

## CONSOLIDATED FINANCIAL STATEMENTS 2008 OF THE KUEHNE + NAGEL GROUP

### Income Statement

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

\* 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
<b>Assets</b>			
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*
<b>Non-current assets</b>		<b>1,864</b>	<b>2,119</b>
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
<b>Current assets</b>		<b>3,691</b>	<b>4,319</b>
<b>Total assets</b>		<b>5,555</b>	<b>6,438</b>
<b>Liabilities and equity</b>			
Share capital		120	120
Reserves and retained earnings		1,359	1,702*
Earnings for the year		585	536*
<b>Total equity attributable to the equity holders of the parent company</b>		<b>2,064</b>	<b>2,358</b>
Minority interests		9	9
<b>Total equity</b>	<b>33</b>	<b>2,073</b>	<b>2,367</b>
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
<b>Non-current liabilities</b>		<b>423</b>	<b>587</b>
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
<b>Current liabilities</b>		<b>3,059</b>	<b>3,484</b>
<b>Total liabilities and equity</b>		<b>5,555</b>	<b>6,438</b>

\* 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 <sup>1</sup>
<b>Earnings for the year</b>	<b>588</b>	<b>539</b>
Foreign exchange differences	-361	25
Actuarial gains/(losses) on defined benefit plans, net	-2	13
Revaluation of initial share in Orient Transport Company Ltd. <sup>2</sup>	-	2
<b>Net income recognised directly in equity, net of tax</b>	<b>-363</b>	<b>40</b>
<b>Total recognised income and expense for the period</b>	<b>225</b>	<b>579</b>
<b>Attributable to:</b>		
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	

<sup>1</sup> 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.

<sup>2</sup> Refer to note 5.

**Cash Flow Statement**

CHF million	Note	2008	2007
<b>Cash flow from operating activities</b>			
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*
<b>Total operational cash flow</b>		<b>1,015</b>	<b>1,043</b>
(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
<b>Total cash flow from operating activities</b>		<b>866</b>	<b>859</b>
<b>Cash flow from investing activities</b>			
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
<b>Total cash flow from investing activities</b>		<b>82</b>	<b>-366</b>
<b>Cash flow from financing activities</b>			
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
<b>Total cash flow from financing activities</b>		<b>-595</b>	<b>-271</b>
Exchange difference on cash and cash equivalents		-147	-10
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>206</b>	<b>212</b>
<b>Cash and cash equivalents at the beginning of the year, net</b>	32	<b>812</b>	<b>600</b>
<b>Cash and cash equivalents at the end of the year, net</b>	32	<b>1,018</b>	<b>812</b>

\* 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 <sup>1</sup>	July 1, 2008	reporting year 2009
IFRIC 16 – Hedges of Net Investment in a Foreign Operation <sup>1</sup>	October 1, 2008	reporting year 2009
IAS 1 revised – Presentation of Financial Statements <sup>2</sup>	January 1, 2009	reporting year 2009
IAS 23 revised – Borrowing Costs <sup>1</sup>	January 1, 2009	reporting year 2009
IFRS 8 – Operating Segments <sup>5</sup>	January 1, 2009	reporting year 2009
Improvements to International Financial Reporting Standards 2008 <sup>1</sup>	January 1, 2009/ July 1, 2009	reporting year 2009/2010
Amendment to IFRS 2 – Share-based Payment – Vesting Conditions and Cancellations <sup>1</sup>	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 <sup>1</sup>	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 <sup>1</sup>	January 1, 2009	reporting year 2009
IFRIC 15 – Agreements for the Construction of Real Estate <sup>1</sup>	January 1, 2009	reporting year 2009
IFRS 1 revised – First-time Adoption of International Financial Reporting Standards – Restructuring of Format <sup>1</sup>	January 1, 2009	–
IFRS 3 revised – Business Combinations <sup>4</sup>	July 1, 2009	reporting year 2010
IAS 27 amended – Consolidated and Separate Financial Statements <sup>4</sup>	July 1, 2009	reporting year 2010
Amendment to IAS 39 – Financial Instruments: Recognition and Measurement – Eligible Hedged Items <sup>1</sup>	July 1, 2009	reporting year 2010
IFRIC 17 – Distributions of Non-cash Assets to Owners <sup>1</sup>	July 1, 2009	reporting year 2010
IFRIC 18 – Transfer of Assets from Customers <sup>1</sup>	July 1, 2009	reporting year 2010

<sup>1</sup> No or no significant impacts are expected on the Consolidated Financial Statements.

<sup>2</sup> The impact on these Consolidated Financial Statements is expected to result in additional disclosures or changes in presentation.

<sup>3</sup> The impact on the Consolidated Financial Statements can not yet be determined with sufficient reliability.

<sup>4</sup> The accounting for future business combinations and future transactions with non-controlling interests (formerly minority interests) will be impacted.

<sup>5</sup> 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	
<b>Income statement</b>		
Decrease in personnel expenses		8
Increase in income tax expense		-3
<b>Increase in earnings for the year</b>		<b>5</b>
<b>Income and expense</b>		
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
<b>Increase in total recognised income and expense for the year</b>		<b>18</b>
<b>Balance sheet</b>		
	<b>Dec. 31, 2008</b>	<b>Dec. 31, 2007</b>
Cumulative decrease/(increase) in provisions for pension plans and severance payments	1	3
Cumulative (decrease)/increase in deferred tax assets	2	-1
<b>Cumulative increase/(decrease) in retained earnings</b>	<b>3</b>	<b>2</b>
<b>Earnings per share</b>		
		<b>2007</b>
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
<b>Acquisitions</b>				
Elite Airfreight Inc., USA <sup>1</sup>	100	USD	1	January 1, 2008
Coiltrans S.a.r.l, Luxembourg <sup>2</sup>	100	EUR	13	January 1, 2008
QTS Group, USA <sup>3</sup>	100	USD	2	November 28, 2008
<b>Incorporation</b>				
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.

<sup>1</sup> 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.

<sup>2</sup> Coiltrans is a road logistic company in Luxembourg.

<sup>3</sup> 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 '000	Acquisition / incorporation date
<b>Acquisitions</b>				
Orient Transport Company Ltd., Saudi Arabia <sup>1</sup>	50	SAR	1,000	January 1, 2007
G.L. Kayser Group, Germany <sup>2</sup>	100	EUR	1,784	December 13, 2007
Cordes & Simon Group, Germany <sup>3</sup>	100	EUR	3,945	December 27, 2007
European Brokers S.p.A., Italy <sup>4</sup>	40	EUR	73	December 31, 2007
Nakufreight Ltd., Cyprus <sup>5</sup>	30	CYP	10	December 31, 2007
Pact Benelux B.V., Netherlands <sup>6</sup>	40	EUR	18	December 31, 2007
<b>Incorporation</b>				
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 owing 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
<b>Total</b>	<b>3,518</b>	<b>3,396</b>

\* 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
<b>Total</b>	<b>1,731</b>	<b>1,609</b>

### 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
<b>Total</b>	<b>16</b>	<b>10</b>

## 23 Financial income and expenses

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

## 24 Income tax

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

\* 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*	
<b>Income tax/expected tax rate</b>	<b>191</b>	<b>25.0</b>	<b>195*</b>	<b>27.5</b>
<b>Tax effect on:</b>				
– 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
<b>Income tax/effective tax rate</b>	<b>176</b>	<b>23.0</b>	<b>169</b>	<b>23.7</b>

\* 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

CHF million	Assets		Liabilities		Net	
	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
<b>Tax assets/(liabilities)</b>	<b>157</b>	<b>160*</b>	<b>-111</b>	<b>-162*</b>	<b>46</b>	<b>-2</b>

\* Of which acquired in business

combinations (opening balance sheet)	4	5	-2	-13	2	-8
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\*\* 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
<b>Total</b>	<b>105</b>	<b>129</b>

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
<b>Total</b>	<b>37</b>	<b>50</b>

**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
<b>Earnings for the year attributable to the equity holders of the parent company in CHF million</b>	<b>585</b>	<b>536*</b>
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
<b>Basic earnings per share in CHF</b>	<b>4.96</b>	<b>4.54*</b>
<b>Diluted earnings per share in CHF</b>	<b>4.95</b>	<b>4.52*</b>

\* 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
<b>Cost</b>				
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
<b>Balance as of December 31, 2008</b>	<b>681</b>	<b>108</b>	<b>657</b>	<b>1,446</b>
<b>Accumulated depreciation and impairment losses</b>				
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
<b>Balance as of December 31, 2008</b>	<b>94</b>	<b>5</b>	<b>392</b>	<b>491</b>
<b>Carrying amount</b>				
<b>As of January 1, 2008</b>	<b>624</b>	<b>108</b>	<b>289</b>	<b>1,021</b>
<b>As of December 31, 2008</b>	<b>587</b>	<b>103</b>	<b>265</b>	<b>955</b>

\* 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
<b>Cost</b>				
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
<b>Balance as of December 31, 2007</b>	<b>724</b>	<b>111</b>	<b>747</b>	<b>1,582</b>
<b>Accumulated depreciation and impairment losses</b>				
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
<b>Balance as of December 31, 2007</b>	<b>100</b>	<b>3</b>	<b>458</b>	<b>561</b>
<b>Carrying amount</b>				
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 <sup>1</sup>
<b>Cost</b>		
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
<b>Balance as of December 31, 2008</b>	<b>592</b>	<b>501</b>
<b>Accumulated amortisation and impairment losses</b>		
Balance as of January 1, 2008	65	248
Amortisation charge for the year	-	100
Impairment loss <sup>2</sup>	6	9
Retirements	-	-7
Effect of movements in foreign exchange	-19	-51
<b>Balance as of December 31, 2008</b>	<b>52</b>	<b>299</b>
<b>Carrying amount</b>		
As of January 1, 2008	639	288
As of December 31, 2008	540	202

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

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

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 <sup>1</sup>	Kuehne + Nagel Inc., USA (USCO)	Multiple units	Total
Year acquired	2006	2001	2004 – 2007	
<b>Carrying amount of goodwill in CHF million</b>	<b>342</b>	<b>95</b>	<b>103</b>	<b>540</b>
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 <sup>2</sup>	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	

<sup>1</sup> 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).

<sup>2</sup> 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
<b>Growth rate</b>				
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
<b>Growth rate</b>				
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
<b>Total trade receivables</b>	<b>2,143</b>	<b>2,537</b>

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
<b>Total</b>	<b>931</b>	<b>27</b>	<b>2.9</b>	<b>1,412</b>	<b>30</b>	<b>2.1</b>

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

CHF million	2008			2007		
	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
<b>Balance as of December 31</b>	<b>44</b>	<b>27</b>	<b>71</b>	<b>39</b>	<b>30</b>	<b>69</b>

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
<b>Total</b>	<b>152</b>	<b>165</b>

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
<b>Cash and cash equivalents in the cash flow statement (net)</b>	<b>1,018</b>	<b>812</b>

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
<b>Restated balance as of January 1, 2007</b>	<b>120</b>	<b>668</b>	<b>-77</b>	<b>-</b>	<b>-17</b>	<b>1,259</b>	<b>1,953</b>	<b>6</b>	<b>1,959</b>
<b>Net income recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13</b>	<b>25</b>	<b>2</b>	<b>40</b>	<b>-</b>	<b>40</b>
Earnings for the year	-	-	-	-	-	536	536	3	539
<b>Total recognised income and expense for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13</b>	<b>25</b>	<b>538</b>	<b>576</b>	<b>3</b>	<b>579</b>
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
<b>Balance as of December 31, 2007</b>	<b>120</b>	<b>686</b>	<b>-104</b>	<b>13</b>	<b>8</b>	<b>1,635</b>	<b>2,358</b>	<b>9</b>	<b>2,367</b>
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
<b>Restated balance as of January 1, 2008</b>	<b>120</b>	<b>686</b>	<b>-104</b>	<b>13</b>	<b>8</b>	<b>1,635</b>	<b>2,358</b>	<b>9</b>	<b>2,367</b>
<b>Net income recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-2</b>	<b>-361</b>	<b>-</b>	<b>-363</b>	<b>-</b>	<b>-363</b>
Earnings for the year	-	-	-	-	-	585	585	3	588
<b>Total recognised income and expense for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-2</b>	<b>-361</b>	<b>585</b>	<b>222</b>	<b>3</b>	<b>225</b>
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
<b>Balance as of December 31, 2008</b>	<b>120</b>	<b>683</b>	<b>-112</b>	<b>11</b>	<b>-353</b>	<b>1,715</b>	<b>2,064</b>	<b>9</b>	<b>2,073</b>

\* 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
	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
Main shareholders					
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
<b>Entitled to voting rights and dividend</b>	<b>118,067,761</b>	<b>118</b>	<b>98.4</b>	<b>100.0</b>	<b>118,005,736</b>
Treasury shares	1,932,239	2	1.6		1,994,264
<b>Total</b>	<b>120,000,000</b>	<b>120</b>	<b>100.0</b>		<b>120,000,000</b>

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
	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
Main shareholders					
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
<b>Entitled to voting rights and dividend</b>	<b>118,005,736</b>	<b>118</b>	<b>98.4</b>	<b>100.0</b>	<b>117,712,892</b>
Treasury shares	1,994,264	2	1.6		2,287,108
<b>Total</b>	<b>120,000,000</b>	<b>120</b>	<b>100.0</b>		<b>120,000,000</b>

## 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
<b>Equity ratio in per cent</b>	<b>37.3</b>	<b>36.8</b>	<b>34.3</b>	<b>37.3</b>	<b>28.1</b>

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
<b>Balance as of January 1, 2007</b>	<b>223</b>	<b>41</b>	<b>264</b>
Change in accounting policy	25	-	25
<b>Restated balance as of January 1, 2007</b>	<b>248</b>	<b>41</b>	<b>289</b>
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
<b>Balance as of December 31, 2007</b>	<b>252</b>	<b>51</b>	<b>303</b>
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
<b>Balance as of December 31, 2008</b>	<b>244</b>	<b>24</b>	<b>268</b>

CHF million	2008			2007*		
	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
<b>Present value of net obligations</b>	<b>17</b>	<b>227</b>	<b>244</b>	<b>16</b>	<b>236</b>	<b>252</b>
<b>Recognised liability for defined benefit obligations</b>	<b>17</b>	<b>227</b>	<b>244</b>	<b>16</b>	<b>236</b>	<b>252</b>

\* 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			2007*		
	Funded plans	Unfunded plans	Total	Funded plans	Unfunded plans	Total
<b>Pension plan assets</b>						
Debt securities	39	-	39	42	-	42
Equity securities	23	-	23	27	-	27
Property	6	-	6	3	-	3
Others	19	-	19	22	-	22
<b>Total</b>	<b>87</b>	<b>-</b>	<b>87</b>	<b>94</b>	<b>-</b>	<b>94</b>
<b>Movements of fair value of plan assets</b>						
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
<b>Closing fair value of plan assets</b>	<b>87</b>	<b>-</b>	<b>87</b>	<b>94</b>	<b>-</b>	<b>94</b>
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.

CHF million	2008			2007*		
	Funded plans	Unfunded plans	Total	Funded plans	Unfunded plans	Total
<b>Movements of present value of defined benefit obligations</b>						
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
<b>Closing liability for defined benefit obligations</b>	<b>104</b>	<b>227</b>	<b>331</b>	<b>110</b>	<b>236</b>	<b>346</b>
<b>Expense recognised in the income statement</b>						
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
<b>Expense recognised in Personnel expenses (refer note 20)</b>	<b>5</b>	<b>16</b>	<b>21</b>	<b>8</b>	<b>22</b>	<b>30</b>
<b>Actuarial gains/(losses) recognised in equity, excluding tax</b>						
Cumulative amount as of January 1	11	9	20	-	-	-
Recognised during the year	-8	6	-2	11	9	20
Exchange differences	-1	-1	-2	-	-	-
<b>Cumulative amount as of December 31</b>	<b>2</b>	<b>14</b>	<b>16</b>	<b>11</b>	<b>9</b>	<b>20</b>

\* 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			2007		
	Funded plans	Unfunded plans	Total	Funded plans	Unfunded plans	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			2007*			2006*		
	Funded plans	Unfunded plans	Total	Funded plans	Unfunded plans	Total	Funded plans	Unfunded plans	Total
<b>Historical information</b>									
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	-
<b>Total</b>		<b>3,324,540</b>		<b>1,523,106</b>	<b>1,855,054</b>

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
<b>Options outstanding as of December 31</b>	<b>85.83</b>	<b>1,523,106</b>	<b>77.73</b>	<b>1,855,054</b>
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
<b>Employee expenses</b>		
Expense arising from employee share purchase	-	2
Expense arising from employee option plan	14	13
<b>Total expense for employee share purchase and option plan</b>	<b>14</b>	<b>15</b>

### 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
<b>Total</b>	<b>77</b>	<b>165</b>

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

CHF million	2008			2007		
	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, 2007
Trade payables	1,129	1,329
Accrued trade expenses	764	981
Deferred income	109	143
<b>Total</b>	<b>2,002</b>	<b>2,453</b>

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 <sup>1</sup>	Provision for deductible of transport liability insurance <sup>2</sup>	Other <sup>3</sup>	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
<b>Balance as of December 31, 2007</b>	<b>35</b>	<b>29</b>	<b>35</b>	<b>99</b>
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
<b>Balance as of December 31, 2008</b>	<b>38</b>	<b>30</b>	<b>43</b>	<b>111</b>

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
<b>Total</b>	<b>729</b>	<b>722</b>

## NOTES TO THE SEGMENT REPORTING

## 41 Segment reporting

## Primary reporting

CHF million	Total		Seafreight		Airfreight	
	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
<b>Net invoiced turnover</b>	<b>17,992</b>	<b>17,120</b>	<b>9,277</b>	<b>8,619</b>	<b>5,512</b>	<b>5,164</b>
Net expenses for services from third parties	-11,739	-11,106	-7,900	-7,349	-4,786	-4,466
<b>Gross profit</b>	<b>6,253</b>	<b>6,014</b>	<b>1,377</b>	<b>1,270</b>	<b>726</b>	<b>698</b>
Total expenses	-5,233	-4,995	-919	-843	-505	-479
<b>EBITDA</b>	<b>1,020</b>	<b>1,019</b>	<b>458</b>	<b>427</b>	<b>221</b>	<b>219</b>
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	-	-	-	-
<b>EBIT</b>	<b>736</b>	<b>693</b>	<b>414</b>	<b>388</b>	<b>198</b>	<b>197</b>
Financial income	33	27				
Financial expenses	-13	-18				
Result from joint ventures and associates	8	6	3	2	-	1
<b>Earnings before tax (EBT)</b>	<b>764</b>	<b>708</b>				
Income tax	-176	-169				
<b>Earnings for the year</b>	<b>588</b>	<b>539</b>				
<b>Attributable to:</b>						
Equity holders of the parent company	585	536				
Minority interests	3	3				
<b>Earnings for the year</b>	<b>588</b>	<b>539</b>				
<b>Additional information</b>						
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.



## Secondary reporting

CHF million	Total		Europe		Americas	
	2008	2007*	2008	2007*	2008	2007*
<b>Invoiced turnover (external customers)</b>	<b>21,599</b>	<b>20,975</b>	<b>14,216</b>	<b>14,128</b>	<b>4,235</b>	<b>3,958</b>
Invoiced inter-region turnover	-	-	3,072	2,858	747	688
Customs duties and taxes	-3,607	-3,855	-2,179	-2,498	-709	-721
<b>Net invoiced turnover</b>	<b>17,992</b>	<b>17,120</b>	<b>15,109</b>	<b>14,488</b>	<b>4,273</b>	<b>3,925</b>
Net expenses for services						
from third parties	-11,739	-11,106	-10,401	-9,956	-3,366	-3,040
<b>Gross profit</b>	<b>6,253</b>	<b>6,014</b>	<b>4,708</b>	<b>4,532</b>	<b>907</b>	<b>885</b>
Total expenses	-5,233	-4,995	-4,082	-3,894	-733	-713
<b>EBITDA</b>	<b>1,020</b>	<b>1,019</b>	<b>626</b>	<b>638</b>	<b>174</b>	<b>172</b>
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	-	-
<b>EBIT</b>	<b>736</b>	<b>693</b>	<b>395</b>	<b>354</b>	<b>141</b>	<b>148</b>
Financial income	33	27				
Financial expenses	-13	-18				
Result from joint ventures and associates	8	6	7	5	-	-
<b>Earnings before tax (EBT)</b>	<b>764</b>	<b>708</b>				
Income tax	-176	-169				
<b>Earnings for the year</b>	<b>588</b>	<b>539</b>				
<b>Attributable to:</b>						
<b>Equity holders of the parent company</b>	<b>585</b>	<b>536</b>				
Minority interests	3	3				
<b>Earnings for the year</b>	<b>588</b>	<b>539</b>				
<b>Additional information</b>						
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:

CHF million	Acquisitions		
	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
<b>Subtotal assets</b>	<b>10</b>	<b>29</b>	<b>39</b>
Trade payables	-5	-	-5
Other current liabilities	-1	-	-1
Non-current liabilities	-1	-3	-4
<b>Subtotal net identifiable assets and liabilities</b>	<b>3</b>	<b>26</b>	<b>29</b>
<b>Total consideration</b>			<b>29</b>
<b>Contingent consideration</b>			<b>-13</b>
<b>Purchase price, paid in cash</b>			<b>16</b>
Acquired cash and cash equivalents (net)			-1
<b>Net cash outflow</b>			<b>15</b>

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:

CHF million	Acquisitions		
	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
<b>Subtotal assets</b>	<b>89</b>	<b>79</b>	<b>168</b>
Trade payables	-32		-32
Other current liabilities	-17	-13	-30
Non-current liabilities	-9	-10	-19
<b>Subtotal net identifiable assets and liabilities</b>	<b>31</b>	<b>56</b>	<b>87</b>
Proportionate fair value of investment			-7
Goodwill			113
<b>Total consideration</b>			<b>193</b>
<b>Contingent consideration</b>			<b>-17</b>
<b>Purchase price, paid in cash</b>			<b>176</b>
Acquired cash and cash equivalents (net)			-11
<b>Net cash outflow</b>			<b>165</b>

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
<b>Total personnel (unaudited)</b>	<b>53,823</b>	<b>51,075</b>
<b>Full-time equivalent</b>	<b>59,012</b>	<b>58,060</b>

### 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
<b>Total</b>	<b>41</b>	<b>38</b>

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
<b>Total</b>	<b>1,664</b>	<b>182</b>	<b>1,846</b>

##### 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
<b>Total</b>	<b>1,230</b>	<b>161</b>	<b>1,391</b>

#### 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	-
<b>Total</b>	<b>73</b>	<b>13</b>

## **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:

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

*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:

CHF million	2008			2007		
	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
<b>Gross balance sheet exposure</b>	<b>278</b>	<b>191</b>	<b>-</b>	<b>152</b>	<b>212</b>	<b>1</b>

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.

CHF million	2008					
	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	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	-	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
<b>Total</b>	<b>3,334</b>	<b>3,567</b>

*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
<b>Total</b>	<b>2,143</b>	<b>2,537</b>

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
<b>Exposure</b>	<b>1,967</b>	<b>1,973</b>	<b>1,923</b>	<b>2</b>	<b>48</b>

**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
<b>Exposure</b>	<b>2,258</b>	<b>2,270</b>	<b>2,135</b>	<b>5</b>	<b>130</b>

**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:

CHF million	Management Board		Board of Directors*	
	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	-	-
<b>Total key management compensation</b>	<b>18</b>	<b>19</b>	<b>2</b>	<b>2</b>

\* 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**  
Licensed Audit Expert  
Auditor in Charge

**Guenter Haag**  
Licensed Audit Expert

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)
<b>Switzerland</b>	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)
<b>Belgium</b>	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
<b>France</b>	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
<b>Italy</b>	Kuehne + Nagel Srl	Milan	EUR 4,589	100
	European Brokers S.p.A.	Milan	EUR 73	70
<b>Luxembourg</b>	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
<b>Malta</b>	Kuehne + Nagel Ltd.	Hamrun	EUR 14	100
<b>Portugal</b>	Kühne + Nagel Lda.	Porto	EUR 165	100
<b>Spain</b>	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)
<b>Denmark</b>	Kuehne + Nagel A/S	Copenhagen	DKK	5,200	100
	Kuehne + Nagel Holding A/S	Copenhagen	DKK	750	100
<b>Finland</b>	OY Kuehne + Nagel Ltd.	Helsinki	EUR	200	100
<b>Ireland</b>	Kuehne + Nagel (Ireland) Ltd.	Dublin	EUR	500	100
<b>Norway</b>	Kuehne + Nagel AS	Oslo	NOK	3,100	100
<b>Sweden</b>	Kuehne + Nagel AB	Stockholm	SEK	500	100
	Kuehne + Nagel Investment AB	Stockholm	EUR	112	100
	Nacora Assurans Finans Service AB	Stockholm	SEK	100	100
<b>United Kingdom</b>	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)	
<b>Germany</b>	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	
	<b>The Netherlands</b>	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	
<b>Switzerland</b>	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)
<b>Albania</b>	Transalbania Ltd.	Tirana	ALL	9,300	51
<b>Austria</b>	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
<b>Bosnia and Herzegovina</b>	Kuehne + Nagel d.o.o.	Sarajevo	BAM	98	100
<b>Bulgaria</b>	Kuehne + Nagel EOOD	Sofia	BGN	365	100
<b>Croatia</b>	Kuehne & Nagel d.o.o.	Zagreb	HRK	4,300	100
<b>Cyprus</b>	Nakufreight Ltd.	Nicosia	EUR	17	100
<b>Czech Republic</b>	Kuehne + Nagel spol. s.r.o.	Prague	CZK	21,000	100
<b>Estonia</b>	Kuehne + Nagel AS	Tallinn	EEK	816	100
<b>Greece</b>	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
<b>Hungary</b>	Kuehne + Nagel Kft.	Budapest	HUF	134,600	100
<b>Latvia</b>	Kuehne + Nagel Latvia SIA	Riga	LVL	100	100
<b>Lithuania</b>	Kuehne + Nagel UAB	Vilnius	LTL	800	100
<b>Macedonia</b>	Kuehne + Nagel d.o.o.e.l.	Skopje	MKD	8,232	100
<b>Poland</b>	Kuehne + Nagel sp.z.o.o.	Poznan	PLN	112,517	100
<b>Romania</b>	Kuehne + Nagel SRL	Bucharest	RON	100	100
<b>Russia</b>	OOO Kuehne + Nagel	Moscow	RUR	705,477	100
	OOO Nakutrans	Moscow	RUR	278	100
	OOO Kuehne + Nagel Sakhalin	Sakhalin	RUR	500	100
<b>Serbia</b>	Kuehne + Nagel d.o.o	Belgrade	RSD	3,039	100
<b>Slovakia</b>	Kuehne + Nagel s.r.o.	Bratislava	SKK	14,150	100
<b>Slovenia</b>	Kuehne + Nagel d.o.o.	Ljubljana	EUR	10	100
<b>Ukraine</b>	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)
<b>Bermuda</b>	Kuehne + Nagel Ltd.	Hamilton	EUR 12	100
<b>Canada</b>	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
<b>Mexico</b>	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
<b>USA</b>	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)
<b>Argentina</b>	Kuehne + Nagel S.A.	Buenos Aires	ARS 3,208	100
	Nacora S.A.	Buenos Aires	ARS 20	100
<b>Bolivia</b>	Kuehne + Nagel Ltda.	Santa Cruz	BOB 260	100
<b>Brazil</b>	Kuehne + Nagel Serviços Logísticos 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
<b>Chile</b>	Kuehne + Nagel Ltda.	Santiago	CLP 575,000	100
<b>Colombia</b>	Kuehne + Nagel S.A	Bogota	COP 1,284,600	100
	KN Colombia Aduana Sia S.A.	Bogota	COP 595,000	100
<b>Costa Rica</b>	Kuehne + Nagel S.A.	San Jose	CRC -	100
<b>Cuba</b>	Flete Caribe S.A.	Havana	CUC -	100
<b>Ecuador</b>	Kuehne + Nagel S.A.	Quito	USD 7	100
<b>El Salvador</b>	Kuehne + Nagel S.A. de C.V.	San Salvador	USD 69	100
<b>Guatemala</b>	Kuehne + Nagel S.A.	Guatemala	GTQ 291	100
<b>Honduras</b>	Kuehne + Nagel S.A.	San Pedro Sula	HNL 25	100
<b>Nicaragua</b>	Kuehne + Nagel S.A.	Managua	NIO 10	100
<b>Panama</b>	Kuehne + Nagel S.A.	Colon	USD 1	100
<b>Peru</b>	Kuehne + Nagel S.A.	Lima	PEN 481	100
	KN Peru Aduanas S.A.	Lima	PEN 173	100
<b>Trinidad &amp; Tabago</b>	Kuehne + Nagel Ltd.	Port of Spain	TTD 31	100
<b>Uruguay</b>	Kuehne + Nagel S.A.	Montevideo	UYU 3,908	100
	Kuehne + Nagel Logistics S.A.	Montevideo	UYU 674	100
<b>Venezuela</b>	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)
<b>Afghanistan</b>	Kuehne + Nagel Ltd.	Kabul	USD -	100
<b>Australia</b>	Kuehne & Nagel Pty Ltd.	Melbourne	AUD 2,900	100
	Nacora Insurance Services Pty Ltd	Melbourne	AUD 300	100
<b>Bangladesh</b>	Kuehne + Nagel Ltd.	Dhaka	BDT 10,000	100
<b>Cambodia</b>	Kuehne + Nagel Ltd.	Phnom Penh	USD 5	100
<b>China</b>	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
<b>India</b>	Kuehne + Nagel Pvt. Ltd.	New Delhi	INR 40,000	100
<b>Indonesia</b>	PT. K + N -Sigma Trans	Jakarta	IDR 821,800	95
<b>Japan</b>	Kuehne + Nagel Ltd.	Tokyo	JPY 80,000	100
<b>Korea</b>	Kuehne + Nagel Ltd.	Seoul	KRW 500,000	100
<b>Macau</b>	Kuehne & Nagel Ltd.	Macau	HKD 971	100
	Nacora Insurance Brokers Ltd.	Macau	HKD 27	51
<b>Maldives</b>	Kuehne + Nagel Ltd.	Male	USD 1	100
<b>Malaysia</b>	Kuehne + Nagel Sdn. Bhd.	Kuala Lumpur	MYR 1,521	100
	Nacora (Malaysia) Sdn. Bhd.	Kuala Lumpur	MYR 100	100
<b>New Zealand</b>	Kuehne + Nagel Ltd.	Auckland	NZD 201	100
	Nacora Insurance Services Ltd.	Auckland	NZD 10	100
<b>Pakistan</b>	Kuehne + Nagel (Pvt) Ltd.	Karachi	PKR 9,800	100
<b>Philippines</b>	Kuehne + Nagel Inc.	Manila	PHP 5,000	100
	KN Subic Logistics Inc.	Manila	PHP 1,875	100
<b>Singapore</b>	Kuehne + Nagel Pte. Ltd.	Singapore	SGD 500	100
	Nacora Insurance Agency Pte. Ltd.	Singapore	SGD 100	100
<b>Sri Lanka</b>	Kuehne & Nagel (Pvt) Ltd.	Colombo	LKR 2,502	100
<b>Taiwan</b>	Kuehne + Nagel Ltd.	Taipei	TWD 20,000	100
	Nacora Insurance Brokers Ltd.	Taipei	TWD 4,200	70
<b>Thailand</b>	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)
<b>Bahrain</b>	Kuehne + Nagel W.L.L.	Manama	BHD	200	100
<b>Egypt</b>	Kuehne + Nagel Ltd.	Cairo	EGP	1,000	100
<b>Israel</b>	Amex Ltd.	Tel Aviv	ILS	2	75
<b>Iran</b>	Kala Navgan Shargh Co. Ltd.	Tehran	IRR	1,200	60
	Caspian Terminal Services (Qhesm) Ltd.	Bandar Abbas	IRR	114,000	57
<b>Jordan</b>	Orient Transport Company WLL	Amman	JOD	300	100
<b>Kazakhstan</b>	Kuehne + Nagel Ibrakom L.L.P.	Almaty	KZT	84,000	60
<b>Kuwait</b>	Kuehne + Nagel Co. W.L.L.	Kuwait	KWD	150	100
<b>Lebanon</b>	*KN-ITS S.A.L.	Beirut	LBP	113,000	50
<b>Qatar</b>	Kuehne + Nagel L.L.C.	Doha	QAR	200	100
<b>Saudi Arabia</b>	Kuehne + Nagel Ltd.	Jeddah	SAR	1,000	100
<b>Turkey</b>	Kuehne + Nagel Nakliyat Ltd. Sti.	Istanbul	TRY	5,195	100
<b>UAE</b>	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)
<b>Angola</b>	Kuehne & Nagel (Angola) Transitarios, Lda	Luanda	AON	7,824	100
<b>Equatorial Guinea</b>	Kuehne + Nagel (Equatorial Guinea) Ltd	Malabo	CFA	1,046	100
<b>Kenya</b>	Kuehne + Nagel Limited	Nairobi	KES	63,995	100
<b>Mauritius</b>	KN (Mauritius) Limited	Port Louis	MUR	2,440	61
<b>Mozambique</b>	Kuehne & Nagel Mozambique Lda.	Maputo	MZN	133	100
<b>Namibia</b>	Kuehne and Nagel (Pty) Ltd.	Windhoek	NAD	340	100
<b>Nigeria</b>	Kuehne & Nagel (Nigeria) Ltd.	Lagos	NGN	-	100
<b>South Africa</b>	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
<b>Tanzania</b>	Kuehne + Nagel Ltd	Dar es Salaam	TZS	525,000	100
<b>Uganda</b>	Kuehne + Nagel Ltd	Kampala	UGX	827,600	100
<b>Zambia</b>	Kuehne & Nagel Zambia Limited	Lusaka	ZMK	85,000	100
<b>Zimbabwe</b>	Kuehne & Nagel (Zimbabwe) (Private) Limited	Harare	ZWD	-	100