

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 shares		-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
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

CEO

Gerard van Kesteren

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.

TCHF	2008					2007
	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

TCHF	2008						2007	
	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
Licensed Audit Expert
Auditor in Charge

Guenter Haag
Licensed Audit Expert

Zurich, February 26, 2009