounting of the acquisitions made in December 2007 were only determined provisionally.

In the 2007 interim condensed Consolidated Financial Statements, the initial accounting for the acquisitions made in the first half of 2007 was only determined provisionally. No material adjustments to these values were deemed necessary after having finalised the purchase accounting in the second half of the year.

OTHER NOTES

43 Personnel

Number	Dec. 31, 2008	Dec. 31, 2007
Europe	38,299	36,604
Americas	7,186	6,624
Asia-Pacific	6,109	5,771
Middle East, Central Asia and Africa	2,229	2,076
Total personnel (unaudited)	**53,823**	**51,075**
Full-time equivalent	**59,012**	**58,060**

44 Contingent liabilities

As of year-end the following contingent liabilities existed:

CHF million	Dec. 31, 2008	Dec. 31, 2007
Guarantees in favour of clients and others	38	35
Contingency under unrecorded claims	3	3
Total	41	**38**

Some Kuehne + Nagel companies are defendants in various court cases. Based on respective legal advice, the management is of the opinion that the outcome of those proceedings will have no effect on the financial situation of the Kuehne + Nagel Group beyond the existing provision for pending claims (refer to note 39) of CHF 38 million (2007: CHF 35 million).

From October 2007 and thereafter various competition authorities have carried out an inspection at a number of international freight forwarding companies. The inspection encompassed amongst others Kuehne + Nagel in Switzerland, the USA, the UK, South Africa, New Zealand, Canada and Japan. The investigations relate to alleged anti competitive activities in the area of international freight forwarding. In the above context, class action law suits were filed in the USA against Kuehne + Nagel Inc. and Kuehne + Nagel International AG, Switzerland, and other competitors in the international freight forwarding industry. The proceedings are ongoing and queries by the competition authorities have been received and answered by Kuehne + Nagel entities in order to cooperate in the pending investigations. No decisions have been received by the respective authorities so far and therefore it is currently not possible to reliably estimate a potential financial impact. Consequently, no provisions were made in the Consolidated Financial Statements 2008.

45 Other financial commitments

The Group leases a number of warehouse facilities under operating leases. The leases run for a fixed period and none of the leases includes contingent rentals.

As of year-end the following financial commitments existed in respect of non-cancellable long-term operating leases and rental contracts:

As of December 31, 2008

CHF million	Properties and buildings	Operation and office-equipment	Total
2009	369	73	442
2010–2013	962	108	1,070
Later	333	1	334
Total	**1,664**	**182**	**1,846**

As of December 31, 2007

CHF million	Properties and buildings	Operation and office-equipment	Total
2008	302	63	365
2009–2012	692	97	789
Later	236	1	237
Total	**1,230**	**161**	**1,391**

46 Capital commitments

As of year-end the following capital commitments existed in respect of non-cancellable purchase contracts:

CHF million	Dec. 31, 2008	Dec. 31, 2007
Great Britain	–	1
UAE	–	12
Germany	55	–
France	7	–
Switzerland	7	–
Ukraine	3	–
Other	1	–
Total	**73**	**13**

47 Risk management, objectives and policies

Group risk management

Risk management is a fundamental element of the Group's business practice on all levels and encompasses different types of risks. At Group level, risk management is an integral part of the business planning and controlling processes. Material risks are monitored and regularly discussed with the Management Board and the Audit Committee. The Group risk management process includes the performance of the risk assessment, which is described more detailed on page 64.

Financial risk management

The Group is exposed to various financial risks arising from its underlying operations and finance activities. The Group is primarily exposed to market risk (i.e. interest rate and currency risk) and to credit and liquidity risk.

Financial risk management within the Group is governed by policies and guidelines approved by senior management. These policies and guidelines cover interest rate risk, currency risk, credit risk and liquidity risk. Group policies and guidelines also cover areas such as cash management, investment of excess funds and the raising of short and long-term debt. Compliance with the policies and guidelines is managed by segregated functions within the Group. The objective of financial risk management is to contain, where deemed appropriate, exposures in the various types of financial risks mentioned above in order to limit any negative impact on the Group's results and financial position.

In accordance with its financial risk policies, the Group manages its market risk exposures through the use of financial instruments when deemed appropriate. It is the Group's policy and practice not to enter into derivative transactions for trading or speculative purposes, nor for the purposes unrelated to the underlying business.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates risk, will affect the Group's income or the value of its holdings of financial instruments.

Interest rate risk

Interest rate risk arises from movements in interest rates which could have effects on the Group's net income or financial position. Changes in interest rates may cause variations in interest income and expenses resulting from interest-bearing assets and liabilities. Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Loans and investments at variable interest rates expose the Group to cash flow interest rate risk. Loans and investment at fixed interest rates expose the Group to fair value interest rate risk.

Exposure

The Group's exposure to changes in interest rates is limited due to the short-term nature of the investments of excess cash and most of the borrowings.

The Group's exposure to interest rate risk relates primarily to the Group's bank loans and finance lease liabilities, and to a limited extent, to the Group's investments of its excess cash. The Group does not use derivative financial instruments to hedge its interest rate risk in respect of investments of excess cash or loans.

Profile

At the reporting date, the interest profile of the Group's interest bearing financial assets and liabilities was as follows:

	Carrying amount	
CHF million	2008	2007
Fixed rate instruments		
Cash and cash equivalents	–	–
Current bank and other interest bearing liabilities	–43	–10
Non-current bank liabilities and finance lease obligations	–32	–114
Total	**–75**	**–124**
Variable rate instruments		
Cash and cash equivalents	1,039	865
Current bank and other interest bearing liabilities	–22	–74
Non-current bank liabilities	–12	–8
Total	**1,005**	**783**

Cash flow sensitivity analysis – variable rate instruments

A change of 100 basis points in interest rates on December 31 would have increased or decreased profit or loss by CHF 10 million (2007: CHF 8 million) due to changed interest payments on variable rate interest bearing liabilities and assets. The analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

The Group does not designate derivatives (interest rate swaps) as hedging instruments under the cash flow hedge accounting model or has any securities classified as available for sale. Therefore, a change in interest rates at the reporting date would not affect equity.

Fair value sensitivity analysis – fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under the fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss. A change would also not have an impact on equity as the Group does not have any securities classified as available for sale.

Currency risk

Currency risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Exposure

The Group operates on a worldwide basis and, as a result, is exposed to movements in foreign currency exchange rates of mainly EUR, USD and GBP on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group entities. Monthly payments are conducted through a Group clearing system in EUR which facilitates monitoring and control of the group-wide foreign exchange rate exposures.

Derivative financial instruments (foreign exchange contracts) are in use to hedge the foreign exchange exposure on outstanding balances in the Group's internal clearing system, centralised at the head office. Given that the Group's hedging activities are limited to hedges of recognised foreign currency monetary items, hedge accounting under IAS 39 is not applied. As of year-end there were no material derivative instruments outstanding. Forecast transactions are not hedged. Likewise, investments in foreign subsidiaries are not hedged as those currency positions are considered to be long-term in nature.

The Group's exposure to foreign currency risk was as follows as of year-end:

	2008			2007		
CHF million	EUR	USD	GBP	EUR	USD	GBP
Cash and cash equivalents	269	63	1	142	67	1
Trade receivables	26	182	1	59	211	2
Interest bearing liabilities	–	–	–	–11	–	–
Trade payables	–17	–54	–2	–38	–66	–2
Gross balance sheet exposure	**278**	**191**	**–**	**152**	**212**	**1**

The majority of all trade related billings and payments as well as payments of interest bearing liabilities are done in the respective functional currencies of the Group entities.

Sensitivity analysis

A 10 per cent strengthening of the CHF against the following currencies on December 31 would have increased profit by the amounts shown below. A 10 per cent weakening of the CHF against the following currencies on December 31 would have had the equal but opposite effect on the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

2008

CHF million	1 CHF/GBP	1 CHF/USD	1 CHF/EUR	1 GBP/USD	1 GBP/EUR	1 USD/EUR
Reasonably possible change +/– in per cent	10.0	10.0	10.0	10.0	10.0	10.0
Positive effect on P/L	–	19.1	27.8	12.2	17.8	26.0
Negative effect on P/L	–	–19.1	–27.8	–12.2	–17.8	–26.0

The impact on the profit or loss is mainly a result of foreign exchange gains or losses arising on translation of trade receivables, trade payables and cash and cash equivalents in foreign currencies. There would not be an impact on equity as the Group does not have any securities classified as available for sale or applies cash flow hedge accounting.

2007

CHF million	1 CHF/GBP	1CHF/USD	1 CHF/EUR	1 GBP/USD	1 GBP/EUR	1 USD/EUR
Reasonably possible change +/– in per cent	10.0	10.0	10.0	10.0	10.0	10.0
Positive effect on P/L	–	21.2	15.2	9.3	6.6	13.1
Negative effect on P/L	–	–21.2	–15.2	–9.3	–6.6	–13.1

Foreign currency exchange rates applied

The major foreign currency exchange rates applied during the year are as explained in note 6 (principles of consolidation).

Credit risk

Credit risk arises from the possibility that the counterparty to a transaction may be unable or unwilling to meet its obligations, causing a financial loss to the Group. Credit risk arises primarily from the Group's trade receivables.

Exposure

At the balance sheet date, the maximum exposure to credit risk without taking into account any collateral held or other credit enhancements was:

CHF million	2008	2007
Trade receivables	2,143	2,537
Other receivables	152	165
Cash and cash equivalents	1,039	865
Total	**3,334**	**3,567**

Trade receivables

Trade receivables are subject to a policy of active risk management which focuses on the assessment of country risk, credit availability, ongoing credit evaluation and account monitoring procedures. There are no significant concentrations of credit risk due to the Group's large number of customers and their wide geographical spread. For some credit exposures in critical countries, the Group has obtained credit insurance (for further details refer to note 30).

The maximum exposure to credit risk for trade receivables at the reporting date by geographical area was:

CHF million	2008	2007
Europe	1,427	1,762
Americas	399	413
Asia-Pacific	187	228
Middle East, Central Asia & Africa	130	134
Total	**2,143**	**2,537**

It is considered that the credit insurance is sufficient to cover potential credit risk concentrations (for additional information refer to note 30).

Investments of excess cash

The Group considers its credit risk to be minimal in respect of investments made of excess cash as excess cash is invested in short-term deposits (with a maturity of less than three months) with first-class financial institutions with the close coordination and management of Centralised Corporate Treasury function. The Group does not invest in equity securities.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Group companies require sufficient availability of cash to meet their obligations. Individual companies are generally responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover cash deficits subject to guidance by the Group and, in certain cases, to approval at Group level. The Group maintains sufficient reserves of cash to meet its liquidity requirements at all times. In addition, the strong international creditworthiness of the Group provides the ability to efficiently use international capital markets for financing purposes.

The following are the contractual maturities of financial liabilities (undiscounted), including interest payments and excluding the impact of netting agreements:

2008

CHF million	Carrying amounts	Contractual cash flow	Up to 6 months	6–12 months	Over 1 year
Bank and other interest bearing liabilities	65	67	65	2	–
Trade payables	1,129	1,129	1,129	–	–
Other liabilities	729	729	729	–	–
Bank liabilities (non current)	12	13	–	–	13
Finance lease obligation (non current)	32	35	–	–	35
Exposure	**1,967**	**1,973**	**1,923**	**2**	**48**

2007

CHF million	Carrying amounts	Contractual cash flow	Up to 6 months	6–12 months	Over 1 year
Bank and other interest bearing liabilities	85	89	84	5	–
Trade payables	1,329	1,329	1,329	–	–
Other liabilities	722	722	722	–	–
Bank liabilities (non current)	80	84	–	–	84
Finance lease obligation (non current)	42	46	–	–	46
Exposure	**2,258**	**2,270**	**2,135**	**5**	**130**

48 Fair value of financial assets and liabilities

The fair values of financial assets and liabilities carried at amortised cost are approximately equal to the carrying amounts.

Cash and cash equivalents with a carrying amount of CHF 1,039 million (2007: CHF 865 million) as well as financial assets with a carrying amount of CHF 2,295 million (2007: CHF 2,702 million) classified as loans and receivables and carried at amortised cost, are all classified as current assets.

The Group has financial liabilities with a carrying amount of CHF 1,967 million (2007: CHF 2,258 million) carried at amortised cost. The majority of these financial liabilities are current liabilities. The fair values of non-current fixed rate interest bearing loans and other liabilities are not materially different from their carrying amounts. The fair value of non-current fixed rate interest bearing loans and other liabilities is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases, the market rate of interest is determined by reference to similar agreements.

49 Related party transactions

The Group has a related party relationship with its subsidiaries, joint ventures and with its directors and executive officers.

The Group's operations involve operating activities between the parent company and its subsidiaries and between the subsidiaries due to the nature of business. Overheads are to a certain extent also charged to the subsidiaries based on their use of services provided. All these transactions are eliminated upon consolidation. There were no significant transactions between the Group and its joint ventures and other related parties.

Transactions with related parties are conducted at arm's length.

The total remuneration paid to and accrued for the members of the Board of Directors and the Management Board of Kuehne + Nagel International AG, Schindellegi, Switzerland, amounted in 2008 to:

- Management Board: CHF 18 million (2007: CHF 19 million)
- Board of Directors: CHF 2 million (2007: CHF 2 million)

As of December 31, 2008, no loans or any other commitments were outstanding towards members of the Board of Directors nor of the Management Board. Members of the Board and the Management Board control 57.1 per cent (2007: 57.1 per cent) of the voting shares of the Company.

Following compensation has been paid to and accrued for key management personnel by category:

	Management Board		Board of Directors*	
CHF million	2008	2007	2008	2007
Wages, salaries and other short-term employee benefits	17	16	2	2
Post-employment benefits	1	1	–	–
Equity compensation benefits	–	2	–	–
Total key management compensation	**18**	**19**	**2**	**2**

* Includes payment of CHF 0.3 million (2007: CHF 0.4 million) for services provided by members of the Board of Directors.

Refer to pages 156 to 159, note 13 "Remuneration report" of the Financial Statements of Kuehne + Nagel International AG for disclosure requirements according to Swiss law (OR 663 b/c). For other related parties refer to note 33 outlining the shareholder's structure, and pages 144 to 149 listing the Group's significant subsidiaries and joint ventures.

50 Accounting estimates and judgments

The management has carefully considered the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates.

Purchase accounting

Intangible assets acquired in a business combination are required to be recognised separately from goodwill and amortised over their useful life if they are subject to contractual or legal rights or are separately transferable and their fair value can be reliably estimated. The Group has separately identified from goodwill recognised customer lists, customer contracts and extended geographical logistic networks based on contractual agreements in acquisitions made (see note 27).

The fair value of these acquired other intangible assets is based on valuation techniques. The valuation models require input based on assumptions about the future. The management uses its best knowledge to estimate fair value of acquired other intangible assets of acquisition date. The value of intangible assets is tested for impairment when there is an indication that they might be impaired (see below). The management must also make assumptions about the useful life of the acquired other intangible assets which might be effected by factors such as increased competition.

Carrying amount of goodwill, other intangibles and property, plant and equipment

The Group tests its goodwill with a total carrying amount of CHF 540 million for impairment every year as disclosed in note 13. An impairment loss on goodwill of CHF 6 million was recognised in 2008 (2007: CHF 31 million). The Group also assesses annually whether there are any indicators that other intangible assets (as well as property, plant and equipment) are impaired. In such a case, the assets are tested for impairment. An impairment loss on other intangible assets of CHF 9 million was recognised in 2008 (2007: CHF 26 million). The carrying amount of other intangibles is CHF 202 million (2007: CHF 288 million), and of property, plant and equipment CHF 955 million (2007: CHF 1,021 million).

The impairment tests are normally based on value-in-use calculations. These calculations involve a variety of assumptions such as estimates of future cash inflows and outflows and choice of a discount rate. Actual cash flows might, for example, differ significantly from management's current best estimate. Changes in assessed presence or absence of competitors, technological obsolescence etc. might have an impact on future cash flows and result in recognition of impairment losses.

Accrued trade expenses and deferred income

Freight forwarding orders which are completed and for which the costs are not fully received are accrued for expected costs based on best estimate. For orders which are not complete on account of pending service or orders for which revenue is earned and relevant costs can not be estimated, the related revenue is deferred. The Group management's judgment is involved in the estimate of costs and deferral of revenue and their completeness.

Income tax

Judgment and estimates are required when determining deferred as well as current tax assets and liabilities. The management believes that its estimates, based on, for example, interpretation of tax laws, are reasonable. Changes in tax laws and rates, interpretations of tax laws, earnings before tax, taxable profit etc. might have an impact on the amounts recognised as tax assets and liabilities.

The Group has recognised a deferred net tax asset of CHF 46 million (2007: deferred net tax liability of CHF 2 million). The Group also has unrecognised deferred tax assets relating to tax losses and deductible temporary differences of CHF 105 million (2007: CHF 129 million). Based on estimates of the probability of releasing these tax benefits, available taxable temporary differences, periods of reversals of such differences etc., the management does not believe that the criteria to recognise deferred tax assets are met (see note 24).

51 Post balance sheet events

Effective January 1, 2009, the Group acquired the French groupage provider Alloin. The Alloin Group ranks among the leading groupage providers in France with an annual turnover of approximately 300 million euros and 3,000 employees. The company operates 53 cross-docking terminals across the country and handles 20,000 shipments per day.

The company will be consolidated as per January 1, 2009. The purchase price for 100 per cent of the shares of the Alloin Group in the amount of EUR 156 million has been paid. The Group is in the process of finalising the purchase accounting and can therefore not provide any other reliable disclosures in line with IFRS 3 on business combinations at this stage.

There have been no other material events between December 31, 2008, and the date of authorization that would require adjustments of the Consolidated Financial Statements.

52 Resolution of the Board of Directors

The Consolidated Financial Statements of the Kuehne + Nagel Group were authorised for issue by the Board of Directors on February 26, 2008. A resolution to approve the Consolidated Financial Statements will be proposed at the Annual General Meeting of shareholders on May 13, 2009.

REPORT OF THE STATUTORY AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS TO THE ANNUAL GENERAL MEETING OF KUEHNE + NAGEL INTERNATIONAL AG, SCHINDELLEGI, SWITZERLAND

As statutory auditor, we have audited the accompanying Consolidated Financial Statements of Kuehne + Nagel International AG, which comprise the balance sheet, income statement, cash flow statement, statement of changes in equity and notes pages 82 to 141 for the year ended December 31, 2008.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation and fair presentation 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 and fair presentation 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, Swiss Auditing Standards and 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 and fair presentation 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, 2008, 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

Roger Neininger	**Guenter Haag**
Licensed Audit Expert	Licensed Audit Expert
Auditor in Charge	

Zurich, February 26, 2009

SIGNIFICANT SUBSIDIARIES AND JOINT VENTURES*

Holding and Management Companies

Country	Name of the company	Location		Share capital (in 1,000)	KN share (in per cent)
Switzerland	Kuehne + Nagel International AG	Schindellegi	CHF	120,000	100
	Kuehne + Nagel Management AG	Schindellegi	CHF	1,000	100
	Kuehne + Nagel Internationale Transporte AG	Schindellegi	CHF	750	100
	Kuehne + Nagel Liegenschaften AG	Schindellegi	CHF	500	100
	Kuehne + Nagel Real Estate Holding AG	Schindellegi	CHF	100	100
	Kuehne + Nagel Treasury AG	Schindellegi	CHF	1,500	100
	Nacora Holding AG	Schindellegi	CHF	500	100
	Nacora Agencies AG	Schindellegi	CHF	400	100
	Kuehne + Nagel Asia Pacific Holding AG	Schindellegi	CHF	2,500	100

Operating Companies

South West Europe

Country	Name of the company	Location		Share capital (in 1,000)	KN share (in per cent)
Belgium	Kuehne + Nagel NV	Antwerp	EUR	6,338	100
	Kuehne + Nagel Logistics NV	Geel	EUR	5,206	100
	Nacora Insurance Brokers NV	Antwerp	EUR	155	100
	Logistics Kontich BVBA	Kontich	EUR	50	100
	Logistics Ternat BVBA	Ternat	EUR	50	100
	Logistics Nivelles NV	Nivelles	EUR	1,521	100
France	Kuehne + Nagel France Immobilier SCI	Ferrières	EUR	4	100
	Kuehne + Nagel Parts SASU	Trappes	EUR	87	100
	Kuehne + Nagel DSIA France SAS	Nantes	EUR	360	100
	Kuehne + Nagel SAS	Ferrières	EUR	17,380	100
	Kuehne + Nagel Management SASU	Ferrières	EUR	570	100
	Nacora Courtage d'Assurances SAS	Crèteil	EUR	40	100
	Kuehne + Nagel Aerospace & Industry	Ferrières	EUR	37	100
	Logistique Distribution De Gascogne SASU	Ferrières	EUR	37	100
	Kuehne + Nagel Participations SARL	Ferrières	EUR	98,630	100
Italy	Kuehne + Nagel Srl	Milan	EUR	4,589	100
	European Brokers S.p.A.	Milan	EUR	73	70
Luxembourg	Kuehne + Nagel S.à.r.l.	Contern	EUR	5,750	100
	Kuehne + Nagel A.G.	Contern	EUR	31	100
	Kuehne + Nagel Investments S.à.r.l.	Contern	EUR	200	100
	*Cologic S.A.	Contern	EUR	31	50
Malta	Kuehne + Nagel Ltd.	Hamrun	EUR	14	100
Portugal	Kühne + Nagel Lda.	Porto	EUR	165	100
Spain	Kuehne & Nagel S.A.	Madrid	EUR	60	100
	Nacora Correduria de Seguros S.A.	Barcelona	EUR	150	100
	Kuehne & Nagel Investments S.L.	Madrid	EUR	3	100
	Kuehne & Nagel Network, SL	Madrid	EUR	60	100

North West Europe

Country	Name of the company	Location		Share capital (in 1,000)	KN share (in per cent)
Denmark	Kuehne + Nagel A/S	Copenhagen	DKK	5,200	100
	Kuehne + Nagel Holding A/S	Copenhagen	DKK	750	100
Finland	OY Kuehne + Nagel Ltd.	Helsinki	EUR	200	100
Ireland	Kuehne + Nagel (Ireland) Ltd.	Dublin	EUR	500	100
Norway	Kuehne + Nagel AS	Oslo	NOK	3,100	100
Sweden	Kuehne + Nagel AB	Stockholm	SEK	500	100
	Kuehne + Nagel Investment AB	Stockholm	EUR	112	100
	Nacora Assurans Finans Service AB	Stockholm	SEK	100	100
United Kingdom	Kuehne + Nagel (UK) Ltd.	London	EUR	8,000	100
	Kuehne + Nagel Ltd.	London	GBP	8,867	100
	Nacora Insurance Brokers Ltd.	London	GBP	150	100
	Kuehne + Nagel Drinks Logistics Ltd.	London	GBP	–	100
	*Kuehne + Nagel Drinkflow Logistics Ltd.	London	GBP	877	50
	*Kuehne + Nagel Drinkflow Logistics (Holdings) Ltd.	London	GBP	6,123	50
	*Kuehne + Nagel Drinkflow Asset Control Ltd	London	GBP	–	50

Central Europe

Country	Name of the company	Location		Share capital (in 1,000)	KN share (in per cent)
Germany	Kuehne + Nagel (AG & Co.) KG	Hamburg	EUR	15,000	100
	G.L. Kayser GmbH & Co. KG	Mainz	EUR	1,600	100
	Pracht Spedition + Logistik GmbH & Co. KG	Haiger	EUR	7,700	100
	Kuehne + Nagel Airlift GmbH	Frankfurt	EUR	256	100
	Stute Verkehrs GmbH	Bremen	EUR	1,023	100
	CS Parts GmbH	Bremen	EUR	213	50
	Kuehne + Nagel Euroshipping GmbH	Regensburg	EUR	130	51
	Pact GmbH	Hamburg	EUR	50	100
	SPS Zweite Vermögensverwaltungs GmbH	Hamburg	EUR	23	90
	Cargopack Verpackungsgesellschaft für Industriegüter GmbH	Bremen	EUR	307	100
	Cordes & Simon GmbH & Co. KG	Hagen	EUR	409	100
	Kuehne + Nagel Beteiligungs-AG	Bremen	EUR	10,277	100
	Nacora Versicherungsmakler GmbH	Hamburg	EUR	79	100
	Gustav F. Hübener GmbH	Hamburg	EUR	31	100
	Kuehne + Nagel Logistics Germany GmbH	Langenau	EUR	25	100
The Netherlands	Kuehne + Nagel N.V.	Rotterdam	EUR	3,332	100
	Nacora Assurantiekantoor B.V.	Rotterdam	EUR	45	100
	Kuehne + Nagel Logistics B.V.	Rotterdam	EUR	25	100
	Kuehne + Nagel Investments B.V.	Rotterdam	EUR	50	100
Switzerland	Kuehne + Nagel AG	Embrach	CHF	3,000	100
	Nacora Insurance Brokers AG	Embrach	CHF	100	100

Eastern Europe

Country	Name of the company	Location		Share capital (in 1,000)	KN share (in per cent)
Albania	Transalbania Ltd.	Tirana	ALL	9,300	51
Austria	Kuehne + Nagel Eastern Europe AG	Vienna	EUR	1,090	100
	Kuehne + Nagel Ges.m.b.H.	Vienna	EUR	1,820	100
	Nacora East Europe GmbH	Vienna	EUR	35	100
Bosnia and Herzegovina	Kuehne + Nagel d.o.o.	Sarajevo	BAM	98	100
Bulgaria	Kuehne + Nagel EOOD	Sofia	BGN	365	100
Croatia	Kuehne & Nagel d.o.o.	Zagreb	HRK	4,300	100
Cyprus	Nakufreight Ltd.	Nicosia	EUR	17	100
Czech Republic	Kuehne + Nagel spol. s.r.o.	Prague	CZK	21,000	100
Estonia	Kuehne + Nagel AS	Tallinn	EEK	816	100
Greece	Proodos S.A. Hellenic & International Transport Company	Athens	EUR	3,900	100
	Arion Real Estate and Commercial Company S.A	Athens	EUR	411	100
	Kuehne + Nagel AE	Athens	EUR	15,365	100
	Nacora Brokins International S.A.	Athens	EUR	36	60
	*Sindos Railcontainer Services S.A.	Thessaloniki	EUR	3,038	50
Hungary	Kuehne + Nagel Kft.	Budapest	HUF	134,600	100
Latvia	Kuehne + Nagel Latvia SIA	Riga	LVL	100	100
Lithuania	Kuehne + Nagel UAB	Vilnius	LTL	800	100
Macedonia	Kuehne + Nagel d.o.o.e.l.	Skopje	MKD	8,232	100
Poland	Kuehne + Nagel sp.z.o.o.	Poznan	PLN	112,517	100
Romania	Kuehne + Nagel SRL	Bucharest	RON	100	100
Russia	OOO Kuehne + Nagel	Moscow	RUR	705,477	100
	OOO Nakutrans	Moscow	RUR	278	100
	OOO Kuehne + Nagel Sakhalin	Sakhalin	RUR	500	100
Serbia	Kuehne + Nagel d.o.o	Belgrade	RSD	3,039	100
Slovakia	Kuehne + Nagel s.r.o.	Bratislava	SKK	14,150	100
Slovenia	Kuehne + Nagel d.o.o.	Ljubljana	EUR	10	100
Ukraine	Kuehne + Nagel Ltd.	Kiev	UAH	21,997	100

North America

Country	Name of the company	Location		Share capital (in 1,000)	KN share (in per cent)
Bermuda	Kuehne + Nagel Ltd.	Hamilton	EUR	12	100
Canada	Kuehne + Nagel Canada Holding Inc.	Toronto	CAD	2,910	100
	Kuehne + Nagel Ltd.	Toronto	CAD	8,022	100
	Nacora Insurance Brokers Ltd.	Toronto	CAD	–	100
Mexico	Kuehne & Nagel S.A de C.V.	Mexico D.F.	MXN	24,447	100
	Kuehne & Nagel Servicios Administrativos S.A de C.V	Mexico D.F.	MXN	50	100
	Almacenadora Kuehne & Nagel S.A de C.V.	Mexico D.F.	MXN	35,440	100
USA	Kuehne + Nagel Investment Inc.	Jersey City	USD	1,400	100
	KN Special Logistics Inc.	Dulles	USD	30	100
	Kuehne + Nagel Inc.	Jersey City	USD	1,861	100
	Kuehne + Nagel Real Estate USA, Inc.	Jersey City	USD	–	100
	Nacora Insurance Brokers, Inc.	Jersey City	USD	25	100
	Elite Airfreight Inc.	Houston	USD	1	100
	Quality Transportation Services Inc.	Las Vegas	USD	2	100
	Quality Transportation Services Logistics	Las Vegas	USD	–	100
	Quality Transportation Services Nevada Inc.	Las Vegas	USD	–	100

South and Central America

Country	Name of the company	Location		Share capital (in 1,000)	KN share (in per cent)
Argentina	Kuehne + Nagel S.A.	Buenos Aires	ARS	3,208	100
	Nacora S.A.	Buenos Aires	ARS	20	100
Bolivia	Kuehne + Nagel Ltda.	Santa Cruz	BOB	260	100
Brazil	Kuehne + Nagel Serviços Logisticos Ltda.	Sao Paulo	BRL	8,728	100
	Kuehne + Nagel Aduaneiras Ltda.	Sao Paulo	BRL	900	100
	Nacora Corretagens de Seguros Ltda.	Sao Paulo	BRL	1,094	100
	Kuehne + Nagel Armazéns Gerais Ltda.	Sao Paulo	BRL	3,100	100
Chile	Kuehne + Nagel Ltda.	Santiago	CLP	575,000	100
Colombia	Kuehne + Nagel S.A	Bogota	COP	1,284,600	100
	KN Colombia Aduana Sia S.A.	Bogota	COP	595,000	100
Costa Rica	Kuehne + Nagel S.A.	San Jose	CRC	–	100
Cuba	Flete Caribe S.A.	Havana	CUC	–	100
Ecuador	Kuehne + Nagel S.A.	Quito	USD	7	100
El Salvador	Kuehne + Nagel S.A. de C.V.	San Salvador	USD	69	100
Guatemala	Kuehne + Nagel S.A.	Guatemala	GTQ	291	100
Honduras	Kuehne + Nagel S.A.	San Pedro Sula	HNL	25	100
Nicaragua	Kuehne + Nagel S.A.	Managua	NIO	10	100
Panama	Kuehne + Nagel S.A.	Colon	USD	1	100
Peru	Kuehne + Nagel S.A.	Lima	PEN	481	100
	KN Peru Aduanas S.A.	Lima	PEN	173	100
Trinidad & Tabago	Kuehne + Nagel Ltd.	Port of Spain	TTD	31	100
Uruguay	Kuehne + Nagel S.A.	Montevideo	UYU	3,908	100
	Kuehne + Nagel Logistics S.A.	Montevideo	UYU	674	100
Venezuela	Kuehne + Nagel S.A.	Caracas	VEF	1,000	100
	KN Venezuela Aduanas C.a.	Caracas	VEF	2	100

Asia-Pacific

Country	Name of the company	Location		Share capital (in 1,000)	KN share (in per cent)
Afghanistan	Kuehne + Nagel Ltd.	Kabul	USD	–	100
Australia	Kuehne & Nagel Pty Ltd.	Melbourne	AUD	2,900	100
	Nacora Insurance Services Pty Ltd	Melbourne	AUD	300	100
Bangladesh	Kuehne + Nagel Ltd.	Dhaka	BDT	10,000	100
Cambodia	Kuehne + Nagel Ltd.	Phnom Penh	USD	5	100
China	Kuehne & Nagel Ltd.; China Repr.	Shanghai	HKD	–	100
	Kuehne & Nagel Ltd.	Shanghai	CNY	17,070	100
	Kuehne & Nagel Logistics Co Ltd.	Shanghai	CNY	1,654	100
	Kuehne & Nagel Information Center Ltd.	Guangzhou	CNY	1,008	100
	Kuehne & Nagel Ltd.	Hong Kong	HKD	1,560	100
	Kuehne & Nagel (Asia Pacific) Management Ltd.	Hong Kong	HKD	100	100
	Transpac Container System Ltd.	Hong Kong	HKD	100	100
	Nacora Insurance Brokers Ltd.	Hong Kong	HKD	350	70
India	Kuehne + Nagel Pvt. Ltd.	New Delhi	INR	40,000	100
Indonesia	PT. K + N –Sigma Trans	Jakarta	IDR	821,800	95
Japan	Kuehne + Nagel Ltd.	Tokyo	JPY	80,000	100
Korea	Kuehne + Nagel Ltd.	Seoul	KRW	500,000	100
Macau	Kuehne & Nagel Ltd.	Macau	HKD	971	100
	Nacora Insurance Brokers Ltd.	Macau	HKD	27	51
Maldives	Kuehne + Nagel Ltd.	Male	USD	1	100
Malaysia	Kuehne + Nagel Sdn. Bhd.	Kuala Lumpur	MYR	1,521	100
	Nacora (Malaysia) Sdn. Bhd.	Kuala Lumpur	MYR	100	100
New Zealand	Kuehne + Nagel Ltd.	Auckland	NZD	201	100
	Nacora Insurance Services Ltd.	Auckland	NZD	10	100
Pakistan	Kuehne + Nagel (Pvt) Ltd.	Karachi	PKR	9,800	100
Philippines	Kuehne + Nagel Inc.	Manila	PHP	5,000	100
	KN Subic Logistics Inc.	Manila	PHP	1,875	100
Singapore	Kuehne + Nagel Pte. Ltd.	Singapore	SGD	500	100
	Nacora Insurance Agency Pte. Ltd.	Singapore	SGD	100	100
Sri Lanka	Kuehne & Nagel (Pvt) Ltd.	Colombo	LKR	2,502	100
Taiwan	Kuehne + Nagel Ltd.	Taipei	TWD	20,000	100
	Nacora Insurance Brokers Ltd.	Taipei	TWD	4,200	70
Thailand	Kuehne + Nagel Ltd.	Bangkok	THB	20,000	100
	Consolidation Transport Ltd.	Bangkok	THB	100	100

Middle East and Central Asia

Country	Name of the company	Location		Share capital (in 1,000)	KN share (in per cent)
Bahrain	Kuehne + Nagel W.L.L.	Manama	BHD	200	100
Egypt	Kuehne + Nagel Ltd.	Cairo	EGP	1,000	100
Israel	Amex Ltd.	Tel Aviv	ILS	2	75
Iran	Kala Navgan Shargh Co. Ltd.	Tehran	IRR	1,200	60
	Caspian Terminal Services (Qhesm) Ltd.	Bandar Abbas	IRR	114,000	57
Jordan	Orient Transport Company WLL	Amman	JOD	300	100
Kazakhstan	Kuehne + Nagel Ibrakom L.L.P.	Almaty	KZT	84,000	60
Kuwait	Kuehne + Nagel Co. W.L.L.	Kuwait	KWD	150	100
Lebanon	*KN-ITS S.A.L.	Beirut	LBP	113,000	50
Qatar	Kuehne + Nagel L.L.C.	Doha	QAR	200	100
Saudi Arabia	Kuehne + Nagel Ltd.	Jeddah	SAR	1,000	100
Turkey	Kuehne + Nagel Nakliyat Ltd. Sti.	Istanbul	TRY	5,195	100
UAE	Kuehne + Nagel L.L.C.	Dubai	AED	1,000	100
	Kuehne + Nagel L.L.C.	Abu Dhabi	AED	1,000	100
	KN Ibrakom FZCo., Jebel Ali Free Zone	Jebel Ali	USD	164	60
	Ibrakom Cargo L.L.C	Jebel Ali	USD	49	60
	Lloyds Maritime & Trading Ltd.	Jebel Ali	USD	–	60
	Nacora Insurance	Dubai	AED	–	100
	Kuehne + Nagel DWC L.L.C	Dubai	AED	13,000	100

Africa

Country	Name of the company	Location		Share capital (in 1,000)	KN share (in per cent)
Angola	Kuehne & Nagel (Angola) Transitarios, Lda	Luanda	AON	7,824	100
Equatorial Guinea	Kuehne + Nagel (Equatorial Guinea) Ltd	Malabo	CFA	1,046	100
Kenya	Kuehne + Nagel Limited	Nairobi	KES	63,995	100
Mauritius	KN (Mauritius) Limited	Port Louis	MUR	2,440	61
Mozambique	Kuehne & Nagel Mozambique Lda.	Maputo	MZN	133	100
Namibia	Kuehne and Nagel (Pty) Ltd.	Windhoek	NAD	340	100
Nigeria	Kuehne & Nagel (Nigeria) Ltd.	Lagos	NGN	–	100
South Africa	Kuehne and Nagel (Pty) Limited	Johannesburg	ZAR	3,625	100
	KN Tsepisa Logistics (Pty) Limited	Johannesburg	ZAR	100	73
	Nacora Insurance Brokers (Pty) Limited	Johannesburg	ZAR	35	100
Tanzania	Kuehne + Nagel Ltd	Dar es Salaam	TZS	525,000	100
Uganda	Kuehne + Nagel Ltd	Kampala	UGX	827,600	100
Zambia	Kuehne & Nagel Zambia Limited	Lusaka	ZMK	85,000	100
Zimbabwe	Kuehne & Nagel (Zimbabwe) (Private) Limited	Harare	ZWD	–	100

FINANCIAL STATEMENTS 2008 OF KUEHNE + NAGEL INTERNATIONAL AG

Income Statement

CHF million	Note	2008	2007
Income			
Income from investments in Group companies	1	431	227
Income from marketable securities		5	2
Income from sale of treasury shares		–	19
Income from recovery of receivables from Group companies previously written-down		–	2
Interest income on loans receivable from Group companies		4	2
Other financial income		10	4
Exchange gains		–	6
Total income		**450**	**262**
Expenses			
Operating expenses		–3	–3
Interest expenses on liabilities towards Group companies		–12	–2
Exchange losses		–26	–9
Losses from sale of treasury ahres		–3	–
Write-down of investments in Group companies	2/3	–5	–23
Total expenses		**–49**	**–37**
Earnings before tax		**401**	**225**
Tax		–3	–2
Earnings for the year		**398**	**223**

Balance Sheet

CHF million	Note	Dec. 31, 2008	Dec. 31, 2007
Assets			
Financial investments	3	1,121	703
Non current assets		**1,121**	**703**
Receivables from Group companies	4	105	172
Other receivables		2	2
Treasury shares	6	112	104
Cash and cash equivalents	7	179	21
Current assets		**398**	**299**
Total assets		**1,519**	**1,002**

CHF million	Note	Dec. 31, 2008	Dec. 31, 2007
Liabilities and equity			
Share capital	8	120	120
Reserves	9	72	375
Reserve for treasury shares	10	112	104
Retained earnings	11	–	2
Earnings for the year		398	223
Equity		**702**	**824**
Provision for tax		1	1
Other provisions and accruals		3	4
Provisions		**4**	**5**
Liabilities towards bank		–	95
Other liabilities		45	–
Liabilities towards Group companies	5	768	78
Liabilities		**813**	**173**
Total liabilities and equity		**1,519**	**1,002**

Schindellegi, February 26, 2009

KUEHNE + NAGEL INTERNATIONAL AG

Reinhard Lange — Gerard van Kesteren

CEO — CFO

NOTES TO THE FINANCIAL STATEMENTS 2008

General remarks

Kuehne + Nagel International AG directly or indirectly controls all of the companies which are fully consolidated in the Group Financial Statements. For financial and economic assessment purposes, the Group Financial Statements are of paramount importance.

Financial statement presentation and principles of valuation

Financial investments

The investments in subsidiaries, associates and joint ventures are recognised in the balance sheet at cost less valuation allowance.

Receivables

- *from Group companies*
  The balances outstanding are recorded at their nominal value less valuation allowance at year-end.
- *other*
  Other receivables are recorded at their nominal value less valuation allowance at year-end.

Treasury shares

Treasury shares are valued at average cost or lower market value. The "reserve for treasury shares" within equity is valued at average cost of treasury shares.

Provision for tax

Swiss taxes on income and capital are provided for at balance sheet date.

Liabilities

- *towards consolidated companies*
  Liabilities towards consolidated companies are recorded at their nominal value at year-end.

NOTES TO THE INCOME STATEMENT

1 Income from investments in consolidated companies

The income from investments in consolidated companies relates to dividends received.

2 Write-down of investments in consolidated companies

The write-down of investments in consolidated companies is shown in note 3.

NOTES TO THE BALANCE SHEET

3 Development of financial investments

CHF million	Investments in consolidated companies	Investments in affiliated companies	Total
Cost			
Balance as of January 1, 2008	1,936	1	1,937
Additions	423	–	433
Disposals	–	–	–10
Balance as of December 31, 2008	**2,359**	**1**	**2,360**
Cumulative depreciation			
Balance as of January 1, 2008	1,233	1	1,234
Additions	5	–	15
Disposals	–	–	–10
Balance as of December 31, 2008	**1,238**	**1**	**1,239**
Carrying amount			
As of January 1, 2008	**703**	**–**	**703**
As of December 31, 2008	**1,121**	**–**	**1,121**

A schedule of the Group's main subsidiaries and Kuehne + Nagel's share in the respective equity is shown on pages 144 to 149 of the Consolidated Financial Statements.

4 Receivables from Group companies

CHF million	Dec. 31, 2008	Dec. 31, 2007
Kuehne + Nagel Treasury AG, Schindellegi	–	75
Kuehne + Nagel Inc., New York	73	78
Kuehne + Nagel Ltd, Dubai	9	–
Kuehne + Nagel Services Ltd., Tortola	–	17
Kuehne + Nagel Internationale Transporte AG, Schindellegi	4	–
Kuehne + Nagel Liegenschaften AG, Schindellegi	19	–
Kuehne + Nagel Management AG, Schindellegi	–	2
Total	**105**	**172**

5 Liabilities towards Group companies

CHF million	Dec. 31, 2008	Dec. 31, 2007
Kuehne + Nagel Treasury AG, Schindellegi	427	–
Kuehne + Nagel Management AG, Schindellegi	92	–
Kuehne + Nagel Asia Pacific Holding AG, Schindellegi	65	–
Kuehne + Nagel Internationale Transporte AG, Schindellegi	62	–
Nacora Agencies AG, Schindellegi	40	–
Transpac Ltd., Hong Kong	82	78
Total	**768**	**78**

6 Treasury shares

CHF million	Dec. 31, 2008	Dec. 31, 2007
Treasury shares [1]	112	104
Total	**112**	**104**

1 See note 10.

Treasury shares are valued at average cost or lower market value. The "reserve for treasury shares" within equity is valued at average cost of treasury shares.

7 Cash and cash equivalents

CHF million	Dec. 31, 2008	Dec. 31, 2007
The bank deposits are in following currencies:		
Swiss franc	1	–
Euro	176	17
US dollar	2	4
Total	**179**	**21**

8 Share capital

	Registered shares at nominal CHF 1 each number	CHF million
Balance as of December 31, 2008	120,000,000	120

At the Annual General Meeting on May 2, 2006, the shareholders approved a 1:5 split of the registered shares and a corresponding increase in the number of Kuehne + Nagel shares. At the same time, the nominal value per share relating to approved share capital and conditional share capital was also lowered from CHF 5 to CHF 1.

Approved and conditional share capital

The Annual General Meeting held on May 2, 2005 approved the Board of Directors' proposal to realise a conditional share capital increase of 12 million registered shares up to a maximum of CHF 12 million and to add section 3.4 in the Articles of Association.

The Annual General Meeting held on May 2, 2006 extended its authorisation of approved share capital up to a maximum of CHF 20 million by a further two years. This option expired in May 2008.

The Annual General Meeting held on April 30, 2008 agreed to the Board of Directors' proposal to create an approved share capital increase up to a maximum of CHF 20 million restricted for two years. This option will expire on April 30, 2010.

So far no use has been made of these rights. There is no resolution of the Board of Directors outstanding for a further issuance of either approved or conditional share capital.

9 Reserves

CHF million	Reserve	Legal reserve	Total reserves and retained earnings brought forward
Balance as of January 1, 2008	315	60	375
Extraordinary dividend	–295	–	–295
Addition from release of reserve for treasury shares [1]	–8	–	–8
Balance as of December 31, 2008	**12**	**60**	**72**

1 See note 10.

10 Reserve for treasury shares

	number of shares	CHF million
Balance as of January 1, 2008	1,994,264	104
Disposal of shares – employee share	–306,091	–15
Buyback of own shares	244,066	23
Balance as of December 31, 2008	**1,932,239**	**112**

In agreement with the provisions of Swiss commercial law regarding the valuation of treasury shares, the company released a reserve equivalent to the average cost of the treasury shares.

11 Retained earnings/earnings for the year

CHF million	
Balance as of January 1, 2008 (before income for the year)	1
Earnings for the year 2007	223
Retained earnings as of January 1, 2007	**224**
Distribution to the shareholders (representing CHF 1.90 per share)	–224
Earnings for the year 2008	398
Balance as of December 31, 2008	**398**

OTHER NOTES

12 Personnel

The company has no employees and therefore utilises the central services of Kuehne + Nagel Management AG, Schindellegi, for its administrative requirements. The respective costs are included in other operating expenses.

13 Remuneration report

Due to Swiss law (OR 663 b/c), additional disclosure of information related to remuneration paid to and accrued for members of the Board of Directors and the Management Board is required.

Remuneration accrued for and paid to the Board of Directors

Following compensation has been accrued for and paid to the current members of the Board of Directors. Information related to the compensation policy are disclosed as part of the Corporate Governance section.

	2008					2007
TCHF	Compensation Board of Directors	Compensation Committees	Additional fees for services provided	Social insurance	Total	Total
K.-M. Kuehne (Chairman)	225	10	–	13	248	246
B. Wrede (Vice Chairman)	188	10	200	–	398	373
K. Gernandt [3]	10	–	–	–	10	–
J. Hausser	150	10	–	10	170	169
W. Kissling	150	10	–	10	170	169
J. Fitschen [2]	100	–	–	6	106	–
H. Lerch	150	10	–	10	170	169
G. Obermeier	150	25	–	–	175	175
W. Peiner	150	–	–	–	150	98
B. Salzmann [1]	50	8	56	2	116	248
T. Staehelin	150	15	27	10	202	204
X. Urbain	–	–	–	–	–	211
Total	**1,473**	**98**	**283**	**61**	**1,915**	**2,062**

1 Resigned from the Board of Directors April 30, 2008.
2 Since April 30, 2008.
3 Since December 9, 2008.

Remuneration accrued for and paid to the Board of Management

	2008							2007
TCHF	Salary	Bonus	Social insurance	Pension	Options	Others*	Total	Total
K.-M. Kuehne, Delegate of the Board of Directors	600	3,600	212	–	–	10	4,422	4,397
Members of the Management Board	5,021	7,114	588	528	218	94	13,563	14,550
Total	**5,621**	**10,714**	**800**	**528**	**218**	**104**	**17,985**	**18,947**

* Other compensation comprise of company cars for all members of the Management Board.

No termination allowances or remuneration were paid to any of the previous members of the Board of Management in the year 2008.

Allocation of shares

In 2008 no shares were allocated to any members of either the Board of Directors or the Management Board and/or to parties closely associated with them other than disclosed under the Employee Share Purchase and Option Plan (see page 158).

Shareholdings by members of the Board of Directors

As of December 31, 2008, the following numbers of KNI shares were held by members of the Board of Directors. No shareholdings were reported from parties closely associated with the mentioned board members:

	2008	2007
	Number of KNI shares	
K.-M. Kuehne (Chairman)	67,040,500	67,030,000
B. Wrede (Vice Chairman)	–	–
K. Gernandt	500	–
J. Fitschen	–	–
J. Hausser	1	1
W. Kissling	1,000	1,250
H. Lerch	5,000	5,000
G. Obermeier	500	500
W. Peiner	–	–
B. Salzmann	–	200
T. Staehelin	10,000	10,000
Total	**67,057,501**	**67,046,951**

Shareholdings by members of the Management Board

As of December 31, 2008, the following numbers of KNI shares were held by members of the Management Board. No shareholdings were reported from parties closely associated with the mentioned board members:

	2008	2007
	Number of KNI shares	
K. Herms, Chief Executive Officer	124,000	127,500
G. van Kesteren, Finance	125,094	124,375
M. Kolbe, Information Technology	3,000	3,000
R. Lange, Deputy Chief Executive Officer	38,792	30,170
K.-D. Pietsch, Quality Management and Special Projects	40,625	30,625
D. Reich, Contract Logistics	30,847	20,000
A. Schmid-Lossberg, Human Resources	–	600
Total	**362,358**	**336,270**

Options

In 2001 KNI introduced an Employee Share Purchase and Option Plan for members of the KNI Management Board, by which they have the option to purchase shares of KNI. As of December 31, 2008, all members of the Management Board had participated and the total amount of shares was purchased at the agreed price of 90.0 per cent (plan 1 to 3), 95.0 per cent (plan 4), 96.5 per cent (plan 5) and 95.0 per cent (plan 6, 7 and 8) of the average share closing price quoted on the SIX Swiss Exchange between April and June of the respective year of purchase. The sale of the shares acquired under this plan is blocked for a period of three years after the date of purchase. Each share purchased is linked with two options carrying the right to purchase one KNI share for each option at the average price as outlined above. The option is blocked for three years from the date of subscription and thereafter can be exercised within the period of another three years. The option lapses after expiry of that period.

The prices to exercise the above mentioned options are quoted in Note 35 to the Consolidated Financial Statements on page 119 to 121.

Name	Date of allocation	Number of Options	Year of Expiry of locked period
K. Herms, Chief Executive Officer	2005	20,000	2008
	2006	20,000	2009
	2007	20,000	2010
	2008	2,260	2011
G. van Kesteren, Finance	2005	15,000	2008
	2006	15,000	2009
	2007	15,000	2010
	2008	2,938	2011
M. Kolbe, Information Technology	2006	2,000	2009
	2007	4,000	2010
R. Lange, Deputy Chief Executive Officer	2007	10,000	2010
	2008	1,526	2011
K.-D. Pietsch, Quality Management and Special Projects	2005	5,000	2008
	2006	10,000	2009
	2007	15,000	2010
D. Reich, Contract Logistics	2005	10,000	2008
	2006	15,000	2009
	2007	15,000	2010
	2008	1,694	2011
Total		**199,418**	

Loans

In 2008 no loans were granted to members of the Board of Directors or the Management Board of KNI nor associated parties, and no such loans were outstanding as of December 31, 2008.

14 Contingent liabilities

For further information regarding contingent liabilities refer to note 44 of the Consolidated Financial Statements.

15 Risk management

The detailed disclosures regarding risk management that are required by Swiss law are included in the Kuehne + Nagel Group Consolidated Financial Statements on pages 133 to 138.

16 Proposal of the Board of Directors to the Annual General Meeting of May 13, 2009 regarding appropriation of the available earnings 2008

	CHF million
Balance as of January 1, 2008 (before income for the year)	–
Net income 2008	398
Available earnings as of December 31, 2008	**398**
Distribution to the shareholders (representing CHF 2.30 per share) [1]	–271
Balance as of December 31, 2008 (after appropriation of available earnings)	**127**

1 The total dividend amount covers all outstanding registered shares (as per December 31, 2008: 118,067,761 shares). However, registered shares still held in treasury on the date of the dividend declaration are not eligible for dividend payments. In consequence, the reported total dividend amount may be correspondingly adjusted.

REPORT OF THE STATUTORY AUDITORS TO THE ANNUAL GENERAL MEETING OF KUEHNE + NAGEL INTERNATIONAL AG, SCHINDELLEGI

As statutory auditor, we have audited the accompanying Financial Statements of Kuehne + Nagel International AG, which comprise the balance sheet, income statement and notes pages 150 to 159 for the year ended December 31, 2008.

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, 2008 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

Roger Neininger	**Guenter Haag**
Licensed Audit Expert	Licensed Audit Expert
Auditor in Charge	

Zurich, February 26, 2009

CORPORATE TIMETABLE 2009

March 3, 2009	Press Conference 2008 Result
	Analyst Conference 2008 Result
April 20, 2009	Announcement First Quarter 2009 Result
May 13, 2009	Annual General Meeting 2008
May 18, 2009	Dividend distribution 2008
July 20, 2009	Announcement Half-Year 2009 Result
October 20, 2009	Announcement Nine-Months 2009 Result

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