2013

ANNUAL REPORT

Continuity and further development

KUEHNE+NAGEL

Kuehne + Nagel Group Key Data

CHF million	2013	2012*	2011*	2010*	2009*
Turnover	20,929	20,753	19,596	20,261	17,406
Gross Profit	6,257	6,094	5,898	5,958	5,863
% of turnover	29.9	29.4	30.1	29.4	33.7
EBITDA	962	855	977	1,003	884
% of gross profit	15.4	14.0	16.6	16.8	15.1
EBIT	761	633	749	764	593
% of gross profit	12.2	10.4	12.7	12.8	10.1
EBT	767	644	765	766	609
% of gross profit	12.3	10.6	13.0	12.9	10.4
Earnings for the year (Kuehne + Nagel share)	597	484	600	600	466
% of gross profit	9.5	7.9	10.2	10.1	7.9
Depreciation, amortisation and impairment of intangible assets and goodwill	201	222	228	239	291
% of gross profit	3.2	3.6	3.9	4.0	5.0
Operational cash flow	966	849	978	992	893
% of gross profit	15.4	13.9	16.6	16.6	15.2
Capital expenditures for fixed assets	181	163	207	134	264
% of operational cash flow	18.7	19.2	21.2	13.5	29.6
Total assets	6,374	6,279	6,141	5,941	5,933
Non-current assets	2,133	2,203	2,239	2,058	2,456
Equity	2,558	2,425	2,405	2,378	2,290
% of total assets	40.1	38.6	39.2	40.0	38.6
Total employees at year end	62,744	63,248	63,110	57,536	54,680
Total full-time equivalent (FTE) at year end	72,036	72,399	71,884	66,045	60,538
Personnel expenses	3,735	3,606	3,387	3,392	3,342
% of gross profit	59.7	59.2	57.4	56.9	57.0
Gross profit in CHF 1,000 per FTE	87	84	82	90	97
Personnel expenses in CHF 1,000 per FTE	52	50	47	51	55
Basic earnings per share (nominal CHF 1) in CHF					
Consolidated earnings for the year (Kuehne + Nagel share) [1]	4.98	4.05	5.03	5.05	3.94
Distribution in the following year	3.85 [3]	3.50	3.85	2.75 [2]	2.30
in % of the consolidated net income for the year	77.4	86.6	76.7	54.7	58.6
Development of share price					
SIX Swiss Exchange (high/low in CHF)	122/99	125/95	139/92	137/92	104/53
Average trading volume per day	164,482	160,403	170,427	190,910	295,884

* Restated due to application of IAS 19R.
1 Excluding treasury shares.
2 Excluding payment of capital contribution reserves.
3 Excluding extraordinary dividend.

CONTINUITY AND FURTHER DEVELOPMENT

For our customers.
For our company.
For our employees.

Seafreight

CONTINUOUSLY TAKING ON CHANGE AND NEW CHALLENGES

Improvement of the product portfolio through new industry-specific and customer-oriented services.

With over 2,000 routes managed by Kuehne + Nagel, over 7,200 weekly sailings, a hub system and cooperations with best-in-class partners, the company's LCL services reach almost every location, worldwide.

3.6

million

TEU were managed by Kuehne + Nagel worldwide in 2013

Temperature-sensitive products demand the highest quality standards. Kuehne + Nagel is expanding its services in this segment constantly. Reefer container services are no longer niche products.

Airfreight

PERFORMING CONSISTENTLY, REACHING NEW MARKETS

Focusing on specific, value-creating airfreight products for defined industry segments and expanding activities in selected markets.

1.13 million

tons of airfreight were handled by Kuehne + Nagel in 2013

"KN PharmaChain" meets the requirements of the pharmaceutical industry: a seamless cool chain with the highest quality standards and transparency, controlled by Kuehne + Nagel.

"KN EngineChain" has been developed specifically for the aviation and aerospace industry. Certified processes ensure reliability, safety and transparency for the transport, storage and handling of aircraft engines.

Road & Rail Logistics

IMPROVING CONSTANTLY, EXPANDING THE NETWORK STEADILY

A focus on dedicated products and selected customer segments, as well as on centralised sales- and procurement structures, forms the backbone of Kuehne + Nagel's new overland strategy.

A specialised distribution solution for the pharmaceutical industry was developed in the overland sector.

1,800
direct
lines

connect all business centres in Europe

Together with industry-specific products, groupage-, part- and full load services are the pillars of the overland activities. New products with clearly defined performance specifications are "KN EuroLink" in the groupage and "KN EuroDirect" in the part- and full load segments.

Contract Logistics

FOCUSING CONSTANTLY ON NEW PROCESSES AND PROFITABILITY

Key success factors are ongoing process optimisation, operational excellence and company-wide concentration on solutions and services for internationally operating customers.

8.4

million sqm

of warehousing space manages Kuehne + Nagel for its customers

Industry-specific know-how and operational excellence are integrated into tailor-made solutions for the automotive industry.

Customers in the pharmaceutical industry expect Best Practice (GxP)-compliant networks, specifically trained specialists, a state-of-the-art IT-infrastructure and high safety- and quality standards.

With a global network of some 63,000 employees at over 1,000 locations in more than 100 countries, Kuehne + Nagel provides its customers with advanced logistics solutions. Around the clock. Around the world.

CONTENTS

KARL GERNANDT
Chairman of the Board of Directors

CONTINUITY AND FURTHER DEVELOPMENT
INTERVIEW WITH KARL GERNANDT, CHAIRMAN OF THE BOARD OF DIRECTORS

Mr. Gernandt, are you satisfied with the Kuehne + Nagel Group's result for 2013?

KARL GERNANDT: Yes, we can be very satisfied. With net earnings of CHF 607 million, Kuehne + Nagel's result for 2013 marks a new milestone. It shows that our company has returned to its former strength. Our measures to enhance efficiency have proved effective, and I am particularly pleased that we have achieved such a positive result in a year that was challenging and characterised by uncertainty both from a macroeconomic viewpoint and from the internal perspective of the company.

What were the biggest challenges in the market environment?

KARL GERNANDT: In 2013 the very subdued state of demand in Europe and also in the emerging countries held back the growth of world trade, which was significantly below the average for the past 20 years at only around 2.5 per cent. In the Eurozone the recession ended after eighteen months but the economic situation remained fragile, with the countries of southern Europe and also France remaining in a crisis aggravated by persistently high unemployment.

The strength of the US economy contrasted with the lower momentum of the emerging markets. However, China still achieved respectable growth with a rise of 7.7 per cent in its gross domestic product. We needed to adapt quickly to these developments and respond with appropriate measures to the resulting regional changes in transport and logistics volumes. The steps taken included a realignment of our regional structure and a clear focus on globally scalable industry solutions that meet the needs of our customers.

What are the main changes in the new regional structure?

KARL GERNANDT: In some parts of the world we have invested in direct proximity to the market and our customers, while elsewhere we streamlined our overhead structures. In Europe, three regional organisational units were consolidated under the umbrella "Western Europe". In the Asia-Pacific region our aim is to be closer to our customers in order to leverage the existing business potential in Greater China and Southeast Asia in an even more targeted manner. For that reason two regional organisational units "North Asia-Pacific" and "South Asia-Pacific" have been established.

Is the realignment already bearing fruit?

KARL GERNANDT: There are encouraging signs that the new set-up has enhanced our agility and efficiency in the markets. The effects regarding costs will only become fully apparent in the course of the current year. The structural reorganisation involved numerous staff changes in the regional management structures. Many managers had to adapt to changes in priorities and take on new tasks. The major challenges that they were undoubtedly presented with have now been successfully overcome.

What developments, apart from the improvement in profitability, stood out as particularly important in your view?

KARL GERNANDT: One highlight in 2013 was certainly the performance in airfreight, which exceeded our expectations. In an extremely difficult and stagnating market environment, we achieved an increase in both volume and profit margin. With our focus on industry-specific solutions, we are evidently on the right path.

In seafreight, in view of the enormous pressure on prices and fierce competition, we attached a high priority to achieving profitable growth, an objective that we successfully attained.

In contract logistics we effected a substantial improvement in profitability through a structural reorganisation. We eliminated unprofitable activities and locations, and concentrated on international customer groups with complex requirements. This resulted in an improvement of 89 per cent in EBIT.

In the land transport field we are on the right course with the new strategy "Road 2 Profit". This is reflected in a continuous EBIT improvement in this business unit.

In August 2013 the Board of Directors appointed Dr. Detlef Trefzger to succeed you in the position of CEO. The membership of the Management Board underwent substantial changes in 2013.

KARL GERNANDT: With Detlef Trefzger the Management Board is led by an executive who absorbs the Kuehne + Nagel corporate culture and at the same time contributes new ideas and approaches to the company. On the other hand our choice for the new Chief Financial Officer is an assurance of continuity. Markus Blanka-Graff comes from within our own ranks.

One of the main tasks for the Board of Directors is to initiate a change of generation in our Management Board, and to create an efficient team. A big challenge over the past two years has been to further develop the Kuehne + Nagel Group without losing the key elements that ensure its stability and shape its corporate culture. The changing requirements that must be met by a global logistics provider mean we must also constantly strive for the best in the area of Human Resources.

This development began in 2012 by separating responsibility for seafreight and airfreight and establishing responsibility for sales at top management level. In 2013 we took major steps forward with the appointment of new managers to head the Contract Logistics and Road & Rail Logistics business units, and also by determining the succession to the position of CEO. In future, the development of Kuehne + Nagel will be in the hands of a much younger and globally experienced Management Board. Based on its industry know-how and the strength of its strategic thinking, it will become a powerful creative force.

Thank you for your comments on the Management Board. What are the main areas of focus now?

KARL GERNANDT: The ability to standardise processes and concentrate them in global service centres will further enhance the efficiency of our operations. Furthermore, a sales organisation strictly aligned to market needs will be in a position to generate growth even when economic development is weak. The quality of our products will be a crucial factor for our future growth and the newly constituted Management Board is fully committed to this agenda. My own role as CEO through the recent transition period has certainly provided support but no more than that.

How do you judge the macroeconomic environment in 2014?

KARL GERNANDT: A great deal is currently being said and written about an economic upswing. I don't expect any massive setbacks, but neither will there be any exceptionally rapid growth. Signals will come from the industrial countries, and largely from the USA and Greater China. There are positive signs in many industry sectors so for that reason I am cautiously optimistic. I take a positive view of the future development of Kuehne + Nagel's business. In 2013 we put in place the most important elements for strong further development: Having a dynamic and well qualified management team with a clear market focus, who will also take advantage of the opportunities offered by an even more efficient process structure, gives us in the Board of Directors a confident view of the years ahead.

Will the globalisation process continue?

KARL GERNANDT: That is to be assumed, but at a slower rate and in a different quality. The growth of

Our strengths are customer orientation and innovation. Combined with our integrated service portfolio this enables us to generate sustained growth.

logistics volumes resulting from pure globalisation will probably flatten, but the quality of execution and the efficient management of complex supply chains will become ever more important. With our know-how we can benefit from this trend.

Mr. Gernandt, in what fields do you see future growth potential for Kuehne + Nagel?

KARL GERNANDT: We must become less dependent on cyclical growth impulses, and I therefore see potential in our industry-specific solutions. With our expertise we are able to provide customers in many different industries with products or specialised logistics solutions that meet even the most exacting requirements. As logistics partners it is important for us to be involved in the processes of production and trade. This allows us to analyse requirements on a joint basis with our customers and to provide an optimum, integrated service. The ability to continuously bring this expertise to bear in further industries and regions is an important differentiator.

What, in your view, are the strengths of Kuehne + Nagel?

KARL GERNANDT: Customer orientation, an integrated service portfolio, and our innovative strength based on an information platform that is leading the industry. Our business model remains asset light and therefore flexible, which is also beneficial for the dividend yield. Our company is as attractive to its shareholders as the value of our know-how is to our customers.

RETURN TO PROFITABLE GROWTH

The policy of focusing on industry solutions and measures to improve efficiency has proved effective. In 2013 the globally operating Kuehne + Nagel Group increased net earnings by 23.4 per cent to CHF 607 million. Gross profit was up by 2.7 per cent to CHF 6,257 million, and the operational result showed an increase of 4.6 per cent to CHF 962 million. At CHF 20,929 million turnover was slightly higher in 2013, while margins improved at all levels of the income statement.

Board of Directors

At the Annual General Meeting of May 7, 2013, Dr. Renato Fassbind, Juergen Fitschen, Karl Gernandt, Klaus-Michael Kuehne, Hans Lerch, Dr. Thomas Staehelin, Dr. Joerg Wolle and Bernd Wrede presented themselves for re-election and were confirmed for a further period of one year. The Chairman of the Board of Directors is Karl Gernandt.

Hans-Joerg Hager, whose four-year term of office expired with the Annual General Meeting, retired from the Board.

Board Committees

The Board of Directors' regular committees are the Audit, the Chairman's and the Nomination and Compensation Committee. In 2013 the committees took place regularly with the respective chairman reporting on issues at subsequent meetings of the Board of Directors.

Risk assessment

Together with the Management Board the Audit Committee makes a regular assessment of the Group's business risks. This assessment also includes anti-trust investigations by various competition authorities in which Kuehne + Nagel has been involved. The legal dispute with the EU Commission over the antitrust fine imposed in 2012 is still pending with the European courts, as are further proceedings outside the EU. All litigation in the USA and Switzerland has now been brought to a conclusion.

Management Board

On March 4, 2013 the Board of Directors of Kuehne + Nagel International AG complied with the request of Reinhard Lange, CEO since 2009, to release him from his responsibilities for health reasons with effect from the 2013 Annual General Meeting.

The Board of Directors thanks Mr. Lange for more than 40 years in the service of the company, during which he made a substantial contribution towards its success. In particular, he provided a major stimulus to the highly successful development of the seafreight business.

As Executive Chairman, Karl Gernandt took over the duties of CEO on an interim basis. After a thorough selection process, the Board of Directors unanimously appointed on August 15, 2013 Dr. Detlef Trefzger as CEO and Chairman of the Management Board with immediate effect. Having joined the company in March 2013 as a member of the Management Board, he had, since this time, been responsible for Contract Logistics. Before joining the Kuehne + Nagel Group he was a member of the operational holding board at a German logistics company, where he was responsible primarily for the contract logistics and supply chain business units.

Stefan Paul became a member of the Management Board in February 2013, and has since been responsible for the business unit Road & Rail Logistics. He had already held various positions with Kuehne + Nagel between 1990 and 1997, and was last in charge of the land transport business unit of a competing company in Germany.

With effect from July 1, 2014 Markus Blanka-Graff was appointed as the successor to CFO Gerard van Kesteren, who is due to retire on that date. Markus Blanka-Graff has been in the service of the company for 16 years, and has held various national and international managerial positions in the financial field. Since 2012 he has been Director Corporate Finance and Investor Relations.

Shareholder structure

At the end of 2013 the shareholder structure of Kuehne + Nagel International AG was as follows:

Kuehne Holding AG	53.3 per cent
Other shareholders* (Free float)	46.7 per cent

*incl. Kuehne Foundation (4.4 per cent)

Logistics industry

In 2013 the industry was confronted with a weak economic situation, continuing seafreight rate volatility and heavy pressure on prices and margins. In this situation cost optimisation played a large role for logistics companies and overall investment activity remained low. Among the partners of the logistics providers – in particular shipping lines and airlines – the imbalance between supply and demand resulted in substantial rate volatility and a negative impact on earnings. Despite the weak development of the market, capacity continued to increase.

In a heavily fragmented industry, the trend towards consolidation slowed as a result of the economic uncertainties and reluctance to invest. No large-scale takeovers took place, and the financial soundness of the logistics providers became an ever more important consideration.

Kuehne + Nagel business development 2013

Against the background of a subdued world economy, Kuehne + Nagel concentrated on improving its proximity to customers, efficiency and profitability. The measures initiated to focus on customer groups and growth regions as well as to reduce costs were systematically implemented throughout the Group, particularly in the second half of the year. This was reflected in an improvement of 4.6 per cent in the operational result and 9 per cent in operational EBIT. Another part of the efficiency enhancement programme was the realignment of the regional structure. This shortens the response time to new market situations and business opportunities, and facilitates faster communication of business decisions.

In parallel the company expanded its industry-specific services. It is now possible, for instance, to offer the pharmaceutical industry integrated logistics solutions on a cross-business unit basis. Growth in this field was well above average.

In the sea- and airfreight businesses, the profitability targets as expressed in the ratio of EBIT to gross profit were attained with respective figures of 30 and 25 per cent. In contract logistics the EBITDA margin increased from 3.4 per cent in the previous year to 4.1 per cent. Through the new road transport strategy "Road 2 Profit", the company was able to increase EBIT by 50 per cent. Regional successes were achieved in North and South America, the Middle East/Africa and Eastern Europe.

Dividend

In view of the general development of business, the Board of Directors will propose to the Annual General Meeting of May 6, 2014 a dividend of CHF 3.85 per share (previous year CHF 3.50 per share). The shareholders will also benefit from the payment of an extraordinary dividend of CHF 2.00 per share on account of the very comfortable liquidity position from which it will be funded.

Summary and outlook

For the year 2014 there is cautious optimism that a world economic recovery will be established. There are encouraging signals from the USA and China. With the exception of Germany, the economic situation in the Eurozone may remain difficult. The persisting structural problems in the countries of southern Europe will limit the possibility of a broader economic upswing. The Kuehne + Nagel Group has trimmed its internal structures for efficiency, and in the current business year it will continue to focus on regional and industry-specific growth segments. With a continued policy of strict cost and margin management, the company will focus on operational excellence and the further development of innovative services.

The Board of Directors would like to thank all members of the management and all employees for their highly committed efforts in the challenging year 2013. Finally, thanks are extended to all customers and partners for their confidence in Kuehne + Nagel and the good business relations the Group enjoyed with them. The company sees the confidence they have demonstrated as a spur for the year 2014.

Karl Gernandt

Karl Gernandt
Chairman

1 KARL GERNANDT — *Chairman of the Board of Directors*
2 KLAUS-MICHAEL KUEHNE — *Honorary Chairman*
3 DR. JOERG WOLLE — *Vice Chairman*
4 BERND WREDE — *Vice Chairman*
5 DR. THOMAS STAEHELIN
6. DR. RENATO FASSBIND
7 JUERGEN FITSCHEN
8 HANS LERCH

As per December 31, 2013

CONCENTRATION ON PROFITABLE GROWTH AND IMPROVED OPERATIONAL EFFICIENCY

In a continuously volatile market, the Kuehne + Nagel Group successfully concentrated on profitable growth in all business units. In the measures to enhance operational efficiency, as in the company's regional and industry-specific growth initiatives, the focus was placed upon sustainability.

Operating environment of the international logistics business

In 2013 the international logistics business was affected by the sluggish growth of world trade, excess carrier capacity, high rate volatility and heavy pressure on margins. The wide regional variations in demand and the trend towards near-shoring led to changes in the flows of trade and often made it necessary for trading and industrial organisations to restructure their supply chains. In this context the requirements of customers increased with regard to the cost-efficient management of complex regional and global supply chains. Kuehne + Nagel quickly adapted to these developments in the market and took advantage of new business opportunities.

Development of business and results

After a subdued first quarter, partly as a result of market and weather conditions in Europe, the measures to enhance efficiency took full effect and the Kuehne + Nagel Group was able to continuously improve its results from quarter to quarter. Gross profit, which is a more meaningful indicator of a logistics company's performance than its turnover, grew by 2.7 per cent in relation to the previous year. The operational result EBITDA rose by 4.6 per cent, and the operational EBIT was up by 9.0 per cent compared with 2012.

With the focus on profitable growth, each business unit defined its operational priorities:

The seafreight organisation concentrated on specific routes such as the transpacific trade lanes, where it outperformed the market as a whole. The further development of special services adapted to the needs of specific customer groups – such as reefer container or consolidated traffic (LCL) – also proved successful. Kuehne + Nagel managed the transport of 3.6 million TEU, 3 per cent more than in the previous year, and thus did justice to its position as the world's leading seafreight forwarder. In the project business, which is traditionally subject to fluctuations, setbacks were experienced due to the completion of projects. The conversion rate, the ratio of EBIT to gross profit, nevertheless remained stable at the previous year's level.

1 DR. DETLEF TREFZGER — *CEO/Contract Logistics*
2 GERARD VAN KESTEREN — *Chief Financial Officer*
3 LOTHAR HARINGS — *Human Resources*
4 STEFAN PAUL — *Road & Rail Logistics*
5 HORST JOACHIM SCHACHT — *Seafreight*
6 TIM SCHARWATH — *Airfreight*
7 MARTIN KOLBE — *Information Technology*

As per December 31, 2013

In the airfreight business, Kuehne + Nagel performed excellently in terms of both growth and profitability. In a stagnating market it was able to increase tonnage by around 4 per cent in comparison with the previous year. The conversion rate improved to the target figure of 25 per cent. In this business field, industry-specific solutions are major drivers for success. One example is Kuehne + Nagel's tailor-made airfreight product for the pharmaceutical and healthcare industry, which receives a positive market response. With the launch of "KN EngineChain", a new and innovative product for the aerospace industry was brought onto the market.

The focus in the Road & Rail business unit was the strategic and operational realignment in Europe. The new strategy, named "Road 2 Profit", is aimed at achieving a substantial improvement in the result and profitable growth in the future. The key element of this strategy is its concentration on three distinct product segments: 1. Groupage, full load and part load traffic, 2. Special distribution networks for the pharmaceutical industry and high-value goods, and 3. Industry-specific solutions, e.g. for the automotive and oil and gas segments. Positive effects of the new strategy were already seen in the second half of 2013. Notable improvements were achieved at EBIT level.

The development of results in contract logistics was substantially better than expected. EBIT almost doubled in comparison with the previous year. The substantial improvement in the result is due primarily to the systematic implementation of the Master Location Plan and the concentration on complex solutions and services for international customer groups. This led to new business from customers with demanding requirements in the pharmaceutical and e-commerce segments as well as in the industrial spare parts business. At the same time operational growth of more than 4 per cent was achieved with the existing portfolio, a figure substantially surpassing the market.

Great importance is attached to continuous improvement in the quality of services. The group-wide utilisation of the Kuehne + Nagel production system "KNPS" enables opportunities for the improvement and assurance of quality to be identified and quickly realised.

Development of business in the regions

In the year under review, Kuehne + Nagel adapted its regional structure to the differences in market conditions. Following the consolidation of the existing organisation units in Western Europe, the Middle East and Africa and an expansion in the Asia-Pacific region, since July 1, 2013 the Kuehne + Nagel regional structure has comprised seven organisation units. The lean management approach favours both a more efficient use of resources and an optimisation of internal processes.

Whereas in the first half of the year business in the West European national companies developed rather slowly due to the economic situation and attention focused on optimising costs, growth became more dynamic in the final six months. In particular, the German national organisation improved consistently in all business fields. In France the result of the national organisation was adversely affected by the weak state of the domestic economy and declining foreign trade, whereas in Spain Kuehne + Nagel defied the crisis and increased both volume and results in relation to the previous year. In Eastern Europe, notably the national organisations in Poland, Russia and the Czech Republic benefited from their industry-specific product portfolio and thus were able to win new business and to expand existing contracts with large, globally operating customers.

Supported by improving consumer confidence, business in North America developed strongly in terms of both volume and results. Particularly in the transpacific and transatlantic trade lanes, market shares were gained in both seafreight and airfreight. Business in contract logistics and road & rail logistics also developed satisfactorily, largely as a result of the good order situation of the Mexican national company.

The economic situation in Argentina, Brazil and Venezuela confronted the Kuehne + Nagel organisations in those countries with a number of challenges, but a clear growth trend was nevertheless evident. In Chile and Colombia, Kuehne + Nagel benefited from the investments of past years in the development of the service portfolio and the logistics infrastructure.

The Middle East and Central Asia again made valuable contributions to the Group result. The project business and the expansion of activities in niche segments such as hotel logistics boosted this positive development.

In the South Asia-Pacific region, increases in turnover and profitability were achieved primarily by the national organisations in Australia, Singapore and Thailand. Here too, the focus on customer groups and product quality supported the positive development of business. In the North Asia-Pacific region Kuehne + Nagel increased import volume in the air- and seafreight business, while export activities grew only slowly. The greater proximity to the market, which was made possible by the new regional structure, created new business opportunities in the second half of the year.

Summary and outlook

In 2013 the Kuehne + Nagel Group achieved a substantial improvement in profitability. Organisational adjustments, a leaner cost structure and process optimisation led to a substantial improvement in operational efficiency. With its comprehensive portfolio of integrated services and end-to-end solutions, Kuehne + Nagel can respond quickly and flexibly to the requirements of customers all over the world.

Great importance is attached to the further development of industry-specific solutions. Customers in different industry sectors shall benefit from Kuehne + Nagel's industrial expertise and highly specialised solutions across all business units. In this way the company actively contributes to the success of its customers. With its innovative strength, its justified claim to quality leadership in all fields and its highly committed staff, Kuehne + Nagel can sustainably expand its position as one of the leading global logistics providers.

The Management Board would like to thank all senior management and employees for an excellent performance and for the great engagement shown towards the reorganisation and profitable growth of the Kuehne + Nagel Group in 2013.

Dr. Detlef Trefzger
CEO

TURNOVER

In 2013 Kuehne + Nagel's turnover amounted to CHF 20,929 million representing an increase of 0.8 per cent or CHF 176 million compared to the previous year. Organic business growth resulted in an increase in turnover of CHF 471 million and acquisitions contributed CHF 3 million. The exchange rate fluctuation had a negative impact of CHF 298 million.

At regional level, the Americas (2.3 per cent), Asia-Pacific (2.0 per cent) and Europe (0.5 per cent) reported increases in turnover. Middle East, Central Asia and Africa experienced reduced turnover by 1.8 per cent.

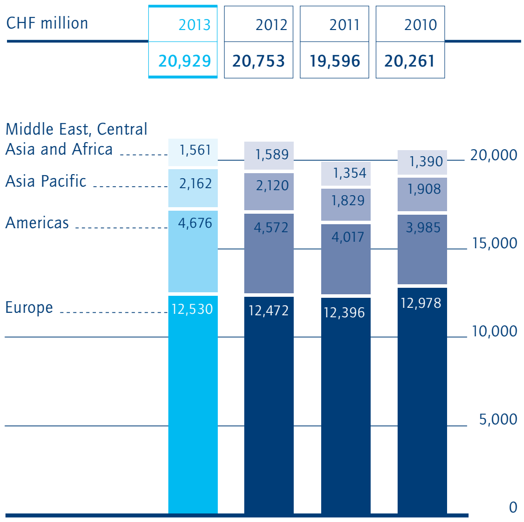
Exchange rate fluctuations between 2012 and 2013, based on average yearly exchange rates, led to a higher valuation of the Euro of 1.9 per cent, a lower valuation of the US dollar as well as depending currencies (e.g. a number of countries in Asia, South America and the Middle East) of 1.0 per cent as well as the British pound of 2.3 per cent against the Swiss franc. When comparing the turnover in the income statement, a marginal negative currency impact of 1.4 per cent had to be taken into consideration in 2013.

INCOME

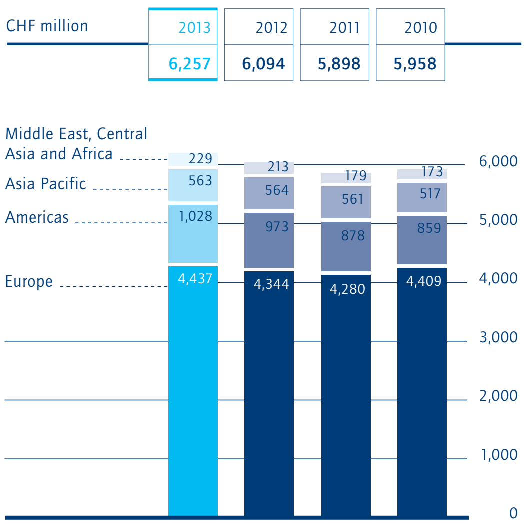
Gross profit

Gross profit, a better indicator of performance than turnover in the logistics and forwarding industry, reached CHF 6,257 million in 2013, which represents an increase of 2.7 per cent compared to the previous year. The organic business has

Regional turnover



Regional gross profit



developed positively by CHF 200 million (plus 3.3 per cent) and negative currency impact of CHF 37 million.

In the Middle East, Central Asia and Africa, gross profit increased by 7.5 per cent, in the Americas by 5.7 per cent, in Europe by 2.1 per cent and in Asia-Pacific it reduced by 0.2 per cent.

Operational cash flow

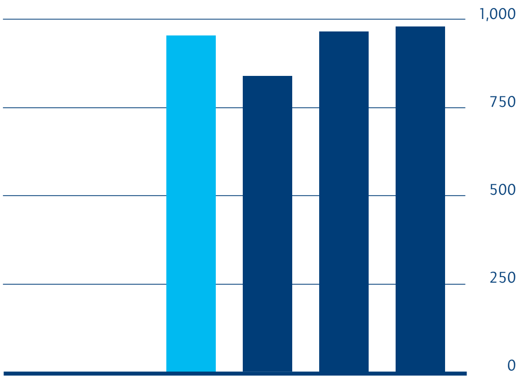
The operational cash flow, the sum of the net income for the year plus/minus non-cash-related transactions, increased by CHF 117 million to CHF 966 million (for further information, please refer to the cash flow statement on page 70).

EBITDA

The earnings before interest, tax, depreciation, amortisation and impairment of property, plant and equipment, goodwill and other intangible assets increased by CHF 107 million or 12.5 per cent compared to the previous year; the EBITDA of organic business increased by CHF 118 million (including one-off expenses for EU antitrust fines of CHF 65 million in 2012), and the negative exchange rate development accounted for a decrease of CHF 11 million. Europe generated the largest EBITDA contribution with CHF 522 million (54.3 per cent) followed by Asia-Pacific with CHF 201 million (20.9 per cent), the Americas with 184 million (19.1 per cent) and the Middle East, Central Asia and Africa with CHF 55 million (5.7 per cent).

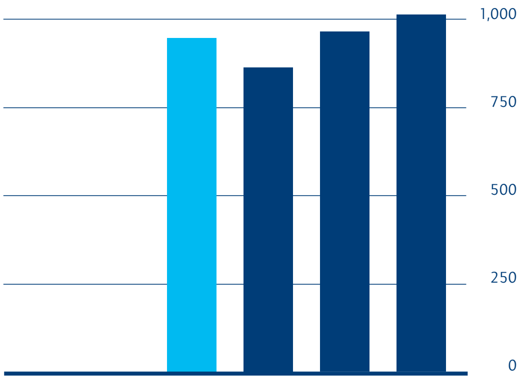
Operational cash flow

CHF million	2013	2012	2011	2010
	966	849	978	992



EBITDA

CHF million	2013	2012*	2011*	2010*
	962	855	977	1,003

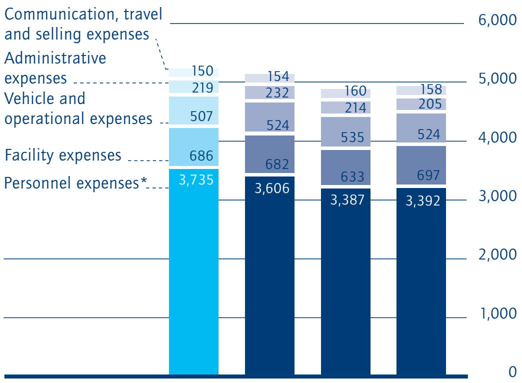


* Restated for IAS 19R by CHF 1 million for each year.

The EBITDA margin increased to 4.6 per cent compared to 4.1 per cent in 2012 mainly due to strict cost control implemented. Personnel expenses increased in line with business growth by CHF 129 million or 3.6 per cent.

Operational expenses

CHF million	2013	2012*	2011*	2010*
	5,297	5,198	4,929	4,976



* Restated for IAS 19R by CHF 1 million for each year.

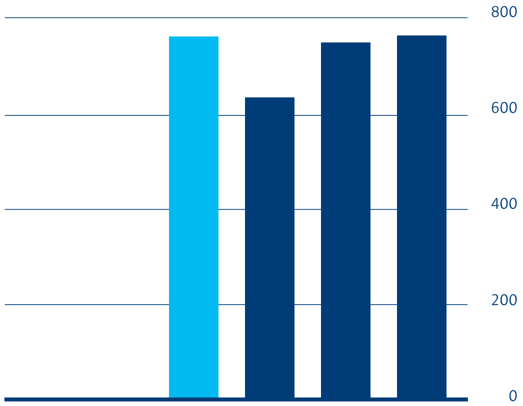
EBIT / Earnings for the year

In 2013, the earnings before interest and tax (EBIT) increased by CHF 128 million to CHF 761 million (2012: CHF 633 million). The increase was mainly due to an increase in profitability of the organic business by CHF 139 million (including one-off expenses for EU antitrust fines of CHF 65 million in 2012), whereas the exchange rate development impacted negatively by CHF 11 million.

EBIT in Europe increased by CHF 66 million (22.0 per cent), in the Americas by CHF 28 million (21.4 per cent), whereas in Asia-Pacific EBIT increased by CHF 20 million (11.9 per cent) and in the Middle East, Central Asia and Africa it increased by CHF 14 million (41.2 per cent). EBIT margin for the Group has increased to 3.6 per cent compared to 3.1 per cent in 2012.

EBIT

CHF million	2013	2012*	2011*	2010*
	761	633	749	764

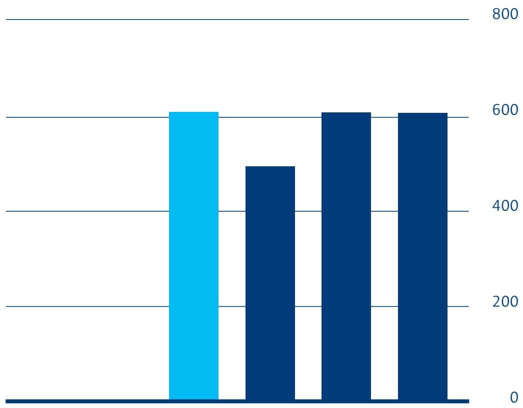


* Restated for IAS 19R by CHF 1 million for each year.

The earnings for the year increased by CHF 115 million to CHF 607 million compared to the previous year of CHF 492 million, whereby the margin increased to 2.9 per cent (in per cent of the turnover) compared to the previous year's 2.4 per cent.

Earnings for the year

CHF million	2013	2012*	2011*	2010*
	607	492	605	604



* Restated for IAS 19R by CHF 1 million for each year.

FINANCIAL POSITION

Total assets and liabilities of the Group increased by CHF 95 million to CHF 6,374 million compared to 2012. For details of changes in balance sheet, please refer to the Consolidated Financial Statements. Cash and cash equivalents increased by CHF 184 million as a result of reduced acquisition activities; for further information, please refer to the cash flow statement on page 70.

Trade receivables amounting to CHF 2,426 million represent the most significant asset of the Kuehne + Nagel Group. The days outstanding increased from 42.6 days as of December 31, 2012, to 43.2 days as of December 31, 2013.

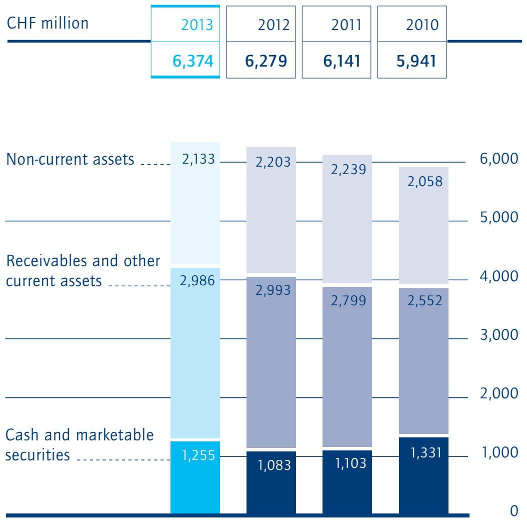
The equity of the Group has increased by CHF 133 million to CHF 2,558 million; this represents an equity ratio of 40.1 per cent (2012: 38.6 per cent). Developments of other key financial indicators on capital structure are shown in the following table:

Kuehne + Nagel Group key figures on capital structure

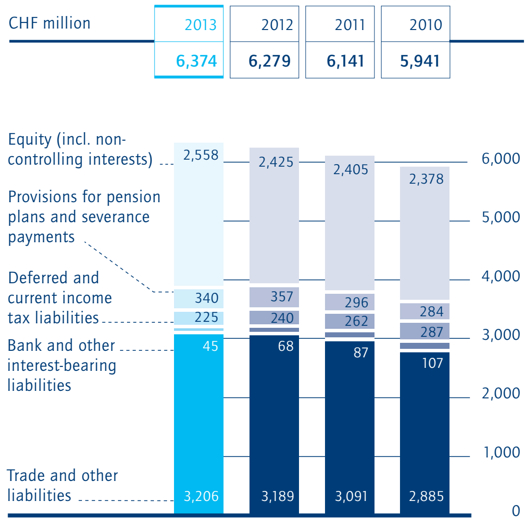
Key figures on capital structure	2013	2012*	2011*	2010*
1 Equity ratio (in per cent)	40.1	38.6	39.2	40.0
2 Return on equity (in per cent)*	23.9	19.9	24.8	25.5
3 Debt ratio (in per cent)	59.9	61.4	60.8	60.0
4 Short-term ratio of indebtedness (in per cent)	51.0	51.7	51.2	49.7
5 Intensity of long-term indebtedness (in per cent)	8.8	9.7	9.6	10.3
6 Fixed assets coverage ratio (in per cent)	146.3	137.7	133.9	145.1
7 Working capital (in CHF million)	988	831	758	929
8 Receivables terms (in days)	43.2	42.6	42.2	37.8
9 Vendor terms (in days)	52.6	50.4	51.2	48.0
10 Intensity of capital expenditure (in per cent)	33.5	35.1	36.5	34.6

1 Total equity in relation to total assets at the end of the year.
2 Net earnings for the year in relation to share capital + reserves + retained earnings as of January 1 of the current year less dividend paid during the current year as of the date of distribution + capital increase (incl. share premium) as of the date of payment.
3 Total liabilities – equity in relation to total assets.
4 Short-term liabilities in relation to total assets.
5 Long-term liabilities in relation to total assets.
6 Total equity (including non-controlling interests) + long-term liabilities in relation to non-current assets.
7 Total current assets less current liabilities.
8 Turnover in relation to receivables outstanding at the end of the current year.
9 Expenses for services from third parties in relation to trade liabilities/accrued trade expenses at the end of the current year.
10 Non-current assets in relation to total assets.
* Restated for IAS 19R by CHF 1 million for each year.

Assets



Liabilities

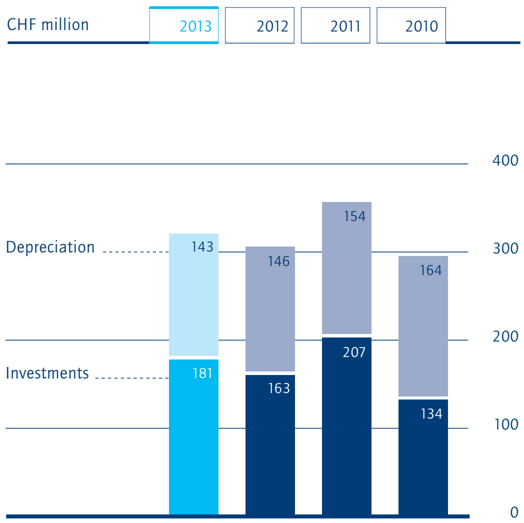


INVESTMENTS, DEPRECIATION AND AMORTISATION

In 2013, the Kuehne + Nagel Group spent a total of CHF 181 million for fixed assets. Investments in properties and buildings amounted to CHF 46 million, and CHF 135 million were spent for other fixed assets, operating and office equipment.

All capital expenditures in 2013 were financed by the operational cash flow of CHF 966 million generated during 2013.

Investments in fixed assets/depreciation



In 2013 the following major investments were made in properties and buildings:

Region/Location	CHF million	Centres
Geel, Belgium	10	Extension of logistics and distribution centre
Beaune, France	2	Extension of cross-docking facility
Leipzig, Germany	4	New logistics and distribution centre
Dagenham, Great Britain	15	New Overland transportation hub
Sydney, Australia	1	Start-up of new logistics and distribution centre
Dubai, UAE	6	Extension of logistics and distribution centre
Various locations	8	Improvement of existing logistics and distribution centres
	46	

The allocation of investments in other fixed assets, operating and office equipment by category is as follows:

CHF million	2013
Operating equipment	52
Vehicles	19
Leasehold improvements	37
IT hardware	18
Office furniture and equipment	9
Total	**135**

The allocation by region is as follows:

CHF million	2013
Europe	91
Americas	20
Asia-Pacific	18
Middle East, Central Asia and Africa	6
Total	**135**

Depreciation and amortisation in 2013 amounted to CHF 200 million and are allocated in the profit and loss statement as indicated in notes 27 and 28 to the Consolidated Financial Statements. Impairment of intangible assets amounted to CHF 1 million and is allocated in the income statement.

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

CHF million	2013	2012	2011	2010
Capital expenditure				
Fixed Assets				
Properties and buildings	46	28	72	28
Operating and office equipment	135	135	135	106
Intangible assets				
Goodwill in consolidated companies	–	4	121	–
Other intangibles through acquisitions	–	9	88	2
IT software	7	12	11	17
Total	**188**	**188**	**427**	**153**
Depreciation and amortisation				
Fixed assets				
Buildings	23	23	27	24
Operating and office equipment	120	123	127	140
Intangible assets				
Amortisation/impairment of other intangible assets	58	76	74	75
Total	**201**	**222**	**228**	**239**

PLANNED INVESTMENTS IN 2014

In 2014 the Kuehne + Nagel Group plans to invest about CHF 190 million in fixed assets compared to a spending of CHF 181 million in 2013.

Planned investments per category

CHF million	2014
Properties and buildings	56
Operating equipment	56
Vehicles	14
Leasehold improvements	19
IT hardware	29
Office furniture and equipment	16
Total	**190**

Planned allocation per business segment

CHF million	2014
Seafreight	17
Airfreight	16
Road & Rail Logistics	19
Contract Logistics	81
Real Estate	57
Total	**190**

In 2014 the depreciation of fixed assets is estimated at CHF 154 million and the amortisation of intangible assets at CHF 49 million (excluding the impact of potential acquisitions of companies in 2014).

Planned investments per region

CHF million	2014
Europe	118
Americas	18
Asia-Pacific	44
Middle East, Central Asia and Africa	10
Total	**190**

Planned acquisitions

The strategy of the Kuehne + Nagel Group is focused on organic growth with customer and industry specific integrated logistic solutions. Acquisitions will be assessed as a support to this strategy in cases of complementary service offering to be acquired. It is expected that this strategy will not lead to substantial acquisitions in 2014.

SHAREHOLDER RETURN

From 2009 to 2013 the Kuehne + Nagel share outperformed the SMI as well as the SPI, only the BEUTRAN-Index performed better.

Share price and market capitalisation (at December 31)

Share price and market capitalisation	2013	2012	per cent change
Share price (CHF)	117.1	110.0	6.5
Market capitalisation (in CHF million)	14,052	13,200	6.5

Total shareholder return development

in CHF	2013	2012
Increase/(decrease) of share price year over year	7.10	4.50
Dividend per share	3.50	3.85
Total return	10.60	8.35

Dividend

For 2013 the Board of Directors is proposing a regular dividend amounting to CHF 3.85 per share and an extraordinary dividend of CHF 2.00 per share for approval at the Annual General Meeting. If the dividend proposal is approved by shareholders, dividend payments on the shares will amount to CHF 462 million (2012: CHF 419 million) towards regular dividend resulting in a payout ratio of 77.4 per cent (2012: 86.6 per cent) of the earnings for the year attributable to the equity holders of the Company. In addition the extraordinary dividend payment will amount to CHF 240 million. Based on the share price at year-end 2013 the dividend yield on the Kuehne + Nagel share is 3.0 per cent (2012: 3.5 per cent).

SEAFREIGHT
FOCUS ON MANAGING VOLATILITY

In a seafreight market which was characterised by low volume growth and high rate volatility, particularly in the first half of the year, Kuehne + Nagel focused on margins rather than volume growth. Despite considerable declines in the oil & gas and project businesses, the gross profit margin and the conversion rate (the ratio of EBIT to gross profit) were held stable at the previous year's level. In 2013 Kuehne + Nagel managed the transport of approximately 3.6 million TEU, 105,000 containers more than in the previous year.

Slower growth of international container market

In 2013 the volume of international container traffic grew by approximately 3 per cent, barely exceeding the growth of world trade. The intra-Asian market, the largest in terms of volume, recorded an increase of 5 per cent in container volume. Growth on the transpacific routes amounted to only around 2 per cent. Whereas exports from Europe to Asia were up by 5 per cent, in the opposite direction volumes only grew by 2 per cent due to weak demand in Europe. As in the previous year, Latin American import and export traffic slowed down due to the weak state of world trade.

Shipping companies and freight rates

Despite existing overcapacity, the global containership fleet grew again in 2013. New vessels capable of carrying between 13,000 and 18,000 TEU were brought into service. This resulted in capacity growth of around 6 per cent. The substantial imbalance between supply and demand that exists in some trades led to a significant fall in rates, particularly in the first half of the year. On some routes, variations up to 700 USD per TEU within a few months became the norm.

Development of Kuehne + Nagel's business

With a focus on stable margins, Kuehne + Nagel consciously did not participate in the keen competition in the Asia-Europe trade. Container numbers on these traditionally important routes increased by only 3 per cent. In the North Atlantic trades, with growth amounting to 8 per cent, the company again grew faster than the market. However, the development of business fell short of expectations in the European export trades to Latin America and Asia. Kuehne + Nagel was able to balance most of the falls in volume in the fourth quarter. In the transpacific trade lanes, with volume growth of 7 per cent, Kuehne + Nagel reached its ambitious goal and strengthened its leading position.

LCL

The LCL (Less-than-Container Load) business was exposed to strong competition. Although overall volumes stagnated as a result of the economic situation, Kuehne + Nagel increased capacity utilisation of its own LCL services and also expanded them by opening 30 new routes. The establishment of a new gateway in Busan, South Korea, which ideally complements the hubs in Shanghai, Singapore and Colombo, has further enhanced efficiency in the consolidation of goods bound for Latin America.

River shipping

The favourable development of the European river shipping business continued in 2013 with volume growth of more than 10 per cent. Kuehne + Nagel's network primarily covers the Rhine-Main-Danube routes to and from the "ZARA" ports (Zeebrugge, Antwerp/Belgium, Amsterdam, Rotterdam/Netherlands) as far as the Black Sea, as well as Danube sea traffic.

Reefer container traffic
In line with its global strategy of focusing on the transport of specific goods (such as fruit, fish, meat and pharmaceutical products), over the past years Kuehne + Nagel has continuously expanded its activities in the field of temperature-controlled cargo. In 2013 the company was again able to increase both volumes and results.

Oil, gas and project business
This field of business is subject to fluctuations as a result of long lead times and differences in the duration of contracts. The 2013 business year saw the completion of various major projects handled by Kuehne + Nagel which affected turnover and results. New projects in Asia and Africa are currently under development.

Emergency and relief logistics
With its special know-how Kuehne + Nagel supports many international aid organisations in crisis areas on the basis of long-term contracts. The company can offer its services on all transport routes and with all means of transport. When typhoon Haiyan left a trail of destruction in the Philippines, Kuehne + Nagel was operating there for a major aid organisation.

High productivity as a result of IT systems
Kuehne + Nagel's outstanding productivity is based on its globally standardised, interlinked IT systems. The implementation of the first module of the new operational system "SeaLOG" will further increase productivity and at the same time enhance data quality.

The requirements of customers are changing ever faster and becoming constantly more complex. Kuehne + Nagel continuously modernises and optimises its IT systems in order to provide customers with information logistics that is tailored to their specific requirements and creates added value.

Outlook for 2014
Following the first positive signals, experts forecast moderate growth for the international container market in 2014. However, the upswing in the container business is heavily dependent on a strengthening of the world economy and particularly that of the USA. As a result of the deployment of further new vessels, rates will remain subject to fluctuations in the current business year.

While observing a policy of strict cost management, Kuehne + Nagel will concentrate on trade lanes with promising growth potential while pursuing stable margins. At the same time the company will further strengthen its leading market position by expanding its specialised services and innovative value-added activities.

Performance Seafreight

CHF million	2013	Margin per cent	2012	Margin per cent	Variance 2013/2012 per cent
Turnover	8,998	100.0	9,059	100.0	–0.7
Gross profit	1,279	14.2	1,275	14.1	0.3
EBITDA	408	4.5	415	4.6	–1.7
EBIT	384	4.3	391	4.3	–1.8
Number of operating staff	8,036		8,016		0.2
TEU '000	3,578		3,473		3.0

AIRFREIGHT
AN OUTSTANDING PERFORMANCE

In a continuously challenging business environment, Kuehne + Nagel's airfreight organisation proved its strength once more. Despite the stagnating international airfreight market, Kuehne + Nagel increased its tonnage by around 4 per cent. The profitability target was also reached with a conversion rate improved to 25 per cent.

Development of market and rates
In 2013 the global airfreight market was characterised by a prolonged decline in demand and large regional differences in the development of tonnage. However, the fall in market volume was less marked than in the previous year, and in the last two months of 2013 there were even a few encouraging signs of an upswing towards growth. On a regional level, China experienced a contraction of airfreight export business for the first time, which was primarily due to subdued demand in Europe and North America. This development was additionally impacted by a tendency to ship more cargo via the less expensive sea route. On the other hand, export business in Southeast Asia, Europe and the Middle East developed very favourably.

Despite the difficult situation in the global airfreight market, freight capacities increased in 2013. Airlines brought new aircraft into service in response to the growing volume of passenger traffic, resulting in a belly capacity increase of approximately 5 per cent. The imbalance between capacity and demand led to a fall in load factors and low rates. This ultimately resulted in a number of cargo airlines disappearing from the market.

Development of Kuehne + Nagel's airfreight business
Notwithstanding the difficult environment, Kuehne + Nagel increased its volume by 4 per cent to 1,134,000 tons and thus further improved its market position.

Airfreight operations performed very favourably in Europe and the Asian growth markets, as well as in the Middle East and Africa. The company took advantage of business opportunities in North America, resulting primarily in higher transport volumes on the routes to South America. In contrast, there was no increase in the volumes shipped from Latin and Central America, largely due to the volatile economic policy situation in a number of key markets such as Brazil.

Performance underlines effectiveness of strategy
Kuehne + Nagel's volume growth outperformed the market in all quarters of 2013. This was substantially due to the consistent application of the company's strategy of concentrating on specific airfreight products for individual industries, as well as increasing tonnage in selected markets, and in the airfreight project business. Kuehne + Nagel gained new and attractive projects in the hard cargo business in 2013, notably in the automotive and spare parts field. In the perishables segment, tonnage grew in line with internal targets. The focus of attention will turn to organic growth, since the dedicated Kuehne + Nagel perishables network has now reached a critical size. Its main bases are located in the key markets for perishables such as Australia, Canada, Colombia, the Netherlands and Kenya.

The marketing of "KN PharmaChain" was intensified in 2013. Kuehne + Nagel brought this innovative service, which meets the high quality requirements of customers from the pharmaceutical and healthcare sector, to the market in 2012. The active wireless sensor technology, which enables the temperature of goods to be continuously monitored across all transport modes, locations and supply chain interfaces, is considered to be market leading. A control centre monitors the data round the clock, seven days per week, and ensures optimum handling and appropriate storage of the goods. This quality product generated substantial new business in 2013.

Aviation/Aerospace Logistics

For companies in the aerospace industry, Kuehne + Nagel develops tailor-made solutions for spare parts logistics and maintenance. Drawing on its experience and the technology of "KN PharmaChain", Kuehne + Nagel brought the innovative product "KN EngineChain" to the market in 2013. The transport and handling of aircraft engines can be monitored around the clock and the consignment data viewed in detail in KNLogin, the information logistics system of Kuehne + Nagel. In 2013 the company signed new contracts which strengthened its position as a market leader in the aerospace logistics segment.

Hotel Logistics

In the hotel logistics segment, Kuehne + Nagel offers integrated logistics solutions to leading global hotel chains in association with hotel construction and renovation projects. These services continued to be successfully marketed in 2013. In addition to the renewal of existing contracts Kuehne + Nagel won a number of highly promising projects, notably in Saudi Arabia.

Process optimisation through new software

In 2012 Kuehne + Nagel began introducing its new operational airfreight system "AirLOG". This in-house development is now used by more than 100 national companies. Besides improved data quality, measurable increases in efficiency have already been achieved.

Outlook for 2014

Despite positive signals, the forecasts for the global airfreight market in 2014 are cautious. The available capacity will continue to exceed demand, a fact that will present challenges for all market participants.

Kuehne + Nagel will concentrate on its strengths and persist with a strategy that is centred on specific markets and segments of industry. At the same time the focus will remain on operational efficiency and profitable growth.

Performance Airfreight

CHF million	2013	Margin per cent	2012	Margin per cent	Variance 2013/2012 per cent
Turnover	4,143	100.0	4,063	100.0	2.0
Gross profit	877	21.2	837	20.6	4.8
EBITDA*	247	6.0	164	4.0	50.6
EBIT*	222	5.4	138	3.4	60.9
Number of operating staff	5,211		5,281		–1.3
Tons '000	1,134		1,093		3.8

* includes an expense for EU commission antitrust fines in the year 2012 of CHF 65 million.

ROAD & RAIL LOGISTICS
NEW STRATEGY LAYS FOUNDATION FOR IMPROVED RESULT

Despite the difficult economic situation in Europe, the principal market for road transport, Kuehne + Nagel continuously improved EBIT compared to the previous year, subsequently achieving a 50 per cent increase in 2013. This was largely a result of the new strategy "Road 2 Profit", which is primarily based on dedicated products, a stronger focus on individual customer segments and centralised purchasing of cargo capacity.

Development of the market

In 2013, turnover in the European road transport market diminished by 0.6 per cent. The West European countries experienced a fall of 1.3 per cent, while market turnover in Central and Eastern Europe was up by 2.1 per cent. More business opportunities in road transport presented themselves in the USA, Brazil and the Middle Eastern countries, where economic growth ranged between 1.7 and 2.5 per cent.

New strategy "Road 2 Profit" – overview

The new strategy "Road 2 Profit" has been pursued since the end of the first quarter. The core of this strategy is the focus on three product segments:

1. Groupage, full load and part load traffic.
2. Special solutions for the pharmaceutical industry, high-value goods and the events & trade fairs sector.
3. Industry-specific solutions, e.g. for the automotive and oil & gas segments.

The aim is to offer customers a complete range of services for transport by road. This strategy, combined with strict cost management, is expected to bring growth and a sustained improvement in the results.

Development in the groupage segment

The greatest challenges in the European groupage markets are presented by rapidly rising costs of local transport and fierce competition. To improve Kuehne + Nagel's market position in this field, in 2013 a clearly defined product was launched under the name "KN EuroLink". The following steps to increase efficiency were additionally initiated: adaptation of sales channels to specific customer segments, centralisation of the pricing process and the purchasing of transport capacity, market-oriented adaptation of the frequency of international scheduled lines to the Eurohub in Bad Hersfeld, Germany, and the simplification of the IT landscape.

Full and part loads

In the year under review, part and full load traffic continued to develop favourably. In this field too, a new and clearly defined product was introduced: "KN EuroDirect". Networking between dispatchers responsible for part and full loads has been improved all over Europe, resulting in better utilisation of transport capacity and a reduction in the number of empty vehicle kilometres. These measures were particularly successful in Scandinavia due to the establishment of a transnational full load organisation. As in the groupage field, the

purchasing of transport services was centralised in this segment.

Industry-specific distribution services

In this business unit, Kuehne + Nagel is also focusing on industry-specific distribution networks. There was an increase in demand, particularly in the pharmaceutical industry. With the product "KN PharmaChain" Kuehne + Nagel connects numerous pharmaceutical production plants in Europe with its 23 temperature-controlled distribution centres, all of which are certified in accordance with Best Practice (GxP) standards. In transport services for the high-tech industry ("KN SecureChain"), turnover fell as a result of the economic situation. This was partly compensated by greater efficiency in back office functions.

Event & trade fair logistics

In event and trade fair logistics, the company increased its share of business at German trade fair centres. In 2013 the investments, which Kuehne + Nagel made the previous year in the development of sports event logistics, began to pay off in the form of a substantial expansion of activities. New offices were opened in Australia, Austria, Canada and Switzerland.

Rail transport

Kuehne + Nagel has transferred parts of its rail logistics activities to a joint venture with VTG Aktiengesellschaft, Hamburg. The new joint venture, which trades under the name of "VTG Rail Logistics", began operations on January 1, 2014. As an active partner, Kuehne + Nagel cooperates closely with VTG and customers benefit from a wider range of services. The development and provision of intermodal rail logistics services remain a part of Kuehne + Nagel's core activities.

Outlook for 2014

The most important aim in the current business year is to achieve the positive development of results. The turnaround measures that were initiated in the year under review, and the consistent implementation of the "Road 2 Profit"-strategy, will contribute to meeting this objective. A focus is placed on profitable business wins with new customers and continuous improvement of the product portfolio.

Performance Road & Rail Logistics

CHF million	2013	Margin per cent	2012	Margin per cent	Variance 2013/2012 per cent
Turnover	3,059	100.0	3,155	100.0	–3.0
Gross profit	902	29.5	887	28.1	1.7
EBITDA	33	1.1	36	1.1	–8.3
EBIT	–8	–0.3	–16	–0.5	50.0
Number of operating staff	8,115		8,399		–3.4

CONTRACT LOGISTICS
PROFIT ALMOST DOUBLED

Kuehne + Nagel achieved a substantial improvement in the profitability of its contract logistics operations. This was mainly driven by the implementation of the Master Location Plan, optimisation of the product portfolio, and concentration on complex solutions for internationally operating customers. EBIT increased by 89 per cent in the year 2013.

Global contract logistics market

The regional differences in the development of demand together with rapid changes in market conditions and the requirements of customers, created new challenges in contract logistics but also presented new business opportunities. In Western Europe, growth in the contract logistics market stagnated as a result of the difficult economic situation that prevailed in most countries. In Asia and other emerging countries, on the other hand, modest growth continued while business in North America showed a moderate upturn. Experts estimate that in 2013 the global contract logistics market grew by 2 per cent in relation to the previous year.

Transformation in contract logistics leads to a strong improvement in results

The transformation is based on three main initiatives:

1. *Master Location Plan / Review of locations*
   Under the Master Location Plan, all contract logistics locations worldwide underwent a business and profitability review. On the basis of its findings, structural reorganisation measures were defined for a large proportion of the facilities and their implementation was initiated. Roughly 40 unprofitable locations were closed in 2013. Idle space was also substantially reduced, leading to an increase in profitability. The Master Location Plan is continuing in the current business year and will have a further positive impact on the development of results.
2. *Focused growth programme*
   The existing contract logistics strategy relating to product portfolio, customer and industry segments as well as target markets was also reviewed and redefined. Kuehne + Nagel now focuses on a portfolio of high-quality services, more strongly integrated into the production and trading processes of the customers, as well as end-to-end solutions for internationally operating customer groups. The global service portfolio has been consolidated, optimised and further developed in accordance with this policy.
3. *Operational excellence*
   The global quality programme prioritises excellence in the implementation of all operational processes and the permanent improvement of these processes. Among other factors, the group-wide implementation of the Kuehne + Nagel production system "KNPS" helps to identify further opportunities for process optimisation and increased productivity and to enhance quality assurance.

In addition to a remarkable improvement in profitability, the consistent application of the strategic realignment also led to substantial new business from the pharmaceutical industry as well as e-commerce and industrial spare parts customers.

Integrated Logistics: Sustained profitable growth

In the year under review the company continued to implement the strategy of grouping together end-to-end solutions across all modes of transport within the business field of integrated logistics. Worldwide, it operates seven Logistics Control Centres in which the solutions offered to customers undergo further development in line with their needs. Industry-specific know-how is integrated and used in the process chain management of industrial and commercial customers. Substantial added value was generated in both the flow of goods and the inventory management of the supply chain.

Outlook for 2014

For the year 2014 the initial forecasts for the global contract logistics market are cautiously optimistic. In the medium term, growth rates better than those of global Gross Domestic Product (GDP) are possible. These forecasts take into consideration the dynamic character of the globalised economy, the continuing trend towards outsourcing logistics functions and the changing structures of industry as a result of developments such as e-commerce. However, development will continue to differ very widely between individual regions and industries.

While growth will continue in China and other emerging economies, many internationally trading and industrial companies in Europe and North America will concentrate on restructuring their supply chains. This means that new business opportunities for experienced logistics providers will also be created in the established industrial countries. Key factors for success in an intensely competitive market will be the ability of contract logistics providers to adapt to changes in market dynamics and changes in industrial structures, as well as integration into production and trading processes.

In the current business year, the continued efforts of Kuehne + Nagel to implement the three transformation programmes (Master Location Plan, Focused Growth Programme and Operational Excellence) will contribute towards profitable growth. Besides investments in the fields of infrastructure, IT and human resources, concentration on growth markets will help to achieve a sustained positive development.

Performance Contract Logistics

CHF million	2013	Margin per cent	2012	Margin per cent	Variance 2013/2012 per cent
Turnover	4,608	100.0	4,357	100.0	5.8
Gross profit	3,158	68.5	3,056	70.1	3.3
EBITDA*	191	4.1	151	3.5	26.5
EBIT*	104	2.3	56	1.3	85.7
Number of operating staff	30,725		30,658		0.2

* 2012 revised by CHF 1 million due to application of IAS 19 (revised).

REAL ESTATE
FOUR NEW LOGISTICS FACILITIES BROUGHT INTO SERVICE

In the year 2013, new logistics properties in Belgium, Germany, the United Kingdom and the United Arab Emirates were added to the Kuehne + Nagel portfolio. At the same time, global space management was streamlined.

Corporate Real Estate Management

Worldwide, the real estate business unit provided active support in the development and leasing of new facilities as well as the sale of individual logistics properties. Its efforts concentrate primarily on the selection of real estate developers and investors, the subsequent contract negotiations, contract management and the technical supervision of specific projects including completion on time and within budget.

Worldwide real estate portfolio

At the end of the year 2013, Kuehne + Nagel's global portfolio comprised 126 logistics facilities and office buildings in 21 countries. Worldwide, the warehouse space under management totalled 8,400,00 sqm.

Facilities brought into service in 2013

Facilities	Usable area (sqm)
Belgium, Geel 2nd phase of logistics facility	20,000
Germany, Leipzig 1st phase of logistics facility	10,000
United Kingdom, Dagenham Transhipment facility	6,000
United Arab Emirates, Dubai 2nd phase of logistics facility	14,000

All new buildings have been constructed to reflect sustainability and the economic use of natural resources. For instance, Kuehne + Nagel logistics centres are equipped with large-area solar power installations. Furthermore, the energy-efficient components of this state-of-the-art building technology are certified in accordance with international standards.

Market development

In the year 2013, due to the euro crisis and the volatile global economic environment, a hesitant mood prevailed in the logistics real estate market and among its actors – banks, investors, real estate developers. Although investors had sufficient capital at their disposal, activity stagnated in a number of markets. This resulted in a shortage of premium logistics real estate in various countries. A slight easing of the situation was felt only in the latter part of the year.

When concluding lease agreements, the creditworthiness of the lessees and the duration of the lease were crucially important. The flexibility of shorter lease periods came at the cost of higher rent charges. With regard to project developments, there was a clear focus on investor solutions, industry-specific facilities ("build-to-suit") and the combining of cross-docking and logistics terminals in first-class locations.

Strategic direction

Kuehne + Nagel pursues a sustainable real estate strategy, which aims at continuous optimisation of the portfolio through counter-cyclical action. In relation to this the following elements are of central importance:

- A proactive approach to space requirement planning based on the growth targets of the business units.
- Selective expansion of the portfolio of company-owned real estate in strategically important world trade hubs, in order to create potential for value increases and to support the operational efficiency of the Kuehne + Nagel Group.
- Efficient management of the portfolio of leased properties.

Campus concept

Increasingly, Kuehne + Nagel is implementing the campus concept at strategic locations. By concentrating logistics facilities (shared/dedicated) for different industries at one location, it is possible to increase efficiency, create synergies and manage demand peaks in a flexible manner. The flexibility in space utilisation also suits the requirements of the e-commerce sector.

A global network of business partners such as investors, developers and real estate consultants facilitates the identification of ideal rentable space and building plots to make them available for use by Kuehne + Nagel. Market analyses are also carried out with the aim of quickly and efficiently meeting the space requirements of the individual national companies.

Outlook for 2014

The main objectives in the real estate sector are still the timely identification and securing of the space required for Kuehne + Nagel's business activities, while maintaining an appropriate balance between own property and leasehold agreements. In addition, importance is placed on continuous adaptation to the demands of the market and the environment, and maintaining a high quality of planning and execution.

Performance Real Estate

CHF million	2013	2012	Variance 2013/2012 per cent
Net turnover	73	76	–3.9
EBITDA	62	70	–11.4
EBIT	38	45	–15.6

INSURANCE BROKER
POSITIVE PERFORMANCE CONTINUED

Despite challenging market conditions, the Nacora Group continued the stable business development of the previous year and again increased its operational result. The business model, based on a comprehensive range of niche and special products as well as a worldwide presence, proved to be a valuable asset.

Insurance market

In 2013 high available capacity again resulted in low premium levels, which affected the development of the international insurance business. The industry was also confronted with predominantly price-based competition for market share in Europe and the United States. To operate successfully in such an environment, strong customer orientation, service excellence and the ability to offer professional and individual solutions in all branches of industrial insurance were essential requirements. In connection with a growing level of claims in cargo insurance, there were early indications that insurers would adopt a substantially more restrictive policy when it came to underwriting problematic risks and that they, if necessary, would increase premiums.

Development of business

With increased sales activities and an expanded product range, Nacora succeeded in gaining market share in the European and South American markets. The brokerage business of the Nacora companies in Brazil, Germany, the United Kingdom and Switzerland developed particularly well. There was also an improvement in the results of the Scandinavian and East European Nacora companies.

Continuous expansion of the product portfolio

The core business of the Nacora Group is cargo insurance and its product portfolio is tailored primarily to the needs of small and medium-sized enterprises in trade, industry, transport and logistics. Nacora provides this customer segment with access to professional and specialised know-how through its global network, and offers flexibility together with a high-quality service. In addition, Nacora continuously expands its product portfolio to include all other commercial lines of insurance and, at the same time, enforces the development of other industry-specific cargo insurance solutions.

In 2013 the Nacora Group increased demand for its specialised products for risks associated with the transport and storage of aircraft spare parts as well as in the field of emergency and relief logistics. The special cargo insurances for the segments perishables, beverages/wine/spirits, oil & gas and the high-tech industry are being well received by the market. There was a reported growth in sales of Nacora's hybrid marine cargo/logistics liability insurance solution. The advantage of this product is that liabilities arising from individual logistics customer contracts can be assesed and covered in a tailor-made approach according to the carriers' and forwarders' needs.

Modern information technology increases efficiency

The Nacora Group has equipped almost all its 40 offices in 33 countries with the innovative online certificate system "nacora-e-insurance". This system enables customers to declare insured shipments and to issue certificates. In addition to greater flexibility, it makes the process of declaration, verification and approval by the insurer more transparent and safer.

Outlook for 2014

In view of the ongoing consolidation in insurance brokerage activities and the high capacities in a market that is growing only at a very modest rate, the Nacora Group will concentrate on the expansion of its core business and the further development of niche products. The Group will further strengthen its market position by means of strategic partnerships to open up new markets and a selective investment policy in the growth regions of South America, Asia and Eastern Europe. Its high standard of service and strong customer orientation will also help to maintain the positive development of the Nacora Group in 2014.

Performance Insurance Broker

CHF million	2013	Margin per cent	2012	Margin per cent	Variance 2013/2012 per cent
Turnover	120	100.0	117	100.0	2.6
Gross profit	40	33.3	38	32.5	5.3
EBITDA	21	17.5	20	17.1	5.0
EBIT	21	17.5	20	17.1	5.0
Number of operating staff	187		174		7.5

HUMAN RESOURCES

Shaping the future

Major contributions to future business success:

Realignment of the regional structure

In 2013, one of the central tasks for human resources was to provide support in planning and implementing the realignment of the regional structure. Since July 1, 2013, as a result of a consolidation and expansion process, the organisation has been made up of seven regions, leading to numerous changes in the regional management structures. Intensive HR support made it possible to newly appoint or fill key positions in a short period of time.

Global recruitment and targeted development of talented staff

With a comprehensive programme Kuehne + Nagel ensures the development of talent on an international basis at all levels – from initial training to the appointment of selected staff to senior management functions. While maintaining regional development programmes, positive experiences gained from the dual system of training and education in Germany will be incorporated into new international concepts in future.

Apprentices: International experience as a basis for a global career

In 2013 the Kuehne + Nagel apprenticeship programmes and some of their participants were again honoured with a number of awards. At the end of the year under review, 11,027 young people in twelve different fields of specialisation were in training. This represents an increase of 14 per cent over the previous year.

In order to encourage international mobility, Kuehne + Nagel has developed a concept, which will enable future freight forwarders to serve a six-month internship in one of its subsidiaries in another country as from the training year 2014/15. As in the Kuehne + Nagel Bachelor programme, which was established in 2012, the experience gained abroad is intended to provide trainees with the optimum preparation for their future tasks.

High Potentials

In 2013, 71 employees from 28 countries started the first training module of the High Potential-Programme. The training courses centre around social projects initiated and organised by the participants themselves. Through these projects, important issues in the areas of project management, leadership, team building and ethical business behaviour are the subject of teaching and discussion. A vital part of the talent management process is the follow-up and monitoring of the high potential alumni group, which now comprises 200 members of the staff. The career steps of this group of employees are planned and implemented in close cooperation between the corporate and regional staff developers. Support is provided by experienced senior management members who perform a mentor function.

Development of managerial staff

Kuehne + Nagel's management development system is geared locally, regionally and globally to the corporate strategy and philosophy. The programmes are globally standardised and sequential in their character. In 2013 the top and senior management programme was again developed in collaboration with Cranfield School of Management, London. In addition to the enhancement of professional and personal leadership skills, the further training programmes focused on the handling of strategically important business issues.

Training and further education – actively managing changes

More than 20,000 training and further education courses took place in 2013. In addition to training courses in the fields of quality management, contract logistics and seafreight, a further point of emphasis was the instruction of all employees on compliance issues. Since the introduction of the Code of Conduct campaign, nearly 61,000 employees have received face-to-face instruction.

The implementation of the new operational IT systems for air- and seafreight is accompanied by an extensive change management programme.

Social responsibility

On a national and a regional level a large number of programmes were offered with a view to achieving compatibility between work and family life and the sustained promotion of health.

HR systems and processes

The e-recruitment solution was further enhanced and this system-supported job application process is now used in 72 countries. In addition, a globally uniform IT solution for the management of succession planning has been developed and implemented. Preparatory work is in progress on the global harmonisation of the staff time registration and account system, which is aimed at reducing administrative costs.

Cost-effective global business exchange

The number of virtual meetings held with the aid of the Centra platform increased to 8,500. This saves travelling costs and allows both internal and external projects and training courses to be organised and held more quickly.

An increasing prominence is given to computer-based training (CBT) units that enable individuals to study course material at their convenience. In the year under review the number of successfully completed CBT courses exceeded 100,000 for the first time, representing an increase of 25 per cent.

Number of employees

Compared with the preceding year the number of employees fell slightly from 63,248 to 62,744.

KLAUS-MICHAEL KUEHNE
Honorary Chairman of Kuehne + Nagel International AG, Chairman of the Board of Trustees

KUEHNE FOUNDATIONS
AN ENDURING COMMITMENT TO EDUCATION AND FURTHER TRAINING

The Kuehne Foundation, which was founded in Switzerland in 1976, has made its name through its initiatives to promote education, further training and research in the fields of logistics and transport. At the same time, it supports projects in cultural and medical areas. The Kuehne Foundation is operationally active and initiates almost all of the projects it funds. The sole donor of this public trust foundation, Prof. Dr. h. c. Klaus-Michael Kuehne, regards his commitment to quality and sustainability as an important part of his social responsibility as an entrepreneur.

Support in the field of logistics

In addition to the financing of the Kühne Logistics University, Hamburg, in 2013 the Kuehne Foundation gave support to the following logistics institutes, professorships and projects:

- Professorship of Logistics Management at the Federal Institute of Technology (ETH), Zurich
- Kuehne Centre for Logistics Management at WHU – Otto Beisheim School of Management, Vallendar
- Professorship for Logistics Management at the "Hochschule für Internationale Wirtschaft und Logistik" (HIWL), Bremen
- Professorship for Logistics Management at Tongji University, Shanghai
- Centre of excellence for international logistics networks at the Technical University (TU), Berlin

Kühne Logistics University (KLU), Hamburg

The Kühne Logistics University, founded in 2010, covers the full spectrum of university education: It offers a Bachelor in Management, a Master in Global Logistics as a specialised programme for students with a clear professional orientation in logistics, a Master in Management, a more general corporate management programme, and a doctorate programme. In part-time education, KLU offers an Executive MBA in Leadership & Logistics, as well as open and company-specific further training programmes for specialist and managerial staff. The 15 international professors are distinguished by the practical orientation of their teaching and the excellence of their research in the fields of logistics and general management.

In 2013 the educational programme of the university was expanded and 24 students began the first module of their bachelor course. With its new campus in the HafenCity the university has moved into modern and inspiring surroundings which benefit not only its professors but also its 200-strong student body. In the year under review the Kuehne Foundation decided to further strengthen its commitment to promoting the teaching of logistics at university level by giving additional funding to the development of KLU.

Professorship of Logistics Management at the Federal Institute of Technology (ETH), Zurich
The Chair of Logistics Management at ETH Zurich, which has received support since 2008, further strengthened its international profile as a leading centre in the field of supply chain management. This was achieved through participation at international conferences, primarily in the USA, as well as by the publication of high-quality papers with both an academic and a practical orientation. The subjects covered by the projects include strategy, networks, supplier relations, risk, innovation, entrepreneurship and sustainability within the context of logistics and supply chain management. New activities include research, product development and training in the field of humanitarian logistics.

In 2013 an emphasis was placed on further development of the Executive MBA in Supply Chain Management. This programme, which has run annually since 2003, prepares persons in managerial positions and up-and-coming young professionals for the next stage in their career. The renewed accreditation by the European Foundation for Management Development attests that the programme meets the highest international quality standards.

Kuehne Centre for Logistics Management at WHU – Otto Beisheim School of Management, Vallendar
The Kuehne Centre for Logistics Management is responsible for all logistics-related training and further education activities of WHU and for the coordination of logistics research.

Its research activities focus mainly on the following areas: sustainability and risk management of logistics networks, humanitarian logistics, management of logistics service providers and logistics outsourcing and controlling.

In the context of sustainability, for instance, the logistics centre is investigating how logistics in the world's megacities can be improved in order to shape sustainable urban growth. Another study is examining what IT capabilities logistics providers need in order to meet the needs of customers in the spectrum between standardised transport services and complex contract logistics projects. With a view to obtaining results with a practical orientation and an international scope, the centre involves leading logistics providers and industrial companies in its research projects.

Also supported by the Kuehne Foundation, the annual "WHU Campus for Supply Chain Management" event took place for the tenth time in March 2013, with the theme "Communication and Collaboration Shaping Future Supply Chains". Lectures and workshops held by various representatives of companies and academics addressed the latest developments in supply chain management from the perspective of communication and cooperation.

Professorship for Logistics Management at the "Hochschule für Internationale Wirtschaft und Logistik" (HIWL), Bremen
At the "Hochschule für Internationale Wirtschaft und Logistik" the Kuehne Foundation supports the teaching activities, in particular by funding the professorship for systems and processes in logistics. The dual bachelor courses "Logistics" and "International Business", aim to provide young people with a practically oriented academic training as the basis for a successful career. In times of globalisation, the international focus of the course of study is of great importance. At present, roughly 50 per cent of the 83 enrolled students are engaged in periods of international exchange or internships abroad.

Professorship for Logistics Management at the Chinese-German University College of the Tongji University, Shanghai
For more than five years, the Kuehne Foundation has supported the professorship "International Logistics Networks and Services" at the Chinese-German University College of the Tongji University in Shanghai. It cooperates with other institutes supported by the Kuehne Foundation through joint research activities, dual master and doctoral programmes. Stays in China for doctoral candidates and exchange programmes for students are additionally supported.

In an interesting example of a joint research project, the institute is now working with the TU Berlin on a navigator for German-Chinese logistics networks that is intended to assist companies in important planning phases. The professorship is also intensively involved in teaching at the Tongji University and instructs Chinese and international students in logistics and supply chain management.

Centre of Excellence for International Logistics Networks at the Technical University (TU), Berlin
For many years the Kuehne Foundation has supported the Centre of Excellence for International Logistics Networks, which is located at the Institute for Technology and Management of the TU Berlin. One of the fields upon which the project focuses its attention is research into the management of German-Chinese logistics networks. In 2014 it is planned to establish a junior professorship for Management of International Logistics Networks which will be supported by the Kuehne Foundation.

Humanitarian Logistics – H.E.L.P. (Humanitarian and Emergency Logistics Project)
The H.E.L.P. programme, which was initiated by the Kuehne Foundation in Schindellegi in October 2010, is dedicated to education and further training

as well as the provision of consultancy services to humanitarian organisations. It sets out to professionalise humanitarian logistics and to enhance the efficiency, effectiveness and transparency of the relevant processes. In the context of this initiative, training is given in countries that receive humanitarian assistance while various organisations in donor countries are provided with instruction in supply chain management and humanitarian logistics. In the field of research, the H.E.L.P.-Team cooperates closely with the Kühne Logistics University in Hamburg and other local universities.

In 2013, humanitarian logistics activities were systematically regionalised in order to speed up the delivery of support to global crisis areas. Regional offices were established in Singapore for the Asia-Pacific area, in Tanzania for the South-Eastern aid corridor, and in Ethiopia for the crisis region in the Horn of Africa. In November 2013 the once-in-a-century typhoon "Haiyan" hit large parts of the Philippines with unprecedented force and brought great suffering to the region. A team from the Singapore regional office was on the ground in the most severely affected regions for three weeks, and supported the British aid organisation "Plan International" in operational functions and the distribution of food.

CK-CARE – Allergy Research

The Christine Kuehne Centre for Allergy Research and Education (CK-CARE) was founded four years ago. Its aim is to promote research, education and prevention in the field of allergy and to achieve the greatest possible benefit for the health of the affected patients. In industrialised countries roughly 30 per cent of the population suffer from allergies – with corresponding impacts to health and costs to the economy. In coordinated collaboration with renowned and international working groups, the following special fields are studied:

- Environment, allergens and exposure
- Immunoepidemiology of allergic diseases in childhood
- Innovative diagnostics and therapy
- Mechanisms of severe allergies
- Therapy and rehabilitation

The interface between the acquisition of new knowledge and its publication is of particular value. As part of the second Global Allergy Forum in Davos, CK-Care organised a platform for meetings and exchanges at the highest scientific level. As its central theme, the congress examined the question of what effects climate change has on allergy patients. It came to the conclusion that there will probably be a significant increase in the global number of cases. In connection with this question, a study was also presented which examined how early-flowering alder trees substantially affect the lives of allergic subjects. The results met with worldwide attention, and a summary of the study was published in the renowned “New England Journal of Medicine”.

Cultural projects
In the field of culture, the Kuehne Foundation mainly gives support to music and literature. In the year under review many concerts, operas and festivals in Switzerland and Germany were supported.

Salzburg Festival
2013, saw the first time that , the Kuehne Foundation supported the Young Singers, a programme which has established a high-calibre platform for the promotion of soloist singers. Young artists were invited to compete for a scholarship in Salzburg and the opportunity of working together with Festival artists. The attractiveness of this offer is illustrated by the fact that it received more than 400 international applicants, from whom the 21 most talented individuals were selected. The original combination of contact with artists and practical experience makes this initiative of the Kuehne Foundation a cultural sponsorship programme with an international character.

Harbour Front Literature Festival in Hamburg
Creativity and diversity are required not only in logistics but also in literature. It was these parallels that provided the motivation for the Klaus-Michael Kuehne Foundation, together with the Hamburg Senate, to create the Harbour Front Literature Festival in 2009. 2013 was a jubilee year, for it marked five years of the Harbour Front Literature Festival with the Foundation as its principal sponsor. For this reason the opening event took place in the new premises of the Kühne Logistics University. In addition to the Klaus-Michael Kuehne Prize for the best debutante authors, a new prize for writers of children’s and teen books was founded to mark the jubilee: In 2013 the “Hamburger Tüddelband” for the best storyteller was awarded to Rafik Shaml. Christine Kuehne, the festival’s patron, presented the prize at the award ceremony in the Hamburg Speicherstadt. In 2013 the programme of the Harbour Front Literature Festival included 80 events which attracted 20,000 visitors in 26 different venues.

Lucerne Festival
In 2013 the Kuehne Foundation again supported the Lucerne Festival, one of the most prestigious festivals in the field of classical music. Last year’s festival was also a jubilee occasion, with the stars of the international classical music scene gathered at Lake Lucerne for the 75th time. The top-class concerts were visited by more than 135,000 lovers of music.

The Kuehne Foundation also gave its support to the music summer on the lake of Zurich, the Hamburg state opera, St. Catherine’s church Hamburg and many other cultural events.

QUALITY, SAFETY, HEALTH AND ENVIRONMENT

QSHE – an important component of sustainability

In the Kuehne + Nagel Group, integrated management in the fields of quality, safety, health and environment is the foundation of economic, ecological and social sustainability.

Certified quality

In an increasingly complex economic environment, high-quality services are an important prerequisite for business success. To certify that Kuehne + Nagel meets the quality requirements of customers in accordance with international guidelines and standards, the company undergoes annual external audits. A large number of certifications were again effected during the year. 669 branches in 88 countries are now certified in accordance with quality standard ISO 9001:2008. 404 locations in 55 countries conform to the environmental standard ISO 14001, and at the end of the year 302 locations in 51 countries met the requirements of OSHAS 18001.

Product and industry-specific certifications

In addition, Kuehne + Nagel meets the specific quality standards for a number of different industries including the high-tech, aerospace, chemical and pharmaceutical industries.

With “KN PharmaChain”, Kuehne + Nagel offers a product that meets the high quality requirements of the pharmaceutical industry. In 2013 its dedicated network was extended so as to comprise 80 certified locations. As a result, Kuehne + Nagel can offer its services at all important centres of the pharmaceutical industry in accordance with the highest international certification standards for the transport and handling of temperature-sensitive products.

On the basis of the international guidelines created by the World Health Organisation, more than 50 certified Kuehne + Nagel auditors check that the operational and quality requirements are fulfilled throughout the world. Furthermore, in 2013 the Kuehne + Nagel pharma network satisfied the demands of more than 100 customer audits.

Recognition for quality

In 2013 Kuehne + Nagel once again received a number of distinctions internationally for its high standard in the fields of quality and the environment – not only from customers and business partners but also from independent bodies and media. In the USA, Kuehne + Nagel was named the “Best 3PL for High-Tech & Electronics Supply Chains” by the well-known logistics information portal “eyefortransport”. In China, in 2013 again the company received the “Green Supply Chain Award” of the magazine “Supply Chain Asia” for its sustainable and transparent environment strategy in accordance with certified standards. Kuehne + Nagel Brazil was named the best logistics provider (“Prêmio Guia Maritimo”) by the Shippers Association.

Customer surveys

Customer surveys make a major contribution to the continuous optimisation of processes and administrative procedures. In 2013 the questions asked to customers covered many aspects of service provision, ranging from the placing of orders to execution and invoicing. There was a very favourable global response for the customer service.

Sustainability through training
Kuehne + Nagel sets the bar high when it comes to quality standards, and for that reason its staff take part in comprehensive training and further education programmes. In 2013 Kuehne + Nagel gave instruction to nearly 18,000 employees on 19 subjects.

Health and safety management
For Kuehne + Nagel, work safety and health protection mean much more than adherence to regulations in the workplace. Its employees receive regular instruction in order to prevent accidents and damage to health. In all Kuehne + Nagel facilities, work procedures are designed to minimise potential hazards. Courses to promote better health among employees are also a part of the prevention programme. All measures underline the importance that Kuehne + Nagel attaches to health and safety management.

Security within the supply chain
The maximisation of security within the supply chain has become an important competitive factor in a global environment.

Kuehne + Nagel's security standards conform to the requirements of ISO 28001 Supply Chain Security. In 21 specially protected logistics centres they meet the security test criteria of TAPA A (Transported Asset Protection Association). 31 Kuehne + Nagel national companies have AEO status (Authorised Economic Operator of the European Union for security in connection with customs clearance). This enables Kuehne + Nagel to assure free trade (import/export) in accordance with uniform standards such as the C-TPAT requirements prescribed by the US customs authorities, and at the same time to reduce transport and trade risks for customers.

Business continuity and emergency plans
To ensure the continuity of business in times of crisis, Kuehne + Nagel continuously reviews its emergency plans. Measures have been planned to ensure the protection of employees and the continuity of logistics activities in a variety of scenarios.

Sustainable environmental management
Kuehne + Nagel is committed to a broad-based environmental strategy with the following objectives:

- A continuous reduction in global CO_2 from its operational activities.
- A reduction in the consumption of natural resources by recycling or a lower material input.
- The use of electric power from low-energy or renewable sources.
- The provision of environment-friendly product alternatives to enable customers to meet their own sustainability targets in transport and storage.

Global Facility Carbon Calculator (GFCC)
The Global Facility Carbon Calculator (GFCC), a database established in 2012, was further developed in the year under review. The database is founded on historical and current records from more than 650 Kuehne + Nagel locations. 500 specially

trained "Environmental Champions" collect data which permit a local evaluation of emissions and constitute the basis for reduction plans. To ensure the highest possible data quality, in 2013 Kuehne + Nagel had all its subsidiaries and branches certified by Bureau Veritas in accordance with ISO standard 14063-3. The auditors certified that the emission calculations for both the location database and transport distances were carried out in accordance with the correct methodology.

Global Transport Carbon Calculator (GTCC)

The Global Transport Carbon Calculator is an effective tool for the prioritisation and monitoring of reductions in transport-generated CO_2 emissions, quantity of waste and consumption of energy and water. In 2013 the following targets were reached:

- In relation to the preceding year, the CO_2 emissions of transport operations were reduced by 20 per cent (45,484 tonnes);
- Energy consumption fell by 11 per cent (46 million kWh);
- Water consumption was reduced by 36 per cent (384,726 cubic metres) to 1.7 million cubic metres;
- Waste recycling was up by 36 per cent compared with 2012.

Kuehne + Nagel supports global CO_2 initiatives

As a leading global logistics provider, Kuehne + Nagel sets new industry standards and cooperates closely with environmental platforms and associations. These are: Clean Cargo Working Group (CCWG), Green Freight Europe and Green Freight Asia, SmartWay, ADAME, COFRET, Air Carbon Industry (ACI) and Laboratory for Climatology and Remote Sensing (LCRS). Jointly with these organisations, new knowledge of environmental technology is acquired and research is conducted on its applications and its effects on the value-added chain.

Sustainability assessment

Kuehne + Nagel takes part in the annual survey of the Carbon Disclosure Project (CDP), and in 2013 attained 87 of a possible 100 points in the following six categories: governance & strategy, risks, opportunities, emission reporting, emissions management, stakeholder engagement and verification.

Outlook

In the 2014 business year the focus is on the further development of the QSHE field and QSHE processes. Both will further promote sustainable management and orientation towards overall social responsibility.

INFORMATION TECHNOLOGY

Further evolution of IT strategy

Whereas in 2012 the IT architecture was modernised and arranged on a modular basis, in the year under review, Kuehne + Nagel concentrated on the revision and further evolution of its IT strategy. Besides the adoption of state-of-the-art methods and standards, its cornerstones include specifications for future software developments and cost-effective application of technology throughout the Group.

New applications in sea- and airfreight

The implementation of the first module of the new airfreight application "AirLOG Import" was accelerated in 2013. More than 100 national organisations are now working with this system, which is primarily aimed at process automation, and have achieved initial efficiency increases. The modern user interface of "AirLOG" drives high user acceptance. In addition, the programme is characterised by stability and ease of maintenance. Experience gained in the airfreight sector is being incorporated in the development of "SeaLOG", the corresponding seafreight module.

Advances in process automation

The introduction of new applications in sea- and airfreight supports Kuehne + Nagel's objective of progressively automating its business processes. The workflow components incorporated in the system facilitate the standardisation and automation of country- or customer-specific processes. Since document management takes place largely on a paperless basis, this not only results in shorter process times but also means that documents can be quickly accessed by all concerned and transmitted in accordance with the stage reached in a specific process.

Customers benefit from IT-based products

In the development of new products, Kuehne + Nagel focuses on customer benefit and increased process efficiency. With the "KN PharmaChain" product, Kuehne + Nagel offers its customers in the pharma and healthcare industry an innovative service in line with the highest quality standards for the transport and transhipment of pharmaceutical products. A key element of this solution is a wireless sensor that, for the first time, enables the temperature of the goods and other indicators to be measured across the entire transport chain including all modes of transports, locations and interfaces. The data are transmitted to Kuehne + Nagel's information logistics system KNLogin, thus enabling customers to monitor the goods round the clock and release them more quickly for delivery.

Innovations

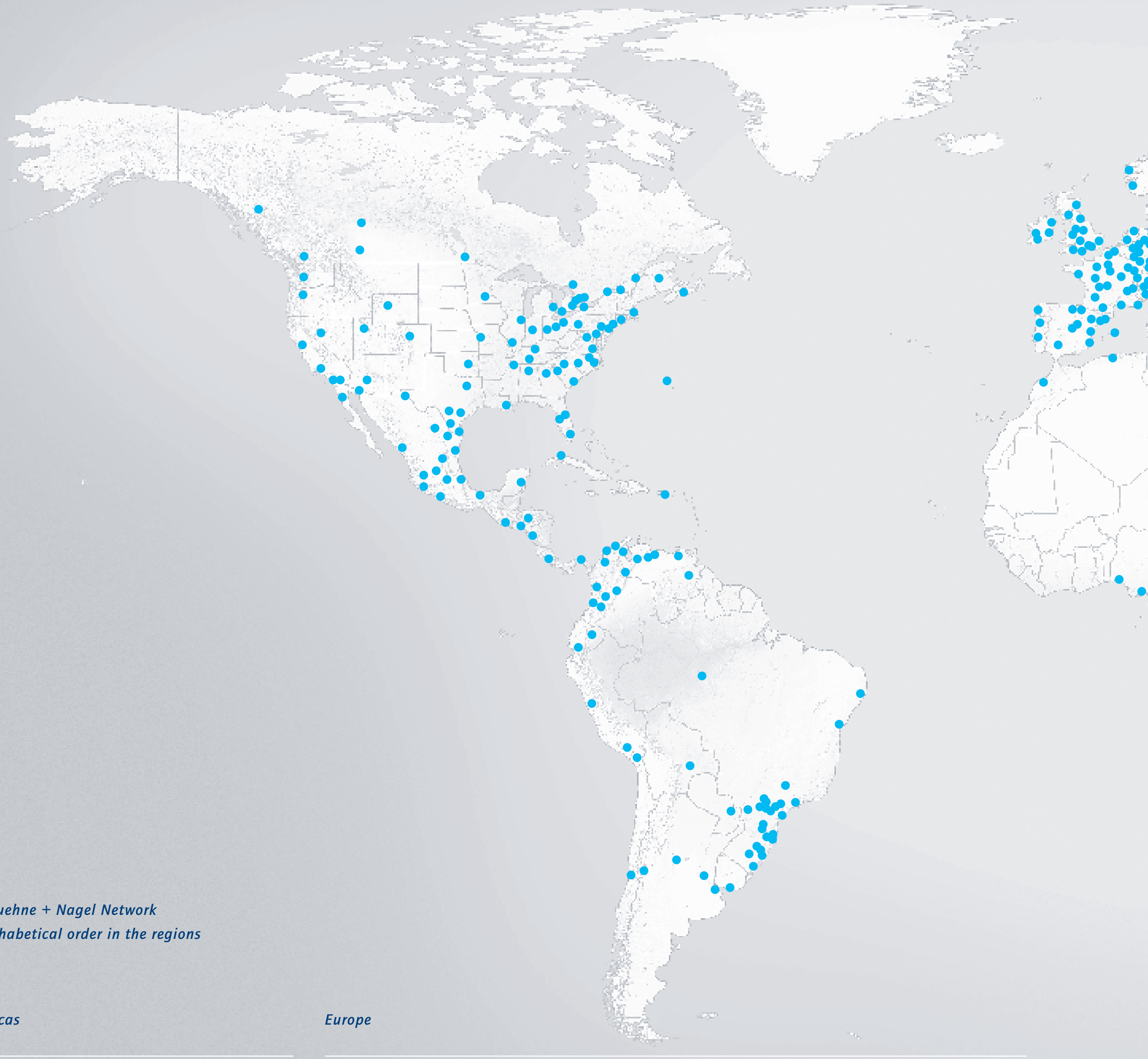
Kuehne + Nagel is facing up to the challenges that result from growing data volumes and customer requests for the faster exchange of information by consistently investing in the development of its IT infrastructure. The modernisation of various base systems, including EDI (Electronic Data Interchange) allows a more rapid integration with the IT systems of the customers together with higher information quality and scalability.

IT support has been substantially strengthened by the new IT service centre in Tallinn, Estonia, whose development started at the beginning of 2013 and whose extension is ongoing. More than 100 resident employees provide round-the-clock professional support services and also program interfaces for customer solutions. In recognition of the successful start-up of the service centre, the "Foreign Investor of the Year Prize" from the Estonian Chamber of Commerce was awarded to Kuehne + Nagel in 2013.

Outlook for 2014

In the current business year the continuing modernisation of EDI processes is planned, as well as a renewal of essential system components for the central document data warehouse and the strategic data base. On the user side, the implementation of "AirLOG" will be followed by the introduction of the "SeaLOG" module. Further plans include innovations in the information logistics platform KNLogin and the development of new software for the overland business unit.

KUEHNE + NAGEL WORLDWIDE



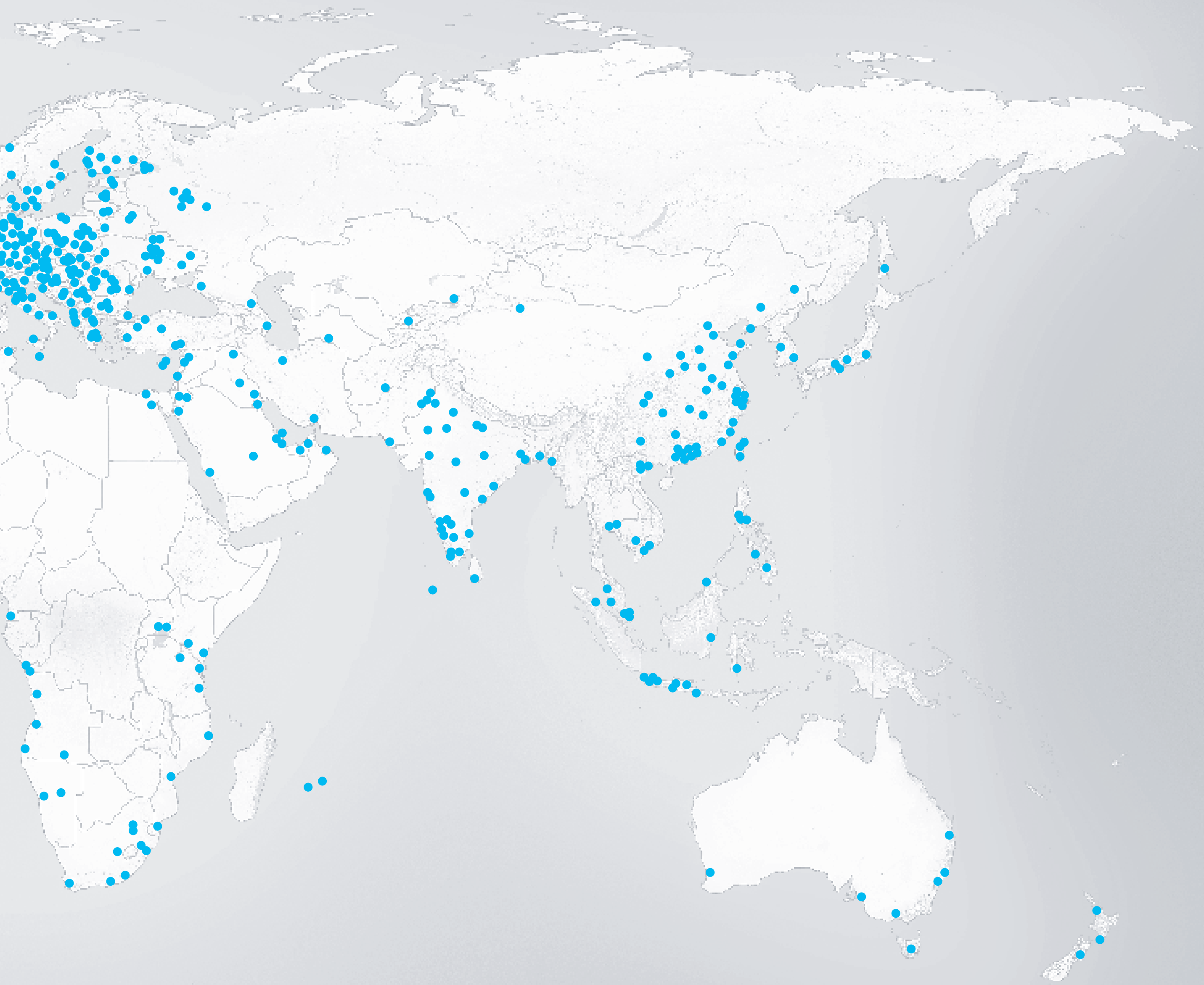
The Kuehne + Nagel Network in alphabetical order in the regions

Americas

- ARGENTINA
- BARBADOS
- BERMUDA
- BOLIVIA
- BRAZIL
- CANADA
- CHILE
- COLOMBIA
- COSTA RICA
- CUBA
- ECUADOR
- EL SALVADOR
- GUATEMALA
- HONDURAS
- MEXICO
- NICARAGUA
- PANAMA
- PERU
- TRINIDAD & TOBAGO
- URUGUAY
- USA
- VENEZUELA

Europe

- ALBANIA
- AUSTRIA
- BELARUS
- BELGIUM
- BOSNIA AND HERZEGOVINA
- BULGARIA
- CROATIA
- CYPRUS
- CZECH REPUBLIC
- DENMARK
- ESTONIA
- FINLAND
- FRANCE
- GERMANY
- GREECE
- HUNGARY
- IRELAND
- ITALY
- LATVIA
- LITHUANIA
- LUXEMBOURG
- MACEDONIA
- MALTA
- MOROCCO
- NETHERLANDS
- NORWAY
- POLAND
- PORTUGAL
- ROMANIA
- RUSSIA
- SERBIA
- SLOVAKIA
- SLOVENIA
- SPAIN
- SWEDEN
- SWITZERLAND
- UNITED KINGDOM
- UKRAINE



Middle East, Central Asia and Africa

ANGOLA	MAURITIUS	UNITED ARAB
BAHRAIN	MOZAMBIQUE	EMIRATES
EGYPT	NAMIBIA	UZBEKISTAN
GEORGIA	NIGERIA	
IRAN	OMAN	
IRAQ	QATAR	
ISRAEL	SAUDI ARABIA	
JORDAN	SOUTH AFRICA	
KAZAKHSTAN	TANZANIA	
KENYA	TURKEY	
KUWAIT	UGANDA	
LEBANON		

Asia-Pacific

AFGHANISTAN	MYANMAR
AUSTRALIA	NEW ZEALAND
BANGLADESH	PAKISTAN
CAMBODIA	PHILIPPINES
CHINA	SINGAPORE
INDIA	SRI LANKA
INDONESIA	TAIWAN
JAPAN	THAILAND
KOREA	VIETNAM
MACAU	
MALAYSIA	
MALDIVES	

KUEHNE + NAGEL IS COMMITTED TO GOOD CORPORATE GOVERNANCE, WHICH IS AN IMPORTANT AND INTEGRAL PART OF THE MANAGEMENT CULTURE OF THE KUEHNE + NAGEL GROUP (THE GROUP).

Corporate Governance guides the structure and operational practices within the Group. It aims a the creation of sustainable value for all stakeholders and safeguards the management's decision-making capability and efficiency. Accountability through clearly assigned duties to the Boards and Committees and transparency in financial reporting ensure that the Group acts responsibly.

PRINCIPLES

The principles of corporate governance, as defined in the Directive on Information Relating to Corporate Governance (RLCG) of the SIX Swiss Exchange, are laid down in the Articles of Association, the Organisational Rules, and the Committee Regulations of the holding company of the Group, Kuehne + Nagel International AG, Schindellegi, Switzerland (the Company). The Group follows best practice recommendations and standards established in the "Swiss Code of Best Practice for Corporate Governance".

GROUP STRUCTURE AND SHAREHOLDERS

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

Operational group structure

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

Reportable segments consisting of the business units:
- Seafreight
- Airfreight
- Road & Rail Logistics
- Contract Logistics
- Real Estate
- Insurance Brokers

Geographical information relating to the regions:
- Europe
- Americas
- Asia-Pacific
- Middle East, Central Asia and Africa

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

Listed companies of the Group

Kuehne + Nagel International AG, the ultimate holding company, is the only company listed on the Stock Exchange within the scope of the Group's consolidation. Kuehne + Nagel International AG has its registered office in Schindellegi (Feusisberg), Switzerland, and its shares are listed on the SIX Swiss Exchange, Zurich. The Company's market capitalisation amounted to CHF 14,052 million (120 million registered shares at CHF 117.10 per share) on the closing date December 31, 2013.

Of the total Kuehne + Nagel International AG share capital on the closing date:

- the free float consisted of 56,038,474 shares = 46.7 per cent, and
- treasury shares consisted of 61,526 shares = < 0.1 per cent

Kuehne + Nagel International AG shares are traded under the symbol "KNIN", the security number is 2,523,886 and ISIN is CH0025238863.

Non-listed companies in the Group's consolidation

The main subsidiaries and associated companies of the Group are disclosed in the appendix "Significant subsidiaries and joint ventures" to the Consolidated Financial Statements (pages 138 to 145), including particulars as to the country, name of the company, location, share capital, and the Group's stake in per cent.

Main shareholders

The main shareholder of the Group is Kuehne Holding AG, Schindellegi, Switzerland, which held 53.3 per cent of the Kuehne + Nagel International AG share capital on the closing date. The Kuehne Holding AG is 100 per cent owned by Klaus-Michael Kuehne.

The Kuehne Foundation held 4.4 per cent of the Kuehne + Nagel International AG share capital on the closing date.

On December 31, 2013, shares of unregistered owners amounted to 22 per cent of the issued shares.

Cross-shareholdings

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

CAPITAL STRUCTURE

Ordinary share capital on the closing date

The ordinary share capital of Kuehne + Nagel International AG amounts to CHF 120 million and is divided into 120 million registered shares of a nominal value of CHF 1 each.

Authorised and conditional share capital

The Annual General Meeting held on May 8, 2012, extended its approval of authorised share capital up to a maximum of CHF 20 million by a further two years until May 6, 2014.

The Annual General Meeting held on May 2, 2005, approved a conditional share capital increase up to a maximum of CHF 12 million and to add the respective section in the Articles of Association.

The Annual General Meeting held on May 8, 2012, approved a conditional share capital increase up to a maximum of CHF 20 million for the provision of the employee share-based compensation plans of the Company.

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

A description of the group of beneficiaries and of the terms and conditions of the authorised and conditional share capital can be found in the Articles of Incorporation Art. 3.3, 3.4 and 3.5 which are available on the Company website (http://www.kn-portal.com/about_us/investor_relations/corporate_governance/).

Change in capital over the past three years

During the years 2011 through 2013 no changes in capital occurred other than related to authorised and conditional share capital as outlined above.

Shares and participating certificates

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

Profit sharing certificates

There were no profit sharing certificates outstanding at the closing date.

Limitations on transferability and nominee registrations

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

Convertible bonds and warrants/options

No convertible bonds, warrants or options were outstanding as at the closing date other than related to the Group's Employee Share Purchase and Option Plan (SPOP). For details of the Group's Employee Share Purchase and Option Plan (SPOP), please refer to note 37 of the Consolidated Financial Statements on pages 116 to 118.

BOARD OF DIRECTORS

At the Annual General Meeting of May 7, 2013, Klaus-Michael Kuehne, Karl Gernandt, Dr. Joerg Wolle, Bernd Wrede, Dr. Renato Fassbind, Juergen Fitschen, Hans Lerch and Dr. Thomas Staehelin were re-elected to the Board of Directors for a one-year term. Hans-Joerg Hager, whose mandate expired at the Annual General Meeting, retired from the Board.

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

Klaus-Michael Kuehne, Honorary Chairman, German, 1937

Commercial apprenticeship in the banking industry. Other significant activities: Chairman of the board of trustees of the Kuehne Foundation, Schindellegi, and the Klaus-Michael Kuehne Foundation, Hamburg; Chairman of the Board of Directors of Kuehne Logistics University GmbH (KLU), Hamburg.

Positions within the Kuehne + Nagel Group:

1958	Entrance into the family business followed by various management positions
1966–1975	Chief Executive Officer of the Group
1975–1992	Delegate and member of the Board of Directors
1992–2009	Executive Chairman of the Board of Directors Chairman of the Nomination and Compensation Committee
2009–2011	Chairman of the Board of Directors Chairman of the Nomination and Compensation Committee
2010–2011	Chairman of the Chairman's Committee
2011–today	Honorary Chairman of Kuehne + Nagel International AG Member of the Board of Directors elected until the Annual General Meeting 2014 Member of the Nomination and Compensation Committee Member of the Chairman's Committee

Karl Gernandt, Chairman, German, 1960

After completing his studies in business administration at the University of St. Gallen, Switzerland, Karl Gernandt worked for Deutsche Bank AG from 1988 to 1996. There he held positions including that of assistant to the Head of the Board of Management and Chairman of the Supervisory Board as well as functions in international banking in Germany, Asia and the USA. From 1997 to 1999 he set his mark on the Financial Institution Group of A.T. Kearney GmbH. In 1999, Karl Gernandt moved to Holcim (Deutschland) AG as CFO, in 2000, he was appointed CEO and at the same time member of the European Board of Holcim Ltd, Switzerland. In 2007, he became CEO of Holcim Western Europe, Brussels. Since October 1st, 2008, Karl Gernandt has been nominated as CEO of Kuehne Holding AG, Schindellegi, and board member of the Kuehne Foundation. He is also Managing Director of the Klaus-Michael Kuehne Foundation in Hamburg.
Other significant activities: Vice Chairman of the Board of Directors of Hapag-Lloyd AG, Hamburg.

Positions within the Kuehne + Nagel Group:

2008–2011	Member of the Board of Directors
2009–2011	Executive Vice Chairman and Delegate of the Board of Directors
2010–2011	Member of the Chairman's Committee
2011–today	Chairman of the Board of Directors elected until the Annual General Meeting 2014 Chairman of the Chairman's Committee Member of the Nomination and Compensation Committee Member of the Audit Committee
08.05.2013–14.08.2013	Chief Executive Officer (CEO) of the Group

Dr. Joerg Wolle, Vice Chairman, German/Swiss, 1957

Holds a PhD in engineering sciences. Since June 2002 President and CEO of DKSH Group. Previously he worked in the same function at SiberHegner since 2000. From 1991 to 1995 Dr. Joerg Wolle worked as

Director of Marketing and Sales at SiberHegner in Hong Kong and in 1995 became a member of the Management Board in Zurich. From 1988 to 1990 he was Project Manager at SKF.
Other significant activities: Honorary Professor for "Intercultural Communication" at the University of Applied Sciences, Zwickau, Germany. Member of the Management Board of the German Asia-Pacific Business Association and member of the Board of Directors of Diethelm Keller Holding, Switzerland.

Positions within the Kuehne + Nagel Group:

2010–2012	Member of the Board of Directors
2011–today	Chairman of the Nomination and Compensation Committee
2013–today	Vice Chairman of the Board of Directors elected until the Annual General Meeting 2014

Bernd Wrede, Vice Chairman, German, 1943

Graduated in business administration from the Universitiy of Wuerzburg. From 1982 to 2001 Bernd Wrede was member of the Board of Hapag-Lloyd AG, Hamburg, and its Chairman as of 1993. Currently he works as an independent management consultant.
Other significant activities: Member of the Supervisory Board of HSH Nordbank AG, Hamburg, and member of the Board of Trustees of the ZEIT Foundation, Hamburg.

Positions within the Kuehne + Nagel Group:

1999–2002	Member of the Board of Directors
2002–today	Vice Chairman of the Board of Directors elected until the Annual General Meeting 2014
2008–2009	Member of the Investment Committee Chairman of the Economic Council
2003–2006/ 2008–today	Member of the Audit Committee
2003–today	Member of the Nomination and Compensation Committee
2010–today	Member of the Chairman's Committee

Dr. Renato Fassbind, Swiss, 1955

After graduating from his studies in economics at the University of Zurich, Dr. Renato Fassbind worked as an assistant in the "Institut für Schweizerisches Bankwesen" at the University of Zurich between 1979 and 1982. In 1984 he joined Hoffmann-La Roche AG in Basel and advanced to the Head of Internal Audit. In 1990 he joined ABB AG being the Chief Financial Officer from 1997 until 2002; from 2002 until 2004 he was the Chief Executive Officer of Diethelm Keller Group, Zurich.
In 2004 Dr. Renato Fassbind joined the Credit Suisse Group as the Chief Financial Officer of Credit Suisse Group AG and Credit Suisse AG until October 2010. In this function he was member of the Executive Boards of Credit Suisse Group AG and of Credit Suisse AG since 2004.
Other significant activities: Vice Chairman of the Board of Directors of Swiss Re. Ltd., Zurich; Member of the Board of Directors of HSBC Holdings plc, London; Member of the Board of Directors of the Swiss Federal Audit Oversight Authority (FAOA), Bern.

Positions within the Kuehne + Nagel Group:

2011–today	Member of the Board of Directors elected until the Annual General Meeting 2014
2011–today	Member of the Audit Committee

Juergen Fitschen, German, 1948

Trained as a wholesale and export trader, then graduated in business administration from Hamburg University. Juergen Fitschen started his career in 1975 at Citibank in Hamburg. In 1983 he was appointed member of the Executive Committee of Citibank Germany. In 1987 he joined Deutsche Bank and after various management positions in Thailand, Japan, Singapore and UK he was appointed member of the Management Board in 2001 responsible for "Corporate and Investment Bank". Since 2002 Juergen Fitschen is member of the Group Executive Committee of Deutsche Bank and as of 2004 Global Head of Regional Management and CEO of Deutsche Bank Germany. In these functions he was appointed member of the Management Board of Deutsche Bank AG in 2009. Since June 1, 2012, he is Co-Chairman of the Management Board.

Other significant activities: Member of the Supervisory Board of Metro AG.

Positions within the Kuehne + Nagel Group:

2008–today	Member of the Board of Directors elected until the Annual General Meeting 2014
2008–2009	Member of the Economic Council

Hans Lerch, Swiss, 1950

Commercial apprenticeship in the tourism industry with a 35 year-long career at Kuoni Travel Holding Ltd., assignments in the Far East from 1972–1985, various responsibilities at the company's headquarters in Zurich, President and CEO from 1999–2005. Chairman and CEO of SR Technics in Zurich from 2005–2008. Vice Chairman of Hotelplan Holding Ltd., Zurich, since 2010.
Other significant activities: Executive Vice Chairman of Abercrombie & Kent Group of companies, London; Chairman of the Board of Directors of the International School of Tourism Management, Zurich; Vice Chairman of the Board of Directors of New Venturetec Ltd., Zug; Chairman of the Board of Trustees of the move>med Foundation, Zurich.

Positions within the Kuehne + Nagel Group:

2005–today	Member of the Board of Directors elected until the Annual General Meeting 2014
2006–today	Member of the Nomination and Compensation Committee

Dr. Thomas Staehelin, Swiss, 1947

Holds a Ph.D. in law from the University of Basel; Lawyer.
Dr. Thomas Staehelin is a Swiss Corporate and Tax Attorney and Partner in the Basel based law firm "Fromer Advokatur und Notariat".
Other significant activities (among others): Chairman of the Board of Directors of Kuehne Holding AG, Schindellegi; Vice Chairman of Kuehne Foundation; Member of the Board of Directors and Chairman of the Audit Committee of Inficon Holding AG, Bad Ragaz; Chairman of the Board of Directors of Swissport International SA, Opfikon, and of Scobag Privatbank AG, Basel; Chairman of the Board of Directors of Lantal Textiles, Langenthal and of Stamm Bau AG, Binningen; Member of the Board of Directors of economiesuisse (Swiss Business Federation); President of the Basel Chamber of Commerce; Chairman of Vereinigung der Privaten Aktiengesellschaften and member of the Swiss Foundation for Accounting and Reporting Recommendations (SWISS GAAP FER).

Positions within the Kuehne + Nagel Group:

1978–today	Member of the Board of Directors elected until the Annual General Meeting 2014
2006–today	Chairman of the Audit Committee

With the exception of the Chairman of the Board of Directors, Karl Gernandt, all members of the Board of Directors are non-executive directors, none of them serves as a member of the Management Board and with the exception of the Honorary Chairman, Klaus-Michael Kuehne, none of them has important business connections with Kuehne + Nagel.

Election and duration of tenure

Board members are elected for a period of one year. There are no limits regarding the number of terms of service or the age of the incumbents. The election for Board membership is carried out whenever the tenure expires. Instead of summary election of the whole Board of Directors, individual re-elections are held for each member. This allows shareholders to judge the contribution of each member of the Board of Directors separately.

Internal organisation, Board committees and meetings in 2013

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

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

Karl Gernandt is the Chairman of the Board of Directors and Klaus-Michael Kuehne is Honorary Chairman of Kuehne + Nagel International AG. The entire Board of Directors, however, is responsible for decisions on such above-mentioned aspects that are of significant importance to the Group. The scope of responsibilities of the Board of Directors, the Chairman and the Vice Chairman are stipulated in the Organisational Rules.

The Board of Directors usually convenes for a two-day meeting quarterly with the Management Board being at least represented by the CEO and the CFO. The Board of Directors can invite other members of the Management Board to attend these meetings at its discretion. The Board of Directors takes decisions during the meetings or by written circular resolutions. All Committees meet as often as required, but usually quarterly.

Audit Committee

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

The Audit Committee reviews the quarterly financial statements prior to publication. As part of the regular contacts between the Audit Committee and both the internal and external auditors, the quality and effectiveness of the internal control mechanisms and the risk assessments are reviewed and evaluated continually on the basis of written reports of the internal audit department as well as of management letters of the external auditors based on their interim audits. Furthermore, a regular contact with the external auditors throughout the year enables the Audit Committee to obtain knowledge of problem areas at an early stage. This allows proposing the timely introduction of any corrective actions to the Management Board.

Dr. Thomas Staehelin was the Chairman of the Audit Committee as at the closing date, assisted by its members Karl Gernandt, Bernd Wrede and Dr. Renato Fassbind.

The Audit Committee holds at least four meetings annually. The Honorary Chairman can take part in the meetings as an advisor. Unless otherwise determined by the Audit Committee, the CEO, the CFO and the auditor in charge take part in all meetings, whilst the head of internal audit is invited as an advisor whenever needed. In 2013 the auditor in charge attended two meetings and the previous auditor in charge one meeting of the Audit Committee. The Committee's Chairman informs the other members of the Board of Directors about the topics discussed in detail and decisions taken and/or to be submitted to the entire Board of Directors for approval.

Nomination and Compensation Committee

The Nomination and Compensation Committee consists of three to five members of the Board of Directors elected for a period of one year. Re-election is allowed. The Chairman of the Board of Directors is permitted to be part of the Nomination and Compensation Committee as long as the majority consists of non-executive and independent members.

The Committee is responsible for nominating and securing the competent staffing of the Management Board and other senior executives. For this purpose the Committee, on the one hand, develops guidelines and criteria for the selection of candidates and, on the other hand, provides initial gathering of information as well as review of potential new candidates according to the guidelines mentioned above. The Committee prepares a resolution to be resolved by the Board of Directors.

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

On the closing date, Dr. Joerg Wolle was the Chairman of the Nomination and Compensation Committee; Klaus-Michael Kuehne, Karl Gernandt, Bernd Wrede, and Hans Lerch were members.

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

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

Chairman's Committee

The Chairman's Committee consists of the Chairman, the Vice Chairmen, and the Honorary Chairman of the Board of Directors for the period of their tenure in the Board of Directors. The Chairman's Committee advises the Board of Directors on the financial performance of the Group, its economical development and measures of optimisation as well as of any other significant developments within the Group. In its advisory role the Chairman's Committee reports to the Board of Directors for decisions.

On the closing date, Karl Gernandt was the Chairman of the Chairman's Committee and Klaus-Michael Kuehne, Dr. Joerg Wolle, and Bernd Wrede were members.

On invitation of the Chairman, the Chairman's Committee convenes as often as business requires, but typically four times a year. The Board of Directors has the discretion to invite Members of the Management Board being at least represented by the CEO and the CFO and to invite other members of the Management Board to attend these meetings.

The Board of Directors is informed by the Chairman of the Chairman's Committee about all issues discussed, in particular, about all decisions to be taken within the competence of the Board of Directors.

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

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

The following businesses require, although delegated to the Management Board, the approval of the Chairman of the Board of Directors:

- General guidelines for corporate policy, management, organisation, quality principles, and catalogues of competences
- Determination and change of Corporate Identity
- Substantial acquisition or foundation of subsidiaries or affiliates respectively their sale, encumbrance, or liquidation as well as substantial purchase and sale of properties and buildings
- Substantial capital increases and capital restructuring of subsidiaries
- Substantial lease and rent commitments
- Yearly target setting process as well as any amendments thereto
- Initiation or execution of lawsuits/legal proceedings and other official procedures with a significant dispute value or exposure.

Information and control system of the Management Board

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

The Chairman of the Board of Directors takes part in the Management Board meetings regularly, while the CEO and the CFO are generally invited to meetings of the Board of Directors, the Audit Committee as well as to the meetings of the Chairman's Committee. Members of the Management Board can take part in Nomination and Compensation Committee meetings by invitation.

Risk Management

Risk management is a fundamental element of the Group's business practice at 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 Risk and Compliance Committee consisting of the Chairman of the Board of Directors, the Management Board and the Risk and Compliance Manager. The risk management system within the Group covers both financial and operational risks.

Furthermore, risk management is part of the Internal Control System (ICS). Preventive and risk-reducing measures to control risks are proactively taken on different levels and are a fundamental part of management responsibility. The finance and accounting department conducts, in collaboration with regional management and Management Board, a risk assessment at least once a year. Details on risk management, including identified risks, are provided in the Consolidated Financial Statements, note 48 on pages 125 to 131.

Internal Audit

The Internal Audit function reports directly to the Chairman of the Board of Directors about ongoing activities and audit reports and acts under the supervision of the Audit Committee. Kuehne + Nagel's Internal Audit is an independent, objective assurance and consulting activity that assists the Management to exercise their responsibilities efficiently by assessing the adequacy and effectiveness of internal controls.

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

Board and committees	Board of Directors	Audit Committee	Nomination and Compensation Committee	Chairman's Committee
Number of meetings in 2013	4	6	8	3
Approximate duration of each meeting	9 hours	4 hours	3 hours	3 hours
Klaus-Michael Kuehne	4	–	8	3
Karl Gernandt	4	6	8	3
Dr. Joerg Wolle	4	–	8	2
Bernd Wrede	4	5	7	3
Dr. Renato Fassbind	4	6	–	–
Juergen Fitschen	4	–	–	–
Hans-Joerg Hager [1]	2	–	–	–
Hans Lerch	4	–	7	–
Dr. Thomas Staehelin	4	5	–	–

1 Retired from the Board of Directors on May 7, 2013.

MANAGEMENT BOARD

Effective August 15, 2013, the Board of Directors of Kuehne + Nagel International AG has appointed Dr. Detlef Trefzger, Executive Vice President Contract Logistics of the Group, as Chief Executive Officer (CEO). He succeeds Karl Gernandt, who took over the responsibility ad interim in the position of CEO from Reinhard Lange, as of May 8, 2013. Reinhard Lange, after 42 years service with the company, retired from the Management Board as of December 31, 2013.

The Board of Directors of Kuehne + Nagel International AG has appointed Markus Blanka-Graff, Director Corporate Finance, as new member of the Management Board as of July 1, 2014. He will succeed Gerard van Kesteren, who will retire after 25 years service with the company, in the position of Chief Financial Officer.

On the closing date, the biographical particulars of the Management Board are as follows:

Dr. Detlef Trefzger, German, 1962

Dr. Trefzger studied at Münster and Kingston upon Hull and after being awarded a degree in Business Management by Vienna Business University.
In 1989 Dr. Detlef Trefzger started his career as Project Manager, Industrial & Building Systems Group at Siemens AG, Erlangen, Germany. In 1994 he joined Roland Berger & Partner, Munich, Germany, as Principal in the Competence Center Transportation & Logistics. From 1999 to 2003 he worked as Member of the Board and CFO of the region South East Europe at Schenker & Co AG, Vienna, Austria. From 2004 to October 2012 Dr. Detlef Trefzger was Member of the Executive Board for Global Contract Logistics/Supply Chain Management of Schenker AG, Essen, Germany, and in addition, Executive Vice President Global Air Freight and Global Ocean Freight in 2012.

Positions within the Kuehne + Nagel Group:

01.03.2013–today	Executive Vice President Contract Logistics of the Group
15.08.2013–today	Chief Executive Officer (CEO) of the Group Chief Executive and Chairman of the Management Board of Kuehne + Nagel International AG

Gerard van Kesteren, Dutch, 1949

Chartered accountant. Spent 17 years at Sara Lee Corporation in various management positions in finance, lastly as Director of Financial Planning and Analysis.

Positions within the Kuehne + Nagel Group:

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

Lothar Harings, German, 1960

Lawyer (assessor iur.). Various national and international management positions with Siemens, amongst others, Vice President Human Resources Siemens AG for Enterprise & International HR ICN from 1998 to 2002. Member of the Management Board of T-Mobile International. Responsible for Global Human Resources with T-Mobile AG and Deutsche Telekom from 2002 until March 2009. Other significant activities: Member of the Board of Directors of University Bonn; Member of the academic advisory board of Bonner Akademie, Bonn, and National Curator of Deutsches Komitee of AIESEC e. V., Bonn.

Positions within the Kuehne + Nagel Group:

01.04.2009–today	Chief Human Resources Officer (CHRO) of the Group
2010–today	Company Secretary

Martin Kolbe, German, 1961

Graduated computer scientist. Positions in IT management including CIO with Deutsche Post World Net from 2002 to 2005, responsible for DHL Europe and DHL Germany as well as member of the Supervisory Board in several DPWN-associated companies. Other significant activities: Member of advisory board for degree courses in Business Informatics at the Technical University Berlin.

Position within the Kuehne + Nagel Group:

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

Stefan Paul, German, 1969

After completing an apprenticeship as a freight forwarder he started his career with Kuehne + Nagel in 1990 where he held various positions in Sales and Operations. In April 1997 he joined DHL Danzas Air & Ocean where he was responsible as General Manager for the Key Accounts and Industry Sectors in Germany. Effective October 2003 Stefan Paul became Head of Marketing & Sales at Exel Central and Eastern Europe. After the merger between DHL and Exel he worked as Head of Global Marketing, Customer Management and Reporting for the Logistics Division. Effective February 2007 Stefan Paul was appointed Member of the Freight Management Board responsible for Marketing & Sales within the DHL Road Freight Business Unit. In February 2010 he became CEO of DHL Freight Germany.

Position within the Kuehne + Nagel Group:

01.02.2013–today	Executive Vice President Road & Rail Logistics of the Group

Horst-Joachim (Otto) Schacht, German, 1959

Graduated as a shipping agent.
From 1978 to 1997 he held various positions globally with Hapag-Lloyd, including three years in the United States and as Trade Manager Far East-Europe.

Positions within the Kuehne + Nagel Group:

1997–1999	Member of the Management Board of Kuehne + Nagel Germany, responsible for Seafreight
1999–2011	Senior Vice President Global Seafreight
01.09.2011–today	Executive Vice President Seafreight of the Group

Tim Scharwath, German, 1965

Graduated from the University of Hamburg (Dipl. Kfm.).

Positions within the Kuehne + Nagel Group:

1992–2003	Various Management Positions within the Kuehne + Nagel Group
2004–2007	Executive Vice President Airfreight Central Europe
2007–2008	Managing Director of Kuehne + Nagel Netherlands
2008–2011	Regional Director North West Europe
01.09.2011–today	Executive Vice President Airfreight of the Group

Compensation, shareholdings and loans
The compensation and remuneration of the Board of Directors and Management Board is regulated and reviewed by the Nomination and Compensation Committee annually or if management contract tenures expire.

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

In 2013 the members of the Board of Directors received a guaranteed cash compensation as well as a compensation for participation in the respective committees as follows:

Member of the Board of Directors in TCHF	Guaranteed Compensation	Additional Compensation Audit Committee	Additional Compensation Nomination and Compensation Committee	Additional Compensation Chairman's Committee
Chairman of the Board of Directors [1]	300,000	15,000	10,000	–
Vice Chairmen and members	1,941,459	45,000	80,000	–
Total	**2,241,459**	**60,000**	**90,000**	**–**

1 Compensations are included in remuneration to the Chairman and the Management Board; refer to page 152, note 12 to the 2013 Financial Statements of Kuehne + Nagel International AG.

The members of the Management Board receive a cash income with a fixed component and a component linked to the Group's net earnings; furthermore, they have the possibility to participate in the Group's share-based compensation plans.

Compensation accrued for and paid to members of the Board of Directors and the Management Board
The total compensation and remuneration accrued for and paid to the members of the Board of Directors and the Management Board in the financial year 2013 amounted to CHF 20 million, of which CHF 18 million were paid to the sole executive member of the Board of Directors and the members of the Management Board, and CHF 2 million to the non-executive members of the Board of Directors.

Further details on the compensation and remuneration accrued for and paid to the members of the Board of Directors and the Management Board are shown in note 12 to the 2013 Financial Statements of Kuehne + Nagel International AG.

SHAREHOLDERS' PARTICIPATION

Restrictions and delegation of voting rights
Each share has one vote. All shares have equal voting rights, and no preferential rights or similar entitlements exist.

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

Registered shares may only be represented by persons who are entered in the share register as shareholders or beneficiaries who have a written power of attorney. Representatives in possession of proxies for shares held in safekeeping accounts according to Article 689d of the Swiss Code of Obligations and representatives of executive bodies do not need to be shareholders. Individual companies, partnerships or legal entities may arrange to be represented by legal representatives or representatives pursuant to the Articles of Association or by other authorised representatives, even if their representatives are not shareholders.

Statutory quorums

In general, the legal rules on quorums and terms apply. The following shall require a resolution to be passed by the General Meeting by at least two thirds of the voting rights represented and by a majority of the nominal value of the shares represented:

- The introduction or removal of restrictions on the transferability of registered shares;
- The conversion of registered shares into bearer shares or of bearer shares into registered shares;
- The dismissal of more than one quarter of the members of the Board of Directors.

Calling of an Annual General Meeting

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

Agenda of the Annual General Meeting

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

Registration of shareholders into the share registers

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

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

CHANGES OF CONTROL AND DEFENCE MEASURES

Duty to make an offer

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

Clauses on changes of control

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

STATUTORY AUDITORS

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

KPMG AG, Zurich, was mandated as Kuehne + Nagel's auditor through 2012. The Board of Directors tendered the mandate in 2012 and recommended the shareholders to elect Ernst & Young Ltd, Zurich (EY) as Kuehne + Nagel's new auditor at the occasion of the annual shareholders' meeting on May 7, 2013. The shareholders approved the motion and mandated EY as auditor for the financial year 2013, whereby Alessandro Miolo has been the auditor in charge since then.

The rotation sequence of the auditor in charge is seven years and thus corresponds with the legal rule.

Audit fees

According to the Group's financial records the fees charged for auditing services for the year 2013 amounted to CHF 3.1 million (2012: CHF 3.9 million).

Additional fees

In addition to the fees mentioned above, the statutory auditors are asked on a very restrictive basis to provide certain consulting services beyond the mandate of the annual audit. In 2013 an amount of CHF 0.3 million was incurred related to consulting services (2012: CHF 0.6 million).

Supervisory and controlling instruments towards the statutory auditors

The work performed by the external statutory auditors is supervised, controlled, and duly monitored by the Board of Directors' Audit Committee. The statutory auditors report to the Audit Committee regularly and in 2013 the previous statutory auditors attended one and the current statutory auditors attended two Audit Committee meetings in the person of the auditor in charge. In 2013 the auditor in charge also attended one meeting of the Board of Directors. The main criteria for the selection of the external audit company are its worldwide network, its reputation, and its competitive pricing.

INFORMATION POLICY

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

To this end, Kuehne + Nagel uses print media and, in particular, its corporate website, www.kuehne-nagel.com, where up-to-date information is available. This information contains an overall presentation of the Group, detailed financial data as well as information on environmental and safety matters, which are the main elements of the corporate sustainability efforts. The Group aims at an integral approach to economic, ecologic and social responsibility. Furthermore, Kuehne + Nagel provides up-to-date information on significant, business-related occurrences and organisational changes, and updates all general information on the Company continually.

The Annual Report covering the past financial year is available for download in extracts or in its entirety in English and German (http://www.kn-portal.com/about_us/investor_relations/annual_reports/).

Kuehne + Nagel publishes its quarterly financial data on the corporate website (http://www.kn-portal.com/about_us/investor_relations/financial_presentations/). Prior to the first quarterly results being released the financial calendar is published announcing the dates of the upcoming quarterly reports as well as of the Annual General Meeting (http://www.kn-portal.com/about_us/investor_relations/financial_calendar/).

The contact address for Investor Relations is:

Kuehne + Nagel Management AG
Investor Relations
Dorfstrasse 50
P.O. Box 67
CH-8834 Schindellegi
Switzerland
Phone: +41 (0)44 786 95 61

In addition, the most updated and detailed information on the Group, its service offering and contact details are available under **www.kuehne-nagel.com**.

Income Statement

CHF million	Note	2013	2012 [1]	Variance per cent
Turnover	20	20,929	**20,753**	**0.8**
Customs duties and taxes		-3,751	-3,633	
Net turnover		17,178	**17,120**	**0.3**
Net expenses for services from third parties		-10,921	-11,026	
Gross profit	20	6,257	**6,094**	**2.7**
Personnel expenses	21	-3,735	-3,606	
Selling, general and administrative expenses	22	-1,562	-1,592	
Other operating income/expenses, net	23	2	24	
Expense for EU antitrust fines	23/41	–	-65	
EBITDA		962	**855**	**12.5**
Depreciation of property, plant and equipment	27	-143	-146	
Amortisation of other intangibles	28	-57	-74	
Impairment of other intangibles	28	-1	-2	
EBIT		761	**633**	**20.2**
Financial income	24	5	12	
Financial expenses	24	-6	-5	
Result from joint ventures and associates	20	7	4	
Earnings before tax (EBT)		767	**644**	**19.1**
Income tax	25	-160	-152	
Earnings for the year		607	**492**	**23.4**
Attributable to:				
Equity holders of the parent company		597	484	23.3
Non-controlling interests		10	8	
Earnings for the year		607	**492**	**23.4**
Basic earnings per share in CHF	26	4.98	**4.05**	**23.0**
Diluted earnings per share in CHF	26	4.98	**4.05**	**23.0**

1 See note 3 for the impact of the application of IAS 19 (revised).

Statement of Comprehensive Income

CHF million	Note	2013	2012 [1]
Earnings for the year		**607**	**492**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange differences		–66	–21
Items that will not be reclassified to profit or loss:			
Actuarial gains/(losses) on defined benefit plans	36/25	27	–57
Income tax on actuarial gains/(losses) on defined benefit plans		–19	19
Total other comprehensive income, net of tax		**–58**	**–59**
Total comprehensive income for the year		**549**	**433**
Attributable to:			
Equity holders of the parent company		540	425
Non-controlling interests		9	8

1 See note 3 for the impact of the application of IAS 19 (revised).

Balance Sheet

CHF million	Note	Dec. 31, 2013	Dec. 31, 2012 [1]
Assets			
Property, plant and equipment	27	1,151	1,134
Goodwill	28	688	694
Other intangibles	28	89	141
Investments in joint ventures	29	33	39
Deferred tax assets	25	172	195
Non-current assets		**2,133**	**2,203**
Prepayments		105	109
Work in progress	30	296	306
Trade receivables	31	2,426	2,428
Other receivables	32	107	116
Income tax receivables	32	52	34
Cash and cash equivalents	33/34	1,255	1,083
Current assets		**4,241**	**4,076**
Total assets		**6,374**	**6,279**

1 See note 3 for the impact of the application of IAS 19 (revised).

CHF million	Note	Dec. 31, 2013	Dec. 31, 2012 [1]
Liabilities and equity			
Share capital		120	120
Reserves and retained earnings		1,820	1,792
Earnings for the year		597	484
Equity attributable to the equity holders of the parent company		**2,537**	**2,396**
Non-controlling interests		21	29
Equity	35	**2,558**	**2,425**
Provisions for pension plans and severance payments	36	340	357
Deferred tax liabilities	25	136	151
Finance lease obligations	39	24	32
Non-current provisions	41	63	69
Non-current liabilities		**563**	**609**
Bank and other interest-bearing liabilities	38/39	21	36
Trade payables	40	1,362	1,337
Accrued trade expenses/deferred income	40	936	931
Income tax liabilities		89	89
Current provisions	41	78	68
Other liabilities	42	767	784
Current liabilities		**3,253**	**3,245**
Total liabilities and equity		**6,374**	**6,279**

1 See note 3 for the impact of the application of IAS 19 (revised).

Schindellegi, February 28, 2014

KUEHNE + NAGEL INTERNATIONAL AG

Dr. Detlef Trefzger — CEO

Gerard van Kesteren — CFO

Statement of Changes in Equity

CHF million	Note	Share capital	Share premium	Treasury shares	Cumulative translation adjustment	Actuarial gains & losses	Retained earnings	Total equity attributable to the equity holders of parent company	Non-controlling interests	Total equity
Balance as of January 1, 2013		120	549	-20	-736	-81	2,564	2,396	29	2,425
Earnings for the year		–	–	–	–	–	597	597	10	607
Other comprehensive income										
Foreign exchange differences		–	–	–	-65	–	–	-65	-1	-66
Actuarial gains/(losses) on defined benefit plans, net of tax	36/25	–	–	–	–	8	–	8	–	8
Total other comprehensive income, net of tax		**–**	**–**	**–**	**-65**	**8**	**–**	**-57**	**-1**	**-58**
Total comprehensive income for the year		**–**	**–**	**–**	**-65**	**8**	**597**	**540**	**9**	**549**
Purchase of treasury shares	35	–	–	-24	–	–	–	-24	–	-24
Disposal of treasury shares	35	–	2	37	–	–	–	39	–	39
Dividend paid	35	–	–	–	–	–	-419	-419	-17	-436
Expenses for share-based compensation plans	37	–	–	–	–	–	5	5	–	5
Total contributions by and distributions to owners		**–**	**2**	**13**	**–**	**–**	**-414**	**-399**	**-17**	**-416**
Balance as of December 31, 2013		**120**	**551**	**-7**	**-801**	**-73**	**2,747**	**2,537**	**21**	**2,558**

CHF million	Note	Share capital	Share premium	Treasury shares	Cumulative translation adjustment	Actuarial gains & losses	Retained earnings	Total equity attribu-table to the equity holders of parent company	Non-controlling interests	Total equity
Balance as of January 1, 2012		120	535	–45	–715	–44	2,531	2,382	23	2,405
Change in accounting policy [1]		–	–	–	–	1	–1	–	–	–
Restated balance as of January 1, 2012		**120**	**535**	**–45**	**–715**	**–43**	**2,530**	**2,382**	**23**	**2,405**
Earnings for the year [1]		–	–	–	–	–	484	484	8	492
Other comprehensive income										
Foreign exchange differences		–	–	–	–21	–	–	–21	–	–21
Actuarial gains/(losses) on defined benefit plans, net of tax [1]	36/25	–	–	–	–	–38	–	–38	–	–38
Total other comprehensive income, net of tax		**–**	**–**	**–**	**–21**	**–38**	**–**	**–59**	**–**	**–59**
Total comprehensive income for the year		**–**	**–**	**–**	**–21**	**–38**	**484**	**425**	**8**	**433**
Purchase of treasury shares	35	–	–	–20	–	–	–	–20	–	–20
Disposal of treasury shares	35	–	14	45	–	–	–	59	–	59
Dividend paid	35	–	–	–	–	–	–460	–460	–2	–462
Expenses for share-based compensation plans	37	–	–	–	–	–	10	10	–	10
Total contributions by and distributions to owners		**–**	**14**	**25**	**–**	**–**	**–450**	**–411**	**–2**	**–413**
Balance as of December 31, 2012		**120**	**549**	**–20**	**–736**	**–81**	**2,564**	**2,396**	**29**	**2,425**

1 See note 3 for the impact of the application of IAS 19 (revised).

Cash Flow Statement

CHF million	Note	2013	2012 [1]
Cash flow from operating activities			
Earnings for the year		607	492
Reversal of non-cash items:			
Income tax	25	160	152
Financial income	24	–5	–12
Financial expenses	24	6	5
Result from joint ventures and associates		–7	–4
Depreciation of property, plant and equipment	27	143	146
Amortisation of other intangibles	28	57	74
Impairment of other intangibles	28	1	2
Expenses for share-based compensation plans	21	5	10
Gain on disposal of property, plant and equipment and associate	23	–11	–29
Loss on disposal of property, plant and equipment	23	2	5
Net addition to provisions for pension plans and severance payments		8	8
Subtotal operational cash flow		**966**	**849**
(Increase)/decrease work in progress		–6	–38
(Increase)/decrease trade and other receivables, prepayments		–59	–198
Increase/(decrease) other liabilities		–7	20
Increase/(decrease) provisions		7	–24
Increase/(decrease) trade payables, accrued trade expenses/deferred income		82	123
Income taxes paid		–190	–176
Total cash flow from operating activities		**793**	**556**

1 See note 3 for the impact of the application of IAS 19 (revised).

CHF million	Note	2013	2012 [1]
Cash flow from investing activities			
Capital expenditure			
– Property, plant and equipment	27	–181	–163
– Other intangibles	28	–7	–12
Disposal of property, plant and equipment		24	41
Acquisition of subsidiaries, net of cash acquired	43	–	–9
Disposal of financial investments	33	–	252
Interest received		4	6
(Increase)/decrease of share capital in joint ventures	29	6	–
Disposal of associate	23	1	5
Dividend received from associates		7	5
Total cash flow from investing activities		**–146**	**125**
Cash flow from financing activities			
Proceeds from interest-bearing liabilities		–	2
Repayment of interest-bearing liabilities		–12	–29
Interest paid		–6	–5
Purchase of treasury shares	35	–24	–20
Disposal of treasury shares	35	39	59
Dividend paid to equity holders of parent company	35	–419	–460
Dividend paid to non-controlling interests		–17	–2
Total cash flow from financing activities		**–439**	**–455**
Exchange difference on cash and cash equivalents		–24	–3
Increase/(decrease) in cash and cash equivalents		**184**	**223**
Cash and cash equivalents at the beginning of the year, net	34	**1,058**	**835**
Cash and cash equivalents at the end of the year, net	34	**1,242**	**1,058**

1 See note 3 for the impact of the application of IAS 19 (revised).

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, overland and contract logistics business.

The Consolidated Financial Statements of the Company for the year ended December 31, 2013, comprise the Company, its subsidiaries (the Group) and its interests in joint ventures.

2 STATEMENT OF COMPLIANCE

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

3 BASIS OF PREPARATION

The Consolidated Financial Statements are presented in Swiss francs (CHF) million and are based on the individual financial statements of the consolidated companies as of December 31, 2013. 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 Swiss law (Swiss Code of Obligation). 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 accordance with IFRS requires the management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The actual result may differ from these estimates. Judgments made by the 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 future are shown in note 51.

The accounting policies are the same as those applied in the Consolidated Financial Statements for the year ended December 31, 2012. The only exception with an impact on the opening balance sheet as of January 1, 2012, and the 2012 and 2013 income statements is the adoption of IAS 19 (revised) as of January 1, 2013. The interest costs and expected return on plan assets used in the previous version of IAS 19 have been replaced with a net interest amount which is calculated by multiplying the discount rate with the net defined benefit obligation. The impacts of this change on the relevant positions in the Income Statement, Statement of Comprehensive Income, Balance Sheet, Cash Flow Statement, Statement of Changes in Equity and Earnings per Share are shown below.

Impact of application of IAS 19 (revised) CHF million	Reported	Adjustment	Restated
Income Statement 2012			
Personnel expenses	–3,605	–1	–3,606
Earnings for the year	493	–1	492
Earnings per share 2012			
Basic earnings per share in CHF	4.06	–0.01	4.05
Diluted earnings per share in CHF	4.06	–0.01	4.05
Statement of Comprehensive Income 2012			
Earnings for the year	493	–1	492
Actuarial gains/(losses) on defined benefit plans, net of tax	–39	1	–38
Balance Sheet 2012			
Reserves and retained earnings	1,791	1	1,792
Earnings for the year attributable to equity holders of the parent company	485	–1	484
Statement of Changes in Equity 2012			
Restated balances on opening January 1, 2012			
Actuarial gains/(losses) on defined benefit plans, net of tax	–44	1	–43
Retained earnings	2,531	–1	2,530
Restated balances 2012			
Earnings for the year attributable to equity holders of the parent company	485	–1	484
Actuarial gains/(losses) on defined benefit plans, net of tax	–39	1	–38
Cash Flow Statement 2012			
Earnings for the year	493	–1	492
Net addition to provisions for pension plans and severance payments	7	1	8

The application of IAS 19 (revised) does not have any material impact on the Kuehne + Nagel Group's financial position, on its results of operations and on its cash flows. Therefore, the presentation of a third Balance Sheet as of January 1, 2012, has not been considered necessary.

New, revised and amended standards that are effective for the 2013 reporting year other than IAS 19 (revised) are not applicable to the Group or do not have a significant impact on the Consolidated Financial Statements.

Adoption of new and revised standards and interpretations in 2014 and later

The following new, revised and amended standards and interpretations have been issued but are not yet effective and not applied early in the Consolidated Financial Statements of the Group. Their impact on the Consolidated Financial Statements has not yet been systematically analysed. A first assessment by the Group Management shows the expected effects as disclosed in the table below.

Standard/interpretation	Effective date	Planned application
Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities [1]	1 January 2014	Reporting year 2014
Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) [1]	1 January 2014	Reporting year 2014
IFRIC Interpretation 21: Levies [1]	1 January 2014	Reporting year 2014
Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36) [2]	1 January 2014	Reporting year 2014
Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) [1]	1 January 2014	Reporting year 2014
IFRS 9 Financial Instruments [1]	1 January 2015	Reporting year 2015
Defined Benefit Plans: Employee Contributions (Amendments to IAS 19) [1]	1 July 2014	Reporting year 2015

1 No or no significant impacts are expected on the Consolidated Financial Statements.
2 The impact on the Consolidated Financial Statements is expected to result in additional disclosures or changes in presentation.

4 SCOPE OF CONSOLIDATION

The Group's significant subsidiaries and joint ventures are listed on pages 138 to 145. Significant changes in the scope of consolidation in 2013 relate to the following companies (for further information on the financial impact of the acquisition refer to note 43):

Changes in the scope of consolidation 2013	Capital share acquired in per cent equals voting rights	Currency	Share capital in 1,000	Acquisition/ incorporation date
Acquisition				
Universal Freight Services LLC, Oman	70	OMR	250	Jan. 8, 2013
Incorporations				
Kuehne + Nagel Logistics Services Limited, Barbados	100	BBD	195	March 1, 2013
Kuehne + Nagel Ltd., Myanmar	100	USD	50	April 1, 2013
Kuehne + Nagel Real Estate Pty Ltd, Australia	100	AUD	–	Oct. 1, 2013
Kuehne + Nagel Solutions, France	100	EUR	10	Dec. 1, 2013
Nacora (Luxembourg) S.a.r.l., Luxembourg	100	EUR	50	Dec. 1, 2013

There were no significant divestments in 2013.

Significant changes in the scope of consolidation for the year 2012 are related to the following companies (for further information on the financial impact of the acquisitions refer to note 43):

Changes in the scope of consolidation 2012	Capital share acquired in per cent equals voting rights	Currency	Share capital in 1,000	Acquisition/ incorporation date
Acquisitions				
Link Logistics International Pty. Ltd., Australia	100	AUD	< 1	Feb. 2, 2012
Flowerport Logistics B.V., Netherlands	100	EUR	2,768	Oct. 1, 2012
AgriAir Logistics B.V., Netherlands	100	EUR	18	Oct. 1, 2012
Incorporations				
Kuehne & Nagel SAS, Morocco	100	MAD	300	March 1, 2012
Kuehne + Nagel Logistique SASU, France	100	EUR	37	May 1, 2012
KN Ibrakom Logistics Services Ltd, Georgia	60	GEL	83	Nov. 6, 2012

There were no significant divestments in 2012.

5 PRINCIPLES OF CONSOLIDATION

Business Combinations

Business combinations are accounted for by applying the acquisition method. The Group measures goodwill as the fair value of the consideration transferred (including the fair value of any previously held equity interest in the acquiree) and the recognised amount of any non-controlling interests in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. If the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The Group elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value or at its proportionate share of the recognised amount of the identifiable net assets, at the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, equity interests issued by the Group and the fair value of any contingent consideration. If the contingent consideration is classified as equity, it is not re-measured, and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transaction costs other than those associated with the issue of debt or equity securities incurred in connection with a business combination are expensed as incurred.

Written put options held by non-controlling shareholders

If the Group has a potential obligation to purchase shares in a subsidiary from a non-controlling shareholder through a written put option, a liability is recognised at the present value of the redemption amount with a corresponding entry in equity. If a non-controlling shareholder still has present access to the economic benefits associated with the underlying ownership interest, the non-controlling interest in the subsidiary continues to be recognised as a separate component in equity.

The liability is re-estimated at each reporting date. Any subsequent changes in the liability's carrying amount are recognised in profit or loss.

Acquisitions and disposals of non-controlling interests

Changes in the parent's ownership interest in a subsidiary after having obtained control that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners, and the effect of such transactions is recognised in equity. No goodwill is recognised as a result of acquisition of non-controlling interests, and no gain or loss on disposals of non-controlling interests is recognised in profit or loss. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

Subsidiaries

The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are companies controlled, directly or indirectly, by the Group. This control is normally evidenced if the Group owns, either directly or indirectly, more than 50 per cent of the voting rights whereby potential voting rights of a company are also considered. 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 non-controlling interests in equity as well as earnings for the period are reported separately in the Consolidated Financial Statements.

Associates and joint ventures

Associates are companies over which the Group has significant influence but which it does not control. Significant influence is normally evidenced if the Group owns 20 per cent or more of the voting or potential voting rights. Joint ventures are contractual arrangements in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method. They are initially recognised at cost, including transaction costs. Subsequent to initial recognition, the Group's share of the profit or loss and other comprehensive income of associates and joint ventures is included in the Group's financial statements, 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

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 recognised in other comprehensive income.

Transactions in foreign currencies in 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 statement (average rates for the year)

Currency	2013 CHF	Variance per cent	2012 CHF
EUR 1.–	1.2296	1.9	1.2062
USD 1.–	0.9237	–1.0	0.9327
GBP 1.–	1.4492	–2.3	1.4827

Balance sheet (year-end rates)

Currency	Dec. 2013 CHF	Variance per cent	Dec. 2012 CHF
EUR 1.–	1.2252	1.5	1.2076
USD 1.–	0.8916	–2.5	0.9149
GBP 1.–	1.4697	–0.4	1.4759

6 FINANCIAL ASSETS AND LIABILITIES

The accounting policy applied to financial instruments depends on their classification. The Group's financial assets and liabilities are classified into the following categories:

– The category **financial assets or liabilities at fair value through profit or loss** includes financial assets or liabilities held for trading and financial assets designated as such upon initial regognition. There are no financial liabilities that, upon initial recognition, have been designated at fair value through profit or loss.

- **Loans and receivables** are carried at amortised cost, calculated by using the effective interest rate method, less allowances for impairment.
- **Financial assets/investments available for sale** include all financial assets/investments not assigned to one of the above mentioned categories. These might 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 other comprehensive income until the assets are sold, at which time the amount reported in other comprehensive income is transferred to the income statement. As of December 31, 2013 and 2012, the Group did not have any financial assets/investments available for sale.
- **Financial liabilities** that are not at fair value through profit or loss, are carried at amortised cost calculated by using the effective interest rate method.

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 the 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 under IAS 39. Derivatives are carried at fair value, and all changes in fair value are recognised immediately in the income statement as part of financial income or expenses. All derivatives with a positive fair value are disclosed as derivative assets and included in the line "financial investments" on the balance sheet, while all derivatives with a negative fair value are disclosed as derivative liabilities and included in the line current "other liabilities".

Impairment of financial assets

If there is any indication that a financial asset (loans and receivables) or financial assets/investments 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 an 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 due is possible; at that point the amount considered irrecoverable is written off against the financial assets directly.

If 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 reversing previous revaluations recognised in other comprehensive income of available for sale equity securities) 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 other comprehensive income.

7 SEGMENT REPORTING

An operating segment is a component of the Group that engages in business activities from which it earns revenues and incurs expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Refer to note 20 for additional information about the segments in the Group.

8 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 lives for the major categories are:

Category	Years
Buildings	40
Vehicles	4–10
Leasehold improvements	5
Office machines	4
IT hardware	3
Office furniture	5

If 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.

9 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. If there is a reasonable certainty that the Group will obtain ownership by the end of the lease term, leased assets are depreciated over their useful life. Otherwise, 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 from 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 amount of the asset, a loss equal to the difference between the carrying amount and the fair value is recognised immediately.

10 INTANGIBLES

Goodwill

All business combinations are accounted for by applying the acquisition method. Goodwill arising from an acquisition represents the fair value of the consideration transferred (including the fair value of any previously held equity interest in the acquiree) and the recognised amount of any non-controlling interests in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Goodwill is allocated to cash-generating units.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is tested annually 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.

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. 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.

11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at banks and in hand as well as short-term deposits and highly liquid investments with a term of three months or less from the date of acquisition that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist also of bank overdrafts that are repayable on demand as forming an integral part of the Group's cash management.

12 IMPAIRMENT OF NON-FINANCIAL ASSETS

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 of disposal 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 recognised for goodwill is not reversed. In respect to 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.

13 SHARE CAPITAL

Shares

Shares are classified as equity. Incremental costs directly attributable to the issue of shares and share options are recognised as a deduction from equity.

Treasury shares

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from the share premium.

14 PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event if it is probable that an outflow of resources will be required to settle the obligation and the amount of the obligation can be estimated reliably. 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. The provision is classified in non-current liabilities in case the expected timing of the payment of the amounts provided for is more than 1 year.

15 PENSION PLANS, SEVERANCE PAYMENTS AND SHARE-BASED COMPENSATION PLANS

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

Defined benefit plans

The aggregate of the present value of the defined benefit obligation and the fair value of plan assets for each plan is recorded in the Balance Sheet as net defined benefit liability or net defined benefit asset. The discount rate is the yield at the reporting date on "AA" credit-rated bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which benefits are expected to be paid. 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 other comprehensive income.

Defined contribution plans
Obligations for contributions to defined contribution pension plans are recognised in the income statement as an expense in the periods during which services are rendered by the employees.

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 plans

Share Matching Plan (SMP)
The Company implemented a share-based compensation plan effective August 7, 2012, referred to as "Share Matching Plan" (SMP) that replaced the employee "Share Purchase and Option Plan" (SPOP) implemented in 2001. This new long-term incentive plan allows selected employees of the Group to acquire shares of the Company with a discount compared to the actual share price at a specified date; such shares are blocked for three years, give its holder immediate voting rights and rights to receive dividends.

For each purchased share, the Company will match additional shares upon completion of a three years vesting period and service condition during the same period. The level of the share match (share match ratio) is defined based on the achieved performance over the next three financial years against defined targets.

When employees purchase shares at a discounted price, 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 with a corresponding increase in equity. The fair value of the shares granted is measured at the market price of the Company's shares.

The fair value of shares matched under SMP is recognised as a personnel expense with a corresponding increase in equity. The fair value of matched shares is equal to the market price at grant date reduced by the present value of the expected dividends during the vesting period and recognised as personnel expense over the relevant vesting periods. The amount expensed is adjusted to reflect actual and expected levels of vesting.

For further details about the SMP refer to note 37.

Share Purchase and Option Plan (SPOP)
The Group's previous employee share purchase and option plan was discontinued as of July 1, 2012. It allowed selected employees of the Group to acquire shares of the Company at a reduced price at a specified date; such shares are blocked for three years, give its holder immediate voting rights and rights to receive dividends. For each share purchased under this plan, the Company granted two options to the participants. Each option entitled the participant to purchase one share of the Company at a pre-defined price upon completion of the three years vesting period and service condition during the same period.

When employees purchased shares at a discounted price, the difference between the fair value of the shares at purchase date and the purchase price of the shares was recognised as a personnel 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.

The fair value of options granted under SPOP was recognised as a personnel expense with a corresponding increase in equity. The fair value of the granted options is calculated using the lattice binomial model and is measured at grant date and recognised as personnel expense over the relevant vesting periods. The amount expensed is adjusted to reflect actual and expected levels of vesting.

For further details about the SPOP refer to note 37.

16 REVENUE RECOGNITION

The Company generates its revenues from five principal services: 1) Seafreight, 2) Airfreight, 3) Road & Rail Logistics, 4) Contract Logistics, and 5) Insurance Brokers. Revenues reported in each of these reportable segments include revenues generated from the principal service as well as revenues generated from services like customs clearance, export documentation, import documentation, door-to-door service, and arrangement of complex logistics supply movement, that are incidental to the principal service.

In Seafreight, Airfreight, and Road & Rail Logistics the Group generates the majority of its revenues by purchasing transportation services from direct (asset-based) carriers and selling a combination of those services to its customers. In its capacity of arranging carrier services, the Group issues to customers a contract of carriage. Revenues related to shipments are recognised based upon the terms in the contract of carriage. Revenues from other services, involving providing services at destination, are recognised when the service is rendered.

In Contract Logistics the principal services are related to customer contracts for warehousing and distribution activities. Based on the customer contracts, revenues are recognised when service is rendered.

In Insurance Brokers, the principal service is the brokerage of insurance coverage, mainly marine liability. Revenues are recognised, when a policy is issued.

A better indication of performance in the logistics industry compared to the turnover is the gross profit. The gross profit represents the difference between the turnover and the cost of services rendered by third parties for all reportable segments.

17 INTEREST EXPENSES AND INCOME

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

Borrowing costs that are not directly attributable to an acquisition, construction, or production of a qualifying asset are recognised in the income statement by using the effective interest method. The Group has not capitalised any borrowing costs as it does not have any qualifying assets.

18 INCOME TAXES

Income tax on earnings for the year comprises current and deferred tax. Both current and deferred tax are recognised in the income statement, except to the extent that the tax relates to business combinations or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the balance sheet date and any adjustment to tax payable for 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: initial recognition of goodwill, 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 unused 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. Intangible assets and property, plant and equipment once classified as held for sale are not amortised or depreciated.

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, if earlier, when the operation meets the criteria to be classified as held for sale.

OTHER NOTES

20 SEGMENT REPORTING

a) Reportable segments

The Group provides integrated logistics solutions across customers' supply chains using its global logistics network. The business is divided into six operating segments namely **Seafreight, Airfreight, Road & Rail Logistics, Contract Logistics, Real Estate and Insurance Brokers**. These six reportable segments reflect the internal management and reporting structure to the Management Board (the chief operating decision maker, CODM) and are managed through specific organisational structures. The CODM reviews internal management reports on a monthly basis. Each segment is a distinguishable business unit and is engaged in providing and selling discrete products and services.

The discrete distinction between Seafreight, Airfreight and Road & Rail Logistics is the usage of a single transportation mode within a reportable segment. In addition to common business processes and management routines, an identical main transportation mode is used within a reportable segment. For the reportable segment Contract Logistics the services performed are related to customer contracts for warehousing and distribution activities, whereby services performed are storage, handling and distribution. In the reportable segment Real Estate, activities mainly related to internal rent of facilities are reported. Under Insurance Brokers, activities exclusively related to brokerage of insurance coverage, mainly marine liability, are reported.

Pricing between segments is determined on an arm's length basis. The accounting policies of the reportable segments are the same as applied in the Consolidated Financial Statements.

Information about the reportable segments is presented on the next pages. Segment performance is based on EBIT as reviewed by the CODM. The column "elimination" is eliminations of turnover and expenses between segments. All operating expenses are allocated to the segments and included in the EBIT.

b) Geographical information

The Group is operating on a worldwide basis in the following geographical areas: **Europe, Americas, Asia-Pacific and Middle East, Central Asia and Africa**. All products and services are provided in each of these geographical regions. The segment revenue is based on the geographical location of the customers invoiced, and segment assets are based on the geographical location of assets.

c) Major customers

There is no single customer who represents more than 10 per cent of the Group's total revenue.

a) Reportable segments

	Total Group		Seafreight		Airfreight		Road & Rail Logistics	
CHF million	2013	2012 [1]	2013	2012	2013	2012 [2]	2013	2012
Turnover (external customers)	20,929	20,753	8,998	9,059	4,143	4,063	3,059	3,155
Inter-segment turnover	–	–	1,625	1,667	2,299	2,260	1,375	1,252
Customs duties and taxes	–3,751	–3,633	–2,479	–2,416	–662	–658	–253	–271
Net turnover	17,178	17,120	8,144	8,310	5,780	5,665	4,181	4,136
Net expenses for services	–10,921	–11,026	–6,865	–7,035	–4,903	–4,828	–3,279	–3,249
Gross profit	6,257	6,094	1,279	1,275	877	837	902	887
Total expenses [1, 2]	–5,295	–5,239	–871	–860	–630	–673	–869	–851
EBITDA	962	855	408	415	247	164	33	36
Depreciation of property, plant and equipment	–143	–146	–15	–16	–13	–11	–20	–26
Amortisation of other intangibles	–57	–74	–9	–8	–12	–14	–21	–26
Impairment of other intangibles	–1	–2	–	–	–	–1	–	–
EBIT (segment profit/(loss))	761	633	384	391	222	138	–8	–16
Financial income	5	12						
Financial expenses	–6	–5						
Result from joint ventures and associates	7	4	3	1	–	1	3	2
Earnings before tax (EBT)	767	644						
Income tax	–160	–152						
Earnings for the year	607	492						
Attributable to:								
Equity holders of the parent company	597	484						
Non-controlling interests	10	8						
Earnings for the year	607	492						
Additional information not regularly reported to the CODM								
Reportable non-current segment assets	1,928	1,969	90	100	71	88	298	321
Segment assets	6,374	6,279	1,188	1,233	652	687	764	822
Segment liabilities	3,816	3,854	1,121	1,136	616	644	669	645
Allocation of goodwill	688	694	43	47	39	42	214	214
Allocation of other intangibles	89	141	12	19	13	25	48	67
Capital expenditure property, plant and equipment	181	163	15	16	14	14	20	19
Capital expenditure other intangibles	7	12	2	3	1	2	1	1
Property, plant and equipment, goodwill and intangibles through business combinations	–	16	–	–	–	16	–	–
Non-cash expenses	66	222	5	22	4	85	10	30

1 See note 3 for the impact of the application of IAS 19 (revised).
2 Total expenses in 2012 include an expense for EU commission antitrust fines of CHF 65 million in Airfreight.

	Contract Logistics		Real Estate		Insurance Brokers		Total Reportable Segments		Eliminations		Unallocated Corporate	
	2013	2012 [1]	2013	2012	2013	2012	2013	2012 [1]	2013	2012	2013	2012
	4,608	**4,357**	**1**	**2**	**120**	**117**	**20,929**	**20,753**	–	–	–	–
	176	144	72	74	69	62	5,616	5,459	–5,616	–5,459	–	–
	–357	–288	–	–	–	–	–3,751	–3,633	–	–	–	–
	4,427	**4,213**	**73**	**76**	**189**	**179**	**22,794**	**22,579**	**–5,616**	**–5,459**	–	–
	–1,269	–1,157	–	–1	–149	–141	–16,465	–16,411	5,544	5,385	–	–
	3,158	**3,056**	**73**	**75**	**40**	**38**	**6,329**	**6,168**	**–72**	**–74**	–	–
	–2,967	–2,906	–11	–5	–19	–18	–5,367	–5,313	72	74	–	–
	191	**150**	**62**	**70**	**21**	**20**	**962**	**855**	–	–	–	–
	–71	–68	–24	–25	–	–	–143	–146	–	–	–	–
	–15	–26	–	–	–	–	–57	–74	–	–	–	–
	–1	–1	–	–	–	–	–1	–2	–	–	–	–
	104	**55**	**38**	**45**	**21**	**20**	**761**	**633**	–	–	–	–
	1	–	–	–	–	–	7	4	–	–	–	–
	571	575	898	885	–	–	1,928	1,969	–	–	–	–
	1,347	1,286	901	888	10	12	4,862	4,928	–	–	1,512	1,351
	1,071	1,042	14	20	55	59	3,546	3,546	–	–	270	308
	392	391	–	–	–	–	688	694	–	–	–	–
	16	30	–	–	–	–	89	141	–	–	–	–
	86	85	46	29	–	–	181	163	–	–	–	–
	3	6	–	–	–	–	7	12	–	–	–	–
	–	–	–	–	–	–	–	16	–	–	–	–
	38	77	–	1	9	7	66	222	–	–	–	–

b) Geographical information

CHF million	Total Group 2013	Total Group 2012 [1]	Europe 2013	Europe 2012 [2]	Americas 2013	Americas 2012 [1]
Turnover (external customers)	20,929	20,753	12,530	12,472	4,676	4,572
Inter-regional turnover	–	–	3,398	2,979	757	737
Customs duties and taxes	–3,751	–3,633	–1,973	–1,971	–856	–878
Net turnover	17,178	17,120	13,955	13,480	4,577	4,431
Net expenses for services	–10,921	–11,026	–9,518	–9,136	–3,549	–3,458
Gross profit	6,257	6,094	4,437	4,344	1,028	973
Total expenses [1, 2]	–5,295	–5,239	–3,915	–3,870	–844	–813
EBITDA	962	855	522	474	184	160
Depreciation of property, plant and equipment	–143	–146	–107	–109	–20	–22
Amortisation of other intangibles	–57	–74	–48	–63	–5	–7
Impairment of other intangibles	–1	–2	–1	–2	–	–
EBIT	761	633	366	300	159	131
Financial income	5	12				
Financial expenses	–6	–5				
Result from joint ventures and associates	7	4	7	4	–	–
Earnings before tax (EBT)	767	644				
Income tax	–160	–152				
Earnings for the year	607	492				
Attributable to:						
Equity holders of the parent company	597	484				
Non-controlling interests	10	8				
Earnings for the year	607	492				
Reportable non-current assets	1,928	1,969	1,592	1,610	195	215
Additional information not regularly reported to the CODM						
Segment assets	6,374	6,279	3,339	3,383	865	860
Segment liabilities	3,816	3,854	2,478	2,457	531	558
Allocation of goodwill	688	694	555	553	104	110
Allocation of other intangibles	89	141	74	118	9	15
Capital expenditure property, plant and equipment	181	163	128	111	20	21
Capital expenditure other intangibles	7	12	7	11	–	1
Property, plant and equipment, goodwill and intangibles through business combinations	–	16	–	9	–	2
Non-cash expenses	66	222	61	185	–4	12

1 See note 3 for the impact of the application of IAS 19 (revised).
2 Total expenses in 2012 include an expense for EU commission antitrust fines of CHF 48 million in Europe and CHF 17 million in Asia-Pacific.

	Asia-Pacific		Middle East, Central Asia and Africa		Eliminations		Unallocated Corporate	
	2013	2012 [2]	2013	2012	2013	2012	2013	2012
	2,162	**2,120**	**1,561**	**1,589**	–	–	–	–
	1,124	1,231	266	438	–5,545	–5,385	–	–
	–326	–273	–596	–511	–	–	–	–
	2,960	**3,078**	**1,231**	**1,516**	**–5,545**	**–5,385**	–	–
	–2,397	–2,514	–1,002	–1,303	5,545	5,385	–	–
	563	**564**	**229**	**213**	–	–	–	–
	–362	–383	–174	–173	–	–	–	–
	201	**181**	**55**	**40**	–	–	–	–
	–10	–9	–6	–6	–	–	–	–
	–3	–4	–1	–	–	–	–	–
	–	–	–	–	–	–	–	–
	188	**168**	**48**	**34**	–	–	–	–
	–	–	–	–	–	–	–	–
	88	**88**	**53**	**56**	–	–	–	–
	371	374	287	311	–	–	1,512	1,351
	344	332	193	199	–	–	270	308
	23	25	6	6	–	–	–	–
	6	8	–	–	–	–	–	–
	19	14	14	17	–	–	–	–
	–	–	–	–	–	–	–	–
	–	5	–	–	–	–	–	–
	3	22	6	3	–	–	–	–

b) Geographical information
Country information

The following countries individually constitute more than 10 per cent of the Group's non-current assets or of its net turnover. In addition, Switzerland is reported as the country of domicile of the ultimate holding company of the Group.

	2013		2012	
Countries CHF million	**Reportable non-current assets**	**Net turnover**	**Reportable non-current assets**	**Net turnover**
France [1]	550	1,458	559	1,396
Germany [1]	443	3,165	450	3,118
Great Britain [1]	230	1,508	224	1,569
Switzerland [1]	6	258	6	250
USA [2]	96	1,852	97	1,780
Others	603	8,937	633	9,007
Total	**1,928**	**17,178**	**1,969**	**17,120**

1 Part of region Europe.
2 Part of region Americas.

21 PERSONNEL EXPENSES

CHF million	2013	2012 [1]
Salaries and wages	2,947	2,867
Social expenses and employee benefits	667	629
Expenses for share-based compensation plans	5	10
Expenses for pension plans		
– defined benefit plans	23	22
– defined contribution plans	57	53
Other	36	25
Total	**3,735**	**3,606**

1 See note 3 for the impact of the application of IAS 19 (revised).

22 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

CHF million	2013	2012
Administration	205	215
Communication	75	78
Travel and promotion	75	76
Vehicles	271	293
Operating expenses	236	231
Facilities	686	682
Bad debt and collection expenses	14	17
Total	**1,562**	**1,592**

23 OTHER OPERATING INCOME/EXPENSES, NET

CHF million	2013	2012
Gain on disposal of property, plant and equipment	10	24
Gain on disposal of associate [1]	1	5
Loss on disposal of property, plant and equipment	–2	–5
Other operating expenses	–7	–
Total other operating income/expenses, net	**2**	**24**
Expense for EU antitrust fines [2]	–	–65
Total	**2**	**–41**

1 During the year a disposal of one associate resulted in a cash inflow and a gain of CHF 1 million (2012: CHF 5 million).
2 See also note 41.

24 FINANCIAL INCOME AND EXPENSES

CHF million	2013	2012
Interest income	4	6
Exchange differences, net	1	6
Financial income	**5**	**12**
Interest expenses	–6	–5
Financial expenses	**–6**	**–5**
Net financial result	**–1**	**7**

25 INCOME TAX

CHF million	2013	2012
Current tax expense		
– in current year	175	190
– under/(over)-provided in previous years	2	3
	177	193
Deferred tax expense from		
– changes in temporary differences	–17	–15
– impact of deferred tax assets previously not recognised	–	–26
	–17	–41
Income tax	**160**	**152**

Income tax of CHF 19 million (2012: CHF 19 million) relating to actuarial gains and losses of CHF 27 million before tax (2012: CHF 57 million) arising from defined benefit plans is recognised in other comprehensive income.

Reconciliation of the effective tax rate

The contributing factors for the difference between the expected tax rate (the Group's overall expected tax rate is calculated as the weighted average tax rate based on earnings before tax of each subsidiary and can change on a yearly basis) and the effective tax are as follows:

CHF million	2013	per cent	2012	per cent
Earnings before tax according to the income statement	767		644	
Income tax/expected tax rate	**144**	**18.8**	**137**	**21.3**
Tax effect on				
– tax exempt (income)/non-deductible expenses	2	0.3	24	3.7
– tax losses (utilised)/expired	–4	–0.5	–3	–0.5
– change of deferred tax assets not recognised	–	–	–26	–4.0
– under/(over)-provided in previous years	2	0.3	3	0.5
– unrecoverable withholding taxes	16	2.1	13	2.0
– other	–	–	4	0.6
Income tax/effective tax rate	**160**	**21.0**	**152**	**23.6**

Deferred tax assets and liabilities

	Assets [1]		Liabilities [1]		Net [1]	
CHF million	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
Property, plant and equipment	29	33	–64	–69	–35	–36
Goodwill and other intangibles	25	28	–41	–47	–16	–19
Trade receivables	19	17	–1	–4	18	13
Other receivables	3	4	–23	–25	–20	–21
Finance lease obligations	11	13	–	–	11	13
Provisions for pension plans and severance payments	21	42	–1	–2	20	40
Other liabilities	56	50	–6	–4	50	46
Tax value of loss carry-forwards recognised	8	8	–	–	8	8
Tax assets/(liabilities)	**172**	**195**	**–136**	**–151**	**36**	**44**
1 of which acquired in business combinations (opening balance sheet)	–	1	–	–2	–	–1

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

Unrecognised deferred tax assets

CHF million	Dec. 31, 2013	Dec. 31, 2012
On tax losses	48	44

It is not probable that future taxable profits will be available against which the unrecognised deferred tax assets can be used. CHF 43 million (2012: CHF 41 million) of unrecognised deferred tax assets is relating to tax losses that do not expire.

26 EARNINGS PER SHARE

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

Earnings per share	2013	2012 [1]
Earnings for the year attributable to the equity holders of the parent company in CHF million	**597**	**484**
Weighted average number of ordinary shares outstanding during the year	119,813,251	119,511,009
Dilutive effect on number of shares outstanding:		
Share-based compensation plans	130,040	87,265
Adjusted weighted number of ordinary shares applicable to diluted earnings per share	119,943,291	119,598,274
Basic earnings per share in CHF	**4.98**	**4.05**
Diluted earnings per share in CHF	**4.98**	**4.05**

1 See note 3 for the impact of the application of IAS 19 (revised).

27 PROPERTY, PLANT AND EQUIPMENT

2013

CHF million	Properties including buildings on third parties' land	Other operating and office equipment	Properties, buildings under finance leases	Other operating and office equipment under finance leases	Total
Cost					
Balance as of January 1, 2013	827	688	189	45	1,749
Additions	46	135	–	–	181
Disposals	–7	–72	–	–6	–85
Adjustments/transfers	42	3	–45	–	–
Effect of movements in foreign exchange	–6	–13	3	–	–16
Balance as of December 31, 2013	**902**	**741**	**147**	**39**	**1,829**
Accumulated depreciation and impairment losses					
Balance as of January 1, 2013	126	443	12	34	615
Depreciation charge for the year	20	116	3	4	143
Disposals	–1	–64	–	–5	–70
Adjustments/transfers	9	–	–9	–	–
Effect of movements in foreign exchange	–1	–9	–	–	–10
Balance as of December 31, 2013	**153**	**486**	**6**	**33**	**678**
Carrying amount					
As of January 1, 2013	**701**	**245**	**177**	**11**	**1,134**
As of December 31, 2013	**749**	**255**	**141**	**6**	**1,151**

Fire insurance value as of December 31, 2013: CHF 2,049 million. No restriction on the title exists except for items under finance leases as of December 31, 2013.

2012

CHF million	Properties including buildings on third parties' land	Other operating and office equipment	Properties buildings under finance leases	Other operating and office equipment under finance leases	Total
Cost					
Balance as of January 1, 2012	848	622	192	44	1,706
Additions through business combinations	–	2	–	1	3
Other additions	28	134	–	1	163
Disposals	–26	–74	–	–4	–104
Adjustments/transfers	–16	13	–	3	–
Effect of movements in foreign exchange	–7	–9	–3	–	–19
Balance as of December 31, 2012	**827**	**688**	**189**	**45**	**1,749**
Accumulated depreciation and impairment losses					
Balance as of January 1, 2012	120	403	9	28	560
Depreciation charge for the year	19	115	4	8	146
Disposals	–12	–66	–	–3	–81
Adjustments/transfers	–	–1	–	1	–
Effect of movements in foreign exchange	–1	–8	–1	–	–10
Balance as of December 31, 2012	**126**	**443**	**12**	**34**	**615**
Carrying amount					
As of January 1, 2012	**728**	**219**	**183**	**16**	**1,146**
As of December 31, 2012	**701**	**245**	**177**	**11**	**1,134**

Fire insurance value as of December 31, 2012: CHF 1,991 million. No restriction on the title exists except for items under finance leases as of December 31, 2012.

28 GOODWILL AND OTHER INTANGIBLES

2013

CHF million	Goodwill	Other intangibles [1]
Cost		
Balance as of January 1, 2013	711	646
Additions	–	7
Deletions	–	–3
Effect of movements in foreign exchange	–10	–2
Balance as of December 31, 2013	**701**	**648**
Accumulated amortisation and impairment losses		
Balance as of January 1, 2013	17	505
Amortisation charge for the year	–	57
Impairment loss	–	1 [2]
Deletions	–	–3
Effect of movements in foreign exchange	–4	–1
Balance as of December 31, 2013	**13**	**559**
Carrying amount		
As of January 1, 2013	**694**	**141**
As of December 31, 2013	**688**	**89**

1 Other intangibles mainly comprise customer contracts/lists and software.
2 The impairment charge of CHF 1 million relates to other intangibles pertaining to reportable segment Contract Logistics recognised upon the acquisition of ACR Group, Europe, due to loss of customer contracts.

2012

CHF million	Goodwill	Other intangibles [1]
Cost		
Balance as of January 1, 2012	717	639
Additions through business combinations	4	9
Other additions	–	12
Deletions	–	–10
Effect of movements in foreign exchange	–10	–4
Balance as of December 31, 2012	**711**	**646**
Accumulated amortisation and impairment losses		
Balance as of January 1, 2012	21	443
Amortisation charge for the year	–	74
Impairment loss	–	2 [2]
Deletions	–	–10
Effect of movements in foreign exchange	–4	–4
Balance as of December 31, 2012	**17**	**505**
Carrying amount		
As of January 1, 2012	**696**	**196**
As of December 31, 2012	**694**	**141**

1 Other intangibles mainly comprise customer contracts/lists and software.

2 The impairment charge of CHF 2 million relates to other intangibles pertaining to the reportable segments Airfreight and Contract Logistics recognised upon the acquisitions of J. Martens Group, Norway, and ACR Group, Europe, due to loss of customer contracts.

Impairment testing of goodwill

The Group has performed impairment tests of goodwill at the end of the financial years 2013 and 2012. 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 goodwill impairment test is performed at the level of a cash-generating unit or a group of cash-generating units represented by a business unit in the respective country. The allocation of goodwill to reportable segments (business units) and geographical regions is further illustrated in note 20.

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 by using estimated long-term growth rates. The growth rates do not exceed the long-term average growth rate for the logistics 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 the cash-generating units.

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

Business acquired	USCO Group	ACR Group, Europe [1]	Alloin Group, France	Multiple units [2]	Total
Year of acquisition	2001	2006	2009	2004–2012	
Carrying amount of goodwill in CHF million	**79**	**292**	**88**	**229**	**688**
Cash-generating unit within segment	Contract Logistics	Contract Logistics	Road & Rail Logistics	All Segments	
Basis for recoverable amount	Value in use	Value in use	Value in use	Value in use	
Pre-tax discount rate in per cent 2013	13.1	11.6–17.4	13.4	11.5–18.1	
Pre-tax discount rate in per cent 2012	13.3	11.5–16.8	12.6	11.3–18.0	
Projection period	3 years	3 years	3 years	3 years	
Terminal growth rate in per cent 2013	1.5	1.5	1.5	1.5	
Terminal growth rate in per cent 2012	1.5	1.5	1.5	1.5	

1 ACR Group, Europe, goodwill relates to Great Britain (CHF 98 million), France (CHF 69 million), Netherlands (CHF 57 million) and other various countries (CHF 68 million).
2 Including cash generating units without significant goodwill Cordes & Simon Group, Germany (CHF 38 million), G.L. Kayser Group, Germany (CHF 36 million) and J. Martens Group, Norway (CHF 28 million), RH Group, United Kingdom (CHF 53 million), Cooltainer, New Zealand (CHF 21 million), Eichenberg Group, Brazil (CHF 17 million), J. Van de Put, Netherlands (CHF 12 million).

Key assumptions have not changed compared with the previous year with the exception of discount rates used. For both 2013 and 2012, all recoverable amounts exceeded their carrying amounts and consequently no impairment of goodwill was recognised for the years 2013 and 2012.

Management considers that it is not likely for the assumptions used to change so significantly, as to eliminate the excess of recoverable amounts. A sensitivity analysis for the three major acquisitions – USCO Group, ACR Group and Alloin 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			
Growth rate	14.0 per cent	15.0 per cent	16.0 per cent	17.0 per cent
0.0 per cent	29	20	13	6
0.5 per cent	33	24	15	8
1.0 per cent	37	27	18	10
1.5 per cent	41	30	21	13

Sensitivity analysis of goodwill ACR Group

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

CHF million	Discount rate			
Growth rate	15.0 per cent	16.0 per cent	17.0 per cent	18.0 per cent
0.0 per cent	484	439	399	364
0.5 per cent	501	454	412	375
1.0 per cent	520	470	426	387
1.5 per cent	540	487	441	400

Sensitivity analysis of goodwill Alloin Group

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

CHF million	Discount rate			
Growth rate	13.0 per cent	14.0 per cent	15.0 per cent	16.0 per cent
0.0 per cent	72	60	50	41
0.5 per cent	77	65	54	44
1.0 per cent	82	69	57	48
1.5 per cent	88	74	62	51

29 INVESTMENTS IN JOINT VENTURES & ASSOCIATES

As of December 31, 2013, the following investments in joint ventures are held (all with 50 per cent voting rights/KN share):

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

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

CHF million	Dec. 31, 2013	Dec. 31, 2012
Non-current assets	51	57
Current assets	53	59
Total assets	**104**	**116**
Current liabilities	–38	–38
Equity	66	78
Kuehne + Nagel's share of equity (50%)	**33**	**39**
Net turnover	291	293
Earnings for the year	–	–

No significant investments in associates were held at December 31, 2013 and 2012.

30 WORK IN PROGRESS

This position decreased from CHF 306 million in 2012 to CHF 296 million in 2013, which represents a billing delay of 5.2 working days compared with the previous year's 5.5 working days.

31 TRADE RECEIVABLES

CHF million	2013	2012
Trade receivables	2,510	2,503
Impairment allowance	–84	–75
Total trade receivables	**2,426**	**2,428**

The majority of all billing is done in the respective Group companies' own functional currencies and is mainly in EUR 43.6 per cent (2012: 42.8 per cent), USD 13.6 per cent (2012: 12.1 per cent) and GBP 9.0 per cent (2012: 8.9 per cent).

Trade receivables outstanding at year-end averaged 43.2 days (2012: 42.6 days). 94.2 per cent (2012: 95.1 per cent) of the total trade receivables were outstanding between 1 and 90 days.

No trade receivables are pledged in 2013 and 2012.

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 being more than 120 days past due. As a company policy, the Group excludes customers from its insurance program based on certain criteria (so-called blue chip companies).

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 84 million (2012: CHF 75 million) are:

– specific loss component that relates to individually significant exposure
– 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 customers in the USA and customers operating with significant financial difficulties (such as negative equity). The impairment allowance for individually significant exposures is CHF 47 million at year-end 2013 (2012: CHF 44 million).

The collective impairment allowance based on overdue trade receivables is estimated considering statistical information of past payment experience. The Group has established a collective impairment allowance of CHF 37 million (2012: CHF 31 million) which represents 3.4 per cent (2012: 3.0 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 trade receivables not past due relates to customers who have good payment records 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.

	2013			2012		
CHF million	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	773	–	–	625	–	–
Past due 1–30 days	191	–	–	279	–	–
Past due 31–90 days	72	4	5	83	4	5
Past due 91–180 days	18	2	10	19	2	10
Past due 181–360 days	23	23	100	18	18	100
More than 1 year	8	8	100	7	7	100
Total	**1,085**	**37**	**3.4**	**1,031**	**31**	**3.0**

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

	2013			2012		
CHF million	Individual allowance	Collective allowance	Total allowance	Individual allowance	Collective allowance	Total allowance
Balance as of January 1	44	31	75	42	25	67
Additional impairment losses recognised	20	12	32	21	10	31
Reversal of impairment losses and write-offs	–17	–6	–23	–19	–4	–23
Balance as of December 31	**47**	**37**	**84**	**44**	**31**	**75**

32 OTHER RECEIVABLES

CHF million	Dec. 31, 2013	Dec. 31, 2012
Receivables from tax authorities	26	29
Deposits	45	30
Sundry	36	57
Total other receivables	**107**	**116**
Income tax receivables	52	34
Total	**159**	**150**

The majority of the other receivables are held in the respective Group companies' own functional currencies, which represents EUR 52.4 per cent (2012: 54.5 per cent), USD 6.0 per cent (2012: 8.0 per cent) and GBP 0.8 per cent (2012: 0.7 per cent).

33 FINANCIAL INVESTMENTS AND DERIVATIVE INSTRUMENTS

As of December 31, 2013 and 2012, no material financial investments and derivative instruments were held.

34 CASH AND CASH EQUIVALENTS

CHF million	Dec. 31, 2013	Dec. 31, 2012
Cash in hand	2	2
Cash at banks	1,095	919
Short-term deposits	158	162
Cash and cash equivalents	**1,255**	**1,083**
Bank overdraft	–13	–25
Cash and cash equivalents in the cash flow statement, net	**1,242**	**1,058**

The majority of the above mentioned cash and cash equivalents is held in commercial banks and managed centrally in order to limit currency risks. 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.

35 EQUITY

Share capital and treasury shares 2013

2013		Balance Dec. 31			Jan. 1
Main shareholders	Registered shares of nominal CHF 1 per share	CHF million	Capital share per cent	Voting share per cent	Registered shares of nominal CHF 1 per share
Kuehne Holding AG, Schindellegi (Feusisberg)	63,900,000	64	53.3	53.3	63,900,000
Public shareholders	56,038,474	56	46.7	46.7	55,834,609
Entitled to voting rights and dividends	**119,938,474**	**120**	**100.0**	**100.0**	**119,734,609**
Treasury shares	61,526	–	–		265,391
Total	**120,000,000**	**120**	**100.0**		**120,000,000**

In 2013 the Company sold 403,865 (2012: 628,527) treasury shares for CHF 39 million (2012: CHF 59 million) under the share-based compensation plans. The Company also purchased 200,000 (2012: 202,017) treasury shares for CHF 24 million (2012: CHF 20 million).

On December 31, 2013, the Company had 61,526 treasury shares (2012: 265,391), of which 61,526 (2012: 265,391) are reserved under the share-based compensation plans; refer to note 37 for more information.

Dividends

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

Year	per share	CHF million	Dividend
2014	CHF 3.85	462	dividend
2014	CHF 2.00	240	extraordinary dividend

The dividend payment 2013 to owners amounted to CHF 3.50 per share or CHF 419 million (2012: CHF 3.85 per share or CHF 460 million).

Share capital and treasury shares 2012

2012		Balance Dec. 31			Jan. 1
Main shareholders	Registered shares of nominal CHF 1 per share	CHF million	Capital share per cent	Voting share per cent	Registered shares of nominal CHF 1 per share
Kuehne Holding AG, Schindellegi (Feusisberg)	63,900,000	64	53.3	53.4	63,900,000
Public shareholders	55,834,609	56	46.5	46.6	55,408,099
Entitled to voting rights and dividends	**119,734,609**	**120**	**99.8**	**100.0**	**119,308,099**
Treasury shares	265,391	–	0.2		691,901
Total	**120,000,000**	**120**	**100.0**		**120,000,000**

Authorised and conditional share capital

The Annual General Meeting held on May 8, 2012, extended its approval of authorised share capital up to a maximum of CHF 20 million by another two years until May 6, 2014.

The Annual General Meeting held on May 2, 2005, approved a conditional share capital increase up to a maximum of CHF 12 million and to add a respective section in the articles of association.

The Annual General Meeting held on May 8, 2012, approved a conditional share capital increase up to a maximum of CHF 20 million for the provision of the employee share-based compensation plans of the company.

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

Capital Management

The Group defines the capital managed as the Group's total equity, including non-controlling 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 customers;
– 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 customers and investors.

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

CHF million	2013	2012	2011	2010	2009
Total equity	2,558	2,425	2,405	2,378	2,290
Total assets	6,374	6,279	6,141	5,941	5,933
Equity ratio in per cent	**40.1**	**38.6**	**39.2**	**40.0**	**38.6**

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

36 PROVISIONS FOR PENSION PLANS AND SEVERANCE PAYMENTS

The Group maintains defined benefit pension plans as well as defined contribution plans. 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 in the respective plan.

Overview of provisions for pension plans and severance payments

CHF million	Pension plans	Severance payments	Total
Balance as of January 1, 2012	**261**	**35**	**296**
Provisions made	21	7	28
Provisions used	–17	–5	–22
Actuarial (gains)/losses recognised in other comprehensive income	58	–	58
Effect of movements in foreign exchange	–3	–	–3
Balance as of December 31, 2012	**320**	**37**	**357**
Provisions made	24	5	29
Provisions used	–16	–5	–21
Actuarial (gains)/losses recognised in other comprehensive income	–27	–	–27
Effect of movements in foreign exchange	3	–1	2
Balance as of December 31, 2013	**304**	**36**	**340**

a) Defined benefit plans

The Group has a number of defined benefit plans. For a description and detailed information of the major defined benefit plans in Germany, the USA and Switzerland, please refer to letter b) of this note.

	2013			2012		
CHF million	Funded plans	Unfunded plans	Total	Funded plans	Unfunded plans	Total
Net liability for defined benefit obligations						
Present value of obligations	174	269	443	181	271	452
Fair value of plan assets	–139	–	–139	–132	–	–132
Present value of net obligations	35	269	304	49	271	320
Recognised net liability for defined benefit obligations	**35**	**269**	**304**	**49**	**271**	**320**

CHF million	2013	per cent	2012	per cent
Allocation of plan assets				
Debt securities	78	56.1	79	59.8
Equity securities	36	25.9	30	22.7
Property	10	7.2	8	6.1
Others	15	10.8	15	11.4
Total	139	100.0	132	100.0

The pension plan assets are held in multi-employer funded plans. The Group is not in a position to state whether the funded plans contain any investments in shares of Kuehne + Nagel International AG or in any property occupied by the Group.

	2013	2012 [1]
CHF million	Funded plans	Funded plans
Movements of fair value of plan assets		
Opening fair value of plan assets	132	118
Employer contribution	6	8
Employee contribution	4	4
Return on plan assets, excluding interest	2	3
Interest on plan assets	3	4
Benefits paid by the plan	–7	–5
Effect of movements in foreign exchange	–1	–
Closing fair value of plan assets	139	132
Expected payments to defined benefit plan in next year	6	7
Actual return on plan assets for the year	6	7

1 See note 3 for the impact of the application of IAS 19 (revised).

	2013			2012 [1]		
CHF million	Funded plans	Unfunded plans	Total	Funded plans	Unfunded plans	Total
Movements of present value of defined benefit obligations						
Opening liability for defined benefit obligations	181	271	452	161	218	379
Current service costs	6	5	11	6	4	10
Interest costs	5	9	14	6	10	16
Employee contribution	4	–	4	4	–	4
Actuarial (gains)/losses recognised in other comprehensive income:						
– due to changes in financial assumptions	–13	–11	–24	14	53	67
– due to experience adjustments	–3	2	–1	–5	–2	–7
Benefits paid by the plan	–6	–10	–16	–5	–9	–14
Past service costs – amendments	1	–	1	–	–	–
Effect of movements in foreign exchange	–1	3	2	–	–3	–3
Closing liability for defined benefit obligations	**174**	**269**	**443**	**181**	**271**	**452**
Expense recognised in the income statement						
Service costs	7	5	12	6	4	10
Net interest on the net defined benefit liability	2	9	11	2	10	12
Expense recognised in personnel expenses (refer to note 21)	**9**	**14**	**23**	**8**	**14**	**22**
Actuarial gains/(losses) recognised in other comprehensive income						
Cumulative amount as of January 1	–41	–57	–98	–35	–6	–41
Recognised during the year	18	9	27	–6	–51	–57
Effect of movements in foreign exchange	1	–1	–	–	–	–
Cumulative amount as of December 31	**–22**	**–49**	**–71**	**–41**	**–57**	**–98**

1 See note 3 for the impact of the application of IAS 19 (revised).

Plan participants	Active 2013	Active 2012	Deferred 2013	Deferred 2012	Retired 2013	Retired 2012	Total 2013	Total 2012
Number of plan participants	14,572	15,182	1,933	2,027	1,994	1,934	18,499	19,143
Present value of the defined benefit obligations								
In CHF million	241	251	57	62	145	139	443	452
Share in per cent	54.3	55.6	12.9	13.7	32.8	30.7	100.0	100.0
Duration in years	18.5	19.5	13.4	14.2	10.0	10.3	15.0	15.9

The duration in years corresponds to the average weighted period.

Weighted actuarial assumptions at the balance sheet date

Per cent	2013 Funded plans	2013 Unfunded plans	2013 Total	2012 Funded plans	2012 Unfunded plans	2012 Total
Discount rate	3.3	3.6	3.5	2.9	3.3	3.2
Future salary increases	1.2	2.0	1.9	1.0	2.0	1.6
Future pension increases	0.2	1.8	1.6	0.2	1.8	1.2

Sensitivities of significant actuarial assumptions

The discount rate and the future salary increases were identified as significant actuarial assumptions. An increase/decrease of 0.25 per cent in the respective assumption would have the following impact on the defined benefit obligation:

CHF million	2013 Funded plans	2013 Unfunded plans	2013 Total
Reasonably possible change +/– in per cent	0.25	0.25	0.25
Discount Rate			
Increase of defined benefit obligation	7	8	15
Decrease of defined benefit obligation	–7	–8	–15
Future salary increases			
Increase of defined benefit obligation	1	1	2
Decrease of defined benefit obligation	–1	–1	–2

The sensitivity analysis is based on reasonably possible changes as of the end of the reporting year. Each change in a significant actuarial assumption was analysed separately as part of the test. Interdependencies between individual assumptions were not taken into account.

b) Major defined benefit plans

The Group maintains significant defined benefit pension plans in Germany, the USA and in Switzerland constituting 86 per cent (2012: 86 per cent) of the defined benefit obligations and 80 per cent (2012: 79 per cent) of the plan assets.

Germany

There is one major defined benefit pension plan in Germany that provides retirement and disability benefits to employees and their dependants. This plan is based on an internal pension scheme (Versorgungsordnung), with the employers' retirement benefits law (Betriebsrentengesetz) specifying the minimum benefits to be provided. The plan is entirely funded by Kuehne + Nagel. Risks in relation to guarantees provided, such as investment risk, asset volatility, salary increase and life expectancy, are borne by the Group.

Contributions are based on the salary of the employee. Pensions are calculated as a percentage of contributory base salary multiplied with the years of service. Normal retirement age for the plan is 65. Members can draw retirement benefits early with a proportionate reduction of the pension.

The plan is closed to new entrants, who instead can participate in a defined contribution plan.

CHF million	2013	2012
Net liability for defined benefit obligations		
Present value of obligations	245	246
Fair value of plan assets	–	–
Present value of net obligations	245	246
Recognised net liability for defined benefit obligations	**245**	**246**

CHF million	2013	2012
Expense recognised in the income statement		
Service costs	4	3
Net interest on the net defined benefit liability	8	9
Expense recognised in personnel expenses	**12**	**12**

Plan participants	2013	2012
Number of plan participants	3,882	3,941
Present value of the defined benefit obligations		
In CHF million	245	246
Duration in years	15.3	16.0

The duration in years corresponds to the average weighted period.

Weighted actuarial assumptions at the balance sheet date

Per cent	2013	2012
Discount rate	3.5	3.3
Future salary increases	2.0	2.0
Future pension increases	2.0	2.0
Mortality table	Dr. K. Heubeck 2005 G	Dr. K. Heubeck 2005 G

USA

The US pension plan is a defined benefit pension plan that provides retirement and disability benefits to employees and their dependents. The various insurance benefits are governed by regulations. The US plan is qualified under and is managed in accordance with the requirements of US federal law. In accordance with federal law, there are plan fiduciaries that are responsible for the governance of the plan. Fiduciaries also are responsible for the investment of the plan's assets, which are held in a pension trust that is legally separate from the employer. The plan is entirely funded by Kuehne + Nagel. Risks in relation to guarantees provided, such as investment risk, asset volatility, salary increase and life expectancy, are borne by the Group.

Contributions are based on the salary of the employee. Normal retirement age is 65, with a minimum of 5 years of service. The plan provides a lifetime pension at normal retirement, which is based on a percentage of the highest average monthly compensation over a five-year period (limited to USD 100,000), multiplied by credited service under the plan. Members can draw retirement benefits early, with a proportionate reduction of the pension, at the age of 55 if the employee has a minimum of 10 years of service.

The plan is closed to new entrants and its benefits are frozen. New employees are instead covered by a defined contribution plan.

CHF million	2013	2012
Net liability for defined benefit obligations		
Present value of obligations	49	55
Fair value of plan assets	–41	–37
Present value of net obligations	8	18
Recognised net liability for defined benefit obligations	**8**	**18**

CHF million	2013	per cent	2012	per cent
Allocation of plan assets				
Debt securities	14	34.1	18	48.6
Equity securities	25	61.0	19	51.4
Property	2	4.9	–	–
Others	–	–	–	–
Total	**41**	**100.0**	**37**	**100.0**

CHF million	2013	2012
Actual return on plan assets for the year	**5**	**4**
Expected payments to defined benefit plan in next year	**1**	**2**

CHF million	2013	2012
Expense recognised in the income statement		
Service costs	–	–
Net interest on the net defined benefit liability	1	1
Expense recognised in personnel expenses	**1**	**1**

Plan participants	2013	2012
Number of plan participants	1,896	1,936
Present value of the defined benefit obligations		
In CHF million	49	55
Duration in years	14.4	15.9

The duration in years corresponds to the average weighted period.

Weighted actuarial assumptions at the balance sheet date

Per cent	2013	2012
Discount rate	4.9	4.0
Future salary increases	–	–
Future pension increases	–	–
Mortality table	IRS PPA 2013 Non-Annuitant (pre retirement) and Annuitant (post retirement)	IRS PPA 2012 Non-Annuitant (pre retirement) and Annuitant (post retirement)

Switzerland

The Swiss pension plans are defined benefit plans that provide retirement and disability benefits to employees and their dependents. Swiss pension plans are governed by the Swiss Federal Law on Occupational Retirement, Survivor's and Disability Pension Plans (BVG), which stipulates that pension plans have to be managed by independent, legally autonomous units. A pension plan's governing body (Board of Trustees) is responsible for the investment of the plan's assets and must be composed of equal numbers of employee's and employer's representatives. The various insurance benefits are governed in regulations, with the BVG specifying the minimum benefits that are to be provided. As a consequence, there are a number of guarantees provided within the pension funds which expose them to the risks of underfunding and may require the Group to provide re-financing. Such risks include mainly investment risks (as there is a guaranteed return on account balances), asset volatility and life expectancy.

The monthly contributions to the pension plans are paid by the employees as well as by the employer. The contributions are calculated as a percentage of the contributory salary and vary depending on the age of the employee. The pension plans provide a lifetime pension to members at the ordinary retirement age as defined in the Swiss Pension law. The pension is calculated as a percentage of the individual plan participant's pension account at retirement date. A portion of the benefit, up to the full amount under certain conditions, can be taken as lump sum payment at retirement. Members can draw retirement benefits early from the age of 58, with a proportionate reduction of the pension.

CHF million	2013	2012
Net liability for defined benefit obligations		
Present value of obligations	87	88
Fair value of plan assets	–70	–67
Present value of net obligations	17	21
Recognised net liability for defined benefit obligations	**17**	**21**

CHF million	2013	per cent	2012	per cent
Allocation of plan assets				
Debt securities	56	80.0	53	79.1
Equity securities	3	4.3	3	4.5
Property	8	11.4	8	11.9
Others	3	4.3	3	4.5
Total	**70**	**100.0**	**67**	**100.0**

CHF million	2013	2012
Actual return on plan assets for the year	–	–
Expected payments to defined benefit plan in next year	4	4

CHF million	2013	2012
Expense recognised in the income statement		
Service costs	7	6
Net interest on the net defined benefit liability	–	–
Expense recognised in personnel expenses	**7**	**6**

Plan participants	2013	2012
Number of plan participants	551	559
Present value of the defined benefit obligations		
In CHF million	87	88
Duration in years	18.2	19.6

The duration in years corresponds to the average weighted period.

Weighted actuarial assumptions at the balance sheet date

Per cent	2013	2012
Discount rate	2.2	1.8
Future salary increases	1.5	1.5
Future pension increases	–	–
Mortality table	BVG 2010 Generational	BVG 2010 Generational

37 EMPLOYEE SHARE-BASED COMPENSATION PLANS

Share Matching Plan (SMP)

During 2012 the Company implemented a share-based compensation plan referred to as a "Share Matching Plan" (SMP) that replaced the employee "Share Purchase and Option Plan" (SPOP) implemented in 2001. This new long-term incentive plan allows selected employees of the Group to acquire shares of the Company with a discount compared to the actual share price at a specified date; such shares are blocked for three years and give its holder immediate voting rights and rights to receive dividends.

For each purchased share as per above, the Company will match additional shares upon completion of a three years vesting period and service condition during the same period. The level of the share match (share match ratio) is dependant on the achievement of performance over the next three financial years against defined targets. The maximum matching of one share for each share purchased by the employee (minimum investment is 75 shares) can be obtained by exceeding the defined target by more than 15 per cent. A guaranteed return per purchased share is granted through a minimum matching of 0.2 shares after the vesting period. Should the number of allocated shares be a fraction of shares, then the number of shares is rounded up to the next whole number.

The terms and conditions of the shares allocated under the SMP are as follows:

Share matching plan	2013	2012
Grant date	Aug 3, 2013	Aug 7, 2012
Performance period	Jan 2013–Dec 2015	Jan 2012–Dec 2014
Vesting, service and blocking period	Aug 3, 2013–June 30, 2016	Aug 7, 2012–June 30, 2015
Fair value of shares at grant date in CHF per share	115.40	111.50
Purchase price of shares in CHF per share	94.60	100.00
Number of shares granted at grant date	252,894	232,077
Number of shares to be matched	252,894	220,204
Expected share match ratio	0.6	0.5
Fair value of shares to be matched at grant date in CHF per share	103.20	98.60

Share Purchase and Option Plan (SPOP)

In 2001 the Company implemented an employee "Share Purchase and Option Plan" (SPOP). The plan allowed selected employees of the Group to acquire shares of the Company. The employees were able to buy shares at a reduced price compared to the actual share price at a specified date. The price of the shares offered was 90 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.

For each share purchased under this plan, the Company granted two options to the participants. Each option entitles the participant to purchase one share of the Company 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. The options granted under this plan continue until they vest and until the exercise period for the options issued in 2012 will expire on June 30, 2018.

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. Since the SPOP was discontinued as of July 1, 2012, no shares were granted in 2013 (2012: 1,645 shares).

CHF per share	2013	2012
Fair value of shares granted at measurement date	not applicable	101.90

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

Grant date	Exercise period	Number issued	Exercise price CHF	Number outstanding as of Dec. 31, 2013	Number outstanding as of Dec. 31, 2012
June 30, 2007	July 1, 2010–June 30, 2013	605,990	110.71	–	280,110
June 30, 2008	July 1, 2011–June 30, 2014	25,756	107.27	7,626	17,968
June 30, 2009	July 1, 2012–June 30, 2015	307,802	82.12	68,783	136,883
June 30, 2010	July 1, 2013–June 30, 2016	447,398	111.37	311,365	394,272
June 30, 2011	July 1, 2014–June 30, 2017	37,374	131.15	31,374	37,374
June 30, 2012	July 1, 2015–June 30, 2018	3,290	113.40	3,290	3,290
Total		**1,427,610**		**422,438**	**869,897**

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

Options	2013 Weighted average exercise price (CHF)	2013 Number of options	2012 Weighted average exercise price (CHF)	2012 Number of options
Options outstanding as of January 1	**107.31**	**869,897**	**102.18**	**1,283,575**
Options granted during the year	n/a	n/a	113.40	3,290
Options cancelled during the year	114.99	-32,150	113.50	-22,163
Options expired during the year	110.71	-268,720	–	–
Options exercised during the year	97.38	-146,589	90.32	-394,805
Options outstanding as of December 31	**108.01**	**422,438**	**107.31**	**869,897**
Options exercisable as of December 31		387,774		434,961

The weighted average life of the options outstanding at December 31, 2013, is 2.4 years (2012: 2.4 years). The options outstanding at December 31, 2013, have an exercise price in the range of CHF 82.12 to CHF 131.15 (2012: CHF 82.12 to CHF 131.15).

CHF	2013	2012
Fair value of options granted at measurement date	n/a	22.28
Share price	n/a	101.90
Exercise price	n/a	113.4
Expected volatility in per cent	n/a	33.6
Expected option life	n/a	5 years
Dividend yield in per cent	n/a	2.2
Risk-free interest rate in per cent	n/a	0.04

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	2013	2012
Total personnel expense for employee share-based compensation plans	**5**	**10**

38 BANK LIABILITIES AND OTHER INTEREST-BEARING LIABILITIES

CHF million	Dec. 31, 2013	Dec. 31, 2012
Less than 1 year	21	36
Between 1–5 years	–	–
Total	**21**	**36**

The current bank and other interest-bearing liabilities include finance lease liabilities due for payment within one year of CHF 8 million (2012: CHF 11 million). Current bank and other interest-bearing liabilities also include bank overdrafts of CHF 13 million (2012: CHF 25 million), which are included in cash and cash equivalents for the purpose of the consolidated cash flow statement.

All loans and bank overdrafts are held in the respective Group companies' own functional currencies, which mainly is in EUR 40.7 per cent (2012: 34.8 per cent), GBP 2.6 per cent (2012: 7.8 per cent) and USD 1.7 per cent (2012: 7.1 per cent) on terms of the prevailing market conditions. The majority of bank overdraft facilities are repayable upon notice or within one year of the contractual term. The applicable interest rates are at prime interest rates of the respective country.

The non-current portion of finance lease liabilities amounts to CHF 24 million (2012: CHF 32 million) and is presented separately on the face of the balance sheet.

39 FINANCE LEASE OBLIGATIONS

	2013			2012		
CHF million	Payments	Interest	Present value	Payments	Interest	Present value
Less than 1 year	9	1	8	12	1	11
Between 1–5 years	21	1	20	27	2	25
After 5 years	5	1	4	7	–	7
Total	**35**	**3**	**32**	**46**	**3**	**43**

40 TRADE PAYABLES/ACCRUED TRADE EXPENSES/DEFERRED INCOME

CHF million	Dec. 31, 2013	Dec. 31, 2012
Trade payables	1,362	1,337
Accrued trade expenses	786	801
Deferred income	150	130
Total	**2,298**	**2,268**

The majority of all trade payables is in the respective Group companies' own functional currencies, which is in EUR 46.9 per cent (2012: 48.6 per cent), USD 9.7 per cent (2012: 9.0 per cent) and GBP 10.2 per cent (2012: 9.7 per cent).

41 PROVISIONS

The movements in provisions were as follows:

CHF million	Claim provisions [1]	Provision for deductible of transport liability insurance [2]	Others [3]	Total provision
Balance as of January 1, 2012	75	30	56	161
Provisions used	–108	–11	–16	–135
Provisions reversed	–12	–	–12	–24
Provisions made	100	7	29	136
Effect of movements in foreign exchange	–	–	–1	–1
Balance as of December 31, 2012	**55**	**26**	**56**	**137**
of which				
– Current portion	26	11	31	68
– Non-current portion	29	15	25	69
Total provisions	**55**	**26**	**56**	**137**
Balance as of January 1, 2013	55	26	56	137
Provisions used	–14	–9	–21	–44
Provisions reversed	–6	–	–9	–15
Provisions made	23	8	33	64
Effect of movements in foreign exchange	–1	–	–	–1
Balance as of December 31, 2013	**57**	**25**	**59**	**141**
of which				
– Current portion	28	9	41	78
– Non-current portion	29	16	18	63
Total provisions	**57**	**25**	**59**	**141**

1 Some Group companies are involved in legal proceedings on various issues (disputes about logistics services, antitrust etc.). Some legal proceedings have been settled in the reporting period, and corresponding payments have been made.
Since October 2007 various competition authorities have investigated certain antitrust allegations against international freight forwarding companies, inter alia against Kuehne + Nagel. A number of these investigations have been concluded meanwhile. The competent US court has meanwhile also confirmed the out of court settlement in a US class action lawsuit which is related to a previously settled antitrust investigation of the Department of Justice. The Group has appealed the decision of the EU Commission according to which Kuehne + Nagel had to pay a fine of CHF 65 million (EUR 53.7 million) at the European Court of Justice in 2012. The case is still pending. (see also notes 23 and 45).

2 An additional provision for deductibles in case of transport liability has been recognised for the current year's exposure.

3 Other provisions mainly consist of provisions for dilapidation costs amounting to CHF 23 million (2012: CHF 28 million) and of provisions for onerous contracts amounting to CHF 12 million (2012: CHF 14 million).

42 OTHER LIABILITIES

CHF million	Dec. 31, 2013	Dec. 31, 2012
Personnel expenses (including social security)	456	443
Other tax liabilities	72	71
Other operating expenses	185	203
Sundry	54	67
Total	**767**	**784**

43 ACQUISITION OF BUSINESSES/SUBSIDIARIES

2013 Acquisitions

There were no significant acquisitions of subsidiaries in 2013.

Effective January 8, 2013, the Group acquired 70 per cent of the shares of Universal Freight Services LLC, Oman, mainly specialised in seafreight and airfreight forwarding activities. The purchase price of CHF 0.6 million has been paid in cash.

2012 Acquisitions

The acquisition of businesses and subsidiaries, each individually immaterial, had the following effect on the Group's assets and liabilities in 2012:

CHF million	Recognised fair values
Property, plant and equipment	3
Other intangibles	9
Other non-current assets	1
Trade receivables	10
Subtotal assets	**23**
Trade payables	–7
Other current liabilities	–3
Non-current liabilities	–2
Total identifiable net assets	**11**
Goodwill	4
Total consideration	**15**
Contingent and deferred consideration	–6
Purchase price, paid in cash	**9**
Acquired cash and cash equivalents	–
Net cash outflow	**9**

Effective February 2, 2012, the Group acquired Link Logistics International Pty. Ltd, an Australian freight forwarder specialised in perishables logistics. The purchase price of CHF 5.4 million includes a contingent consideration of CHF 1.8 million depending on the financial performance of the acquired business until December 2013. CHF 3.6 million has been paid in cash.

Effective July 3, 2012, the Group acquired the perishable logistics business (mainly a customer list) of Perishables International Transportation Inc., a Canadian independent freight forwarder, specialising in handling and transportation of fresh and frozen perishable goods. The purchase price of CHF 2.2 million includes a contingent consideration of CHF 0.7 million depending on the financial performance of the acquired business until June 2014. CHF 1.5 million has been paid in cash.

Effective October 1, 2012, the Group acquired the companies Flowerport Logistics B.V. and AgriAir Logistics B.V., Netherlands, both specialised in handling airfreight of perishables. The purchase price of CHF 7.0 million includes a deferred consideration of CHF 3.3 million to be paid in three instalments until October 2015. CHF 3.7 million is paid in cash.

The acquisitions (including the part of 2011 acquisitions that completes a twelve months period since the date of acquisition) contributed CHF 287 million of turnover and CHF 9 million of loss to the consolidated turnover and earnings respectively for the year 2012. If the acquisitions had occurred on January 1, 2012, the Group's turnover would have been CHF 20,790 million and consolidated earnings for the period would have been CHF 480 million.

The trade receivables comprise gross contractual amounts due of CHF 10 million, and all amounts are expected to be collectible.

Goodwill of CHF 4 million arose on these acquisitions because certain intangible assets did not meet the IFRS 3 criteria for the recognition as intangible assets at the date of acquisition. These assets mainly consist of management expertise and workforce. Other intangibles of CHF 9 million recognised on these acquisitions represent non-contractual customer lists having a useful life of one year.

The accounting for the acquisitions made in 2012 was initially determined provisionally only. No material adjustments to the values previously reported were deemed necessary after having finalised the acquisition accounting.

44 PERSONNEL

Number	Dec. 31, 2013	Dec. 31, 2012
Europe	43,887	44,360
Americas	9,214	9,073
Asia-Pacific	6,809	6,989
Middle East, Central Asia and Africa	2,834	2,826
Total employees (unaudited)	**62,744**	**63,248**
Full-time equivalent	**72,036**	**72,399**

Employees within the Group are defined as persons with valid employment contracts as of December 31, on payroll of the Group.

Full-time equivalent as disclosed in the table above, is defined as all persons working for the Kuehne + Nagel Group including part-time (monthly, weekly, daily or hourly) working persons with or without permanent contract of which all expenses are recorded in the personnel expenses. Pro rata temporis employment, has been recalculated into the number of full-year employees.

45 CONTINGENT LIABILITIES

As of year-end the following contingent liabilities existed:

CHF million	Dec. 31, 2013	Dec. 31, 2012
Guarantees in favour of customers and others	21	8
Contingency under unrecorded claims	3	1
Total	**24**	**9**

Some Group companies are defendants in various legal proceedings. 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 Group beyond the existing provision for pending claims (refer to note 41) of CHF 57 million (2012: CHF 55 million).

Antitrust cases in various jurisdictions, amongst them proceedings in Brazil, New Zealand, France and Austria, are still ongoing. It is currently not possible to reliably estimate a potential financial impact of these cases. Consequently, no provision or quantification of the contingent liability for these cases was made in the Consolidated Financial Statements 2013.

46 OTHER FINANCIAL COMMITMENTS

The Group operates a number of warehouse facilities under operating lease contracts. The lease contracts run for a fixed period and none of the lease contracts 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, 2013

CHF million	Properties and buildings	Operating and office equipment	Total
2014	351	84	435
2015–2018	665	116	781
Later	249	1	250
Total	**1,265**	**201**	**1,466**

As of December 31, 2012

CHF million	Properties and buildings	Operating and office equipment	Total
2013	334	80	414
2014–2017	618	119	737
Later	241	3	244
Total	**1,193**	**202**	**1,395**

The expense for operating leases recognised in the income statement amounts to CHF 579 million (2012: CHF 585 million).

47 CAPITAL COMMITMENTS

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

CHF million	Dec. 31, 2013	Dec. 31, 2012
Australia	19	–
Great Britain	–	1
Italy	1	–
New Zealand	–	2
Total	**20**	**3**

48 RISK MANAGEMENT, OBJECTIVES AND POLICIES

Group risk management

Risk management is a fundamental element of the Group's business practice on all levels and is embedded into the business planning and controlling processes of the Group. Material risks are monitored and regularly discussed with the Risk and Compliance Committee and the Audit Committee of the Board of Directors.

The Risk and Compliance Committee led by the CEO comprising the members of the Management Board and heads of central Internal Audit, Legal and Compliance departments, monitor the risk profile of the Group, and the development of essential internal controls to mitigate these risks.

In accordance with Article 663b of the Swiss Code of Obligations, the Group carries out an annual risk assessment. In conformity with the Swiss Code of Best Practice for Corporate Governance, the Group's risk management system covers both financial and operational risks.

A risk is defined as the possibility of an adverse event which has a negative impact on the achievement of the Group's objectives.

Risk management as an integral part of the Internal Control System

Risk management is incorporated within the Internal Control System (ICS). Preventive, risk-mitigating measures to control risks are proactively taken at different levels and are an integral part of management responsibility.

Risk assessment in 2013

An independent risk assessment procedure was adopted for operational risks. Regional Management was interviewed with reference to a risk assessment overview. Strategic risks and the countermeasures were discussed with Management Board members. Within the framework of the corporate governance process, the updated risk assessment was then presented to the Audit Committee of the Board of Directors. Financial risks analysis and assessment was carried out by the finance and accounting department.

The following risk areas have been identified amongst others and mitigating actions are implemented as follows:

- Financial risks such as development of interest rates, credit and financial markets and currency risks, which are all constantly monitored and controlled by the finance and accounting department.
- The continuing challenges of the global economic development as well as the uncertainties in the financial markets are of essential importance from the risk-policy point of view. These are managed by appropriate risk diversification and avoidance of regional and industry clustering.
- Risks related to the IT network availability, IT data and security are managed by the permanent monitoring of systems, redundant infrastructure as well as interlinked data centers with back-up structures and business continuity plans.
- Organised crime and terrorism, and also an increase of regulations, growing complexity and customer expectations have led to rising security requirements and risks; such risks and requirements are considered in the planning of supply chain solutions and worldwide operation.
- Legal and compliance risks such as fraud, intentional and unintentional violations of the law or compliance to export regulations are counteracted by comprehensive staff training and the worldwide network of compliance officers at regional and national levels.

– Reputation and image risks with respect to communication with capital markets as well as in connection with compliance-related issues, are taken into consideration by a centralised approach towards corporate communications.

Organisation of risk management

A continuous dialogue between the Management Board, Risk Management and the Audit Committee is maintained in order to assure the Group's effectiveness in this area. The risk management system is governed by the Risk Assessment Guideline defining the structure and the process of risk assessments. The risk catalogue is reviewed regularly and critical analysis ensures a continuous development of the risk management system.

Summarised assessment of the risk situation

In the 2013 business year no significant risks were identified that would have the potential to substantially negatively impact the Group and its future development.

The most material risk remains the uncertainty of the global economic development and the financial markets, thus being in the constant focus of management.

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 the 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 to 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 by using financial instruments when deemed appropriate. It is the Group's policy and practice neither to enter into derivative transactions for trading or speculative purposes, nor for any purpose unrelated to the underlying business.

Market risk

Market risk is the risk that market prices change due to interest rates and foreign exchange rates risk affecting the Group's income or the value of its 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 in case they are measured at fair value.

Exposure

The Group's exposure to interest rate risk relates primarily to the Group's bank loans and finance lease liabilities and to the Group's investments of its excess funds. The Group's exposure to changes in interest rates is limited due to the short-term nature of investments of excess funds and borrowings. The Group does not use derivative financial instruments to hedge its interest rate risk in respect of investments of excess funds or loans.

Profile

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

Fair value sensitivity analysis – fixed rate instruments

As of December 31, 2013 and 2012, the Group does not hold significant investments in fixed rate instruments. A change of 100 basis points in interest rates would not have increased or decreased profit or loss significantly.

Cash flow sensitivity analysis – variable rate instruments

A change of 100 basis points in interest rates on December 31, 2013, would have increased or decreased profit or loss by CHF 12 million (2012: CHF 10 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.

	Carrying amount	
CHF million	2013	2012
Variable rate instruments		
Cash and cash equivalents	1,253	1,081
Current bank and other interest-bearing liabilities	–21	–36
Non-current finance lease obligations	–24	–32
Total	**1,208**	**1,013**

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, investments in debt securities and borrowings that are denominated in a currency other than the respective functional currencies of the Group entities. Monthly intercompany payments are conducted through a Group clearing system in EUR and USD which facilitates monitoring and control of the group-wide foreign exchange rate exposures.

Derivative financial instruments (foreign exchange contracts) are, to a limited extent, 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 the 2013 and 2012 year-end there were no material derivative instruments outstanding. 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:

	2013			2012		
CHF million	EUR	USD	GBP	EUR	USD	GBP
Cash and cash equivalents	117	90	1	121	75	1
Trade receivables	34	228	1	33	288	2
Interest-bearing liabilities	–	–2	–	–	–	–
Trade payables	–32	–78	–1	–27	–83	–1
Gross balance sheet exposure	**119**	**238**	**1**	**127**	**280**	**2**

The majority of all trade related billings and payments as well as all payments of interest-bearing liabilities are made 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 reduced 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.

2013

CHF million	1 CHF/EUR	1 CHF/USD	1 GBP/EUR	1 GBP/USD	1 USD/EUR
Reasonably possible change +/– in per cent	10.0	10.0	10.0	10.0	10.0
Negative effect on P/L	–11.9	–23.8	–8.1	–16.2	–13.4
Positive effect on P/L	11.9	23.8	8.1	16.2	13.4

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

2012

CHF million	1 CHF/EUR	1 CHF/USD	1 GBP/EUR	1 GBP/USD	1 USD/EUR
Reasonably possible change +/– in per cent	10.0	10.0	10.0	10.0	10.0
Negative effect on P/L	–12.7	–28.0	–8.6	–19.0	–13.9
Positive effect on P/L	12.7	28.0	8.6	19.0	13.9

Foreign currency exchange rates applied

The major foreign currency exchange rates applied during the year are as explained in note 5 (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 from financial assets without taking into account any collateral held or other credit enhancements was:

CHF million	2013	2012
Trade receivables	2,426	2,428
Other receivables	60	83
Cash and cash equivalents	1,253	1,081
Total	**3,739**	**3,592**

Trade receivables
Trade receivables are subject to a policy of active risk management which focusses 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 a large part of credit exposures in critical countries, the Group has obtained credit insurance from first-class insurance companies (for further details refer to note 31).

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

CHF million	2013	2012
Europe	1,474	1,467
Americas	548	527
Asia-Pacific	224	232
Middle East, Central Asia & Africa	180	202
Total	**2,426**	**2,428**

It is considered that the credit insurance is sufficient to cover potential credit risk concentrations (for additional information refer to note 31).

Investments of excess funds
The Group considers its credit risk to be minimal in respect of investments made of excess funds invested in short-term deposits (with a maturity of less than three months) and in debt securities with first-class financial institutions and countries 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 encounter difficulties to meet obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. 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 surplus 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.

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

2013

CHF million	Carrying amounts	Contractual cash flow	Up to 6 months	6–12 months	Over 1 year
Bank and other interest-bearing liabilities	21	23	18	5	–
Trade payables	1,362	1,362	1,362	–	–
Accrued trade expenses	786	786	786	–	–
Other liabilities	231	231	231	–	–
Finance lease obligations (non-current)	24	26	–	–	26
Total	**2,424**	**2,428**	**2,397**	**5**	**26**

2012

CHF million	Carrying amounts	Contractual cash flow	Up to 6 months	6–12 months	Over 1 year
Bank and other interest-bearing liabilities	36	39	33	6	–
Trade payables	1,337	1,337	1,337	–	–
Accrued trade expenses	801	801	801	–	–
Other liabilities	262	262	236	26	–
Finance lease obligations (non-current)	32	34	–	–	34
Total	**2,468**	**2,473**	**2,407**	**32**	**34**

It is not expected that the cash flow included in the above maturity analysis could occur at significantly different points in time or at significantly different amounts.

49 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 1,255 million (2012: CHF 1,083 million) as well as financial assets with a carrying amount of CHF 2,486 million (2012: CHF 2,511 million) classified as loans and receivables carried at amortised cost, are all classified as current assets.

The Group has financial liabilities with a carrying amount of CHF 2,424 million (2012: CHF 2,468 million) carried at amortised cost. The majority of these financial liabilities are current liabilities. At year-end 2013 and 2012 there were no non-current fixed rate interest-bearing loans and other liabilities.

As of December 31, 2013 and 2012, the Group holds no debt instruments designated as financial assets at fair value through profit or loss and no significant derivative instruments.

The Group's financial instruments measured at fair value have been categorised into below mentioned levels, reflecting the significance of inputs used in estimating fair values:

- Level 1: Quoted prices (unadjusted) in active markets for identical instruments.
- Level 2: Input other than quoted prices included within Level 1 that are observable for the instrument, either directly or indirectly.
- Level 3: Valuation techniques using significant unobservable inputs.

The fair value of the derivative instruments (forward foreign exchange contracts) is determined based on current and available market data. Pricing models commonly used in the market are used, taking into account relevant parameters such as forward rates, spot rates, discount rates, yield curves and volatility.

50 RELATED PARTIES AND TRANSACTIONS

The Group has a related party relationship with its subsidiaries, joint ventures and with its Board of Directors and Management Board.

Subsidiaries and Joint Ventures

The Group's operations involve operating activities between the parent company and its subsidiaries and between the subsidiaries themselves 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.

Board of Directors and Management Board

The total compensation and 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 to:

- Board of Directors: CHF 5.9 million (2012: CHF 4.7 million)
- Management Board: CHF 14.5 million (2012: CHF 11.3 million)

As of December 31, 2013, no loans or any other commitments were outstanding towards members neither of the Board of Directors nor of the Management Board. Members of the Board of Directors and the Management Board control 53.6 per cent (2012: 53.7 per cent) of the voting shares of the Company.

The following compensation and remuneration has been paid to and accrued for the Board of Directors and the Management Board:

	Management Board		Board of Directors	
CHF million	2013	2012	2013	2012
Wages, salaries and other short-term employee benefits	11.7	10.1	4.9	4.3
Post-employment benefits	0.5	0.4	0.2	0.2
Share-based compensation	2.3	0.8	0.8	0.2
Total compensation	**14.5**	**11.3**	**5.9**	**4.7**

Refer to pages 152 to 157; note 12 of the Financial Statements of Kuehne + Nagel International AG for disclosure requirements according to the Swiss law (Article 663b/c CO). For other related parties refer to note 35 outlining the shareholder's structure, and pages 138 to 145 listing the Group's significant subsidiaries and joint ventures.

51 ACCOUNTING ESTIMATES AND JUDGMENTS

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

Acquisition 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. The Group has separately recognised customer lists and customer contracts based on contractual agreements in acquisitions made (see note 28).

The fair value of these acquired intangible assets is based on valuation techniques, which require input based on assumptions about the future. The management uses its best knowledge to estimate fair value of acquired intangible assets as of the 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 intangible assets which might be affected by external 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 688 million (2012: CHF 694 million) for impairment every year as disclosed in note 12. No impairment loss on goodwill was recognised in 2013 and 2012. The Group also assesses annually whether there is any indication that other intangible assets or property, plant and equipment may be impaired. In such a case, the assets are tested for impairment. An impairment loss on other intangible assets of CHF 1 million was recognised in 2013 (2012: CHF 2 million). The carrying amount of other intangibles is CHF 89 million (2012: CHF 141 million), and of property, plant and equipment CHF 1,151million (2012: CHF 1,134 million).

Impairment tests are based on value-in-use calculations, which 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 market environment, evolution of technologies, etc. might have an impact on future cash flows and result in recognition of impairment losses.

Defined benefit pension plans

The Group has recognised a liability for defined benefit pension plans in the amount of CHF 304 million (2012: CHF 320 million). A number of assumptions are made in order to calculate the liability, including discount rate and future salary increases. A relatively minor change in any of these assumptions can have a significant impact on the carrying amount of the defined benefit obligation.

Share-based compensation plans

Judgment and estimates are required when determining the expected share match ratio. The variance between estimated and actual share match ratio might have an impact on the amount recognised as personnel expense (see note 37 for more information).

Accrued trade expenses and deferred income

Freight forwarding transactions which are completed and for which the costs are not fully received, are accrued for expected costs based on best estimate. For transactions which are not complete on account of pending service at cut-off date or transactions 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

Judgement 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 net deferred tax asset of CHF 36 million (2012: Net deferred tax asset of CHF 44 million). Furthermore, the Group has unrecognised deferred tax assets relating to unused tax losses of CHF 48 million (2012: CHF 44 million). Based on estimates of the probability of realising 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 25).

Provisions and contingent liabilities

The Group has recognised provisions for an amount of CHF 141 million (2012: CHF 137 million) related to legal claims and other exposures in the freight forwarding and logistics operations (see note 41). The provisions represent the best estimate of the risks, but the final amount required is subject to uncertainty.

52 POST BALANCE SHEET EVENTS

There have been no material events between December 31, 2013, and the date of authorisation of the Consolidated Financial Statements that would require adjustments of the Consolidated Financial Statements or disclosure.

53 RESOLUTION OF THE BOARD OF DIRECTORS

The Consolidated Financial Statements of the Group were authorised for issue by the Board of Directors on February 28, 2014. A resolution to approve the Consolidated Financial Statements will be proposed at the Annual General Meeting on May 6, 2014.

REPORT OF THE STATUTORY AUDITOR ON THE CONSOLIDATED FINANCIAL STATEMENTS TO THE GENERAL MEETING OF SHAREHOLDERS 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 income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes to the consolidated financial statements on the pages 64 to 135 for the year ended December 31, 2013.

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 and Swiss Auditing Standards as well as 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, 2013, 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.

Other matters
The consolidated financial statements of Kuehne + Nagel International AG for the year ended December 31, 2012, were audited by another auditor who expressed an unmodified opinion on those statements on March 1, 2013.

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.

Ernst & Young Ltd

Alessandro Miolo
Licensed Audit Expert
(Auditor in Charge)

Christian Krämer
Licensed Audit Expert

Zurich, February 28, 2014

SIGNIFICANT SUBSIDIARIES AND JOINT VENTURES*

Holding and Management Companies

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

Operating Companies

Western Europe

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
Belgium	Kuehne + Nagel NV	Antwerp	EUR	6,338	100
	Kuehne + Nagel Logistics NV	Geel	EUR	5,206	100
	Nacora Insurance Brokers NV	Brussels	EUR	155	100
	Logistics Kontich BVBA	Antwerp	EUR	50	100
	Logistics Nivelles SA	Nivelles	EUR	1,521	100
Denmark	Kuehne + Nagel A/S	Copenhagen	DKK	5,200	100
	Kuehne + Nagel Holding Denmark A/S	Copenhagen	DKK	750	100
Finland	Oy Kuehne + Nagel Ltd	Helsinki	EUR	200	100
France	Kuehne + Nagel SAS	Ferrières	EUR	17,380	100
	Kuehne + Nagel France Immobilier SCI	Ferrières	EUR	4	100
	Kuehne + Nagel Parts SAS	Trappes	EUR	87	100
	Kuehne + Nagel DSIA SAS	Nantes	EUR	360	100
	Kuehne + Nagel Management SAS	Ferrières	EUR	570	100
	Nacora Courtage d'Assurances SAS	Paris	EUR	40	100
	Kuehne + Nagel Aerospace & Industry SAS	Ferrières	EUR	37	100
	Logistique Distribution Gasocogne SAS	Ferrières	EUR	37	100
	Kuehne + Nagel Road SAS	Villefranche	EUR	4,000	100
	I.M. Alloin SARL	Villefranche	EUR	8	100
	Almeca SNC	Villefranche	EUR	32	100
	Kuehne + Nagel Participations Sarl	Ferrières	EUR	203,630	100
	K Logistics Sarl	Le Meux	EUR	91	100
	Kuehne + Nagel Logistique SASU	Bresles	EUR	37	100
	Kuehne + Nagel Solutions	Saint Vulbas	EUR	10	100

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
Germany	Kuehne + Nagel (AG & Co.) KG	Bremen	EUR	15,000	100
	KN Airlift GmbH	Frankfurt	EUR	256	100
	Stute Logistics (AG & Co.) KG	Bremen	EUR	1,023	100
	CS Parts Logistics GmbH	Bremen	EUR	426	50
	Kuehne + Nagel Euroshipping GmbH	Regensburg	EUR	256	51
	Pact GmbH	Hamburg	EUR	50	100
	SPS Zweite Vermögensverwaltungs GmbH	Hamburg	EUR	25	90
	Cargopack Verpackungsgesellschaft für Industriegüter mbH	Bremen	EUR	307	100
	Aircraft Production Logistics GmbH	Hamburg	EUR	25	100
	Kuehne + Nagel Beteiligungs-AG	Bremen	EUR	10,277	100
	Nacora Versicherungsmakler GmbH	Hamburg	EUR	79	100
	Gustav. F. Huebener GmbH	Hamburg	EUR	31	100
	Kuehne + Nagel Logistics Langenau GmbH	Langenau	EUR	25	100
	Carl Drude GmbH & Co. KG	Hauneck	EUR	250	100
	Gebr. Mönkemöller Speditionsgesellschaft mbH	Bielefeld	EUR	300	100
United Kingdom	Kuehne + Nagel (UK) Limited	Uxbridge	EUR	8,000	100
	Kuehne + Nagel Limited	Uxbridge	GBP	8,867	100
	Nacora Insurance Brokers Limited	Uxbridge	GBP	150	100
	Kuehne + Nagel Drinks Logistics Limited	Milton Keynes	GBP	–	100
	*Kuehne + Nagel Drinkflow Logistics Limited	Milton Keynes	GBP	877	50
	*Kuehne + Nagel Drinkflow Logistics Holdings Limited	Milton Keynes	GBP	6,123	50
Ireland	Kuehne & Nagel (Ireland) Limited	Dublin	EUR	500	100
Italy	Kuehne + Nagel Srl	Milan	EUR	4,589	100
	Nacora Srl	Milan	EUR	104	70
Luxembourg	Kuehne + Nagel S.a.r.l.	Contern	EUR	5,750	100
	Kuehne und Nagel AG	Contern	EUR	31	100
	Kuehne + Nagel Investments S.a.r.l.	Contern	EUR	200	100
	Nacora (Luxembourg) S.a.r.l.	Contern	EUR	50	100
Malta	Kuehne + Nagel Limited	Hamrun	EUR	14	100
Morocco	Kuehne + Nagel SAS	Casablanca	MAD	300	100
The Netherlands	Kuehne + Nagel N.V.	Rotterdam	EUR	3,325	100
	Kuehne + Nagel Investments B.V.	Rotterdam	EUR	50	100
	Nacora Assurantiekantoor B.V.	Rotterdam	EUR	45	100
	Kuehne + Nagel Logistics B.V.	Veghel	EUR	63	100
	Kuehne + Nagel Transport B.V.	Schiphol	EUR	18	100

Western Europe

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
Norway	Kuehne + Nagel AS	Oslo	NOK	3,100	100
Portugal	Kuehne + Nagel Lda	Porto	EUR	165	100
Spain	Kuehne & Nagel S.A.U.	Madrid	EUR	60	100
	Kuehne Nagel Investments S.L.U.	Madrid	EUR	3	100
	Nacora Correduria de Seguros S.A	Madrid	EUR	150	100
Sweden	Kuehne & Nagel AB	Stockholm	SEK	500	100
	Kuehne & Nagel Investment AB	Stockholm	EUR	112	100
	Nacora International Insurance Brokers AB	Stockholm	SEK	100	100
Switzerland	Kuehne + Nagel AG	Opfikon	CHF	3,000	100
	Nacora Insurance Brokers AG	Opfikon	CHF	100	100

Eastern Europe

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
Albania	Transalbania Sh.p.k	Tirana	ALL	41,725	51
Austria	Kuehne + Nagel Eastern Europe AG	Vienna	EUR	1,090	100
	Kuehne + Nagel GmbH	Vienna	EUR	1,820	100
	Nacora Insurance Brokers GmbH	Vienna	EUR	35	100
Belarus	Kuehne + Nagel FPE	Minsk	BYR	286,000	100
Bosnia and Herzegovina	Kuehne + Nagel doo	Sarajevo	BAM	95	100
Bulgaria	Kuehne + Nagel EOOD	Sofia	BGN	365	100
Croatia	Kuehne + Nagel d.o.o.	Zagreb	HRK	4,300	100
Cyprus	Nakufreight Limited	Nicosia	EUR	17	100
Czech Republic	Kuehne + Nagel spol. s r.o.	Prague	CZK	21,000	100
Estonia	Kuehne + Nagel AS	Tallinn	EUR	26	100
Greece	Kuehne + Nagel AE	Athens	EUR	6,648	100
	Arion SA	Athens	EUR	411	100
	Nacora Brokins International AE	Athens	EUR	60	60
	*Sindos Railcontainer Services AE	Thessaloniki	EUR	3,038	50

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
Hungary	Kuehne + Nagel Kft	Budapest	HUF	134,600	100
Latvia	Kuehne + Nagel SIA	Riga	LVL	100	100
Lithuania	Kuehne & Nagel UAB	Vilnius	LTL	800	100
Macedonia	Kuehne + Nagel d.o.o.e.l.	Skopje	MKD	8,232	100
Poland	Kuehne + Nagel Poland sp.z o.o.	Poznan	PLN	104,416	100
Romania	Kuehne + Nagel SRL	Bucharest	RON	2,543	100
Russia	OOO Kuehne + Nagel	Moscow	RUR	1,228,036	100
	OOO Kuehne & Nagel Sakhalin	Sakhalin	RUR	500	100
	OOO Nakutrans	Moscow	RUR	278	100
Serbia	Kuehne + Nagel d.o.o.	Belgrade	RSD	3,039	100
Slovakia	Kuehne + Nagel s r.o.	Bratislava	EUR	470	100
Slovenia	Kuehne + Nagel d.o.o.	Ljubljana	EUR	10	100
Ukraine	Kuehne + Nagel Ltd.	Kiev	UAH	30,903	100

North America

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
Bermuda	Kuehne + Nagel Ltd.	Hamilton	EUR	12	100
Canada	Kuehne + Nagel Ltd.	Toronto	CAD	2,910	100
	Nacora Insurance Brokers Ltd.	Toronto	CAD	–	100
	Kuehne + Nagel Real Estate Ltd.	Toronto	CAD	–	100
	Kuehne + Nagel Services Ltd.	Vancouver	USD	–	100
Mexico	Kuehne + Nagel S.A. de C.V.	México' D.F.	MXN	24,447	100
	Kuehne + Nagel Servicios Administrativos S.A. de C.V.	México' D.F.	MXN	50	100
	Agente de Seguros S.A. de C.V.	México' D.F.	MXN	50	100
USA	Kuehne + Nagel Investment Inc.	Jersey City	USD	1,400	100
	Kuehne + Nagel Inc.	Jersey City	USD	1,861	100
	Nacora Insurance Brokers Inc.	Jersey City	USD	25	100
	Kuehne + Nagel Special Logistics Inc.	Dulles	USD	30	100
	Kuehne + Nagel Real Estate USA Inc.	Jersey City	USD	–	100

South America

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
Argentina	Kuehne + Nagel S.A.	Buenos Aires	ARS	3,208	100
	Nacora S.A.	Buenos Aires	ARS	20	100
Barbados	Kuehne + Nagel Logistics Services Limited	Bridgetown	BBD	195	100
Bolivia	Kuehne + Nagel Ltda.	Santa Cruz	BOB	260	100
Brazil	Kuehne + Nagel Serviços Logisticos Ltda.	Sao Paulo	BRL	143,629	100
	Nacora Corretagens de Seguros Ltda.	Sao Paulo	BRL	1,094	100
	Transeich Armazens Gerais S.A.	Porto Alegre	BRL	2,479	100
	Transeich Assessoria e Transportes S.A.	Porto Alegre	BRL	17,918	100
Chile	Kuehne + Nagel Ltda.	Santiago	CLP	575,000	100
Colombia	Kuehne + Nagel S.A.S.	Bogotá	COP	5,184,600	100
	Agencia De Aduanas KN Colombia S.A.S. Nivel 2	Bogotá	COP	595,000	100
	Nacora Ltda. Agencia de Seguros	Bogotá	COP	20,000	100
Costa Rica	Kuehne + Nagel S.A.	San Jose	CRC	–	100
Cuba	Kuehne Nagel Logistic Services S.A.	Havana	CUC	–	100
Ecuador	Kuehne + Nagel S. A.	Quito	USD	7	100
El Salvador	Kuehne + Nagel S.A. DE C.V.	San Salvador	USD	69	100
Guatemala	Kuehne + Nagel S.A.	Guatemala	GTQ	4,245	100
Honduras	Kuehne + Nagel S.A.	San Pedro Sula	HNL	25	100
Nicaragua	Kuehne + Nagel S.A.	Managua	NIO	10	100

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
Panama	Kuehne + Nagel S.A.	Colon	USD	1	100
	Kuehne + Nagel Management S.A.	Colon	USD	10	100
Peru	Kuehne + Nagel S.A.	Lima	PEN	12,896	100
Trinidad & Tobago	Kuehne + Nagel Ltd.	Port of Spain	TTD	31	100
Uruguay	Kuehne + Nagel S.A.	Montevideo	UYU	3,908	100
Venezuela	Kuehne + Nagel S.A.	Caracas	VEF	1,000	100
	KN Venezuela Aduanas C.A.	Caracas	VEF	2	100
	Nacora S.A.	Caracas	VEF	60	100

North Asia-Pacific

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
China	Kuehne & Nagel Ltd.	Shanghai	CNY	22,072	100
	Kuehne & Nagel Logistics Co Ltd.	Shanghai	CNY	5,515	100
	Kuehne & Nagel Information Company Ltd.	Guangzhou	CNY	1,008	100
	Kuehne & Nagel Ltd.	Hong Kong	HKD	1,560	100
	Transpac Container System Ltd.	Hong Kong	HKD	100	100
	Nacora Insurance Brokers Ltd.	Hong Kong	HKD	500	70
Macao	Kuehne & Nagel Ltd.	Macau	HKD	971	100
	Nacora Insurance Brokers Ltd.	Macau	HKD	53	51
Taiwan	Kuehne + Nagel Ltd.	Taipei	TWD	20,000	100
	Nacora Insurance Brokers Ltd.	Taipei	TWD	6,000	100

South Asia-Pacific

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
Afghanistan	Kuehne + Nagel Ltd	Kabul	USD	6	100
Australia	Kuehne & Nagel Pty Ltd	Melbourne	AUD	2,900	100
	Nacora Insurance Services Pty Ltd	Melbourne	AUD	–	100
	Cooltainer Australia Pty Limited	Sydney	AUD	–	75
	Kuehne + Nagel Real Estate Pty Ltd	Melbourne	AUD	–	100
Bangladesh	Kuehne + Nagel Limited	Dhaka	BDT	10,000	100
Cambodia	Kuehne + Nagel Limited	Phnom Penh	USD	5	100
India	Kuehne + Nagel Pvt. Ltd.	New Delhi	INR	30,000	100
Indonesia	PT. KN Sigma Trans	Jakarta	IDR	1,730,100	95
Japan	Kuehne + Nagel Ltd.	Tokyo	JPY	80,000	100
Korea	Kuehne + Nagel Ltd.	Seoul	KRW	500,000	100
Malaysia	Kuehne + Nagel Sdn. Bhd.	Kuala Lumpur	MYR	1,000	100
	Nacora (Malaysia) Sdn. Bhd.	Kuala Lumpur	MYR	100	100
Maldives	Kuehne + Nagel Private Limited	Male	USD	1	100
Myanmar	Kuehne + Nagel Ltd.	Yangon	USD	50	100
New Zealand	Kuehne + Nagel Limited	Auckland	NZD	200	100
	Nacora Insurance Services Limited	Auckland	NZD	10	100
	Cooltainer New Zealand Limited	Christchurch	NZD	1,200	75
Pakistan	Kuehne + Nagel (Private) Limited.	Karachi	PKR	9,800	100
Philippines	Kuehne + Nagel Inc.	Manila	PHP	5,000	100
	KN Subic Logistics Inc.	Manila	PHP	1,875	100
Singapore	Kuehne + Nagel Pte. Ltd.	Singapore	SGD	500	100
	Nacora Insurance Agency Pte. Ltd.	Singapore	SGD	100	100
	Kuehne + Nagel (Asia Pacific) Management Pte. Ltd.	Singapore	SGD	200	100
Sri Lanka	Kuehne & Nagel (Pvt) Ltd.	Colombo	LKR	2,502	100
Thailand	Kuehne + Nagel Limited	Bangkok	THB	20,000	100
	Consolidation Transport Limited	Bangkok	THB	100	100

Middle East and Africa

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
Angola	Kuehne & Nagel (Angola) Transitarios Lda	Luanda	AON	7,824	100
Bahrain	Kuehne + Nagel WLL	Manama	BHD	200	100
Egypt	Kuehne + Nagel Ltd.	Cairo	EGP	1,000	100

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
Georgia	KN Ibrakom Logistics Services Ltd	Tbilisi	GEL	83	60
Iran	Kala Navegan Shargh Co. Ltd.	Tehran	IRR	2,000	60
	Caspian Terminal Services Qeshm Co.Ltd.	Bandar Abbas	IRR	200,000	57
Iraq	Jawharat Al-Sharq Co. for General Transportation & Support Services Ltd	Baghdad	USD	85	100
	Kuehne + Nagel for General Transportation and Logistics Services L.L.C.	Erbil	USD	45	100
Israel	Amex Ltd.	Holon	ILS	2	87.5
Jordan	Kuehne and Nagel Jordan LLC	Amman	JOD	300	100
Kazakhstan	KN Ibrakom L.L.P.	Almaty	KZT	140,000	60
Kenya	Kuehne + Nagel Limited	Nairobi	KES	63,995	100
Kuwait	Kuehne + Nagel Company W.L.L.	Kuwait	KWD	150	100
Lebanon	*KN-ITS SAL	Beirut	LBP	113,000	50
Mauritius	KN (Mauritius) Limited	Port Louis	MUR	4,000	100
Mozambique	Kuehne & Nagel Mocambique Lda.	Maputo	MZN	133	100
Namibia	Kuehne and Nagel (Pty) Ltd.	Windhoek	NAD	340	100
Nigeria	Kuehne & Nagel (Nigeria) Limited	Lagos	NGN	10,000	100
Oman	Universal Freight Services LLC	Muscat	OMR	250	70
Qatar	Kuehne + Nagel L.L.C.	Doha	QAR	1,900	100
Saudi Arabia	Kuehne and Nagel Limited	Jeddah	SAR	1,000	100
South Africa	Kuehne + Nagel (Proprietary) Limited	Johannesburg	ZAR	1,651	75
	Nacora Insurance Brokers (Proprietary) Limited	Johannesburg	ZAR	35	100
Tanzania	Kuehne + Nagel Limited	Dar Salaam	TZS	525,000	100
Turkey	Kuehne + Nagel Nakliyat Sti.	Istanbul	TRY	5,195	100
	KN Ibrakom Lojistik Hizmetleri Ltd. Sti.	Istanbul	TRY	945	60
UAE	Kuehne + Nagel L.L.C.	Dubai	AED	1,000	100
	Kuehne + Nagel L.L.C.	Abu Dhabi	AED	1,000	100
	Kuehne + Nagel DWC L.L.C.	Dubai	AED	13,000	100
	Kuehne + Nagel Management ME FZE	Dubai	AED	1,000	100
	Ibrakom FZCO	Jebel Ali	USD	273	60
	Ibrakom Cargo LLC	Jebel Ali	USD	82	60
	Lloyds Maritime & Trading Limited	Jebel Ali	USD	–	60
Uganda	Kuehne + Nagel Limited	Kampala	UGX	827,500	100
Uzbekistan	Kuehne + Nagel Ibrakom Tashkent Ltd.	Tashkent	UZS	14,000	60

Income Statement

CHF million	Note	2013	2012
Income			
Income from investments in Group companies	1	582	517
Sale of treasury shares		2	14
Interest income on loan receivables from Group companies		4	3
Exchange gains		8	11
Total income		**596**	**545**
Expenses			
Operational expenses		–9	–8
Interest expenses on liabilities towards Group companies		–2	–2
Expense for EU antitrust fine [1]		–	–65
Exchange losses		–6	–5
Total expenses		**–17**	**–80**
Earnings before tax (EBT)		**579**	**465**
Income Taxes		–14	–14
Earnings for the year		**565**	**451**

1 Refer to note 41 of the Consolidated Financial Statements.

Balance Sheet

CHF million	Note	Dec. 31, 2013	Dec. 31, 2012
Assets			
Investments	2	1,152	1,094
Non-current assets		**1,152**	**1,094**
Receivables from Group companies	3	187	180
Other receivables		1	1
Cash and cash equivalents	6	742	567
Treasury shares	5	7	20
Current assets		**937**	**768**
Total assets		**2,089**	**1,862**
Liabilities and Equity			
Share capital	7	120	120
Legal reserves	8	60	60
Capital contribution reserves	8	6	6
Free reserves	8	44	31
Reserve for treasury shares	9	7	20
Retained earnings	10	839	807
Earnings for the year		565	451
Equity		**1,641**	**1,495**
Tax provision		11	12
Other provisions and accruals		5	6
Liabilities towards Group companies	4	432	349
Current liabilities		**448**	**367**
Total liabilities		**448**	**367**
Total liabilities and equity		**2,089**	**1,862**

Schindellegi, February 28, 2014

KUEHNE + NAGEL INTERNATIONAL AG

Dr. Detlef Trefzger — CEO

Gerard van Kesteren — CFO

NOTES TO THE FINANCIAL STATEMENTS 2013

GENERAL

Kuehne + Nagel International AG directly or indirectly controls all of the companies which are fully consolidated in the Group Financial Statements.

BASIS OF PREPARATION/ACCOUNTING POLICIES

Investments

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

Receivables

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

– *other*
Other receivables are recorded at their nominal value less valuation allowance at year-end.

Treasury shares

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

Tax provision

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

Liabilities

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

NOTE TO THE INCOME STATEMENT

1 INCOME FROM INVESTMENTS IN GROUP COMPANIES

The income from investments in Group companies relates mainly to dividends received.

CHF million	2013	2012
Income from investments and others	452	396
Trademark fee	130	121
Total	582	**517**

NOTES TO THE BALANCE SHEET

2 DEVELOPMENT OF INVESTMENTS

CHF million	Investments in consolidated companies	Investments in affiliated companies	Total
Cost			
Balance as of January 1, 2013	2,051	2	2,053
Additions	84	–	84
Disposals	–27	–	–27
Balance as of December 31, 2013	**2,108**	**2**	**2,110**
Cumulative amortisation			
Balance as of January 1, 2013	957	2	959
Additions	–	–	–
Disposals	–1	–	–1
Balance as of December 31, 2013	**956**	**2**	**958**
Carrying amount			
As of January 1, 2013	**1,094**	**–**	**1,094**
As of December 31, 2013	**1,152**	**–**	**1,152**

A schedule of the Group's main subsidiaries and Kuehne + Nagel's share in the respective equity is shown on pages 138 to 145 of the Consolidated Financial Statements.

3 RECEIVABLES FROM GROUP COMPANIES

CHF million	Dec. 31, 2013	Dec. 31, 2012
KN Ibrakom FZCO., Dubai	8	9
Kuehne + Nagel Ltd., Nairobi	5	7
Kuehne + Nagel Management AG, Schindellegi	–	31
Kuehne + Nagel Real Estate Holding AG, Schindellegi	16	4
Kuehne + Nagel Liegenschaften AG, Schindellegi	23	24
Kuehne + Nagel AG, Glattbrugg	2	–
Kuehne + Nagel Ltd., Johannesburg	3	–
Kuehne + Nagel (AG & Co.) KG, Hamburg	116	63
Kuehne + Nagel GmbH, Vienna	–	10
Other Group companies	14	32
Total	**187**	**180**

4 LIABILITIES TOWARDS GROUP COMPANIES

CHF million	Dec. 31, 2013	Dec. 31, 2012
Kuehne + Nagel Ltd., Dublin	5	3
OY Kuehne + Nagel Ltd., Helsinki	7	8
Kuehne + Nagel S.a.r.l., Luxembourg	6	27
Kuehne + Nagel S.A.S., Paris	33	36
Kuehne + Nagel N.V., Rotterdam	53	11
Kuehne + Nagel NV/SA, Antwerp	20	28
Kuehne + Nagel GmbH, Vienna	5	–
Kuehne + Nagel Poland Sp.z.o.o., Poznan	3	1
Kuehne + Nagel S.A. de C.V.., Mexico D.F.	5	–
Kuehne + Nagel Ltd., Hongkong	–	10
Kuehne + Nagel Ltd., London	–	7
Kuehne + Nagel Pte. Ltd., Singapore	3	3
Kuehne + Nagel spol.s.r.o., Prague	2	–
Kuehne + Nagel Investment S.a.r.l., Luxembourg	16	1
Kuehne + Nagel AG, Luxembourg	45	14
Kuehne + Nagel Investment SL, Madrid	38	27
Kuehne + Nagel Investment AB, Stockholm	1	1
Kuehne + Nagel AS, Oslo	4	–
Kuehne + Nagel Inc., New York	85	73
Kuehne + Nagel Management AG, Schindellegi	4	–
Kuehne + Nagel AG, Glattbrugg	32	32
Nacora Holding AG, Schindellegi	16	19
Nacora Agencies AG, Schindellegi	49	48
Total	**432**	**349**

5 TREASURY SHARES

CHF million	Dec. 31, 2013	Dec. 31, 2012
Treasury shares [1]	7	20

1 See note 9.

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

6 CASH AND CASH EQUIVALENTS

CHF million	Dec. 31, 2013	Dec. 31, 2012
Cash and cash equivalents on bank deposits are held in the following currencies:		
CHF	640	459
EUR	101	106
USD	1	2
Total	**742**	**567**

7 SHARE CAPITAL

Share capital	Registered shares at nominal CHF 1 each number	CHF million
Balance as of December 31, 2013	120,000,000	120

Authorised and conditional share capital

The Annual General Meeting held on May 8, 2012, extended its approval of authorised share capital up to a maximum of CHF 20 million by another two years until May 6, 2014.

The Annual General Meeting held on May 2, 2005, approved a conditional share capital increase up to a maximum of CHF 12 million and to add a respective section in the articles of association.

The Annual General Meeting held on May 8, 2012, approved a conditional share capital increase up to a maximum of CHF 20 million for the provision of the employee share-based compensation plans of the company.

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

8 RESERVES

CHF million	Legal reserves	Capital contribution reserves	Free reserves	Total reserves
Balance as of January 1, 2013	60	6	31	97
Addition from release of reserve for treasury shares [1]	–	–	13	13
Balance as of December 31, 2013	**60**	**6**	**44**	**110**

1 See note 9.

9 RESERVE FOR TREASURY SHARES

Reserve for treasury shares	Number of shares	CHF million
Balance as of January 1, 2013	265,391	20
Disposal of treasury shares	–403,865	–37
Purchase of treasury shares	200,000	24
Balance as of December 31, 2013	**61,526**	**7**

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

10 RETAINED EARNINGS

Retained earnings	CHF million
Balance as of January 1, 2013 (before income for the year)	807
Earnings for the year 2012	451
Retained earnings as of January 1, 2013 (prior to appropriation of available earnings)	**1,258**
Distribution to the shareholders (representing CHF 3.50 per share)	–419
Subtotal (before income for the year)	**839**
Earnings for the year 2013	565
Balance as of December 31, 2013	**1,404**

Capital contribution reserves	CHF million
Capital contribution reserves as of December 31, 2013	6
Balance capital contribution reserves as of December 31, 2013	**6**

OTHER NOTES

11 PERSONNEL

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

12 COMPENSATION

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

Compensation to the Board of Directors

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

TCHF	Compensation for Board of Directors	Compensation for Committees	Social insurance	2013 Total	2012 Total
Klaus-Michael Kuehne (Honorary Chairman)	750	10	38	798	798
Karl Gernandt (Chairman) [3]	300	25	–	325	325
Dr. Joerg Wolle (Vice Chairman)	216	50	16	282	212
Bernd Wrede (Vice Chairman)	242	25	–	267	280
Dr. Renato Fassbind	170	15	11	196	175
Juergen Fitschen	170	–	10	180	159
Hans-Joerg Hager [2]	53	–	–	53	150
Hans Lerch	170	10	11	191	170
Dr. Wolfgang Peiner [1]	–	–	–	–	54
Dr. Thomas Staehelin	170	15	9	194	175
Total	**2,241**	**150**	**95**	**2,486**	**2,498**

1 Retired from Board of Directors on May 8, 2012.
2 Retired from Board of Directors on May 7, 2013.
3 Compensations are included in remuneration to the Chairman and the Management Board.

Remuneration to the Chairman and the Management Board

Remuneration accrued for and paid to the Chairman and the Management Board
The Nomination and Compensation Committee regulates and reveiws annually, or when management contract tenures expire, the principles of remuneration, post employment benefits and deferred share based compensation.

Salaries and other short term employee benefits

TCHF	Salary	Bonus	Social Insurance	Others [1]	2013 Total	2012 Total
Karl Gernandt, Chairman	800	1,813	148	–	2,761	2,151
Reinhard Lange, Chief Executive Officer *	754	1,930	152	28	2,864	2,605
Management Board	3,971	4,344	376	137	8,828	7,420
Total	**5,525**	**8,087**	**676**	**165**	**14,453**	**12,176**

1 Other remuneration comprise of company car, respectively of company car allowances for all members of the Management Board.
* Chief Executive Officer until May 7, 2013.

Post Employment and share-based compensation

TCHF	Pension[1]	Options	Share Plan	2013 Total	2012 Total
Karl Gernandt, Chairman	196	–	783	979	407
Reinhard Lange, Chief Executive Officer *	65	–	214	279	272
Management Board	468	–	2,094	2,562	945
Total	**729**	**–**	**3,091**	**3,820**	**1,624**

1 Including risk premium and savings contributions.
* Chief Executive Officer until May 7, 2013.

The total remuneration accrued for and paid to the Chairman and the Management Board in the financial year 2013 amounted to CHF 18.3 million, including post-employment benefits and deferred share based compensation of CHF 3.8 million. Total remuneration accrued for and paid to the Chairman amounted to CHF 3.7 million, including CHF 1.0 million post-employment benefits and deferred share based compensation.

Share allocation
In 2013 no shares were allocated to any members of either the Board of Directors or the Management Board and / or to parties closely associated with them other than disclosed under the Employee Share Purchase and Option Plan (SPOP) and the Share matching plan (SMP).

Shareholdings by members of the Board of Directors
As of December 31, 2013, the following number of shares was held by members of the Board of Directors and/or parties closely associated with them.

Board of Directors
Total shareholdings as of December 31:

Name	2013 Number of KNI shares	2012 Number of KNI shares
Klaus-Michael Kuehne (Honorary Chairman)	64,068,600	64,062,600
Karl Gernandt (Chairman)	48,500	39,000
Dr. Joerg Wolle (Vice Chairman)	2,080	2,080
Bernd Wrede (Vice Chairman)	–	–
Juergen Fitschen	–	–
Hans-Joerg Hager [2]	–	–
Hans Lerch	5,000	5,000
Dr. Renato Fassbind	1,700	1,700
Dr. Wolfgang Peiner [1]	–	160
Dr. Thomas Staehelin	10,000	10,000
Total	**64,135,880**	**64,120,540**

1 Resigned from the Board of Directors on May 8, 2012.
2 Resigned from the Board of Directors on May 7, 2013.

Management Board
Total shareholdings as of December 31:

Name	2013 Number of KNI shares	2012 Number of KNI shares
Dr. Detlef Trefzger, Chief Executive Officer [1]	11,902	–
Reinhard Lange, former Chief Executive Officer [4]	36,633	36,633
Gerard van Kesteren, Chief Financial Officer	137,497	129,997
Lothar Harings, Chief Human Resources Officer	9,289	7,289
Martin Kolbe, Chief Information Officer	14,176	8,176
Stefan Paul, Executive Vice President Road & Rail Logistics [3]	2,100	–
Horst Joachim Schacht, Executive Vice President Seafreight	13,517	10,000
Tim Scharwath, Executive Vice President Airfreight	10,000	7,500
Dirk Reich, former Executive Vice President Contract Logistics [2]	–	16,505
Total	**235,114**	**216,100**

1 As of March 1, 2013 member of the Management Board and as of August 15, 2013 as Chief Executive Officer.
2 Stepped down as member of the Management Board as of November 30, 2012.
3 As of February 1, 2013 member of the Management Board.
4 Stepped down as member of the Management Board as of December 31, 2013.

Employee share-based compensation plans

Share matching plan (SMP)
During 2012 the Company implemented a share-based compensation plan referred to as a "Share Matching Plan" (SMP) that replaced the employee "Share Purchase and Option Plan" (SPOP) implemented in 2001. This new long-term incentive plan allows selected employees of the Group to acquire shares of the Company with a discount compared to the actual share price at a specified date; such shares are blocked for three years and give its holder immediate voting rights and rights to receive dividends.

For each purchased share as per above, the Company will match additional shares upon completion of a three years vesting period and service condition during the same period. The level of the share match (share match ratio) is dependant on the achievement of performance over the next three financial years against defined targets. The maximum matching of one share for each share purchased by the employee (minimum investment is 75 shares) can be obtained by exceeding the defined target by more than 15 per cent. A guaranteed return per purchased share is granted through a minimum matching of 0.2 shares after the vesting period. Should the number of allocated shares be a fraction of shares, then the number of shares is rounded up to the next whole number.

Further details of share matching plan can be found in note 37 to the Consolidated Financial Statements on pages 116 to 118.

Share Purchase and Option Plan (SPOP)
In 2001 the Company implemented an employee "Share Purchase and Option Plan" (SPOP). The plan allowed selected employees of the Group to acquire shares of the Company. The employees were able to buy shares at a reduced price compared to the actual share price at a specified date. The price of the shares offered was 90 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.

For each share purchased under this plan, the Company granted two options to the participants. Each option entitles the participant to purchase one share of the Company 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. The options granted under this plan continue until they vest and until the exercise period for the options issued in 2012 will expire on June 30, 2018.

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. Since the SPOP was discontinued as of July 1, 2012, in 2013 no shares were granted.

The prices to exercise the above mentioned options are listed in note 37 to the Consolidated Financial Statements on pages 116 to 118.

Options granted to the Members of the Management Board:

Name	Grant date	Number of options	Year of expiry of locked period
Karl Gernandt, Chairman of the Board of Directors	2009	17,120	2012
	2010	16,000	2013
	2011	6,376	2014
	2012	–	2015
Reinhard Lange, Chief Executive Officer *	2008	1,526	2011
	2009	14,836	2012
	2010	15,000	2013
	2011	4,202	2014
	2012	1,644	2015
Gerard van Kesteren, Chief Financial Officer	2008	2,938	2011
	2009	14,176	2012
	2010	15,000	2013
	2011	5,952	2014
	2012	–	2015
Lothar Harings, Chief Human Resources Officer	2009	9,963	2012
	2010	2,000	2013
	2011	–	2014
	2012	578	2015
Martin Kolbe, Chief Information Officer	2009	2,000	2012
	2010	6,000	2013
	2011	1,982	2014
	2012	370	2015
Horst Joachim Schacht, Executive Vice President Seafreight	2011	–	2014
	2012	–	2015
Tim Scharwath, Executive Vice President Airfreight	2011	–	2014
	2012	–	2015
Total options granted		**137,663**	

* Chief Executive Officer until May 7, 2013.

Loans
In 2013 no loans were granted to members of the Board of Directors or the Management Board of KNI nor associated parties, and no such loans were outstanding as of December 31, 2013.

13 CONTINGENT LIABILITIES
For further information regarding contingent liabilities refer to note 45 of the Consolidated Financial Statements.

14 RISK MANAGEMENT/RISK ASSESSMENT
The detailed disclosures regarding risk management that are required by Swiss law (SCO 663b CO) are included in the Kuehne + Nagel Group Consolidated Financial Statements on pages 125 to 131.

15 PROPOSAL OF THE BOARD OF DIRECTORS TO THE ANNUAL GENERAL MEETING ON MAY 06, 2014, REGARDING APPROPRIATION OF THE AVAILABLE EARNINGS
For 2013 the Board of Directors is proposing a regular dividend amounting to CHF 3.85 per share and an extraordinary dividend of CHF 2.00 per share for approval at the Annual General Meeting. If the dividend proposal is approved by shareholders, dividend payments on the shares will amount to CHF 462 million (2012: CHF 419 million) towards regular dividend resulting in a payout ratio of 77.4 per cent (2012: 86.6 per cent) of the earnings for the year attributable to the equity holders of the Company. In addition the extraordinary dividend payment will amount to CHF 240 million.

Available earnings	CHF million
Balance as of January 1, 2013 (before income for the year)	839
Earnings for the year 2013	565
Available earnings as of December 31, 2013	1,404
Distribution to the shareholders (representing CHF 3.85 per share) + Extraordinary dividend (CHF 2.00 per share) [1]	–702
Retained earnings as of December 31, 2013 (after appropriation of available earnings)	**702**

1 The total dividend amount covers all outstanding shares (as per December 31, 2013: 119'938'474 shares). However, shares held in treasury on the date of the dividend declaration are not eligible for dividend payments. As a consequence, and if required, the reported total dividend amount is adjusted accordingly.

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

As statutory auditor, we have audited the accompanying financial statements of Kuehne + Nagel International AG, which comprise the income statement, balance sheet and notes on the pages 146 to 157 for the year ended December 31, 2013.

Board of Directors' responsibility
The board of directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended December 31, 2013, comply with Swiss law and the company's articles of incorporation.

Other matters
The financial statements of Kuehne + Nagel International AG for the year ended December 31, 2012, were audited by another auditor who expressed an unmodified opinion on those statements on March 1, 2013.

Report on Other Legal Requirements
We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Alessandro Miolo
Licensed Audit Expert
(Auditor in Charge)

Christian Krämer
Licensed Audit Expert

Zurich, February 28, 2014

CORPORATE TIMETABLE 2014

April 14, 2014	First quarter 2014 results
May 6, 2014	Annual General Meeting
May 13, 2014	Dividend Payment for 2013
July 14, 2014	Half-year 2014 results
October 13, 2014	Nine-months 2014 results

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