

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

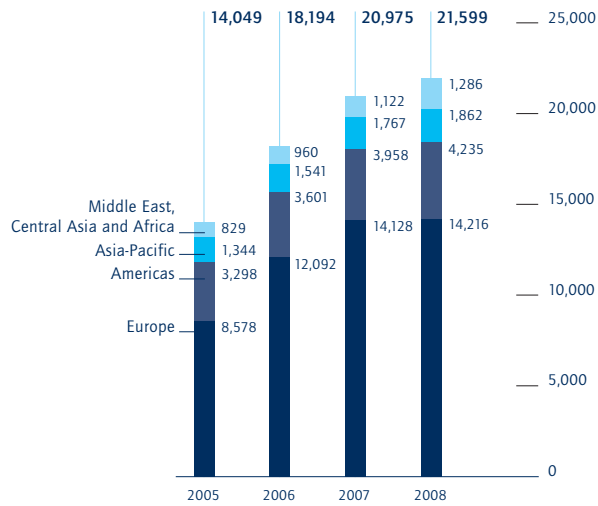
Gross profit

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).

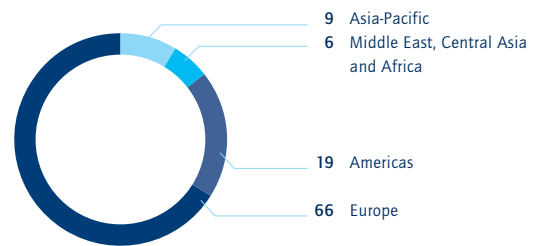
Regional turnover

CHF million



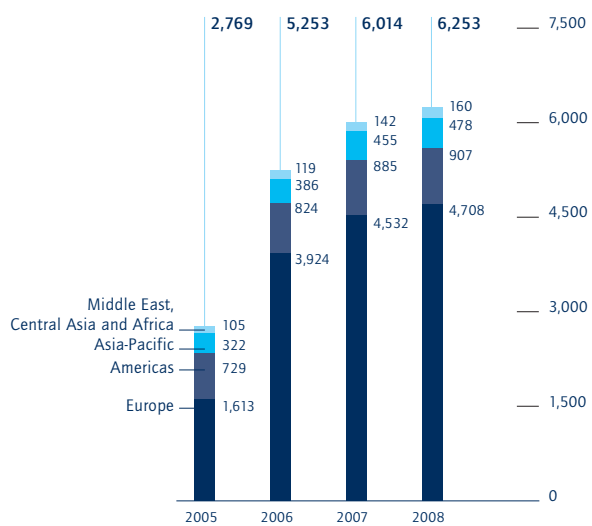
Regional turnover

Per cent



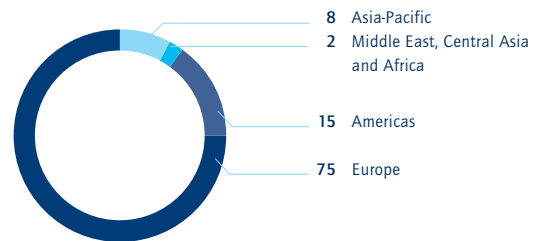
Regional gross profit

CHF million



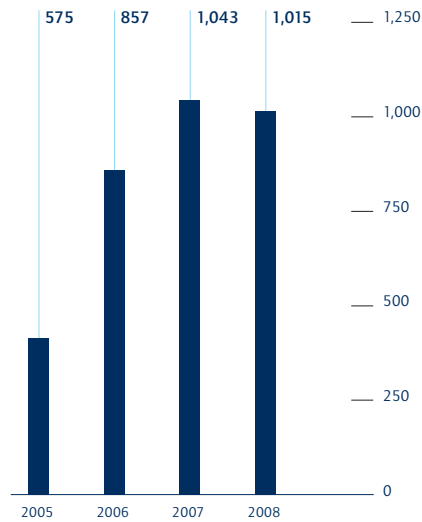
Regional gross profit

Per cent



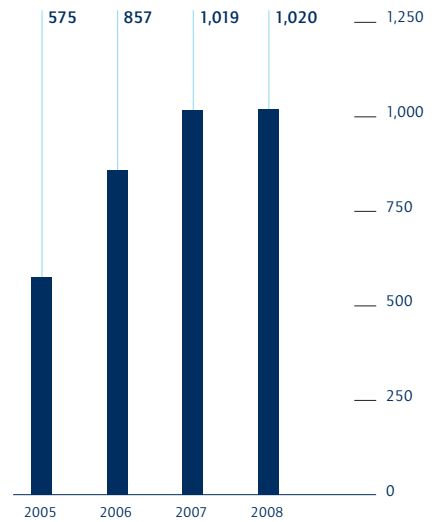
Operational cash flow

CHF million



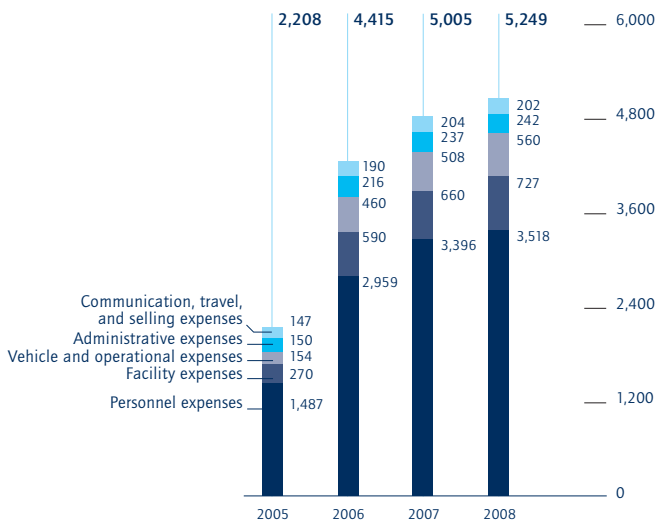
EBITDA

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.

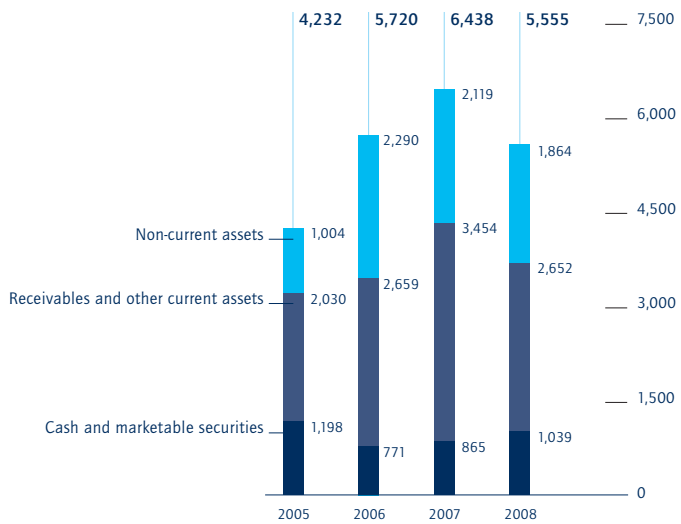
Investments, depreciation and amortisation

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.

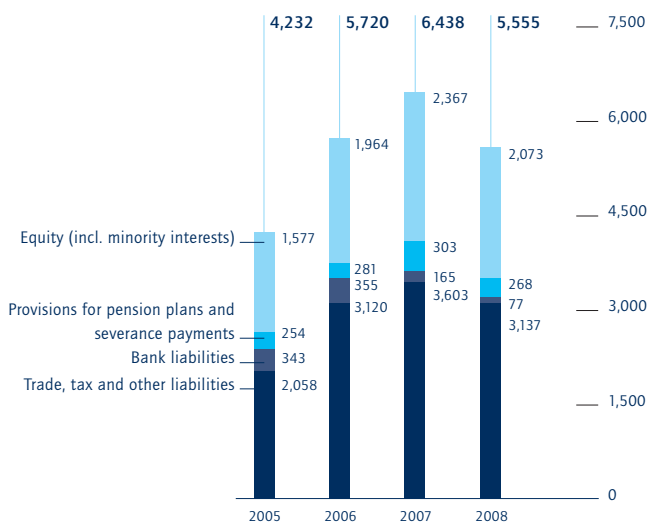
Assets

CHF million



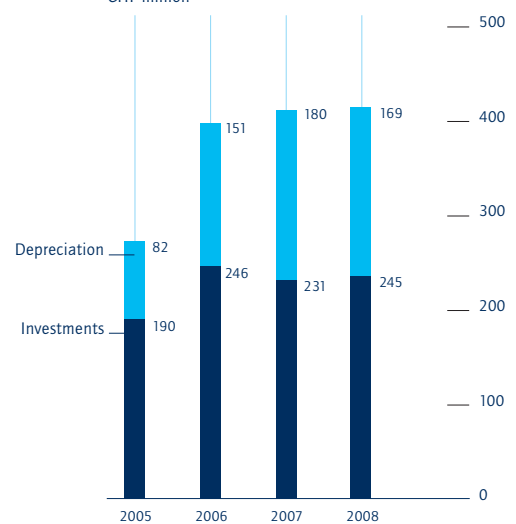
Liabilities

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)

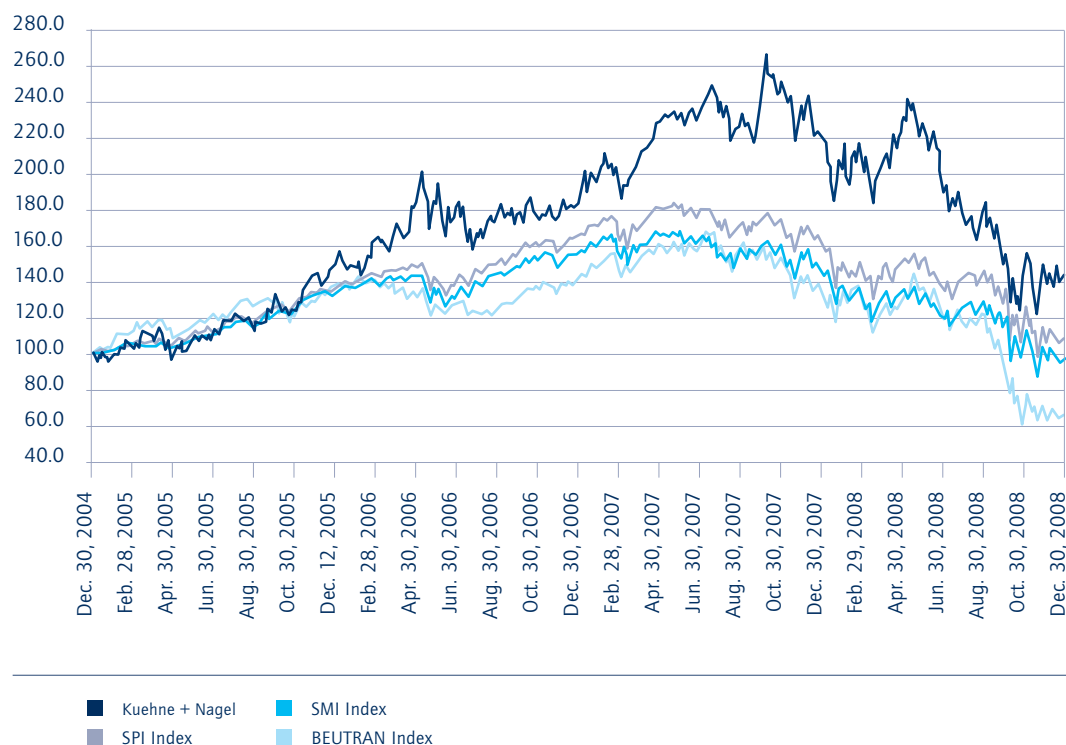
	2008	2007	per cent change
Share price (CHF)	67.55	108.50	-37.7
Market capitalisation (millions of CHF)	8,106	13,020	-37.7

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).