NETWORK AND PRODUCT PORTFOLIO

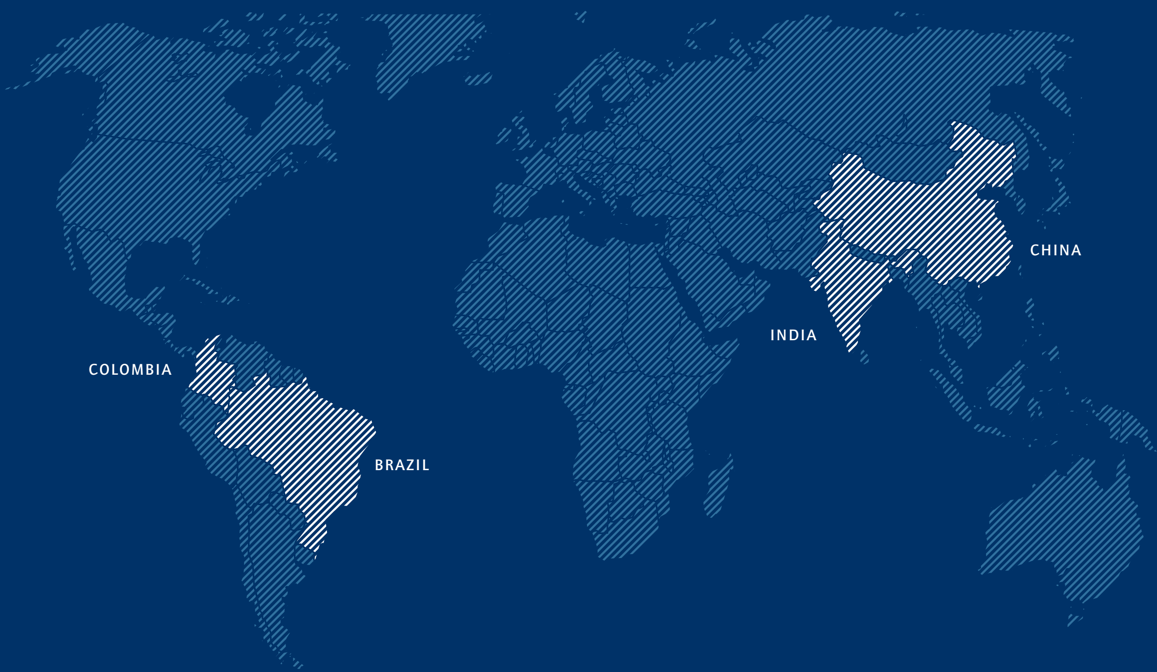
KUEHNE + NAGEL ACCELERATES EXPANSION

ANNUAL REPORT 2011

KUEHNE+NAGEL

The international growth markets are a decisive factor for future success. At the same time, state-of-the-art logistics services are crucial for emerging markets. For that reason we are expanding our global network and product portfolio continuously. For our customers. For our investors. And for the world of tomorrow.

EXPANSION OF OUR NETWORK AND PRODUCT PORTFOLIO 2011



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HIGH-CLASS LOGISTICS FOR A FAST-GROWING CONTINENT

ON THE CARIBBEAN COAST OF COLOMBIA IN THE NORTH OF THE COUNTRY, KUEHNE + NAGEL BROUGHT A MODERN LOGISTICS FACILITY INTO SERVICE IN 2011. ALSO IN 2011, THREE COMPANIES SPECIALISING IN LOGISTICS SERVICES FOR PERISHABLES WERE ACQUIRED IN COLOMBIA AND ECUADOR. IN ADDITION, THE BRAZILIAN GRUPO EICHENBERG BECAME A MEMBER OF THE GROUP. KUEHNE + NAGEL CAN NOW OFFER INTEGRATED DOOR-TO-DOOR LOGISTICS SOLUTIONS AND SPEED UP THE STRATEGICALLY IMPORTANT EXPANSION OF ITS ACTIVITIES IN BRAZIL.

PERFECTLY POSITIONED
KUEHNE + NAGEL MOBILISES NEW MARKETS

COLOMBIA_BRAZIL

GROWTH IN COLOMBIA*:	2010	2011	2012	2013
GDP in %	4.29	4.87	4.46	4.46
EXPORTS OF GOODS in %	1.45	10.85	6.22	6.98
POPULATION in millions	45.51	46.05	46.60	47.15

GROWTH IN BRAZIL*:	2010	2011	2012	2013
GDP in %	7.49	3.77	3.63	4.15
EXPORTS OF GOODS in %	9.44	8.45	6.14	7.51
POPULATION in millions	193.25	194.93	196.53	198.04

*Source: International Monetary Fund, World Economic Outlook Database September 2011

CARTAGENA / COLOMBIA

SÃO PAULO / BRAZIL

THE COLOMBIAN COASTAL CITY OF CARTAGENA HAS BEEN ON THE WAY TO BECOMING A GLOBAL LOGISTICS HUB. THERE, KUEHNE + NAGEL HAS BROUGHT A FUTURE-ORIENTED LOGISTICS CENTRE IN OPERATION IN 2011.

The state-of-the-art facility was completed in just 12 months and is located inside the port of Contecar in Cartagena. The logistics and distribution centre serves the South American Kuehne + Nagel organisation as a regional hub and a base for a wide range of contract logistics services.

The port of Contecar is of crucial strategic importance, since from 2013 it will be able to handle Postpanamax ships with a capacity of up to 12,000 TEU. This advantage will fully materialise in 2014 – the year the widening of the nearby Panama Canal is due to be completed.

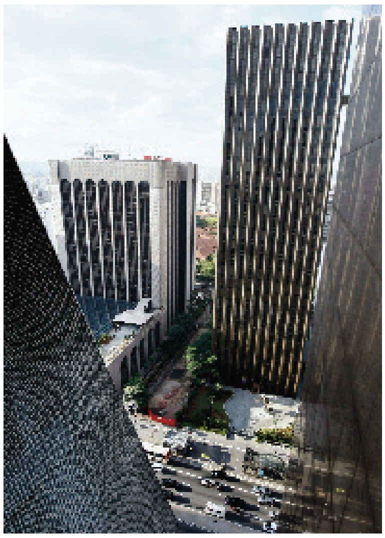
Since 2011, the Colombian companies Translago S.A.S. and Agencia de Aduanas Excelsia Ltda. and Mastertransport S.A., Ecuador, all of them leading specialists in perishables logistics, are members of the Kuehne + Nagel Group. This has made Kuehne + Nagel South America's leading provider of logistics services for perishables.

KUEHNE + NAGEL HAS ACQUIRED THE BRAZILIAN LOGISTICS COMPANY GRUPO EICHENBERG AND PLACED ITSELF IN AN EXCELLENT POSITION IN ONE OF THE WORLD'S MOST DYNAMIC ECONOMIES.

BRAZIL

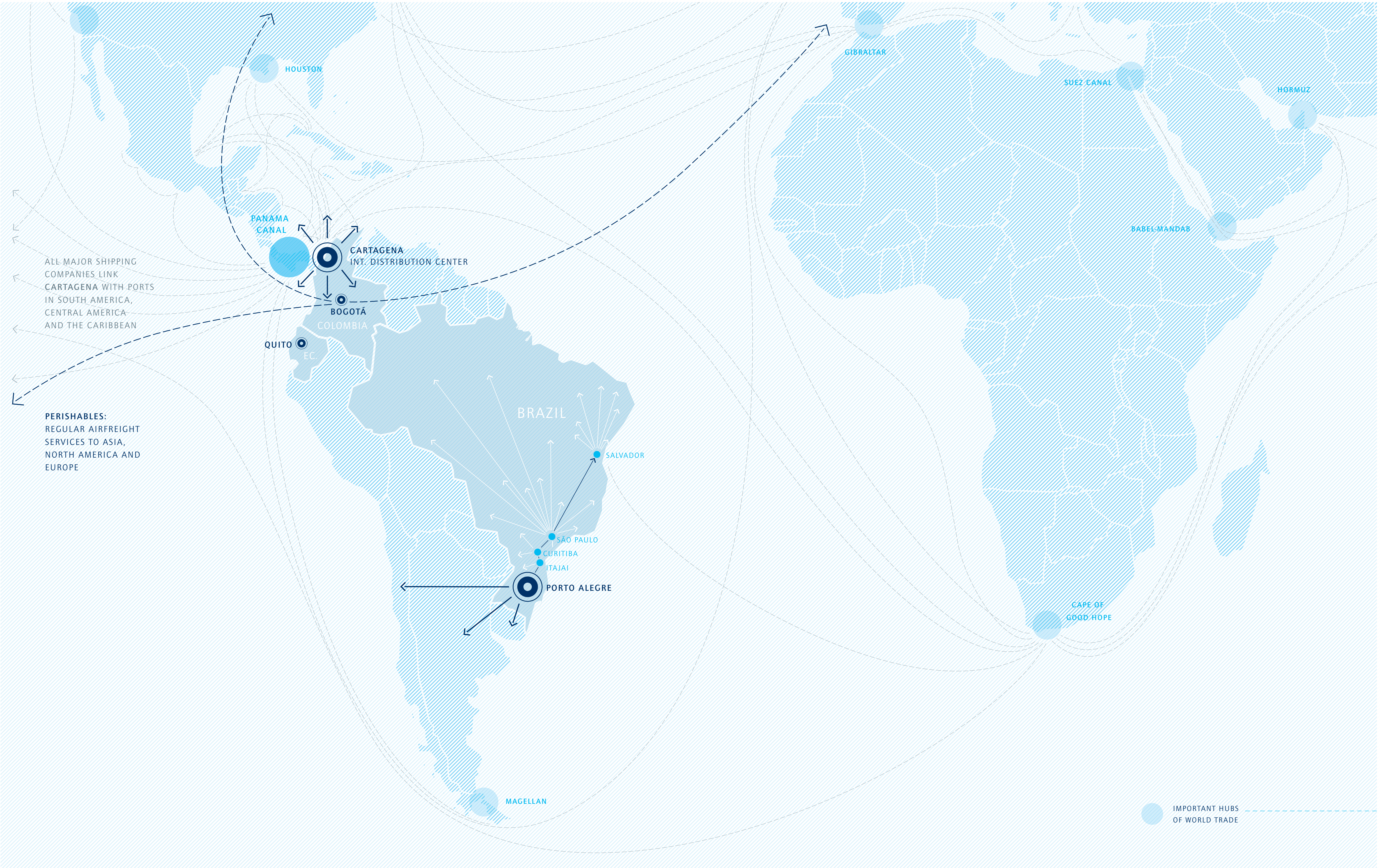
Grupo Eichenberg, headquartered in Porto Alegre, can look back on a 75-year history. Managed by the family's third generation the company is one of the leading overland transport providers in both the domestic market and in trade with Mercosur countries, where, for instance, it provides daily services to and from Argentina, Chile and Uruguay.

Grupo Eichenberg is also a highly successful player in the Brazilian airfreight business – a logistics sector that plays a leading role in a country that occupies the world's fifth largest land area.



In Brazil, Kuehne + Nagel partners with a globally operating event management specialist. Thus, Kuehne + Nagel is well positioned for the major sports events in 2014 and 2016.

KUEHNE + NAGEL ACCELERATES EXPANSION IN COLOMBIA AND BRAZIL



CHINA AND INDIA:
EXPANSION IN ASIA'S LEADING COUNTRIES

KUEHNE + NAGEL HAS STARTED TO ESTABLISH OVERLAND TRANSPORT ACTIVITIES IN CHINA. AT THE SAME TIME, NEW LOCATIONS HAVE BEEN ADDED TO THE EXISTING NETWORK. IN INDIA, TOO, THE DEMAND FOR INDUSTRY-SPECIFIC LOGISTICS SOLUTIONS IS CONSTANTLY INCREASING. KUEHNE + NAGEL HAS RESPONDED TO THIS DEMAND BY ESTABLISHING AN AUTOMOTIVE COMPETENCE CENTRE IN PUNE AND SELECTIVELY EXPANDS ITS ACTIVITIES ON THE SUBCONTINENT.

TRUE GREATNESS SHOWS IN THE DETAIL
KUEHNE + NAGEL GROWS WITH ITS CHALLENGES

INDIA_CHINA

GROWTH IN INDIA*:	2010	2011	2012	2013
GDP in %	10.09	7.84	7.53	8.10
EXPORTS OF GOODS in %	19.85	15.36	14.54	11.90
POPULATION in billions	1.190	1.207	1.223	1.239

GROWTH IN CHINA*:	2010	2011	2012	2013
GDP in %	10.33	9.47	9.04	9.49
EXPORTS OF GOODS in %	24.16	15.56	12.15	14.40
POPULATION in billions	1.341	1.348	1.355	1.361

*Source: International Monetary Fund,
World Economic Outlook Database September 2011


BEIJING / CHINA


MUMBAI / INDIA

BY THE END OF 2011, KUEHNE + NAGEL EXTENDED ITS PRESENCE TO 36 CHINESE CITIES.
THIS DYNAMIC PROCESS WILL CONTINUE IN 2012.

NEW KUEHNE + NAGEL
LOCATIONS IN CHINA 2011:

CHANGSHA
FUZHOU
KUNMING
LUOYANG
MIANYANG
TAICANG
WUXI
YANGZHOU
YINCHUAN
ZENGZHOU

CHINA

Kuehne + Nagel offers an extensive service portfolio in all parts of China. This includes international sea and airfreight, contract logistics, industry-specific solutions, overland transport and value-added services.

An important element in this comprehensive logistics package is the regular road logistics service between Shanghai and Tianjin which Kuehne + Nagel has offered since April 2011. The route with a length of more than 1,200 kilometres is covered by three services per week in each direction. Currently, regular services exist between eight major Chinese cities.

EIGHT NEW LOCATIONS WERE OPENED IN INDIA IN 2011 – ALL OF THEM IN REGIONS OF FAST ECONOMIC GROWTH AND CLOSE TO INTERNATIONAL OPERATING COMPANIES OR IMPORTANT SUPPLIERS.

NEW KUEHNE + NAGEL LOCATIONS IN 2011:

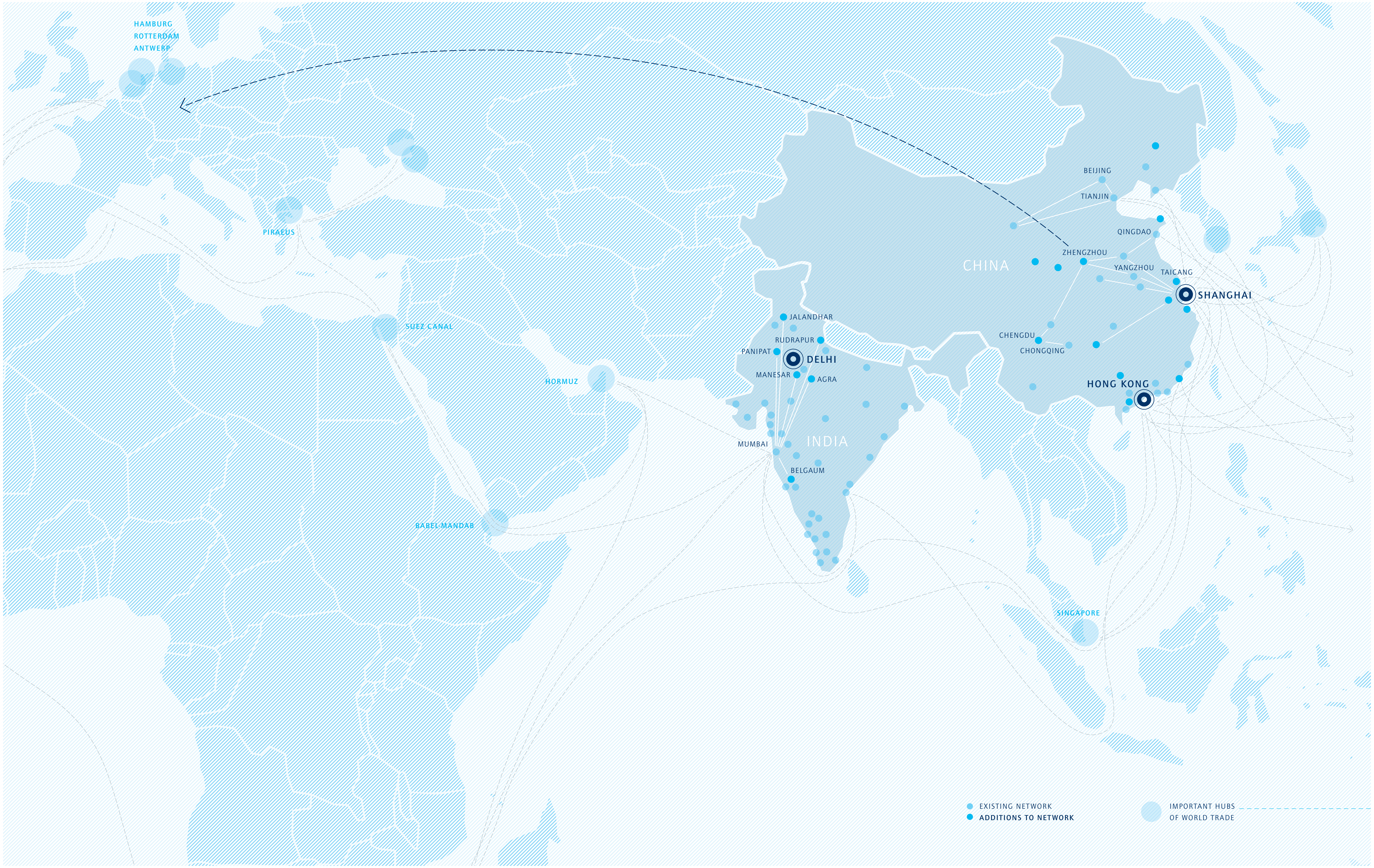
BELGAUM
BHUBANESHWAR
HOSUR
JALANDHAR
KANPUR
NOIDA
SRIPERUMBUDUR
TRIVANDRUM

INDIA

The new automotive competence centre in Pune is based on the model of the facilities in Bremen and Shanghai. The choice of this location was a far-sighted one, for the city is increasingly developing into the centre of India's automobile industry and many manufacturers and component suppliers are headquartered or have production plants there.

Out of Pune, Kuehne + Nagel's dedicated automotive logistics team develops and implements a comprehensive range of tailor-made services. The spectrum of services extends from just-in-time and just-in-sequence deliveries to inventory management (Vendor Managed Inventory) and emergency logistics.

KUEHNE + NAGEL EXPANDS ITS NETWORK IN CHINA AND INDIA



CHF million	2007 [1]	2008	2009	2010	2011
Invoiced turnover	20,975	21,599	17,406	20,261	19,596
Gross Profit	6,014	6,253	5,863	5,958	5,898
% of turnover	28.7	29.0	33.7	29.4	30.1
EBITDA	1,019	1,020	885	1.004	978
% of gross profit	16.9	16.3	15.1	16.9	16.6
EBIT	693	736	594	765	750
% of gross profit	11.5	11.8	10.1	12,8	12.7
EBT	708	764	610	767	766
% of gross profit	11.8	12.2	10.4	12.9	13.0
Earnings for the year (Kuehne + Nagel share)	536	585	467	601	601
% of gross profit	8.9	9.4	8.0	10.1	10.2
Depreciation, amortisation and impairment of intangible assets and goodwill	326	284	291	239	228
% of gross profit	5.4	4.5	5.0	4.0	3.9
Operational cash flow	1,043	1,015	893	992	978
% of gross profit	17.3	16.2	15.2	16.6	16.6
Capital expenditures for fixed assets	231	245	264	134	207
% of operational cash flow	22.1	24.1	29.6	13.5	21.2
Total assets	6,438	5,555	5,933	5,941	6,141
Non-current assets	2,119	1,864	2,456	2,058	2,239
Equity	2,367	2,073	2,290	2,378	2,405
% of total assets	36.8	37.3	38.6	40.0	39.2
Total headcount at year end	51,075	53,823	54,680	57,536	63,110
Personnel expenses	3,396	3,518	3,341	3,391	3,386
% of gross profit	56.5	56.3	57.0	56.9	57.4
Gross profit in CHF 1,000 per FTE	118	116	107	104	93
Personnel expenses in CHF 1,000 per FTE	66	65	61	59	54
Basic earnings per share (nominal CHF 1) in CHF					
Consolidated earnings for the year (Kuehne + Nagel share) [2]	4.54	4.96	3.95	5.06	5.04
Distribution in the following year	1.90	2.30 [3]	2.30	2.75 [4]	3.85
in % of the consolidated net income for the year	41.8	46.4	58.2	54.6	76.4
Development of share price					
SIX Swiss Exchange (high/low in CHF)	131/91	113/57	104/53	137/92	139/92
Average trading volume per day	195,916	331,536	295,884	190,910	170,427

1 Restated for comparison purposes.
2 Excluding treasury shares.
3 Excluding extraordinary dividend.
4 Excluding payment of capital contribution reserves.

CONTENTS

KARL GERNANDT, Chairman of the Board of Directors

Strong volume growth

Net profit up by 12.2 per cent in local currencies

Ladies and Gentlemen

The year 2011 was marked by currency and market turbulences, political unrest and devastating natural disasters which resulted in far-reaching social and economic changes. In this challenging environment the Kuehne + Nagel Group firmly stayed on course for its strategic objectives. The company concentrated on further increasing the attractiveness of its industry-specific logistics offering, and focused its investments on regions with a large market potential. The Group made complementary acquisitions and, at the same time, maintained a high level of internal efficiency as measured by the ratio between gross profit and EBIT. Net earnings were slightly above the previous year and reached with CHF 606 million a new record high (currency adjusted: increase of 12.2 per cent). Due to the strong Swiss Franc, turnover decreased by 3.3 per cent to CHF 19,596 million (currency adjusted: increase of 9.3 per cent). The Board of Directors is satisfied with the results 2011 and is confident that the implementation of the global strategy will again contribute to the positive development of the Group in 2012.

Klaus-Michael Kuehne assigns Chairman function to Karl Gernandt and is elected Honorary Chairman

At a meeting following the Annual General Meeting of May 10, 2011, the Board of Directors elected Karl Gernandt as Chairman of the Board of Directors in accordance with the recommendation of Klaus-Michael Kuehne. With this step the Honorary Chairman of Kuehne + Nagel International AG, Klaus-Michael Kuehne, continued the implementation of his personal succession plan.

Board of Directors

At the Annual General Meeting in May 2011, Juergen Fitschen, Karl Gernandt, Hans-Joerg Hager, Klaus-Michael Kuehne, Hans Lerch, Dr. Wolfgang Peiner, Dr. Thomas Staehelin, Dr. Joerg Wolle and Bernd Wrede were re-elected for a further one-year term. Dr. Joachim Hausser and Dr. Georg Obermeier, whose terms of office expired with the Annual General Meeting, did not stand for re-election.

Dr. Renato Fassbind, a Swiss citizen, was elected to the Board of Directors for a one-year term. By his election an experienced financial expert is member of the highest decision-making body of the Kuehne + Nagel Group. Dr. Fassbind was Chief Financial Officer of the Credit Suisse Group AG and Credit Suisse AG from 2004 until October 2010. In this function he was a member of the Executive Boards of the Credit Suisse Group AG and Credit Suisse AG from 2004 onwards.

Board committees

The Board of Directors' regular committees are the Audit, the Chairman's and the Nomination and Compensation Committee. In 2011, the committees took place quarterly with the respective chairmen 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 investigations by international competition authorities, in which Kuehne + Nagel has been involved amongst others. On November 4, 2011, the United States District Court for the District of Columbia has approved the plea agreement between Kuehne + Nagel International AG and the U.S. Department of Justice previously entered into on September 30, 2010. Under this agreement Kuehne + Nagel agreed to pay a fine of approximately USD 9.9 million to resolve allegations that international freight forwarders coordinated their activities with respect to establishing certain surcharges. In approving the plea agreement and the recommended fine the Department of Justice and the Court recognised that Kuehne + Nagel provided substantial assistance to the U.S. authorities through its early and extensive cooperation with the investigation.

Management Board

As of September 1, 2011, the Board of Directors newly structured the responsibilities in the Management Board. Horst-Joachim Schacht (responsible for seafreight) and Tim Scharwath (responsible for airfreight) were appointed to the Management Board of Kuehne + Nagel International AG. Peter Ulber, who had been responsible for sea and airfreight previously, left the company for personal reasons in September 2011. The assignment of responsibility to two members of the Management Board underscores the relevance of these two business units for the company. At the end of 2011 the Management Board consisted of seven members chaired by Reinhard Lange as Chief Executive Officer (CEO).

Shareholder structure

At the end of 2011 the shareholder structure of Kuehne + Nagel International AG was as follows:

– Kuehne Holding AG	53.3 per cent
– Free float	46.1 per cent
– Treasury shares	0.6 per cent
	100.0 per cent

Economic environment

The further recovery of the world economy softened in the course of the year. According to 2011 figures available to date global gross domestic product (GDP) was at 2.8 per cent (previous year: 4.0 per cent). The debt crisis in the Euro zone, the structural problems in the USA, the earthquake disaster in Japan, and, not least, the insecurity resulting from political unrest in the Middle East and North Africa influenced the global economic development. On the other hand the big emerging countries in Asia and South America proved to be power houses of growth. In China, for instance, GDP increased by 9.2 per cent in 2011 although a loss of impetus became apparent in the fourth quarter. Also worth mentioning is the robust state of the German economy in 2011. According to initial calculations, Germany's GDP grew by 3 per cent, a rate twice as high as in the rest of the Euro zone.

Logistics industry

While transport and logistics volumes developed very positively in the first half of 2011, growth steadily slowed in the second half of the year. The disruption of supply chains following the disaster in Japan and the marked rise in price of oil, had a negative impact. Exceptions were individual regional and industry-specific market segments which showed a constant growth in volume throughout the year. These benefited logistics providers like Kuehne + Nagel with a focus on appropriate regions or sectors and those who were able to rapidly adapt their structures to the changing volume situation.

The general trend towards consolidation in the logistics industry continued, particularly during the first half of 2011. However, there were no transactions on such a scale as to transform the structure of the industry. The highly fragmented logistics industry is still experiencing persistent pressure on profit margins. This situation induced the Kuehne + Nagel Group to make some notable acquisitions in line with the strategy of focusing on specific regions and industries which it has pursued since 2010.

Performance and results

Due to the consistent implementation of the selective growth programme, the Kuehne + Nagel Group outpaced the volume growth of the market in all fields of activity. The performances of the seafreight and airfreight business units were again the main pillars of success. In both areas high internal productivity and strict cost management compensated for the costs of investments made in technology and product development and strengthening of niche segments. The EBITDA margin in relation to the gross profit remained stable at the previous year's level.

Significant developments in overland transport were the growth in volume resulting from the further increased density of the European network and building-up of activities in growth markets (Brazil and Mercosur). A transaction of major strategic importance was the acquisition of Drude Logistik, Bad Hersfeld, whose highly functional hub facility will ensure efficiency and productivity in the European groupage network. The RH Freight Group in the UK, which was also acquired in the year under review, contributed substantial transport volumes as well as regular network services.

In contract logistics the year 2011 was marked by highly divergent developments. The situation in North America was improved by an effective restructuring, the closure of unprofitable locations and new business wins. Contract logistics activities in Germany developed very favourably, while in a number of West European countries business suffered as a result of the considerable decline in demand in trade and the consumer goods industry. Particularly in France, the difficult development of the results necessitated extensive restructuring measures. These will continue to have some impact in the current fiscal year.

The internal efficiency of the Kuehne + Nagel Group, in combination with optimised IT-based processes, was the foundation of its solid and sustained profitability. Growth in the net profit was reduced by 12.2 per cent as a result of currency effects amounting to CHF 74 million.

Dividend

In view of the solid development of business and the sustainable high cash flow of the Kuehne + Nagel Group, the Board of Directors will propose to the Annual General Meeting of May 8, 2012, the distribution of a dividend increased by 40.0 per cent to CHF 3.85 per share (previous year: CHF 2.75 per share), thus lifting the payout ratio from 55 to 77 per cent. This reflects the clear commitment of performance which is a driving force of the Kuehne + Nagel Group in all business fields.

Summary and outlook

In 2011, under fluctuating market conditions, the Kuehne + Nagel Group continued to pursue its strategic growth programme and reached an important milestone. The company substantially improved its competitive position, and in the growth markets of Asia and South America future-oriented investments were made in expanding the service portfolio. The successful implementation of the business plans in road logistics and the niche segment of perishables should also be underlined. The Board of Directors and the Management Board assume that the return of these investments will positively impact the development of turnover and earnings in the years to come. Efficiency increases are also expected from the upgraded IT systems in sea and airfreight, which will be brought into service in a substantially improved version in the current business year.

Due to the still smouldering European debt and bank crisis uncertainties still persist with regard to the economic development in 2012. Particularly in the first half of the year, world economy is expected to perform less dynamically. In this situation Kuehne + Nagel will rely on the optimisation of its investments and its ability to act with certainty and circumspection in difficult situations and to support its customers as an indispensable partner in the creation of greater added value.

The Board of Directors thanks all members of the management and all employees for their committed and valuable contributions to the Group's development and to the results in the year 2011, which are a remarkable achievement in view of the macroeconomic situation. Thanks are also extended to all customers and partners for their confidence in Kuehne + Nagel and the good business relations the Group enjoyed with them.

Yours sincerely

Karl Gernandt
Chairman

THE BOARD OF DIRECTORS

As of December 31, 2011

Front row from the left:

JUERGEN FITSCHEN
BERND WREDE _ _ _ _ _ _ _ _ _ _ _ _ _ Vice Chairman
KARL GERNANDT _ _ _ _ _ _ _ _ _ _ _ _ Chairman
KLAUS-MICHAEL KUEHNE _ _ _ _ _ _ _ Honorary Chairman
DR. THOMAS STAEHELIN

Back row from the left:
HANS LERCH
HANS-JOERG HAGER
DR. RENATO FASSBIND
DR. JOERG WOLLE
DR. WOLFGANG PEINER

Stronger global competitive position

The Kuehne + Nagel Group achieved a number of important objectives in 2011: In sea and airfreight highly profitable growth above market average was realised. In overland transport strategic acquisitions contributed to the increase in tonnage, while in contract logistics the foundations were laid for a sustained improvement of profitability. The investments made in 2011 in emerging countries such as Brazil, China and Colombia fostered the extension of Kuehne + Nagel's global competitive position. Although the result for the year was adversely affected by the strong Swiss franc, it underlines the Group's strengths and capabilities.

Economic environment

In 2011, the Kuehne + Nagel Group operated in a market environment which was influenced by divergent economic developments, political unrest and natural disasters. This called for high flexibility and operational efficiency in the provision of services, a clear focus on growth regions and segments, and a synchronisation of activities in the global network. Whereas at the beginning of the year, market volumes in sea and airfreight were in line with forecasts, growth slowed from the second quarter onwards. Overcapacities resulted in a deterioration of freight rates in sea and air transport, which in turn increased the pressure on margins. In overland transport, capacity shortages led to higher prices. In contract logistics the growing uncertainty which affected planning in trade and consumer sectors was reflected in the reduction in the movement of goods.

For globally operating logistics providers like Kuehne + Nagel numerous business opportunities presented themselves in emerging countries, whose economies continued to grow at a dynamic rate.

Growth programme implementation well on track – future-oriented investments

In 2010, Kuehne + Nagel launched a strategic growth programme. Its aim is to outpace market growth in all business units, and substantially expand the business activities by 2014. The expansion plans are supported by investments in product development, sales and in the extension of activities in emerging countries and niche segments. In addition, a substantial increase of the overland transport operations is envisaged.

THE MANAGEMENT BOARD
From the left:

As of December 31, 2011

GERARD VAN KESTEREN	Chief Financial Officer
MARTIN KOLBE	Information Technology
REINHARD LANGE	Chief Executive Officer
DIRK REICH	Contract Logistics and Road & Rail
LOTHAR HARINGS	Human Resources
TIM SCHARWATH	Airfreight
HORST-JOACHIM SCHACHT	Seafreight

Kuehne + Nagel strengthened its global sales force by hiring 500 additional specialists. Through its selective recruiting the company widened its industry-specific know-how base. Focal point in the field of product development was an innovative, integrated logistics solution for the pharmaceutical industry whose market introduction is planned for the current year.

By the acquisition of the Brazilian logistics company Grupo Eichenberg as of September 1, 2011, Kuehne + Nagel gained access to the South American overland transport market and, at the same time, expanded the presence and service portfolio of its national company.

The inauguration of a new logistics facility in Cartagena in October 2011 provides support for Kuehne + Nagel's development plans in Colombia. The location in the Contecar port in Cartagena will enable Kuehne + Nagel to quickly and efficiently benefit from business opportunities arising from the expansion of the Panama Canal.

Kuehne + Nagel expanded its service portfolio in the dynamically growing markets China and India. According to the Chinese "Go West" strategy Kuehne + Nagel opened new locations in the Western provinces.

Kuehne + Nagel made substantial progress towards its aim of establishing a global network for perishables logistics through the acquisition of specialised companies Translago S.A.S. and Agencia de Aduanas Excelsia Ltda. in Colombia and Mastertransport S.A. in Ecuador and the purchase of J. van de Put Fresh Cargo Handling in the Netherlands. In seafreight reefer container services were strengthened by the acquisition of Cooltainer, the leading operator in New Zealand.

Since April 1, 2011, RH Freight, the market leader for groupage freight between continental Europe and the United Kingdom, is a member of the Kuehne + Nagel Group. This transaction increased the density of Kuehne + Nagel's European overland network and expanded its range of regular services.

Development of the business units

In seafreight Kuehne + Nagel recorded a volume growth of 11 per cent, a remarkable achievement in view of the difficult market conditions. The number of containers handled by Kuehne + Nagel passed the 3 million mark for the first time. Despite substantial investments made in sales and product development, the EBITDA to gross profit margin remained stable at the previous year's level. This was due to strict cost management and high productivity.

In airfreight, the tonnage increase of 13 per cent exceeded expectations, particularly in view of the continuous decline in market demand during the course of the year. The outstanding performance is based on the targeted expansion – accelerated by acquisitions – of perishables logistics activities, and the successful provision of industry-specific airfreight solutions. Despite substantial investments the EBITDA to gross profit margin improved to 31.7 per cent. Cost efficiency and productivity increases contributed to the remarkable result.

Groupage activities were boosted by the acquisition of RH Freight leading to an above market volume growth of 10 per cent. Volumes in the full and part load and industry-specific distribution segments developed favourably, too.

Improvements in efficiency are expected from the further increase in the density of the overland network in 2012, the start-up of the Eurohub in Bad Hersfeld and the further standardisation of IT systems.

The contract logistics business unit had to cope with special challenges in 2011. The currency-adjusted increase in net turnover of 7.8 per cent (market growth: 3 per cent) and the double-digit expansion of order volume did not compensate for the pressure on margins. In particular, the operational result was adversely affected by the costs of restructuring measures taken in North America and France. In future, the focus will be placed on the improvement of profitability by selective growth. Of key importance is the pursuit of the campus strategy, which increases efficiency and generates synergies by concentrating different facilities in a central location.

Development of business in the regions

The **Asia-Pacific region** achieved good business results in 2011. Particularly in seafreight, increased volumes were achieved. In order to meet the strong demand for logistics services in the Chinese domestic market, Kuehne + Nagel commenced the establishment of overland operations and expanded its contract logistics portfolio.

Despite the debt crisis and divergent economic environments, Kuehne + Nagel performed well in the **Europe region**. Germany recorded an outstanding development of turnover and earnings. The results of the national companies in Italy, Spain and Portugal were satisfactory despite the difficult economic environment. In France the economic slowdown clearly impacted the result of the national company. Here, an extensive structural reorganisation was initiated in the contract logistics business unit. In Eastern Europe the consistent implementation of the growth strategy led to a very good result in 2011.

In **North America** Kuehne + Nagel's international forwarding business expanded despite the volatile development of the economy and the restrained consumer behaviour. The restructuring of the contract logistics business unit led to improved results.

Due to the targeted investments in the expansion of activities, the **South American national companies** were able to benefit over-proportionally from the region's dynamic economic development and achieved a substantial improvement in volume and earnings in relation to the preceding year.

Business in the **Middle East** was adversely affected by the political unrest in the region. Nevertheless, the result was maintained at previous year's level, thanks largely to new business in the United Arab Emirates and Saudi Arabia.

In **Africa** the oil & gas and project businesses were once more a positive force for the company's activities. The overall result showed a substantial improvement over the previous year.

Outlook for 2012

Investments in 2011 were geared to achieve sustained growth and a further positive development of earnings. In 2012, focal point will be the successful and efficient integration of the companies acquired during the year under review.

The effectiveness of the company's strategy was confirmed by the results for 2011, and the business plan for 2012 accordingly envisages profitable growth which outpaces the market in all business units. Kuehne + Nagel is facing up to the uncertain development of the economy by consistent cost management, process optimisation and increased productivity in all business units.

Reinhard Lange
Chairman of the Management Board

STATUS REPORT

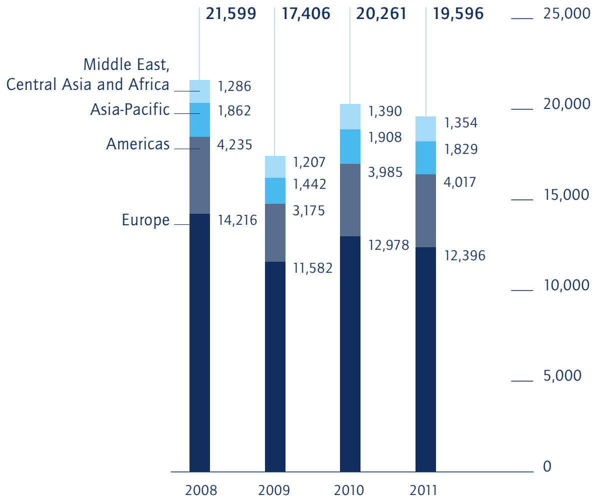
Turnover

In 2011, Kuehne + Nagel's turnover amounted to CHF 19,596 million representing a decrease of 3.3 per cent or CHF 665 million compared to the previous year. The impact of the worldwide development of economic activity on the organic business resulted in an increase of CHF 1,428 million and acquisitions contributed CHF 459 million. The exchange rate fluctuation resulted in a negative impact of CHF 2,552 million.

At regional level, the Americas reported an increase in turnover (0.8 per cent), whereas turnover has decreased in Europe (4.5 per cent), Asia-Pacific (4.1 per cent) and Middle East, Central Asia and Africa (2.6 per cent).

Exchange rate fluctuations between 2010 and 2011, based on average yearly exchange rates, led to a significant lower valuation of the Euro of 10.9 per cent, a lower valuation of the U.S. dollar as well as depending currencies (e.g. a number of countries in Asia, South America and the Middle East) of 14.6 per cent and of the British Pound of 11.7 per cent against the Swiss franc. When comparing the turnover in the income statement, a negative currency impact of approximately 12.6 per cent must be taken into consideration in 2011.

Regional turnover
CHF million

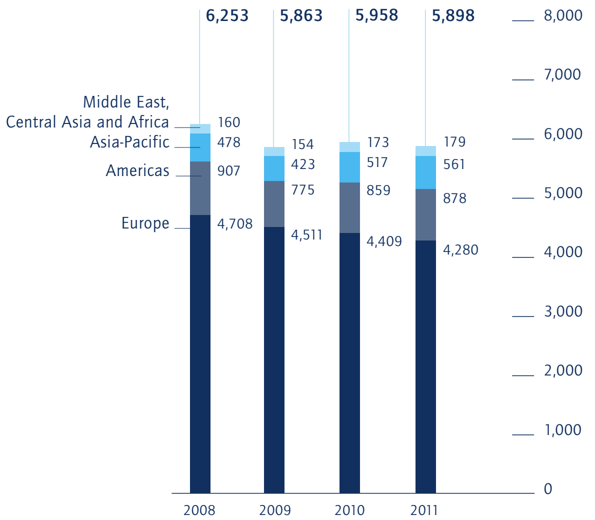


Income

Gross profit

Gross profit, a better indicator of performance than turnover in the logistics and forwarding industry, reached CHF 5,898 million in 2011, which represents a 1.0 per cent decrease compared to the previous year. The organic business has developed positively by CHF 591 million (plus 9.9 per cent) and acquisitions contributed CHF 111 million. A negative exchange rate development has impacted the gross profit by CHF 762 million (minus 12.8 per cent).

Regional gross profit
CHF million



In Asia-Pacific, gross profit increased by 8.5 per cent, in Middle East, Central Asia and Africa by 3.5 per cent and in the Americas by 2.2 per cent. In the Europe region gross profit decreased by 2.9 per cent, whereby a negative currency impact of 11.9 per cent was recorded.

Operational cash flow

The operational cash flow, the sum of the net income for the year plus/minus non-cash-related transactions, decreased by CHF 14 million to CHF 978 million (for further information, please refer to the cash flow statement on page 60).

EBITDA

The earnings before interest, tax, depreciation, amortisation and impairment of property, plant and equipment, goodwill and other intangible assets decreased by CHF 26 million or 2.5 per cent compared to the previous year; the organic business increased by CHF 82 million and acquisitions contributed CHF 14 million, whereas the negative exchange rate development accounted for CHF 122 million. Europe generated the largest EBITDA contribution of CHF 564 million (57.6 per cent) followed by Asia-Pacific with CHF 227 million (23.2 per cent), the Americas with CHF 149 million (15.2 per cent) and the Middle East, Central Asia and Africa with CHF 38 million (4.0 per cent).

The EBITDA margin was maintained at 5.0 per cent compared to 2010. Personnel expenses decreased by CHF 5 million or 0.1 per cent attributable to an increase of the number of employees handling substantial volume increases demonstrating a stringent cost management and productivity monitoring.

EBIT/Earnings for the year

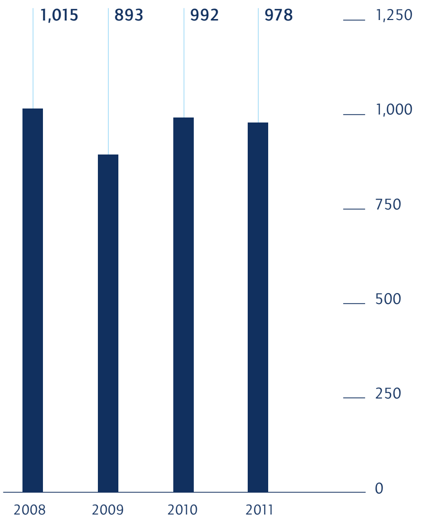
The decrease of earnings before interest and tax (EBIT) by CHF 15 million was due to a strong organic business increase (CHF 84 million), but also impacted by a negative exchange rate development (CHF 94 million).

EBIT in Asia-Pacific increased by CHF 8 million (3.9 per cent), whereas in Europe EBIT decreased by CHF 19 million (4.8 per cent), in the Americas by CHF 3 million (2.3 per cent) and in the Middle East, Central Asia and Africa by CHF 1 million (3.2 per cent). Driven by the overall volume increases and the high operational efficiency, the EBIT margin (in per cent of invoiced turnover) was maintained at 3.8 per cent compared to the previous year.

The earnings for the year increased by CHF 1 million to CHF 606 million compared to the previous year, whereby the margin increased to 3.1 per cent (in per cent of the invoiced turnover) compared to the previous year's 3.0 per cent.

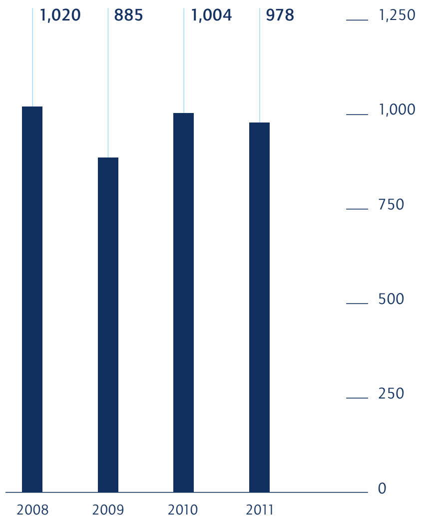
Operational cash flow

CHF million



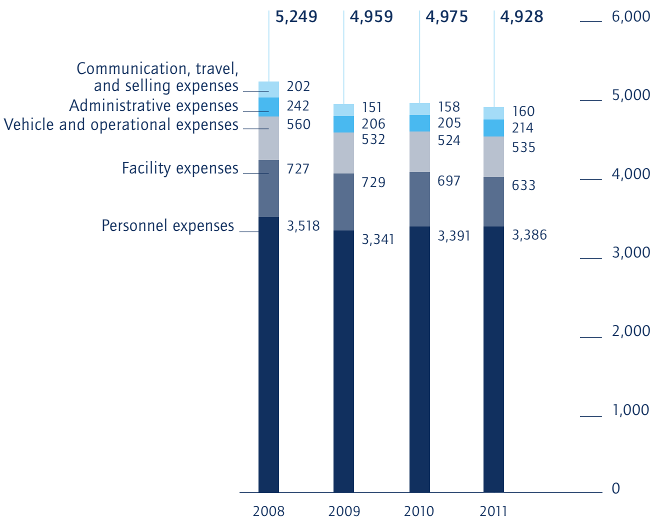
EBITDA

CHF million



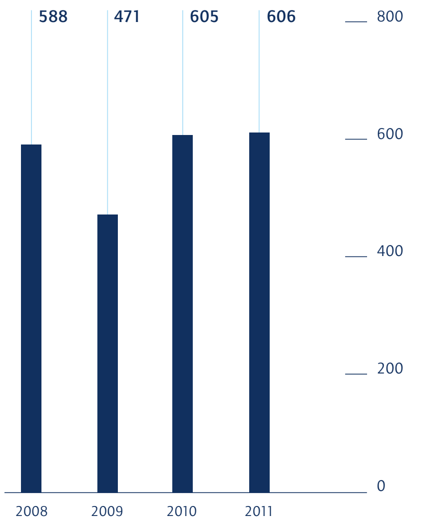
Operational expenses

CHF million



Earnings for the year

CHF million



Financial position

Total assets and liabilities of the Group increased by CHF 200 million to CHF 6,141 million compared to 2010. The changes are mainly an increase in property, plant and equipment, and other intangibles assets due to acquisitions; details can be found in notes 27 and 28 to the Consolidated Financial Statements. Cash and cash equivalents decreased by CHF 480 million mainly due to investment in Financial Instruments (CHF 252 million), increased investing activities, repayment of capital contribution and dividend payout; for further information, refer to the cash flow statement on page 60.

Trade receivables amounting to CHF 2,278 million represent the most significant asset of the Kuehne + Nagel Group. The days outstanding of 42.2 days in 2011 increased from 37.8 days in 2010.

The equity of the Group has increased by CHF 35 million to CHF 2,405 million; this represents an equity ratio of 39.2 per cent (2010: 40.0 per cent). Developments of other key figures on capital structure are shown in the following table:

Kuehne + Nagel Group key figures on capital structure

		2008	2009	2010	2011
1	Equity ratio (in per cent)	37.3	38.6	40.0	39.2
2	Return on equity (in per cent)	24.8	21.2	25.5	24.9
3	Debt ratio (in per cent)	62.7	61.4	60.0	60.8
4	Short-term ratio of indebtedness (in per cent)	54.1	49.5	49.7	51.2
5	Intensity of long-term indebtedness (in per cent)	8.6	11.9	10.3	9.6
6	Fixed assets coverage ratio (in per cent)	136.9	122.0	145.1	133.9
7	Working capital (in CHF million)	632	540	929	758
8	Receivables terms (in days)	37.6	40.6	37.8	42.2
9	Vendor terms (in days)	44.0	53.9	48.0	51.2
10	Intensity of capital expenditure (in per cent)	33.6	41.4	34.6	36.5

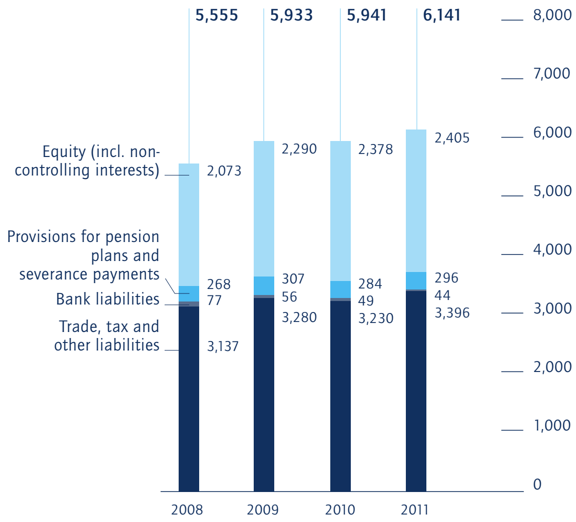
1 Total equity in relation to total assets at the end of the year.
2 Net earnings for the year in relation to share + reserves + retained earnings as of January 1 of the current year less dividend paid during the current year as of the date of distribution + capital increase (incl. share premium) as 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.

Assets

CHF million

Liabilities

CHF million



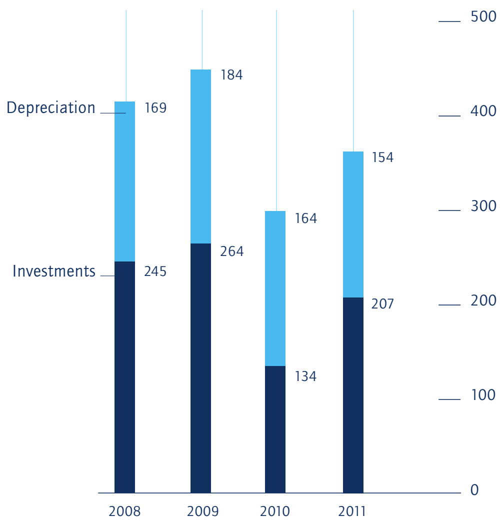
Investments, depreciation and amortisation

In 2011, the Kuehne + Nagel Group spent a total of CHF 207 million for fixed assets. All capital expenditures in 2011 were financed by the operational cash flow of CHF 978 million generated during 2011.

Investments in properties and buildings amounted to CHF 72 million, and CHF 135 million were spent for other fixed assets, operating and office equipment.

Investments in fixed assets / depreciation

CHF million



In 2011 the following major investments were made in properties and buildings:

Region/Location	CHF million	
Reims, France	4	New logistics and distribution centre
Various locations, France	3	Extension of logistics and distribution centre
Geel, Belgium	4	Extension of logistics and distribution centre
Contern, Luxembourg	2	Extension of logistics and distribution centre
Utrecht, The Netherlands	14	Extension of logistics and distribution centre
Duisburg, Germany	25	Extension of logistics and distribution centre
Rennerod, Germany	14	Purchase of logistics and distribution centre
Leipzig, Germany	1	Land for new logistic and distribution centre
Dubai	3	Extension of logistics and distribution centre
Kenya	2	Land for new logistic and distribution centre
	72	

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

CHF million	
Operating equipment	51
Vehicles	19
Leasehold improvements	26
IT hardware	30
Office furniture and equipment	9
Total	**135**

The allocation by region is as follows:

CHF million	
Europe	92
Americas	22
Asia-Pacific	14
Middle East, Central Asia and Africa	7
Total	**135**

Depreciation and amortisation in 2011 amounted to CHF 223 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 5 million and is allocated in the income statement.

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

CHF million	2008	2009	2010	2011
Capital expenditure				
Fixed assets				
Properties and buildings	93	161	28	72
Operating and office equipment	152	103	106	135
Intangible assets				
Goodwill in consolidated companies	–	139	–	121
Other intangibles through acquisitions	26	151	2	88
IT software	34	22	17	11
	305	**576**	**153**	**427**
Depreciation and amortisation				
Fixed assets				
Buildings	21	24	24	27
Operating and office equipment	148	160	140	127
Intangible assets				
Impairment of goodwill	6	–	–	–
Amortisation/impairment of other intangible assets	109	107	75	74
	284	**291**	**239**	**228**

Planned investments in 2012

In 2012 the Kuehne + Nagel Group plans to invest about CHF 218 million in fixed assets compared to a spending of CHF 207 million in 2011.

Planned investment per category

CHF million	
Properties and buildings	70
Operating equipment	41
Vehicles	24
Leasehold improvements	24
IT hardware	40
Office furniture and equipment	19
Total	**218**

Expected allocation per business segment

CHF million	
Seafreight	28
Airfreight	19
Road & Rail Logistics	69
Contract Logistics	30
Real Estate	72
Total	**218**

In 2012 the depreciation of fixed assets is estimated at CHF 164 million and the amortisation of intangible assets at CHF 70 million (excluding potential acquisitions of companies).

Expected investments per region

CHF million	
Europe	155
Americas	22
Asia-Pacific	22
Middle East, Central Asia and Africa	19
Total	**218**

Planned acquisitions

In order to reach the strategic goals in the Road & Rail Logistics business segment, further acquisitions in Italy, Spain and Eastern European countries can be expected within the next year.

Shareholder return

In 2011, the Kuehne + Nagel share outperformed the BEUTRAN Index, whereas it performed lower than the SMI and the SPI.

Share price and market capitalisation (as of December 31)

	2011	2010	per cent change
Share price (CHF)	105.50	130.0	–23.2
Market capitalisation (in CHF million)	12,660	15,600	–23.2

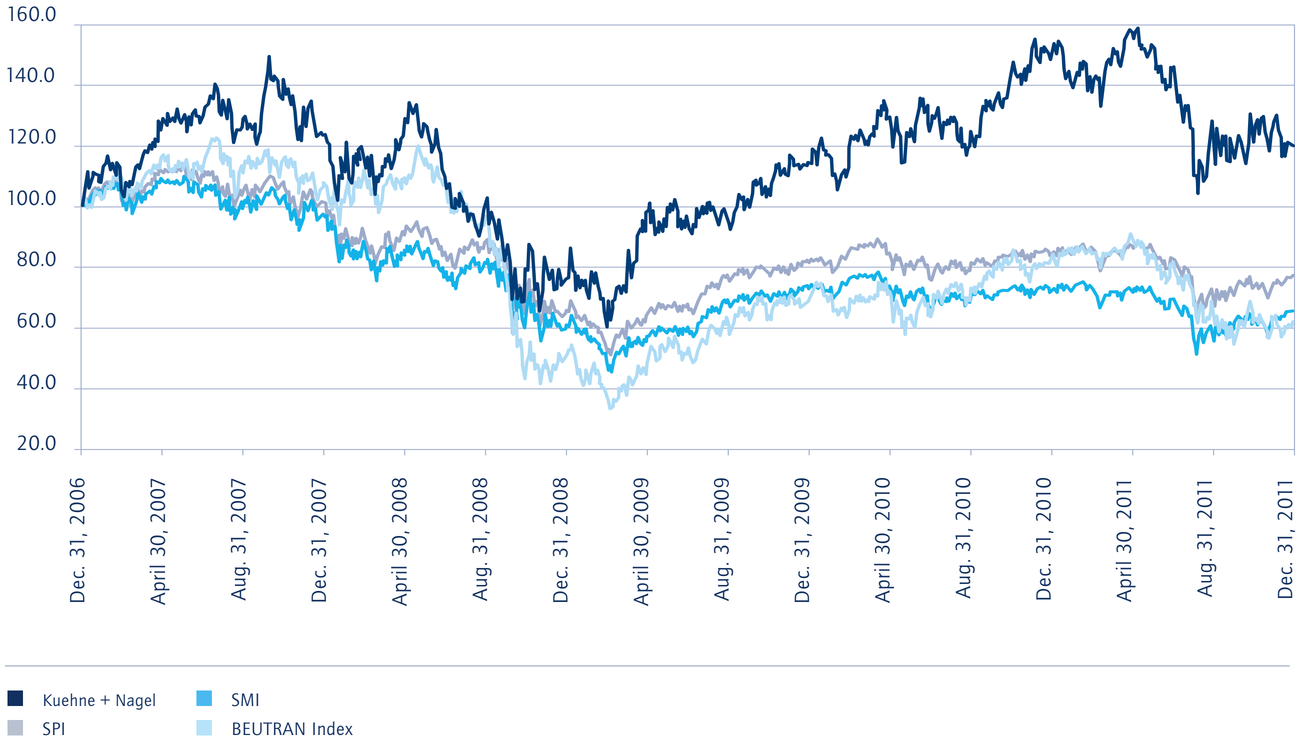
Total shareholder return development

in CHF	2011	2010
Increase/(decrease) year over year	–24.50	29.50
Dividend per share	4.25[1]	2.30
Total return	–20.25	31.80

1 Dividend payment of CHF 2.75 per share plus repayment of capital contribution reserves of CHF 1.50 per share.

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

December 2006 – December 2011



Dividend

The Board of Directors is proposing a dividend per share for 2011 amounting to CHF 3.85 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 460 million (2010: CHF 328 million) resulting in a payout ratio of 76.5 per cent (2010: 54.6 per cent). Based on the share price at year-end 2011 the dividend yield on the Kuehne + Nagel share is 3.6 per cent (2010: 2.1 per cent).

Seafreight: Number of TEU handled exceeds 3 million mark for the first time

In 2011, Kuehne + Nagel maintained its growth momentum in seafreight, handling more than 3 million TEU; an increase of 327,000 TEU (11 per cent) compared with the previous year. With a growth rate twice as high as the market and its high operational productivity, the company was able to compensate for currency effects and costs of investments in growth initiatives. The operational result was stable at the previous year's level.

Slowdown of growth in international container traffic

After the strong recovery in 2010, the global container market recorded a volume growth of between 5 and 6 per cent in 2011, with stronger gains in the first half of the year.

The volatile economy in the United States resulted in a decreased container volume from Asia, but, on the other hand, American shippers were able to increase their export business to Europe, Asia and Latin America by more than 7 per cent.

The world's biggest market, intra-Asia, grew in terms of volume by roughly 9 per cent. Growth on the trade lanes from Asia to Europe amounted to just around 3 per cent, whereas container traffic from Europe to the Far East increased by 8 per cent.

The Latin American trades again achieved double-digit growth on both the import and export side, the latter being driven by the high demand for South American agricultural products.

Shipping companies

Global vessel carrying capacity expanded by approximately 9 per cent in 2011. Numerous shipping lines launched vessels with capacities in excess of 13,000 TEU. As a result, particularly in the trade lanes from Asia to Europe, growth of capacity outstripped demand.

The high oil price forced carriers to operate under the "slow steaming" programme. Although this measure lengthens transit times, the positive effect is a substantial cut in CO_2 emissions, particularly for the largest vessels. Kuehne + Nagel is making increased use of these services for its customers.

Freight rates

Slowing demand in combination with additional capacity led to a significant decline of freight rates in almost all trades during 2011.

Impressive growth of Kuehne + Nagel transport volume

Kuehne + Nagel again achieved double-digit growth in 2011. The increase in volume in most trade lanes is largely a result of network expansion, innovative IT solutions and major new business wins. Highest growth rates were recorded in the Asian trades. In the transpacific lane, Kuehne + Nagel expanded its volume by more than 15 per cent despite market contraction. In non-European trade lanes, a volume increase of 16 per cent was achieved, which is mainly attributable to the company's global network and its focused sales efforts.

LCL

The LCL (Less-than-Container-Load) segment, an important part of the seafreight business unit, performed very well in 2011 thanks to the establishment of new gateways in Asia, North and South America and Europe. The Group's own network and the associated new routes were more closely meshed, resulting in a more efficient cost structure, a shortening of transit times and improved data quality.

River shipping

In 2011, Kuehne + Nagel's river shipping organisation again made an essential contribution to the environment-friendly management of the growing volume of goods traffic. Improved results were achieved in both container and dry goods shipping. In addition, the company focused on the expansion of the Rhine-Main-Danube services as far as the Black Sea.

Specialised services

Kuehne + Nagel's services for special product groups are well accepted by the market. In the worldwide shipment of forestry products (paper, cellulose and timber), the company continued its growth course in 2011.

By acquiring a 75 per cent share in Cooltainer, New Zealand's leading operator in reefer container transportation, Kuehne +

Nagel strengthened its activities in this segment. New Zealand is of key importance for the export of perishable goods to Australia and the islands of the South Pacific. The transaction was part of Kuehne + Nagel's strategy to globally expand its perishables logistics business and, at the same time, it complements the Group's overall business activities in Australia and New Zealand.

Oil, gas and project business

Kuehne + Nagel strengthened its position as a leading operator in this business segment in 2011. Investments were made in the expansion of infrastructure, the emphasis being North and South America, China and West Africa. In view of the good order situation, a further positive development of business can be expected in the current business year.

Emergency and relief logistics

With its special know-how Kuehne + Nagel supports well-known international aid organisations in crisis areas on the basis of long-term contracts. In 2011, its activities in emergency and relief logistics centred on the organisation of shipments to Somalia.

Forward-looking e-business strategy

Kuehne + Nagel has a forward-looking IT strategy in seafreight. Customer needs are changing quickly and getting more and more complex. A key factor for providing high transparency throughout the supply chain is the consolidation and standardisation of all processes in Kuehne + Nagel's single, comprehensive IT system. In 2011, investments concentrated on the development of a new state-of-the-art system.

Good progress was made in the electronic interchange of shipment and order level data with customers and suppliers. Together with INTTRA, the internet portal of the industry, Kuehne + Nagel created and implemented an application which permits electronic invoicing in addition to electronic container booking.

The shipment 'Visibility' features offered by KN Login, a system greatly valued by customers, were further enhanced. Customers can now use new modules for process analysis and optimisation.

Outlook for 2012

Experts forecast the international container market to grow between 4 and 5 per cent in 2012. The supply of additional vessel capacity and the uncertain development of demand will again result in challenges in the current business year.

Kuehne + Nagel aims to achieve a volume growth exceeding market average in 2012 with the focus on areas, where it now has a comparatively small market share such as the Pacific routes or the intra-Asian trades. In order to maintain its strict cost management, it is planned to cope with the expected volume growth through further productivity increases.

Performance Seafreight

CHF million	2011	Margin per cent	2010	Margin per cent	Variance 2011/2010 per cent
Turnover	8,330	100.0	8,996	100.0	–7.4
Gross profit	1,254	15.1	1,224	13.6	2.5
EBITDA	438	5.3	441	4.9	–0.7
EBIT	411	4.9	416	4.6	–1.2
Number of operational staff	8,561		7,588		12.8
TEU '000	3,274		2,945		11.2

Airfreight: On course for growth despite strong headwinds

Kuehne + Nagel's excellent performance in airfreight is based on its strong position in growth markets, the expansion of its industry-specific solutions and intensified sales efforts. In 2011, the company increased its tonnage by 13 per cent in a contracting market.

Development of market and rates

The global airfreight market experienced a divergent development in 2011. A strong first quarter was quickly followed by a downward trend which became more accentuated in the following months. Volumes in the fourth quarter were 2.5 per cent lower than in the previous year's period. In particular, Asia, the growth engine for airfreight exports in the past years, began to clearly splutter. As a result of the restrained consumer demand in the U.S.A and large parts of Europe, the "peak season" failed to materialise.

The volume decline was accompanied by falling rates in almost all trades and the airlines' concurrent deployment of new capacity did not ease this situation. In addition, the even-faster spiralling of the oil price due to the political unrest in the Middle East also presented serious problems for the airlines.

Development of Kuehne + Nagel's airfreight business

Kuehne + Nagel increased its tonnage on almost all routes and achieved a new volume record by handling 1,073 million tons of airfreight. Particularly strong growth was achieved in exports from North America to Europe and South America and on the trade lanes from Europe to North America and Asia. The fall in demand in Asia did also affect Kuehne + Nagel's activities; freight volumes, particularly on the routes to Europe, considerably declined in comparison with the previous year.

Strong growth in industry-specific solutions

In 2011, the portfolio of industry-specific airfreight solutions again proved to be a significant factor for success. Kuehne + Nagel concentrated on developing tailor-made services for specific segments such as the automotive and pharmaceutical industry and for high-value consumer and perishable goods, which bring benefits for customers in terms of quality, offer high transparency and are also cost-efficient. In addition, increased sales activities contributed to the favourable business performance.

Perishables Logistics

The global expansion of perishables logistics for goods such as flowers, fruit and vegetables is a significant element of the Kuehne + Nagel growth strategy. In 2011, by the acquisition of three companies specialising in logistics services for perishables, namely Translago S.A.S. and Agencia de Aduanas Excelsia Ltda. in Colombia and Mastertransport S.A. in Ecuador, Kuehne + Nagel opened up two key South American markets for the export of perishables and at the same time reinforced its position in the regional airfreight market.

In Europe Kuehne + Nagel strengthened its activities in this segment by the acquisition of the Dutch company J. van de Put Fresh Cargo Handling. This company, which is domiciled at Amsterdam Schipol airport, concentrates on logistics, customs clearance, handling and added value services for perishables. As a result of this transaction, Kuehne + Nagel is now able to offer integrated door-to-door services for perishable goods from a single source. In the first year the new members of the Kuehne + Nagel Group already contributed 8 per cent to the volume growth.

Pharma Logistics

A high-quality service is crucial for the pharmaceutical segment. Today, in addition to shipment tracking and management via the IT platform KN Login, Kuehne + Nagel provides its customers with an uninterrupted documentary record of the temperature along the supply chain. In the year under review the company developed a tailor-made concept that opens up a new dimension with regard to transparency in the transport of temperature-sensitive goods. This solution, which is unique in the industry, will shortly be ready for rollout.

Aviation/Aerospace Logistics

In the field of spare parts logistics and maintenance, Kuehne + Nagel gained new customers in 2011 and recorded a satisfactory growth in volume. The continuing trend towards outsourcing in the aerospace sector will provide the company with further opportunities for growth in the current business year.

Hotel Logistics

The hotel logistics segment offers turnkey logistics solutions to leading global hotel chains. In 2011, Kuehne + Nagel managed numerous projects associated with hotel construction and renovation projects, and strengthened its position in this segment.

Marine Logistics

The experts in the marine logistics segment ensure a seamless operation of the spare parts supply chain for commercial ships. Ship owners and ship management agencies are making increasing use of Kuehne + Nagel's special know-how. In 2011, Kuehne + Nagel expanded activities in this segment, and added a new ship management software to the portfolio.

Process improvement and quality assurance

In order to further improve the quality of service, investments were again made in the training and further education of the staff in the airfreight business unit. New software, which will be implemented worldwide in 2012 will increase efficiency by process optimisation and standardisation. The airfreight business unit's improved operational result in 2011 reflects the increases in productivity and strict management of costs.

Outlook for 2012

The forecasts for the global airfreight market in 2012 are not very encouraging. A further decline in demand is expected, particularly in the first half of the current business year. The increase in capacity – new cargo aircraft are ready for delivery to the airlines – will also not ease the situation.

Kuehne + Nagel is facing up to these challenges and again aims to grow at a faster rate than the market. The company is concentrating on efficiency and operational excellence and increasing its efforts to market its portfolio of high value-added airfreight services.

Performance Airfreight

CHF million	2011	Margin per cent	2010	Margin per cent	Variance 2011/2010 per cent
Turnover	4,020	100.0	4,044	100.0	–0.6
Gross profit	795	19.8	749	18.5	6.1
EBITDA	252	6.3	234	5.8	7.7
EBIT	232	5.8	216	5.3	7.4
Number of operational staff	5,073		4,244		19.5
Tons '000	1,073		948		13.2

Road & Rail Logistics: Consistent strategy implementation leads to substantial volume growth

The targeted expansion of activities in the segments groupage, full and part load and industry-specific distribution is reflected in the net turnover, which in local currencies increased by 19 per cent compared with the preceding year.

Development of European road transport

While volumes in the European overland transport market increased in the first half of the year, a reduced demand was experienced in the second half, resulting in a market growth of around 5 per cent in 2011. Providers had to cope with high price pressure as a result of the constant rise in fuel costs, and shortage of both transport capacity and drivers.

Kuehne + Nagel recorded a favourable volume development in European overland transport. The expansion of the service portfolio and the customer-oriented services in the groupage, full and part load and industry-specific distribution segments contributed towards a 10 per cent volume increase. The investments in further enhancing the density of its overland transport network, product development and process optimisation, however, affected the operational result.

European groupage network

In 2011, Kuehne + Nagel increased its volume by 15 per cent (groupage market: 5 per cent) and handled 17 million national and international groupage shipments.

The main impetus for the above-average volume growth came from the British groupage provider RH Freight, acquired in April 2011 and consolidated since that month. RH Freight, which is represented in 17 locations in the United Kingdom, handles roughly 425,000 shipments each year at its two freight terminals in Nottingham and South East London and operates daily services to 32 European destinations. In addition, Kuehne + Nagel benefited from further improvements in its service offering. The unified Europe-wide product portfolio "KN Euroline", which targets the individual customer needs, was launched in January 2011 and met with rapid acceptance. The increased number of scheduled international lines from 300 to 370 resulted in a higher departure frequency and shortening of transit times within the network.

Establishment of a Eurohub in Bad Hersfeld

In October 2011, through the acquisition of Carl Drude GmbH & Co. KG, Kuehne + Nagel gained access to a highly capable hub operation for international groupage activities in Hauneck/Bad Hersfeld in the German state of Hesse.

From mid-2012, daily lines to 50 European economic centres will be operated via this central hub. Consistent cargo consolidation and overnight transhipment operations will increase departure frequencies and reduce lead times. In addition, capacity utilisation will be optimised.

Development of land transport outside Europe

Kuehne + Nagel invested not only in increasing the density of its European groupage network, but also in the expansion of its road logistics services in growth regions. With the acquisition of the Brazilian Grupo Eichenberg it made an entry into the South American overland transport market. This company, headquartered in Porto Alegre, is one of the leading providers of overland transport services in the Brazilian domestic market as well as in the Mercosur zone to and from Argentina, Chile and Uruguay. In China Kuehne + Nagel started to develop a national network. At present, there are regular services between eight major Chinese cities; further lines will be added in the course of the current business year.

Full and part loads

The investments made in the continuous expansion of the full and part load business are bearing fruit. In 2011, the transported tonnage increased by more than 17 per cent, corresponding to 120,000 full loads. In addition, roughly 1.2 million part loads were handled. Due to the optimised processes and standardised IT systems, an improvement was achieved in both the efficiency and the quality of the service to the customers. The clear focus on specific customer segments also proved conducive to the growth of business. New customers were gained, for instance, in the consumer goods sector, and the scope of existing contracts was widened.

Greater transparency as a result of a uniform IT solution and a closer interlinking of the transportation control centers resulted in a higher utilisation of transport capacity and a reduction in the number of empty vehicle kilometres.

Industry-specific distribution services

Specialised distribution networks are the third pillar of Kuehne + Nagel's overland transport operations. In the year under review new business, notably in the high-tech industry, compensated for most of the pressure on margins.

A distribution system was developed for customers of the pharmaceutical and health care industry. The new pharma hub in Luxembourg is of major importance. It conforms to the quality standard of the pharmaceutical industry and is an essential requirement for the temperature-controlled transport of pharmaceutical products. It is planned to establish further hubs in 2012.

Fairs and exhibition logistics

The KN Expo Service segment specialises in the transport and handling of trade fair goods and event logistics. Due to the increasing demand in the event logistics segment, its resources were strengthened and a number of new locations were opened, among other places in India. In Hanover, Düsseldorf and Munich, where Kuehne + Nagel is accredited as a trade fair forwarder, an innovative forklift guidance system improves the efficiency of order handling and helps to reduce CO_2 emissions. The system will also be introduced in other trade fair locations in the current business year.

Rail transport

In 2011, European rail transport suffered from the further cutback in the single wagon load traffic offered by the state railways. In order to maintain its quality of service and competitiveness, Kuehne + Nagel strengthened the intermodal (road/rail) services which it offers to its customers. In future, a still higher priority will be assigned to the development of these intermodal transport solutions.

Outlook for 2012

In 2012, Kuehne + Nagel again aims to grow faster than the European overland transport market and to improve profitability. In this business unit, the company's policy is to expand by organic growth and selective acquisitions. Kuehne + Nagel expects the start-up of the Eurohub in Bad Hersfeld and a further increased density of its European groupage network to result in substantial increases in the efficiency. It is aimed to maintain the growth momentum in the full and part load business and develop the special networks in line with the specific needs of customers. In rail transport, the emphasis will be laid on the development of intermodal transport solutions.

Performance Road & Rail Logistics

CHF million	2011	Margin per cent	2010	Margin per cent	Variances 2011/2010 per cent
Tunrover	2,967	100.0	2,776	100.0	6.9
Gross profit	857	28.9	825	29.7	3.9
EBITDA	42	1.4	43	1.5	–2.3
EBIT	–13	–0.4	–17	–0.6	23.5
Number of operational staff	8,500		7,255		17.2

Contract logistics: Large regional variations in development of business

In correlation with the uneven world economic development, the contract logistics business unit was confronted by a number of challenges. Fluctuations in demand and high price pressure impacted the business. While the currency-adjusted net turnover increased by 7.8 per cent due to new business wins, the operational result was adversely affected by the costs of restructuring measures.

Global contract logistics market

The main factors opposed to a revival of the global contract logistics market were the volatile economies in North America and a number of European countries together with growing pressure on prices in trade and the consumer goods sector. The rising demand for production supply services for industrial companies, however, stimulated market demand. In relation to the previous year the global contract logistics market grew by approximately 3 per cent.

Differences in development of business between the Kuehne + Nagel regions

Insufficient utilisation of warehouse capacity in Canada and the weak demand in the USA as a result of the economic situation prevented a sustained improvement in the result in North America, although the restructuring measures, started in the previous year, proved to be effective. The proportion of idle space was substantially reduced due to new business and the closure of unprofitable locations.

In South America, the contract logistics activities were expanded. The new facility, taken into operation in Cartagena, Colombia in October 2011, and the acquisition of Grupo Eichenberg in Brazil, improved the range of integrated logistics services in this region of dynamic economic growth.

In Europe, the situation of demand was extremely uneven. The contract logistics business of the German and Dutch Kuehne + Nagel organisations experienced an above-average development. New customers were gained, and contracts with major multinational customers substantially expanded. The mix of industries with different cyclical sensitivities proved advantageous.

After the completion of the third and fourth expansion phases, the enlarged logistics campus in Duisburg – with a total area of 160,000 sqm – was officially opened. The continuing strong demand in this strategic location calls for a further expansion of capacity. In the current business year, an additional warehouse will be established and managed for a major customer of the consumer goods industry.

Whereas in the United Kingdom results remained stable, the economic situation in France resulted in pressure on margins, deterioration in contract logistics results and the need for an extensive restructuring. Capacity utilisation was good in Southern Europe, but the national companies were subjected to enormous pressure on prices. The investments in the development of contract logistics all over Eastern Europe led to a number of successful business transactions, primarily with customers from the automotive and consumer goods industries. In this region too, the integrated business model will have a positive effect on the result.

In the Asia-Pacific region, Kuehne + Nagel's warehousing and distribution services were utilised by new customers in the entertainment electronics and industrial goods segments. Growth momentum slowed in the Middle East due to the political unrest in the area, but the highly specialised portfolio of services for the aerospace industry enabled Kuehne + Nagel to win new important business.

Lead Logistics: Innovation and increased efficiency in response to growing pressure on margins

The integrated management and optimisation of transport chains, warehousing and networks are the core of Kuehne + Nagel's offering in the field of lead logistics. The positive demand has continued as a stable trend, but margins have come under substantial pressure due to stronger competition in this attractive market segment. In 2011, newly gained businesses in Asia, Eastern Europe and South America, did not compensate the pressure on margins.

In 2012, it is aimed to achieve greater efficiency by the development of innovative services, in particular for inbound logistics, and by intensified utilisation of the eight Logistics Control Centres. In these centres, services of a similar kind such as central customer service, transport planning and reporting are provided for all lead logistics customers.

Measures to achieve a sustained improvement in profitability

The pursuit of the campus principle is a key factor for the improvement of profitability. The concentration of different facilities and highly qualified experts at a single strategic location enables Kuehne + Nagel to handle demand peaks in a flexible manner. In other words, the available resources can be ideally adapted to customers from different sectors and with different seasonal demand patterns. Furthermore, the concept optimises operational processes and creates synergies, also in the field of distribution, which are to the benefit of all involved parties. Examples of facilities in line with this concept are those in Duisburg, Germany and in Milton Keynes, England.

The global implementation of the production system (KNPS) is aimed to reduce costs and increase productivity.

Outlook for 2012

The year 2012 will be a period of consolidation. In terms of selective profitable growth, Kuehne + Nagel will focus more strongly on selected customers, specific countries and industry segments. A further reduction of unprofitable locations, the efficient implementation of new business, the high quality of services and strict cost management will all contribute to increase the EBITDA margin.

Performance Contract Logistics

CHF million	2011	Margin per cent	2010	Margin per cent	Variances 2011/2010 per cent
Turnover	4,168	100.0	4,316	100.0	–3.4
Gross profit	2,954	70.9	3,119	72.3	–5.3
EBITDA	161	3.9	188	4.4	–14.4
EBIT	63	1.5	77	1.8	–18.2
Number of operational staff	30,238		29,057		4.1

Real Estate: Focus on sustainability

In the management and expansion of its global real estate portfolio, Kuehne + Nagel focuses on sustainability. In 2011, new logistics facilities were brought into service and further projects were initiated.

Strategy

The professional management and continuous expansion of its global portfolio of high-value logistics and office buildings continue to be core elements of Kuehne + Nagel's real estate strategy, whose overriding aim is to support the company's business activities. High priority is also attached to sustainable project development and a high quality of planning and execution in both leased and owned facilities.

Global real estate portfolio

At the end of 2011, Kuehne + Nagel's global portfolio comprised 124 logistics facilities and office buildings in 21 countries.

Facilities brought into service in 2011

	Usable area (sqm)
Germany, Duisburg	
3rd phase of Logport logistics facility	26,000
4th phase of Logport logistics facility	14,000
France, Reims	
Cross-dock facility	6,000

Facilities under construction in 2011

	Usable area (sqm)
Germany, Leipzig	
1st phase of logistics facility	10,000
United Arab Emirates, Dubai	
2nd phase of logistics facility	14,000

All new buildings incorporate sustainability aspects and the economical use of natural resources; the facilities in Duisburg and Reims, for instance, are equipped with large-area photovoltaic solar power installations.

Market development

In the second half of 2011 the debt crisis and the economic slowdown also impacted the real estate market and the behaviour of its principal actors – banks, investors and property developers. The climate for project financing deteriorated, particularly in Southern Europe and notably in France. In such an environment, however, more opportunities, presented themselves to acquire attractive properties in favourable locations.

When concluding lease agreements, the creditworthiness of the lessees and the duration of the lease were of key importance. There was a clear trend for shorter lease periods to be associated with significantly higher rent levels.

The supply of large sites ready for the construction of logistics campus facilities was limited, particularly in Western Europe. It remains to be seen whether the uncertain economic situation will result in an easing of the market for industrial building land.

Strategic success factors

Despite the volatile situation in the global market for logistics real estate, the strategic success factors for Kuehne + Nagel are fundamentally unchanged. A sustainable real estate strategy should look ahead so as to anticipate cyclical variations, and should also permit counter-cyclical and value-creating action to be taken in line with the opportunities that arise:

- With a view to the maintenance and development of a high-value portfolio of company-owned real estate in strategic locations in established markets, ownership is to be given preference over leasing, provided there is a lasting need and an investment in an owned property is a more economic proposition than a rental solution.
- The conclusion of relatively long leases on favourable terms in cyclically difficult periods is also an attractive measure in order to counteract a rise in rents for a certain period of time in a subsequent upturn phase.

Outlook for 2012

In the current business year the main objectives in the real estate sector are once more to identify and secure the space required for Kuehne + Nagel's business activities on either a lease or an ownership basis, always taking the global markets and their individual characteristics into consideration.

Performance Real Estate

CHF million	2011	2010	Variances 2011/2010 per cent
Turnover	76	82	–7.3
EBITDA	66	79	–16.5
EBIT	39	54	–27.8

Insurance broker: Stable development of business

The business of the globally operating Nacora Group continued to develop at a stable level in 2011. In a challenging market environment Nacora's international network and high service level proved to be of advantage.

Insurance market

In 2011, the insurance industry faced a continued soft market in which premium levels overall did not increase. Particularly cargo insurance premium rates were under pressure as a result of continuing fierce competition. Property damage insurance rate levels stabilised throughout the year.

Development of business in 2011

The Nacora Group strengthened its position in its European core markets. In particular, the national companies in Germany, France and the Netherlands achieved above-average growth. The integration of the book of business of the Cologne-based insurance broking firm, Grolman, which was acquired 2011, contributed to the favourable performance in Germany. The overall result of the Nacora Group already takes account of the costs of this transaction.

Cargo insurance sales results stabilised in North America compared with the preceding year, whereas commission income in South Africa and New Zealand fell short of expectations. The Nacora companies in Brazil and Eastern Europe developed favourably and justified the previous year's investments in staff and infrastructure.

Industry specific cargo insurance solutions

The Nacora Group's activities are focussed on cargo insurance for small and medium-sized companies in trade, industry, transport and logistics. Its broking activity is progressively being extended to other lines of commercial insurance with the aim of providing comprehensive insurance solutions with a high quality of service and consultancy.

The development of industry-specific insurance solutions was enforced during the year 2011.The portfolio of the Nacora Group now includes specialised cargo insurances for the segments perishables, beverages/wines/spirits, oil & gas as well as for the shipbuilding, aviation and high-tech industries. There was an increased interest in comprehensive risk management solutions which the Group develops in collaboration with customers. This offering is to be expanded in the course of 2012.

Outlook for 2012

Irrespective of the development of the world economy, the Nacora Group aims to achieve a marked increase in its business volume in 2012. In addition to cargo insurance, it will also focus on the sale of insurance solutions that are less subject to world trade influences. In order to support organic growth, acquisition possibilities are constantly being evaluated in both core and growth markets. It is also planned to establish subsidiaries in Japan and China in order to offer customers commercial insurance services in these important markets. At present the Nacora Group maintains offices in 32 countries. Qualified staff and the development of IT-based insurance solutions continue to be key factors for further growth.

Performance Insurance Broker

CHF million	2011	Margin per cent	2010	Margin per cent	Variances 2011/2010 per cent
Turnover	109	100.0	125	100.0	–12.8
Gross profit	36	33.0	37	29.6	–2.7
EBITDA	19	17.4	19	15.2	–
EBIT	18	16.5	19	15.2	–5.3
Number of operational staff	171		172		–0.6

SUSTAINABILITY

Human resources

The human resources strategy of the Kuehne + Nagel Group focuses on the sustained further development and training of its staff and management in line with the company's philosophy. It is also dedicated to advancing organisational structures and management principles.

Kuehne + Nagel's human resources department plays a key role in the successful implementation of the global growth programme. The year 2011 was marked by extensive activities to recruit the necessary experts and managers, the integration of seven acquired firms with a workforce of more than two thousand employees, and the continuation of the various talent management programmes.

The globally harmonised HR processes and systems, which were introduced in the year 2011 supported the value proposition of the human resources department to the success of the company.

Recruitment and development of talent

The objective is to ensure a harmonious and continuous development process from induction training to the appointment to senior managerial functions.

In 2011, major steps were made towards synchronising and interlinking the various development programmes and levels all over the world.

The global e-recruitment solution, which was developed in 2010, was introduced in 51 countries and linked to 11 global job portals. This enabled Kuehne + Nagel to reach a substantially larger number of talented people as well as to significantly speed up recruitment processes and, at the same time, reduce costs.

Apprentices

Kuehne + Nagel has a strong apprenticeship programme in place for which it received a number of awards in the year under review. In Germany, for example, 887 young people are serving an apprenticeship in 12 different fields of specialisation; this represents an increase of 8.5 per cent over the previous year.

High Potentials

On the basis of local and regional young talent programmes, the global High Potential programme, realigned in 2010, was continued. A main focal point was the realisation of the next development steps in the careers of the 80 participants. The candidates classified as "ready to move" (around 30 per cent) were assigned within four months to their next appropriate career function.

Training and development

In 2011 as well, Kuehne + Nagel invested in staff training and development. More than 12,000 training and further education courses were held all over the world. In this connection the number of computer-based training (CBT) courses increased by more than 50 per cent with more than 60,000 participants.

Employee development at Kuehne + Nagel is based on the following key elements:

- Early transfer of top performers to different functions and regions,
- Early assumption of business responsibility,
- Filling of key positions primarily from the company's own ranks.

The career and further development opportunities offered by the company contribute to the high attractiveness of Kuehne + Nagel as an employer. This is also reflected in the low attrition rate among top performers, which remains unchanged at around 3 per cent.

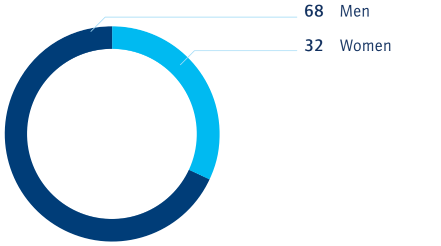
Increasing productivity

The personnel-intensive services in the logistics industry offer a potential for increases in productivity. In addition to targeted selection, special attention is paid to the successful integration of new staff by rapid and intensive training in all relevant work processes.

A major part of the functional trainings is accounted for by QSHE (Quality, Safety, Health and Environment). This underlines the company's commitment to sustainability.

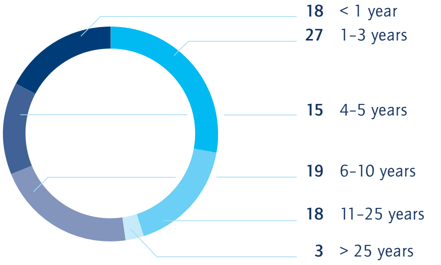
Employees: as per Dec. 31, 2011

Per cent



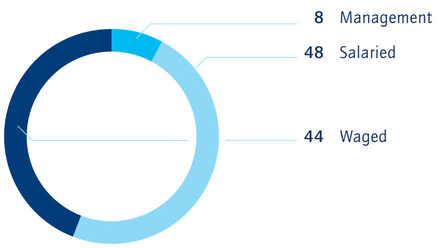
Duration of employment

Per cent



Personnel structure

Per cent



The globally uniform and direct system of recording employees' reasons for leaving the company now permits, among other things, a systematic identification of weaknesses in the organisation or personnel management. Unwanted attrition was substantially reduced in the year under review.

Performance assessment is one of the most important means of ascertaining the commitment and productivity of employees. In 2011, the target agreement and performance monitoring processes was extended to further management levels of the Group. The utilisation of the Human Capital Management Systems (HCM), an innovative IT solution, supports the process of systematic performance measurement and management.

Knowledge management extension

To make better use of the employees' expert knowledge, 7,300 virtual web meetings were held. This represents an increase of 40 per cent over the preceding year. In each management seminar a central problem is dealt with by the participants from different levels of management. In 2011, the combined knowledge of more than 100 members of the managerial staff led to concrete process improvements which are being implemented in the company throughout the world.

The specialists of the Kuehne + Nagel Group can also network and exchange knowledge through the modern communication media of the intranet (wikis, blogs, forums). This is in line with the general corporate philosophy of creating space for individual initiative and value creation.

Compliance – acting according to the rules

The training campaigns on the topics of "competition law" and "corruption and illicit payments" were continued in the year under review. Immediately after joining the company all new employees go through a multimedia and computer-based training at the end of which they take a final test. In addition, a third compliance training campaign entitled "Code of Conduct" has been developed. This will be introduced on a worldwide basis in the current business year.

Number of employees

In 2011, the number of employees increased from 57,536 to 63,110, a rise of almost 10 per cent.

Kuehne Foundations: An enduring commitment to training and further education

The Kuehne Foundation, which was founded in Switzerland in 1976, has gained high esteem for its initiatives to promote training, further education 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.

Grants in the field of logistics

In addition to the financing of the Kühne Logistics University, Hamburg, the following logistics institutes, professorships and projects were supported in 2011:

- Professorship of Logistics Management at the Federal Institute of Technology (ETH), Zurich
- Professorship and Kuehne Centre for Logistics Management at WHU – Otto Beisheim School of Management, Vallendar
- Hochschule für Internationale Wirtschaft und Logistik (HIWL)/ German Foreign Trade and Transport Academy (DAV), Bremen
- Professorship for Logistics Management at Tongji University, Shanghai
- Research project "Humanitarian Logistics" at the Technical University (TU) Berlin and establishment of a Centre for Humanitarian Logistics at the domicile of the Foundation in Schindellegi, Switzerland

Kühne Logistics University (KLU), Hamburg

2011 was a year of development for the Kühne Logistics University (KLU). Nine professors are now teaching in the faculty, and their publications in renowned scientific journals support the claim of KLU to an international position as a research-oriented university. KLU currently offers two master programmes in global logistics and management. These are characterised by a cosmopolitan student community which now numbers more than 60, together with an excellent staff-student-ratio and a first class network. In addition, the university offers further education courses for managerial staff.

In November 2011, together with the leading international business school INSEAD, KLU opened a research centre devoted to humanitarian logistics with the joint aim of developing humanitarian logistics by research and innovation. The researchers will initially concentrate on three main areas: emergency aid, global health logistics and vehicle fleet management. Research will also focus on the question of what humanitarian logistics can learn from commercial logistics.

Professorship of Logistics Management at the Federal Institute of Technology (ETH), Zurich

The Kuehne Foundation began sponsoring the Professorship of Logistics Management at the Federal Institute of Technology already in 2008. Apart from courses on the subjects of supply chain management, procurement management and the management of logistics companies as part of the regular master programmes of the ETH Zurich, the department is responsible for an accredited further education programme, the Executive MBA in Supply Chain Management, which is the only one of its kind in Europe. The course, in which 25 managers receive a targeted preparation for their next career step over an 18-month period, started for the ninth time in September 2011. The participants also have the opportunity to become acquainted with companies and universities in China, Japan, Russia and the USA.

The research activities of the professorship rest on three main pillars: First, problems of practical relevance are studied by scientific methods and in close collaboration with industry experts. As a consequence, it is possible to offer logistics companies practicable solutions for the optimisation of supply chains. Second, outstanding results in research and teaching are achieved by intensive collaboration with first-class partners. This requires cooperation with appropriate institutes in Europe, the USA or Asia, and also demands active participation in academic and industry associations. Finally, progress is increasingly achieved on the basis of an interdisciplinary approach, and for this reason the institute's researchers may well elaborate questions relating to logistics and supply chain management with methods adopted from financial management, psychology or other fields.

In June 2011, the Kuehne Foundation extended its grant of this chair for a further four years with a donation of CHF 1.1 million per annum.

Professorship and Kuehne Centre for Logistics Management at WHU – Otto Beisheim School of Management, Vallendar, Germany

The research activities at the chair of logistics management concentrate on the areas of sustainability and risk management in supply chains and logistics networks. In the context of sustainability, strategies for the reduction of CO_2 emissions are developed and quantitatively evaluated with the use of real option methodology. These include fleet modernisation, trading in emission certificates and redesign of the supply chain network. Risk management embraces operational risks as well as disruptive events such as natural disasters. In this connection the systematic identification, evaluation, control of risks and their representation in formal analytical models are important. All research activities are conducted in cooperation with leading logistics providers and industrial companies.

The activities of the professorship for logistics and service provision management, which has been sponsored since March 2011, centre on the analysis of vertical and horizontal supply chain relations, the management of logistics undertakings and services, and logistics and supply chain controlling. Special importance is attached to strategic alliances and other forms of horizontal cooperation between logistics providers. At present, studies are focusing on issues relating to governance and the measurement and control of results in these cooperation systems. It is aimed to bring about the practical application of the knowledge acquired in this way through studies, workshops and day events. The elaboration and utilisation of logistics key figures in the context of controlling are addressed in a comprehensive study which is being conducted in cooperation with the German Logistics Association (BVL). The eighth annual WHO Campus for Supply Chain Management, which is also supported by the Kuehne Foundation, took place in March 2011 under the motto "Managing Sustainability – Redefining Future Strategy". In lectures and workshops held by representatives of companies and academics, new developments and challenges in supply chain management were examined from the angle of sustainability.

Grant of the Hochschule für Internationale Wirtschaft und Logistik (HIWL)/German Foreign Trade and Transport Academy (DAV), Bremen

At the Hochschule für Internationale Wirtschaft und Logistik (HIWL) the Kuehne Foundation supports the Professorship for Logistics Systems and Processes. This academy is located on the campus of the German Logistics Association in Bremen, and offers the dual bachelor courses in logistics and international business studies which were accredited in 2011. They are a part of the overall concept of "lifelong learning" which is jointly realised by the institutions of the BVL campus, i.e. HIWL, the German Foreign Trade and Transport Academy (DAV) and the German Logistics Association (BVL).

Chair of Logistics Management at the Tongji University, Shanghai

This professorship focuses on the optimisation of supply chains, the formulation of contracts for the optimisation of supply chain performance, and risk control. Special focus is on national and international networking and cooperation, either with other professorships supported by the Kuehne Foundation or with business undertakings.

Humanitarian logistics

The H.E.L.P. Centre, which was established by the Kuehne Foundation in October 2010, is devoted to training and further education as well as consultancy in the field of humanitarian logistics. In February 2011, the first African Logistics Conference was held in Dar es Salaam in Tanzania in cooperation with the Technical University Berlin. In July 2011, the Technical University Berlin presented the concluding report of a two-year research project which dealt with the transfer of knowledge from Europe to Africa. The consultancy project for the International Organisation for Migration (IOM) was completed in the year under review and resulted in substantial savings and improvements in the supply chain. At the same time, courses of instruction in the field of supply chain management were held for the IOM management. The Swiss Red Cross also makes use of the consultancy services of H.E.L.P., since the cost optimisation in logistics enables more resources to be made available for people in need.

NetloP-Seminar – Network management for logistics processes

In the past 11 years this series of seminars has established itself as a firm part of German-language further training in logistics management. More than 320 participants have now completed the instruction courses. The holistic character of the approach to logistics logically leads to the development of cross-company processes for whose optimisation the creation of networks is an essential requirement. The Kuehne Foundation has entrusted a group of distinguished experts with the development of the challenging training programme. The seminar is currently supported by the following teaching institutions: ETH Zurich, Vienna University of Economics and Business, Kühne Logistics University, Hamburg, Technical University Berlin, Kuehne Centre for Logistics Management at the WHU and the German Foreign Trade and Transport Academy, Bremen.

Logistics Day of the Kuehne Foundation

The Logistics Day of the Kuehne Foundation, which was held for the tenth time in 2011, was organised by the ETH Zurich and its Professorship for Logistics Management which is sponsored by the Kuehne Foundation. Under the motto “Entrepreneurial Orientation in Logistics and Supply Chain Management” it was attended in June by more than 200 leading logistics experts and prominent guests from trade and industry.

In addition to training and further education in the field of logistics, the Kuehne Foundation also supports activities in the medical and cultural fields:

CK-CARE – Allergy research

CK-CARE is an international centre which is devoted to allergy research and education in the field of allergy. The centre, located in Davos, was established by the Kuehne Foundation two years ago. It carries out research in the following five areas, which cover the most important problems of allergic diseases:

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

The transfer of scientific and clinical knowledge to medical practitioners, affected persons and the public is of great significance. Increasing efforts are being made to provide doctors and students, and also patients, with appropriate instruction. In July 2011, CK-CARE enabled the first Global Allergy Forum (GAF) to be held in Davos. In five working groups, more than 40 experts with a worldwide reputation in the field of allergy and related research disciplines met to discuss urgent problems, new solutions and possible plans of action.

Harbour Front Literature Festival in Hamburg

Logistics and literature both demand creativity and versatility. These parallels motivated the Klaus-Michael Kuehne Foundation, together with the Hamburg Senate, to create the Harbour Front Literature Festival. For the third time, from 14 to 24 September 2011, German and international authors and publicists presented themselves to a total of 22,000 friends of literature in various venues against the backdrop of the port. For the second time the Klaus-Michael Kuehne Prize for young authors was awarded at the “Debütantensalon”. The donor presented the prize at a grand finale event.

Lucerne Festival

In 2011, the Kuehne Foundation again supported the Lucerne Festival, one of the most renowned events in the field of classical music, which attracted more than 95,000 visitors in the summer. The festival, which was held under the motto “Night”, presented a highly varied programme which included a performance of Benjamin Britten’s turbulent opera based on Shakespeare's “Midsummer Night’s Dream”.

The Kuehne Foundation is a supporter of other cultural events and institutions, which include the Music Summer on the Lake of Zurich, the Mecklenburg-West Pomerania Music Festival, the Hamburg State Opera, St. Catherine’s Church Hamburg, and the “Literaturhaus Hamburg”. The Foundation is also committed to the preservation of the cultural heritage. With a donation of CHF 1 million it enabled the renovation of St. Meinrad's Chapel, which belongs to the Monastery of Einsiedeln (Canton of Schwyz). Located on the Way of St. James to Santiago de Compostela, it has long been regularly visited by pilgrims.

The sole donor of the Kuehne Foundations is Prof. Dr. h.c. Klaus-Michael Kuehne.

Quality, Safety, Health and Environment

QSHE – the basis for all three pillars of sustainability

In 2011, the Kuehne + Nagel Group again fulfilled its entrepreneurial responsibility with regard to the three pillars of sustainability by its integrated management in the areas of quality, safety, health and environment:

- from the economic viewpoint, for instance, through quality and efficiency improvements, which helped to enhance customer satisfaction and data quality and to reduce nonconformity costs;
- from the ecological viewpoint, by environmental measures such as a reduction of CO_2 emissions or the conservation of valuable natural resources; and
- from the social viewpoint, above all by high work safety and health protection standards.

Certification as a basis for continuous improvements

In 2011, Bureau Veritas Certifications, a global leader in conformity assessment and certification services, again attested that the international management systems of the Kuehne + Nagel Group conform to international standards in the fields of quality, environment and work safety. 630 locations in 83 countries are now certified according to the latest quality standard ISO 9001:2008, more than 270 locations in 46 countries conform to environmental standards ISO 14001, and more than 230 locations in 41 countries meet the standards relating to work safety and health (OSHAS). At the end of 2011, Kuehne + Nagel held 1,200 certificates with a validity of three years. The company carried out internal audits prior to the successful new certifications and recertification. For the first time, the QSHE-Audit Tool (QAT) was used for the standard quality testing of all QSHE areas in 532 locations.

In addition, Kuehne + Nagel also fulfils the special quality standards of specific industries. Examples include the high-tech and aerospace industries as well as the chemical and food sectors. To meet the high quality demands of the pharmaceutical and health care industries worldwide training and audit programmes were initiated in the year under review. Corresponding location certifications are planned for the current business year.

Recognition for quality

In 2011, the globally operating Kuehne +Nagel Group again received a number of awards that testified to its high quality level. In Asia Thailand's labour ministry conferred the "Best Practice Workplace on Labour Relations and Labour Welfare Award 2011" on the company, while the trade magazine "Supply Chain Asia" nominated Kuehne + Nagel as "Seafreight Forwarder of the Year" and at the same time honoured it with the "Supply Chain Risk Management Award". The outstanding quality of Kuehne + Nagel's services was also honoured by the company's nomination as "Global Logistics Supplier of the Year" by one of the world's leading technology companies, and worldwide medical equipment manufacturer Hill-Rom Holdings Inc. presented its "Emerging Global Partnership Award" to Kuehne + Nagel in the USA. In recognition of its system transparency and integrated approach, the Italian Kuehne + Nagel organisation received the "Logistics Award of the Year 2011" from Assologistica, Euromercie Assologistica Cultura e Formazione. In Turkey a wordwide well known garment manufacturer recognised the quality of Kuehne + Nagel's services, and the Croatian national company was proud to receive the distinction of "Employer of the Year for Persons with Disabilities".

Work safety and health

For Kuehne + Nagel the health and safety of its employees is crucial. The company endeavours to achieve sustained and continuously improved work safety and health protection, and acts in accordance with the international standard OSHAS 18001. At the same time, the Kuehne + Nagel corporate culture encourages a high sense of responsibility and the minimisation of risks.

Preventive training courses were held for employees working in various fields in order to avoid accidents and damage. Targeted health promotion measures are also offered to interested staff members on an external basis.

In 2011, further 20 locations in seven countries were certified in accordance with OSHAS 18001, underscoring the commitment of Kuehne + Nagel in this field.

Security throughout the supply chain

Kuehne + Nagel is taking a number of steps to meet the growing demands of its customers for security along the entire supply chain. By now, 17 of its European national organisations have achieved AEO (Authorized Economic Operator) status to strengthen security of customs clearance. National organisations all over the world are also recognised, inter alia, as "Regulated Agent", "Account Consignor" or "Known Consignor". Kuehne + Nagel provides services for high-value goods in special high-security locations which conform to the criteria of TAPA (Transported Asset Protection Association). Logistics centres which are certified according to TAPA level A meet the most exacting security requirements of customers.

Sustainable environmental management

Kuehne + Nagel's environmental management policy is to promote sustainable economic development in all regions, business units and industries, while, at the same time, endeavouring to:

- measure the impact of activities on the environment and improve the results in terms of their environment-friendliness;
- lessen the consumption of natural resources by re-use, recycling or reduced use of materials, and using products that are recyclable or come from sustainable sources;
- offer environment-friendly product alternatives (in transport and warehousing) so as to enable customers to meet their own sustainability obligations.

In 2011, 64 locations were newly certified in accordance with the environmental standard ISO 14001. A global team of experts (Quality Expert Team Environment) took care of the integration of the environmental strategy in all business units.

Global Facility Carbon Calculator (GFCC)

The GFCC system, which was introduced in 2008, was replaced by a faster and more user-friendly version in the year under review. The system offers greater transparency and can readily be adapted to changes in regulations and customer requirements relating to the calculation of emissions. It is an important tool for monitoring the success of programmes for reducing energy, fuel and water consumption as well as the volume of waste and carbon dioxide emissions. In comparison with the previous year:

- energy and fuel consumption was reduced by 2.6 per cent (40,316 KWh);
- water consumption was down by 12.3 million litres;
- the volume of waste diminished by 25.7 per cent (56,841 tonnes);
- emissions of carbon dioxide (CO_2) were reduced by 2.8 per cent (13.116 tonnes).

Global Transport Carbon Calculator (GTCC)

In the year under review there was a leap of 150 per cent in customer interest in transport route CO_2 calculations. Thanks to the Global Transport Carbon Calculator and the high degree of standardisation of its operational IT systems, Kuehne + Nagel now offers emission calculations for all fields of logistics.

Go Clean – Go Green

Together with its partners, Kuehne + Nagel constantly endeavours to develop new solutions for the reduction of CO_2 emissions. With "Go Clean – Go Green" the company has launched an appropriate initiative as well as joining together with 14 shipping lines and 12 multinational customers to form the Clean Cargo Working Group (CCWG). One aim of CCWG is to calculate fuel consumption and carbon dioxide emissions expressed in terms of emission/TEU/km and to publish the results.

A further example is the Kuehne + Nagel "Climate Neutral Services" initiative, in which, under the motto "Avoid – Reduce – Compensate", customers follow a climate compensation concept and "neutralise" CO_2 emissions in defined, sustainable environmental projects. This concept has been successfully implemented in the Swiss national company. Last year, in collaboration with customers, more than 300 tonnes of CO_2 emissions were offset in this way.

Outlook for 2012

In 2012, QSHE activities will again focus on sustainability, the further development of safety management and the expansion of reporting.

Information technology

Further development of the IT strategy/IT-based products

Kuehne + Nagel's IT strategy concentrates on the creation of a new, robust and flexible information platform. For that reason the whole IT architecture is being overhauled and reconfigured on a modular basis. The aim is to standardise and improve the efficiency of all business processes, and customer systems displayed, resulting in higher quality, minimisation of different sources of error and an increase in the productivity of the individual users.

Important milestones were reached in 2011, in particular in the field of service orientation. This concerns "communication and interaction" between the different IT programs. It is the goal to achieve the highest possible level of re-utilisation and a flexible shell consisting of a number of modules or sub-programs. These modules, which can be individually further developed, are mutually complementary and can each be used for a number of applications. As a result of the high level of re-utilisation, a flexible platform with a very long time horizon is being created which allows an efficient adaptation to the needs of individual users. It supports all areas of the company from administration to the finance department and the operational business units. In 2011, more than 40 new modules were incorporated into the new technology.

In order to contribute to the further improvement of the Group's productivity automation and standardisation of processes continued. The more processes are standardised and automated, the more intermediate steps are eliminated or performed more quickly. A good example of this is the registration of customer and shipment data. A greater number of orders can be recorded and processed with the same number of employees. In addition, process automation is crucial for another important objective, the paperless office. This is another important factor for a higher quality of service, as customers are able to access documents online at any time. Furthermore, Kuehne + Nagel staff is relieved of many time-consuming routine tasks and can fully concentrate on value-creating work in direct contact with customers.

Streamlining of the IT-Organisation

Good progress was made in streamlining the global IT organisation structure through a move to centralisation. Whereas corporate IT was supported by a number of regional IT teams, the organisation is now being adapted to the new demands of a modern IT architecture and increased centralisation of the regional teams. As a result, synergies will be created and duplications eliminated in line with the modular IT architecture. In addition, the new structure allows a faster response to changes in market demands.

New internet – presentation and improvement of online services

The global internet presentation of Kuehne + Nagel has been completely redesigned. Due to a customer-friendly, unified user shell and navigation system all products are presented in a simple and clearly structured manner.

The information logistics platform KN Login has been further developed. Empty container management has been added to interactive container planning. Furthermore, the different transport routes are now electronically linked in such a way that orders can be permanently monitored in association with the existing process. The making-out and processing of booking documents has also been substantially simplified.

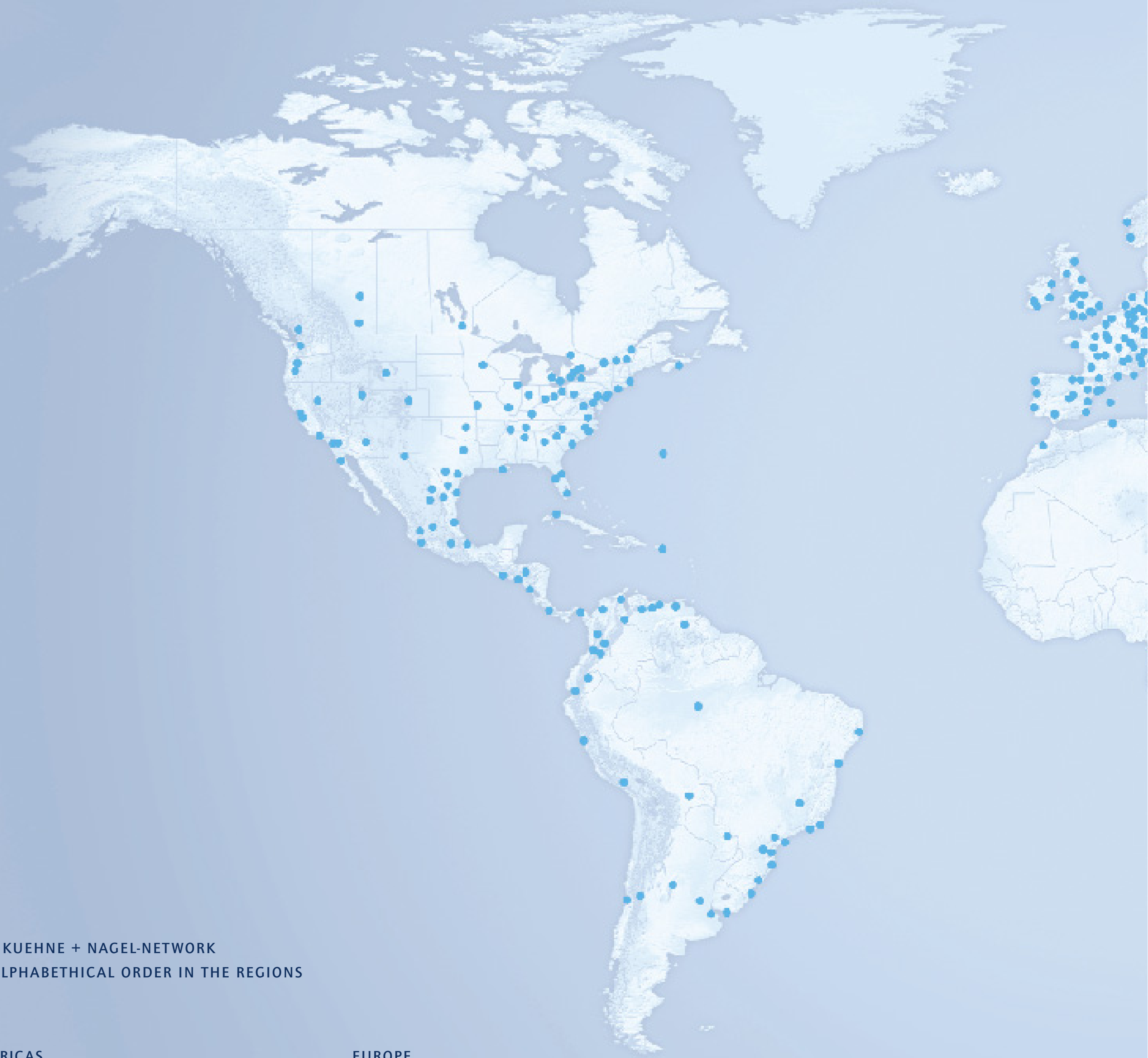
To meet the growing demand for mobile solutions, Kuehne + Nagel has introduced a mobile application into the market. Customers can follow logistics processes at all times with online applications such as smartphones, iPads and similar equipment. Also, in this case the modular principle supported a cost-efficient development. Apart from classic tracking, the multilingual application also allows the tracking and tracing of sea- or airfreight shipments on the basis of the customer's own references.

Objectives for 2012

The introduction of the first modules of the new sea- and airfreight systems, in particular in the airfreight import and price quotation fields is of great importance in 2012. In addition, an innovative IT solution dedicated to the pharmaceutical industry will be provided.

With the introduction of the new IT architecture, important system components will be integrated into a "disaster recovery" concept with global coverage, substantially improving the security of the system. In the event of a catastrophic event, i.e. the failure of one of the global computing centres due to a power failure, flooding or other disaster, IT production can quickly be restored. In this way, account is taken of the demand for an ever higher availability of information technology in the work process.

KUEHNE + NAGEL WORLDWIDE



THE KUEHNE + NAGEL-NETWORK IN ALPHABETHICAL ORDER IN THE REGIONS

AMERICAS

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

EUROPE

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

MIDDLE EAST, CENTRAL ASIA AND AFRICA

ANGOLA	LEBANON	UGANDA
BAHRAIN	MAURITIUS	UNITED ARAB
EGYPT	MOZAMBIQUE	EMIRATES
EQUATORIAL	NAMIBIA	UZBEKISTAN
GUINEA	NIGERIA	ZAMBIA
IRAN	QATAR	ZIMBABWE
ISRAEL	SAUDI ARABIA	
JORDAN	SOUTH AFRICA	
KAZAKHSTAN	SYRIA	
KENYA	TANZANIA	
KUWAIT	TURKEY	

ASIA-PACIFIC

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

Kuehne + Nagel is committed to good corporate governance

Good corporate governance is an important and integral part of the management culture of the Kuehne + Nagel Group (the Group). The principles of corporate governance, as defined in the Directive on Information Relating to Corporate Governance (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 within the scope of the Group's consolidation. Kuehne + Nagel International AG has its registered office in Schindellegi, Switzerland, and its shares are listed on the SIX Swiss Exchange, Zurich. The company's market capitalisation on the closing date (December 31, 2011) amounted to CHF 12,660 million (120 million registered shares at CHF 105.50 per share).

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

– the free float consisted of = 46.1 per cent and	55,408,099 shares
– treasury shares consisted of = 0.6 per cent	691,901 shares

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 114 to 119), 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 holds 53.3 per cent of the Kuehne + Nagel International AG share capital and is 100 per cent owned by Mr. Klaus-Michael Kuehne.

The Kuehne Foundation held 4.3 per cent of the Kuehne + Nagel International AG share capital as at the closing date.

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

Capital structure

Ordinary share capital on the closing date
The ordinary share capital of 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 18, 2010 extended its authorisation of authorised share capital up to a maximum of CHF 20 million by a further two years until May 8, 2012.

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.

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.

For a description of the group of beneficiaries and of the terms and conditions of the issue of authorised and conditional share capital, please refer to the Articles of Incorporation Art. 3.3 and 3.4, which are available on the Company website (http://www.kn-portal.com/about_us/investor_relations/corporate_governance/).

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

Change in capital over the past three years
During the years 2009 through 2011 no changes in capital occurred other than related to approved 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 as at the closing date.

Limitations on transferability and nominee registrations
Each share has one vote. All shares have equal voting rights and no preferential rights or similar entitlements exist. The Articles of Association do not provide for any limitations on the transfer of 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. For details to the Group's Employee Share Purchase and Option Plan, please refer to note 37 of the Consolidated Financial Statements on pages 94 to 96.

Board of Directors
At the Annual General Meeting of May 10, 2011, Mr. Klaus-Michael Kuehne, Mr. Bernd Wrede, Mr. Karl Gernandt, Mr. Juergen Fitschen, Mr. Hans-Joerg Hager, Mr. Hans Lerch, Dr. Wolfgang Peiner, Dr. Thomas Staehelin and Dr. Joerg Wolle were re-elected to the Board of Directors for a one-year term. Dr. Renato Fassbind has been newly elected to the Board of Directors for a one-year term. Dr. Joachim Hausser and Dr. Georg Obermeier whose mandates expired at the Annual General Meeting, retired from the Board.

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

Klaus-Michael Kuehne, Honorary Chairman, German, 1937

Commercial apprenticeship in banking industry.
Other significant activities: Chairman of the board of trustees of the Kuehne Foundation, Schindellegi, and the Klaus-Michael Kuehne Foundation, 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 2012 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 1995. 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 1996 to 1999 he set his mark on the Financial Institution Group of A.T. Kearney GmbH. In 1999 Gernandt moved to Holcim (Deutschland) AG as Chairman of the Board of Management and was, at the same time, a member of the European Management Team of Holcim Ltd., Switzerland. In March 2007 he became CEO of Holcim Western Europe, based in Brussels. Since October 1, 2008 Karl Gernandt has been nominated as 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: Member of the Board of Directors of HCI Capital AG, Hamburg; Executive Vice Chairman of the Board of Directors of Hapag-Lloyd AG, Hamburg, and Member of the Board of Directors of Holcim (Deutschland) 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 2012 Chairman of the Chairman's Committee Member of the Nomination and Compensation Committee Member of the Audit Committee

Bernd Wrede, Vice Chairman, German, 1943

Graduated in business administration from the Universitiy of Wuerzburg. From 1982 to 2001 member of the Board of Hapag-Lloyd AG, Hamburg, and its Chairman as of 1993. Currently an independent management consultant.
Other significant activities: Member of the Supervisory Board of HSH Nordbank AG, Hamburg; Advisory Director of Investcorp International Ltd., London, 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 2012
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 Chiel Financial Officer from 1997 until 2002; from 2002 until 2004 he was the Chief Executive Officer of Diethelm Keller Holding AG, Zurich.
In 2004 Dr. Renato Fassbind joined the Credit Suisse Group as the Chief Financial Officer of the Credit Suisse Group AG and the Credit Suisse AG until October 2010. In his function he was member of the Executive Boards of Credit Suisse Group AG and of Credit Suisse AG since 2004.
Other significant activities: Member of the Board of Directors of Swiss Re. Ltd., Zurich; Member of the Board of Directors of the Swiss Federal Audit Oversight Authority (FAOA), Bern, and Senior Advisor of Credit Suisse Group, Zurich.

Positions within the Kuehne + Nagel Group:

2011–today	Member of the Board of Directors elected until the Annual General Meeting 2012
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, joined Deutsche Bank AG in 1987 and was promoted to the Group Executive Committee in 2002. He is Global Head of Regional Management and, since 2005, also serves as CEO of Deutsche Bank Germany and Chairman of the Management Committee Germany. In these functions Fitschen was appointed to Deutsche Bank Management board in 2009.
Other significant activities: Member of the Supervisory Board of Metro AG and Schott AG.

Positions within the Kuehne + Nagel Group:

2008–today	Member of the Board of Directors elected until the Annual General Meeting 2012
2008–2009	Member of the Economic Council

Hans-Joerg Hager, German, 1948

Since 1988 Hager holds a bachelor degree from the Wuerttemberg Administration and Business Academy in Stuttgart and completed successfully the "TOP International Management Program" at INSEAD/Fontainebleau in 1998. Since January 2009 Hager is the president of the UCS (entrepreneurs-colloquium forwarding). Hager held various board positions at Schenker AG from 1996 to 2008. In 2000 he was appointed chairman of Schenker AG, Germany which position he held until 2008. From 2001 to 2004 and from 2006 to 2008 Hager was a member of the Board of the Schenker AG responsible for the Europe region and the overland transportation business.

Position within the Kuehne + Nagel Group:

2009–today	Member of the Board of Directors elected until the Annual General Meeting 2012

Hans Lerch, Swiss, 1950

Commercial apprenticeship in tourist industry with a 35 years 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 and CEO of Hotelplan Holding Ltd., Zurich, since 2010.
Other significant activities: Executive Director 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 2012
2006–2010	Member of the Nomination and Compensation Committee

Dr. Wolfgang Peiner, German, 1943

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

Other significant activities: Chairman of the Board of Directors of Germanischer Lloyd AG; since 2009 Chairman/Deputy Chairman of the Board of Directors of Norddeutscher Rundfunk NDR; Member of the Board of Directors of Maxingvest AG; Member of the Board of Trustees of the Kuehne Foundation and of the Board of Directors of Kuehne Holding AG; President of the Kuehne Logistics University.

Positions within the Kuehne + Nagel Group:

2000–2001	Member of the Board of Directors
2007–today	Member of the Board of Directors elected until the Annual General Meeting 2012

Dr. Thomas Staehelin, Swiss, 1947

Holds a PhD 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; Vice Chairman of the Board of Directors of Siegfried Holding AG, Zofingen; 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 2012
2006–today	Chairman of the Audit Committee

Dr. Joerg Wolle, German/Swiss, 1957

Holds a PhD in Mechanical Engineering. Since June 2002 President and CEO of DKSH Group which resulted from the merger of the Asian activities of Diethelm Keller and SiberHegner. Previously he worked since 2000 in the same function at SiberHegner. 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 of SiberHegner in Zurich.

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 the Diethelm Keller Holding.

Positions within the Kuehne + Nagel Group:

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

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.

The Board of Directors has elected Karl Gernandt as the Chairman of the Board of Directors as of May 10, 2011, and has named Klaus-Michael Kuehne as 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 one full-day meeting quarterly with the Management Board being at least represented by the CEO and the CFO. The Board of Directors has the discretion to invite other members of the Management Board to attend these meetings.

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. 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 functioning of the internal control mechanisms and the risk assessments are reviewed and evaluated continually on the basis of written reports from the internal audit department as well as of management letters from the external auditors based on their interim audits in order to set priorities for the year-end audit. Furthermore, 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 measures 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 audit partner in charge take part in all meetings, whilst the head of internal audit is invited as an advisor whenever needed. In 2011 the audit partner in charge attended three meetings of the Audit Committee. The Committee's Chairman reports to 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. 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 the adoption of a final resolution, which is reserved to the Board of Directors.

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

On the closing date, 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 taken within the competence of the Board of Directors.

Chairman's Committee

The Chairman's Committee consists of the Chairman, the Vice Chairman 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 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. Depending on the agenda, the Board of Directors has the discretion to invite other members of the Management Board to attend its meetings.

Risk management is a fundamental element of the Group's business practice on all levels and encompasses different types of risks. At Group level, risk management is an integral part of the business planning and controlling processes. Material risks are monitored and regularly discussed with the Risk and Compliance Committee of the Management Board and with the Audit Committee. 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. 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 103 to 109.

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 (e.g. the annual audit plan is approved by the Audit Committee). Kuehne + Nagel's Internal Audit is an independent, objective assurance and consulting activity that assists Management in the effective excercising of their responsibilities by assessing the adequancy and effectiveness of internal controls.

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

	Board of Directors	Audit Committee	Nomination and Compensation Committee	Chairman's Committee
Number of meetings in 2011	5	6	5	7
Approximate duration of each meeting	10 hours	3 hours	1 hour	4 hours
Klaus-Michael Kuehne	5		5	7
Karl Gernandt	5	6	3	7
Bernd Wrede	4	5	4	7
Dr. Renato Fassbind [1]	3	4		
Juergen Fitschen	4			
Hans-Joerg Hager	5			
Dr. Joachim Hausser [2]	3			
Hans Lerch	5		5	
Dr. Georg Obermeier [2]	3	2	2	
Dr. Wolfgang Peiner	5			
Dr. Thomas Staehelin	5	5		
Dr. Joerg Wolle	5		5	

1 Elected to the Board of Directors on May 10, 2011.
2 Retired from the Board of Directors on May 10, 2011.

Management Board

Effective September 1, 2011, Otto Schacht was appointed Executive Vice President Seafreight of the Group and Tim Scharwath appointed Executive Vice President Airfreight of the Group.

Peter Ulber, Executive Vice President Sea & Air Logistics of the Group, member of the Management Board until August 30, 2011, left the Group effective December 31, 2011.

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

Reinhard Lange, German, 1949

Apprenticeship and graduation in logistics.

Positions within the Kuehne + Nagel Group:

1971–1985	Head of Seafreight Import, Bremen, Germany
1985–1990	Regional Director Seafreight Asia-Pacific, Hong Kong
1990–1995	Member of the German Management Board responsible for Seafreight and industrial packing
1995–1999	President and Chief Executive Officer of Kuehne + Nagel Ltd., Toronto, Canada
1999–2008	Chief Operating Officer (COO) Sea & Air Logistics of the Group
2007–2008	Deputy CEO
2009–today	Chief Executive Officer of the Group, Chairman of the Management Board of KNI

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)
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 the certification committee ASIIN for degree courses in Business Informatics and 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

Dirk Reich, Swiss-German double citizen, 1963

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

Positions within the Kuehne + Nagel Group:

1995–2001	Senior Vice President Corporate Development
2001–today	Executive Vice President Contract Logistics of the Group
2008–2009	Company Secretary
2010–2011	Executive Vice President Road & Rail and Contract Logistics of the Group

Horst-Joachim (Otto) Schacht, German, 1959

Graduated as a shipping agent.
From 1978 to 1997 various positions with Hapag-Lloyd, including three years as United States Posting and 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
As of 01.09.2011	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
As of 01.09.2011	Executive Vice President Airfreight of the Group

Compensation, shareholdings and loans

The compensation allowed to the Board of Directors and Management Board is regulated and reviewed by the Nomination and Compensation Committee annually or when management contract tenures expire.

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

In 2011 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:

Board of Directors in CHF	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 Chairman and members	2,133,333	45,000	83,611	22,500
Total	**2,433,333**	**60,000**	**93,611**	**22,500**

1 Compensations are included in remuneration to the Chairman and the Management Board; refer to page 127, note 12 to the 2011 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 Company's net earnings; furthermore they have the possibility to participate in the Employee Share Purchase and Option Plan.

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

The total remuneration accrued for and paid to the members of the Board of Directors and the Management Board in the financial year 2011 amounted to CHF 17 million, of which CHF 15 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 remuneration accrued for and paid to the members of the Board of Directors and the Management Board can be found in note 12 to the 2011 Financial Statements of KNI.

Shareholders' participation

Restrictions and delegation of voting rights

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

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

Registered shares may only be represented by persons who are entered in the share register as shareholders or beneficiaries and who have a written power of attorney. 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 needed to deliberate each item on the agenda. In particular, this includes information for the appointment of new members to the Board of Directors and, in the event of changes to an article of association, the announcement of the new wording.

Agenda of the Annual General Meeting

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

Registration of shareholders into the share register

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

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

Changes of control and defence measures

Duty to make an offer

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

Clauses on changes of control

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

Statutory auditors

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

KPMG AG, Zurich, initially adopted the mandate for the business year 2002 as per declaration of acceptance dated May 8, 2002. The re-election for the business year 2011 was confirmed with the declaration of acceptance dated April 28, 2011. The lead auditor, Marc Ziegler, took over the mandate starting with the business year 2009. The rotation rhythm of the lead auditor 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 2011 amounted to CHF 3.8 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 2011 an amount of CHF 1 million was incurred related to consulting services.

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 2011 attended three Audit Committee meetings in the person of the audit partner in charge. In 2011 the audit partner 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 security matters, which are of increasing importance. Furthermore, Kuehne + Nagel provides up-to-date information on significant, business-related occurrences and organisational changes, and updates all general information on the Company continually.

The Annual Report covering the past financial year is available for download in extracts or in its entirety in English and German (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, detailed contact information per field of activity is available on Kuehne + Nagel's website, **www.kuehne-nagel.com**, to any persons interested.

Income Statement

CHF million	Note	2011	2010	Variance per cent
Invoiced turnover	20	**19,596**	**20,261**	**–3.3**
Customs duties and taxes		–3,378	–3,403	
Net invoiced turnover		**16,218**	**16,858**	**–3.8**
Net expenses for services from third parties		–10,320	–10,900	
Gross profit	20	**5,898**	**5,958**	**–1.0**
Personnel expenses	21	–3,386	–3,391	
Selling, general and administrative expenses	22	–1,542	–1,584	
Other operating income/expenses, net	23	8	21	
EBITDA		**978**	**1,004**	**–2.6**
Depreciation of property, plant and equipment	27	–154	–164	
Amortisation of other intangibles	28	–69	–75	
Impairment of other intangibles	28	–5	–	
EBIT		**750**	**765**	**–2.0**
Financial income	24	20	6	
Financial expenses	24	–8	–9	
Result from joint ventures and associates	20	4	5	
Earnings before tax (EBT)		**766**	**767**	**–0.1**
Income tax	25	–160	–162	
Earnings for the year		**606**	**605**	**0.2**
Attributable to:				
Equity holders of the parent company		**601**	**601**	**0.0**
Non-controlling interests		5	4	
Earnings for the year		**606**	**605**	**0.2**
Basic earnings per share in CHF	26	**5.04**	**5.06**	**–0.4**
Diluted earnings per share in CHF	26	**5.03**	**5.05**	**–0.4**

Statement of Comprehensive Income

CHF million	Note	2011	2010
Earnings for the year		**606**	**605**
Other comprehensive income			
Foreign exchange differences		–75	–296
Actuarial gains/(losses) on defined benefit plans, net of tax	36/25	–18	–15
Total other comprehensive income, net of tax		**–93**	**–311**
Total comprehensive income for the year		**513**	**294**
Attributable to:			
Equity holders of the parent company		509	290
Non-controlling interests		4	4

Balance Sheet

CHF million	Note	Dec. 31, 2011	Dec. 31, 2010
Assets			
Property, plant and equipment	27	1,146	1,083
Goodwill	28	696	590
Other intangibles	28	196	176
Investments in joint ventures	29	39	43
Deferred tax assets	25	162	166
Non-current assets		**2,239**	**2,058**
Prepayments		97	93
Work in progress	30	275	253
Trade receivables	31	2,278	2,077
Other receivables	32	149	129
Financial investments	33	252	–
Cash and cash equivalents	33/34	851	1,331
Current assets		**3,902**	**3,883**
Total assets		**6,141**	**5,941**
Liabilities and equity			
Share capital		120	120
Reserves and retained earnings		1,661	1,644
Earnings for the year		601	601
Equity attributable to the equity holders of the parent company		**2,382**	**2,365**
Non-controlling interests		23	13
Equity	35	**2,405**	**2,378**
Provisions for pension plans and severance payments	36	296	284
Deferred tax liabilities	25	156	173
Finance lease obligations	39	43	58
Non-current provisions	41	97	94
Non-current liabilities		**592**	**609**
Bank and other interest-bearing liabilities	38/39	44	49
Trade payables	40	1,285	1,201
Accrued trade expenses/deferred income	40	881	877
Current tax liabilities		106	114
Current provisions	41	64	69
Other liabilities	42	764	644
Current liabilities		**3,144**	**2,954**
Total liabilities and equity		**6,141**	**5,941**

Schindellegi, March 2, 2012

KUEHNE + NAGEL INTERNATIONAL AG

Reinhard Lange	Gerard van Kesteren
CEO	CFO

Statement of Changes in Equity

CHF million	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, 2010	120	684	–88	–345	–11	1,920	2,280	10	2,290
Earnings for the year	–	–	–	–	–	601	601	4	605
Other comprehensive income									
Foreign exchange differences	–	–	–	–296	–	–	–296	–	–296
Actuarial gains/(losses) on defined benefit plans, net of tax	–	–	–	–	–15	–	–15	–	–15
Total other comprehensive income, net of tax	**–**	**–**	**–**	**–296**	**–15**	**–**	**–311**	**–**	**–311**
Total comprehensive income for the year	**–**	**–**	**–**	**–296**	**–15**	**601**	**290**	**4**	**294**
Disposal of treasury shares	–	21	37	–	–	–	58	–	58
Dividend paid [1]	–	–	–	–	–	–273	–273	–1	–274
Expenses for employee share purchase and option plan	–	–	–	–	–	10	10	–	10
Total transactions with owners	**–**	**21**	**37**	**–**	**–**	**–263**	**–205**	**–1**	**–206**
Balance as of December 31, 2010	**120**	**705**	**–51**	**–641**	**–26**	**2,258**	**2,365**	**13**	**2,378**
Earnings for the year	–	–	–	–	–	601	601	5	606
Other comprehensive income									
Foreign exchange differences	–	–	–	–74	–	–	–74	–1	–75
Actuarial gains/(losses) on defined benefit plans, net of tax	–	–	–	–	–18	–	–18	–	–18
Total other comprehensive income, net of tax	**–**	**–**	**–**	**–74**	**–18**	**–**	**–92**	**–1**	**–93**
Total comprehensive income for the year	**–**	**–**	**–**	**–74**	**–18**	**601**	**509**	**4**	**513**
Purchase of treasury shares	–	–	–13	–	–	–	–13	–	–13
Disposal of treasury shares	–	9	19	–	–	–	28	–	28
Dividend paid [1]	–	–	–	–	–	–328	–328	–1	–329
Distribution from capital contribution reserves	–	–179	–	–	–	–	–179	–	–179
Expenses for employee share purchase and option plan	–	–	–	–	–	7	7	–	7
Total contributions by and distributions to owners	**–**	**–170**	**6**	**–**	**–**	**–321**	**–485**	**–1**	**–486**
Acquisition of subsidiaries with non-controlling interests	–	–	–	–	–	1	1	7	8
Transaction with non-controlling interests [2]	–	–	–	–	–	–8	–8	–	–8
Total transactions with owners	**–**	**–170**	**6**	**–**	**–**	**–328**	**–492**	**6**	**–486**
Balance as of December 31, 2011	**120**	**535**	**–45**	**–715**	**–44**	**2,531**	**2,382**	**23**	**2,405**

1 CHF 2.75 per share (2010: CHF 2.30 per share).

2 The movement in retained earnings includes a put option for an acquisition of non-controlling interests in one of the Group's subsidiaries, see note 43.

Cash Flow Statement

CHF million	Note	2011	2010
Cash flow from operating activities			
Earnings for the year		606	605
Reversal of non-cash items:			
Income tax	25	160	162
Financial income	24	–20	–6
Financial expenses	24	8	9
Result from joint ventures and associates	29	–4	–5
Depreciation of property, plant and equipment	27	154	164
Amortisation of other intangibles	28	69	75
Impairment of other intangibles	28	5	–
Expenses for employee share purchase and option plan	21	7	10
Gain on disposal of property, plant and equipment	23	–12	–30
Loss on disposal of property, plant and equipment	23	4	4
Net addition to provisions for pension plans and severance payments		1	4
Subtotal operational cash flow		**978**	**992**
(Increase)/decrease work in progress		–27	–57
(Increase)/decrease trade and other receivables, prepayments		–216	–329
Increase/(decrease) other liabilities		59	33
Increase/(decrease) provisions		–	18
Increase/(decrease) trade payables, accrued trade expenses/deferred income		105	356
Income taxes paid		–219	–148
Total cash flow from operating activities		**680**	**865**
Cash flow from investing activities			
Capital expenditure			
– Property, plant and equipment	27	–207	–147
– Other intangibles	28	–11	–19
Disposal of property, plant and equipment		18	56
Acquisition of subsidiaries, net of cash acquired	43	–174	–3
Purchase of financial investments	33	–281	–
Disposal of financial investments	33	30	–
Interest received		12	4
(Increase)/decrease of share capital in joint ventures	29	3	–36
Dividend received from joint ventures and associates		4	4
Total cash flow from investing activities		**–606**	**–141**
Cash flow from financing activities			
Proceeds from interest-bearing liabilities		4	–
Repayment of interest-bearing liabilities		–37	–43
Interest paid		–8	–7
Purchase of treasury shares	35	–13	–
Disposal of treasury shares	35	28	58
Dividend paid to equity holders of parent company	35	–328	–273
Distribution from capital contribution reserves	35	–179	–
Dividend paid to non-controlling interests		–1	–1
Total cash flow from financing activities		**–534**	**–266**
Exchange difference on cash and cash equivalents		–20	–114
Increase/(decrease) in cash and cash equivalents		**–480**	**344**
Cash and cash equivalents at the beginning of the year, net	34	**1,315**	**971**
Cash and cash equivalents at the end of the year, net	34	**835**	**1,315**

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, the overland and contract logistics businesses.

The Consolidated Financial Statements of the Company for the year ended December 31, 2011, 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, 2011. 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 conformity with IFRS requires 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 the next year 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, 2010.

The amended standards and the new or amended interpretations that are effective for the 2011 reporting year 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 2012 and later

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

Standard/interpretation	Effective date	Planned application
Amendments to IFRS 7 Disclosures – Transfers of Financial Assets [1]	1 July 2011	reporting year 2012
Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets [1]	1 January 2012	reporting year 2012
Amendments to IAS 1 Presentation of Items of Other Comprehensive Income [2]	1 July 2012	reporting year 2013
Amended IAS 19 Employee Benefits [2]	1 January 2013	reporting year 2013
IFRS 10 Consolidated Financial Statements [3]	1 January 2013	reporting year 2013
IFRS 11 Joint Arrangements [1]	1 January 2013	reporting year 2013
IFRS 12 Disclosure of Interests in Other Entities [2]	1 January 2013	reporting year 2013
Amended IAS 28 Investments in Associates and Joint Ventures [1]	1 January 2013	reporting year 2013
IFRS 13 Fair Value Measurement [2]	1 January 2013	reporting year 2013
Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities [1]	1 January 2013	reporting year 2013
Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities [1]	1 January 2014	reporting year 2014
IFRS 9 Financial Instruments [3]	1 January 2015	reporting year 2015
IFRS 9 Financial Instruments and related amendments to IFRS 7 regarding transition [1]	1 January 2015	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.

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

4 Scope of consolidation

The Group's significant subsidiaries and joint ventures are listed on pages 114 to 119. The more significant changes in the scope of consolidation in 2011 relate to the following companies (for further information on the financial impact of acquisitions refer to note 43):

	Capital share [1] acquired in per cent equals voting rights	Currency	Share capital in 1,000	Acquisition/ incorporation date
Acquisition				
Rennies Investment Ltd., Great Britain	100	GBP	< 1	April 1, 2011
Cooltainer Holdings Limited, New Zealand	75	NZD	1,200	April 1, 2011
Eichenberg Group, Brazil	100	BRL	5,349	September 1, 2011
K-Logistics, France	100	EUR	91	September 2, 2011
J. van de Put Fresh Cargo Handling B.V., the Netherlands	100	EUR	18	October 1, 2011
Carl Drude GmbH & Co. KG, Germany	100	EUR	250	October 24, 2011
Amex Ltd., Israel [2]	12.5	ILS	2	December 1, 2011
Incorporation				
Nacora S.A., Colombia	100	COP	20	April 1, 2011
Kuehne + Nagel Syria LLC, Syria	100	SYP	7,000	July 1, 2011
Masika Limited, Kenya	100	KES	40	October 1, 2011
KN Ibrakom Lojistik Hizmetleri Ltd. Sti., Turkey	60	TRY	945	November 1, 2011

1 For the capital share as per December 31, 2011, please refer to the list of the Group's significant subsidiaries and joint ventures on pages 114 to 119.

2 The Group previously owned 75 per cent of the share capital and applied the full consolidation method.

There were no significant divestments in the year 2011.

The more significant changes in the scope of consolidation for the year 2010 are related to the following companies:

	Capital share [1] acquired in per cent equals voting rights	Currency	Share capital in 1,000	Acquisition/ incorporation date
Acquisition				
Nacora Insurance Brokers Ltd., Taiwan [2]	30	TWD	6,000	June 18, 2010
Incorporation				
Kuehne + Nagel Management ME FZE, United Arab Emirates	100	AED	1,000	January 1, 2010
Stute Stahlservice GmbH, Germany	100	EUR	25	February 1, 2010
Kuehne + Nagel Management S.A., Panama	100	USD	10	December 1, 2010

1 For the capital share as per December 31, 2010, please refer to the list of the Group's significant subsidiaries and joint ventures on pages 114 to 119.

2 The Group previously owned 70 per cent of share capital and applied the full consolidation method. The main activity is Insurance Brokers.

There were no significant divestments in the year 2010.

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. When 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

When 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 fair value, against equity. When 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

Subsidiaries are companies controlled, directly or indirectly, by the Group, where control is defined as the power to govern financial and operating policies of a company so as to obtain benefits from its activities. This control is normally evidenced when 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

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

Transactions eliminated on consolidation

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

Foreign exchange translation

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

	2011 CHF	Variance per cent	2010 CHF
EUR 1.–	1.2350	–10.9	1.3864
USD 1.–	0.8908	–14.6	1.0430
GBP 1.–	1.4226	–11.7	1.6119

Balance sheet (year-end rates)

	2011 CHF	Variance per cent	2010 CHF
EUR 1.–	1.2222	–2.8	1.2578
USD 1.–	0.9353	–1.9	0.9532
GBP 1.–	1.4632	–0.5	1.4712

6 Financial assets and liabilities

The accounting policy applied to financial instruments depends on how they are classified. 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 recognition. 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 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 could 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, 2011 and 2010, 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 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 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.

Where an asset's recoverable amount is less than its carrying amount, the asset is written down to its recoverable amount. All resultant impairment losses (after 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 may earn revenues and incur 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:

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

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

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 on the transaction is deferred and amortised over the period the asset is expected to be used. If the fair value at the time of the sale and lease-back transaction is less than the carrying 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 on 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 and their fair value can be reliably estimated. Software is amortised over its estimated useful life, three years maximum. Other intangibles are amortised on a straight line basis over their estimated useful life (up to ten years maximum). There are no intangibles with indefinite useful life recognised in the Group's balance sheet.

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 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

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

Calculation of a recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment losses

An impairment loss in respect of goodwill is not reversed. In respect 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.

15 Pension plans, severance payments and share participation plans

Some consolidated companies maintain pension plans in favour of their personnel in addition to the legally 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 Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and previous periods; that benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. 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

The Group has a share purchase and option plan that allows Group employees to acquire shares of the Company. The employees can buy shares at a reduced price at a cut-off date. For each share purchased under this plan, the company grants two options to the participants. Each option entitles the participant to purchase one share of Kuehne + Nagel International AG at a pre-defined price. A service condition must be met to be eligible to receive options. For further details about the programmes, refer to note 37.

For the share purchase plan, the difference between the fair value of the shares at purchase date and the purchase price of the shares is recognised as a 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, adjusted to take into account terms and conditions upon which the shares were granted.

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

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 completed and invoiced.

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

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

When a service is completed and not invoiced, related costs are deferred as work in progress.

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 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 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 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 customer's 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 the same transportation mode within a reportable segment. In addition to common business processes and management routines, mainly transportation mode is the same within a reportable segment. For the reportable segment Contract Logistics the services performed are related to customer contracts for warehouse 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	2011	2010	2011	2010	2011	2010	2011	2010
Invoiced turnover (external customers)	**19,596**	**20,261**	**8,330**	**8,996**	**4,020**	**4,044**	**2,967**	**2,776**
Invoiced inter-segment turnover	–	–	1,582	1,752	2,305	2,281	1,185	855
Customs duties and taxes	-3,378	-3,403	-2,231	-2,265	-616	-692	-282	-233
Net invoiced turnover	**16,218**	**16,858**	**7,681**	**8,483**	**5,709**	**5,633**	**3,870**	**3,398**
Net expenses for services from third parties	-10,320	-10,900	-6,427	-7,259	-4,914	-4,884	-3,013	-2,573
Gross profit	**5,898**	**5,958**	**1,254**	**1,224**	**795**	**749**	**857**	**825**
Total expenses	-4,920	-4,954	-816	-783	-543	-515	-815	-782
EBITDA	**978**	**1,004**	**438**	**441**	**252**	**234**	**42**	**43**
Depreciation of property, plant and equipment	-154	-164	-17	-16	-10	-12	-30	-34
Amortisation of other intangibles	-69	-75	-8	-9	-7	-6	-25	-26
Impairment of other intangibles	-5	–	-2	–	-3	–	–	–
EBIT (segment profit/(loss))	**750**	**765**	**411**	**416**	**232**	**216**	**-13**	**-17**
Financial income	20	6						
Financial expenses	-8	-9						
Result from joint ventures and associates	4	5	2	3	–	–	1	2
Earnings before tax (EBT)	**766**	**767**						
Income tax	-160	-162						
Earnings for the year	**606**	**605**						
Attributable to:								
Equity holders of the parent company	**601**	**601**						
Non-controlling interests	5	4						
Earnings for the year	**606**	**605**						
Additional information not regularly reported to CODM								
Non-current segment assets	2,239	2,058	121	61	65	37	364	283
Segment assets	6,141	5,941	1,186	1,087	642	492	770	658
Segment liabilities	3,736	3,563	1,110	1,088	641	568	580	511
Allocation of goodwill	696	590	45	23	39	14	217	152
Allocation of other intangibles	196	176	25	20	26	11	94	73
Capital expenditure property, plant and equipment	207	134	22	13	15	10	81	21
Capital expenditure other intangibles	11	17	2	5	2	3	1	3
Property, plant and equipment, goodwill and intangibles through business combinations	263	3	47	–	53	–	157	3
Non-cash expenses	104	119	15	15	11	12	17	18

	Contract Logistics		Real Estate		Insurance Brokers		Total Reportable Segments		Eliminations		Unallocated corporate	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	4,168	**4,316**	**2**	**4**	**109**	**125**	**19,596**	**20,261**	**–**	**–**	**–**	**–**
	151	115	74	78	58	60	5,355	5,141	-5,355	-5,141	–	–
	-249	-213	–	–	–	–	-3,378	-3,403	–	–	–	–
	4,070	**4,218**	**76**	**82**	**167**	**185**	**21,573**	**21,999**	**-5,355**	**-5,141**	**–**	**–**
	-1,116	-1,099	–	–	-131	-148	-15,601	-15,963	5,281	5,063	–	–
	2,954	**3,119**	**76**	**82**	**36**	**37**	**5,972**	**6,036**	**-74**	**-78**	**–**	**–**
	-2,793	-2,931	-10	-3	-17	-18	-4,994	-5,032	74	78	–	–
	161	**188**	**66**	**79**	**19**	**19**	**978**	**1,004**	**–**	**–**	**–**	**–**
	-70	-77	-27	-25	–	–	-154	-164	–	–	–	–
	-28	-34	–	–	-1	–	-69	-75	–	–	–	–
	–	–	–	–	–	–	-5	–	–	–	–	–
	63	**77**	**39**	**54**	**18**	**19**	**750**	**765**	**–**	**–**	**–**	**–**
	1	–	–	–	–	–	4	5	–	–	–	–
	573	596	915	872	–	–	2,038	1,849	–	–	201	209
	1,308	1,270	919	883	12	11	4,837	4,401	–	–	1,304	1,540
	984	933	14	15	58	54	3,387	3,169	–	–	349	394
	395	401	–	–	–	–	696	590	–	–	–	–
	51	72	–	–	–	–	196	176	–	–	–	–
	17	56	72	34	–	–	207	134	–	–	–	–
	6	6	–	–	–	–	11	17	–	–	–	–
	5	–	–	–	1	–	263	3	–	–	–	–
	47	59	–	–	14	15	104	119	–	–	–	–

b) Geographical information

CHF million	Total 2011	Total 2010	Europe 2011	Europe 2010	Americas 2011	Americas 2010
Invoiced turnover (external customers)	**19,596**	**20,261**	**12,396**	**12,978**	**4,017**	**3,985**
Invoiced inter-region turnover	–	–	3,186	2,811	676	665
Customs duties and taxes	-3,378	-3,403	-1,971	-1,986	-720	-688
Net invoiced turnover	**16,218**	**16,858**	**13,611**	**13,803**	**3,973**	**3,962**
Net expenses for services from third parties	-10,320	-10,900	-9,331	-9,394	-3,095	-3,103
Gross profit	**5,898**	**5,958**	**4,280**	**4,409**	**878**	**859**
Total expenses	-4,920	-4,954	-3,716	-3,816	-729	-707
EBITDA	**978**	**1,004**	**564**	**593**	**149**	**152**
Depreciation of property, plant and equipment	-154	-164	-119	-129	-19	-19
Amortisation of other intangibles	-69	-75	-62	-67	-4	-4
Impairment of other intangibles	-5	–	-5	–	–	–
EBIT	**750**	**765**	**378**	**397**	**126**	**129**
Financial income	20	6				
Financial expenses	-8	-9				
Result from joint ventures and associates	4	5	4	5	–	–
Earnings before tax (EBT)	**766**	**767**				
Income tax	-160	-162				
Earnings for the year	**606**	**605**				
Attributable to:						
Equity holders of the parent company	**601**	**601**				
Non-controlling interests	5	4				
Earnings for the year	**606**	**605**				
Non-current assets	**2,239**	**2,058**	**1,678**	**1,588**	**233**	**181**
Additional information not regularly reported to CODM						
Segment assets	6,141	5,941	3,408	3,179	821	712
Segment liabilities	3,736	3,563	2,382	2,294	538	445
Allocation of goodwill	696	590	555	500	114	84
Allocation of other intangibles	196	176	165	176	21	–
Capital expenditure property, plant and equipment	207	134	157	93	22	26
Capital expenditure other intangibles	11	17	10	15	–	–
Property, plant and equipment, goodwill and intangibles through business combinations	263	3	160	–	59	–
Non-cash expenses	104	119	81	105	15	10

	Asia-Pacific		Middle East, Central Asia and Africa		Eliminations		Unallocated corporate	
	2011	2010	2011	2010	2011	2010	2011	2010
	1,829	**1,908**	**1,354**	**1,390**	**–**	**–**	**–**	**–**
	1,190	1,303	229	207	–5,281	–4,986	–	–
	–202	–197	–485	–532	–	–	–	–
	2,817	**3,014**	**1,098**	**1,065**	**–5,281**	**–4,986**	**–**	**–**
	–2,256	–2,497	–919	–892	5,281	4,986	–	–
	561	**517**	**179**	**173**	**–**	**–**	**–**	**–**
	–334	–296	–141	–135	–	–	–	–
	227	**221**	**38**	**38**	**–**	**–**	**–**	**–**
	–10	–10	–6	–6	–	–	–	–
	–2	–4	–1	–	–	–	–	–
	–	–	–	–	–	–	–	–
	215	**207**	**31**	**32**	**–**	**–**	**–**	**–**
	–	–	–	–	–	–	–	–
	81	**37**	**46**	**43**	**–**	**–**	**201**	**209**
	343	278	265	232	–	–	1,304	1,540
	305	295	162	135	–	–	349	394
	21	–	6	6	–	–	–	–
	10	–	–	–	–	–	–	–
	15	8	13	7	–	–	–	–
	1	2	–	–	–	–	–	–
	43	3	1	–	–	–	–	–
	6	2	2	2	–	–	–	–

b) Geographical information

Country information

CHF million	2011 Non-current assets	2011 Invoiced turnover	2010 Non-current assets	2010 Invoiced turnover
Switzerland [1]	6	352	6	265
Germany [1]	511	3,984	482	4,155
USA [2]	114	2,029	129	2,114
China [3]	6	603	4	659
South Africa [4]	2	459	2	492

1 Part of region Europe.
2 Part of region Americas.
3 Part of region Asia-Pacific.
4 Part of region Middle East, Central Asia and Africa.

21 Personnel expenses

CHF million	2011	2010
Salaries and wages	2,711	2,696
Social expenses and employee benefits	588	598
Expenses for employee share purchase and option plans	7	10
Pension plan expenses		
– defined benefit plans	20	21
– defined contribution plans	49	48
Other	11	18
Total	**3,386**	**3,391**

22 Selling, general and administrative expenses

CHF million	2011	2010
Administration	201	192
Communication	74	78
Travel and promotion	86	80
Vehicles	293	325
Operating expenses	242	199
Facilities	633	697
Bad debt and collection expenses	13	13
Total	**1,542**	**1,584**

23 Other operating income/expenses, net

CHF million	2011	2010
Gain on disposal of property, plant and equipment	12	30
Loss on disposal of property, plant and equipment	–4	–4
Provision for competition investigations and associated legal expenses [1]	–	–5
Total	**8**	**21**

1 See also notes 41 and 45.

24 Financial income and expenses

CHF million	2011	2010
Interest income	10	4
Net change in fair value of financial investments, including derivative instruments	2	–
Exchange differences, net	8	2
Financial income	**20**	**6**
Interest expenses	–8	–9
Financial expenses	**–8**	**–9**
Net financial result	**12**	**–3**

25 Income tax

CHF million	2011	2010
Current tax expense		
– in current year	173	185
– under/(over)-provided in previous years	1	1
	174	**186**
Deferred tax expense from		
– changes in temporary differences	4	–9
– impact of deferred tax assets not recognised previously	–18	–15
	–14	**–24**
Income tax	**160**	**162**

Income tax of CHF 1 million (2010: CHF –3 million) relating to actuarial gains and losses of CHF 17 million before tax (2010: CHF 18 million) arising from defined benefit plans is recognised in other comprehensive income.

Reconciliation of the effective tax rate

CHF million	2011	per cent	2010	per cent
Earnings before tax according to the income statement	766		767	
Income tax/expected tax rate	**154**	**20.1**	**159**	**20.7**
Tax effect on				
– tax exempt (income)/expenses	12	1.6	15	2.0
– tax losses (utilised)/expired	-7	-0.9	-10	-1.3
– change of deferred tax assets not recognised	-18	-2.3	-15	-2.0
– under/(over)-provided in previous years	1	0.1	1	0.1
– withholding taxes	9	1.2	7	0.9
– other	9	1.2	5	0.7
Income tax/effective tax rate	**160**	**20.9**	**162**	**21.1**

Deferred tax assets and liabilities

	Assets [1]		Liabilities [1]		Net [1]	
CHF million	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Property, plant and equipment	34	36	-73	-98	-39	-62
Goodwill and other intangibles	24	18	-54	-50	-30	-32
Trade receivables	17	15	-4	-2	13	13
Other receivables	4	5	-23	-21	-19	-16
Finance lease obligations	19	30	–	–	19	30
Provisions for pension plans and severance payments	8	9	-1	–	7	9
Other liabilities	50	46	-1	-2	49	44
Tax value of loss carry-forwards recognised	6	7	–	–	6	7
Tax assets/(liabilities)	**162**	**166**	**-156**	**-173**	**6**	**-7**
[1] of which acquired in business combinations (opening balance sheet)	4	–	-18	–	-14	–

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, 2011	Dec. 31, 2010
On tax losses	59	39
Deductible temporary differences	23	42
Total	**82**	**81**

It is not probable that future taxable profits will be available against which the unrecognised deferred tax assets can be used. The substantial part 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.

	2011	2010
Earnings for the year attributable to the equity holders of the parent company in CHF million	**601**	**601**
Weighted average number of ordinary shares outstanding during the year	119,257,580	118,735,266
Dilutive effect on shares:		
Share options	179,875	267,504
Adjusted weighted number of ordinary shares applicable to diluted earnings per share	119,437,455	119,002,770
Basic earnings per share in CHF	**5.04**	**5.06**
Diluted earnings per share in CHF	**5.03**	**5.05**

27 Property, plant and equipment

2011

CHF million	Properties including buildings on third parties' land	Properties, buildings under finance leases	Other operating and office equipment under finance leases	Other operating and office equipment	Total
Cost					
Balance as of January 1, 2011	733	247	48	572	1,600
Additions through business combinations	30	–	4	20	54
Other additions	72	–	2	133	207
Disposals	–7	–	–12	–69	–88
Adjustments/transfers	45	–48	3	–	–
Effect of movements in foreign exchange	–25	–7	–1	–34	–67
Balance as of December 31, 2011	**848**	**192**	**44**	**622**	**1,706**
Accumulated depreciation and impairment losses					
Balance as of January 1, 2011	99	13	26	379	517
Depreciation charge for the year	23	4	11	116	154
Disposals	–5	–	–8	–65	–78
Adjustments/transfers	7	–7	–	–	–
Effect of movements in foreign exchange	–4	–1	–1	–27	–33
Balance as of December 31, 2011	**120**	**9**	**28**	**403**	**560**
Carrying amount					
As of January 1, 2011	**634**	**234**	**22**	**193**	**1,083**
As of December 31, 2011	**728**	**183**	**16**	**219**	**1,146**

Fire insurance value as of December 31, 2011: CHF 1,788 million. No restriction on the title exists except for items under finance leases as of December 31, 2011.

2010

CHF million	Properties including buildings on third parties' land	Properties, buildings under finance leases	Other operating and office equipment under finance leases	Other operating and office equipment	Total
Cost					
Balance as of January 1, 2010	838	295	67	705	1,905
Additions through business combinations	–	–	–	1	1
Other additions	28	–	–	106	134
Disposals	–22	–	–7	–107	–136
Adjustments/transfers	–4	–	–	4	–
Effect of movements in foreign exchange	–107	–48	–12	–137	–304
Balance as of December 31, 2010	**733**	**247**	**48**	**572**	**1,600**
Accumulated depreciation and impairment losses					
Balance as of January 1, 2010	107	11	19	467	604
Depreciation charge for the year	19	5	16	124	164
Disposals	–10	–	–4	–94	–108
Effect of movements in foreign exchange	–17	–3	–5	–118	–143
Balance as of December 31, 2010	**99**	**13**	**26**	**379**	**517**
Carrying amount					
As of January 1, 2010	731	284	48	238	1,301
As of December 31, 2010	634	234	22	193	1,083

Fire insurance value as of December 31, 2010: CHF 1,702 million. No restriction on the title exists except for items under finance leases as of December 31, 2010.

28 Goodwill and other intangibles

2011

CHF million	Goodwill	Other intangibles [1]
Cost		
Balance as of January 1, 2011	615	556
Addition through business combinations	121	88
Other additions	–	11
Deletions	–	–2
Effect of movements in foreign exchange	–19	–14
Balance as of December 31, 2011	**717**	**639**
Accumulated amortisation and impairment losses		
Balance as of January 1, 2011	25	380
Amortisation charge for the year	–	69
Impairment loss	–	5 [2]
Deletions	–	–2
Effect of movements in foreign exchange	–4	–9
Balance as of December 31, 2011	**21**	**443**
Carrying amount		
As of January 1, 2011	**590**	**176**
As of December 31, 2011	**696**	**196**

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

2 The impairment charge of CHF 5 million relates to other intangibles pertaining to reportable segments Seafreight and Airfreight recognised upon the acquisition of J. Martens Group, Norway, due to loss of customer contracts.

2010

CHF million	Goodwill	Other intangibles [1]
Cost		
Balance as of January 1, 2010	726	660
Addition through business combinations	–	2
Other additions	–	17
Deletions	–	–24
Effect of movements in foreign exchange	–111	–99
Balance as of December 31, 2010	**615**	**556**
Accumulated amortisation and impairment losses		
Balance as of January 1, 2010	45	387
Amortisation charge for the year	–	75
Deletions	–	–14
Effect of movements in foreign exchange	–20	–68
Balance as of December 31, 2010	**25**	**380**
Carrying amount		
As of January 1, 2010	**681**	**273**
As of December 31, 2010	**590**	**176**

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

Impairment testing of goodwill

The Group has performed impairment tests of goodwill at the end of the financial years 2011 and 2010. For the purpose of impairment testing, goodwill is allocated to cash generating units which are expected to benefit from the synergies of the corresponding business combination. The allocation of goodwill to reportable segments and geographical regions is 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 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 tested for impairment.

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 – 2011	
Carrying amount of goodwill in CHF million	**83**	**291**	**88**	**234**	**696**
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 2011	12.2	11.6 – 13.5	12.3	11.1 – 17.9	
Pre-tax discount rate in per cent 2010	13.3	12.0 – 14.6	12.3	11.2 – 12.7	
Projection period	3 years	3 years	3 years	3 years	
Terminal growth rate in per cent	1.5	1.5	1.5	1.5	

1 ACR Group Europe goodwill relates to Great Britain (CHF 98 million), France (CHF 69 million), the Netherlands (CHF 57 million) and other various countries (CHF 67 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 30 million), RH Group, United Kingdom (CHF 53 million), Cooltainer, New Zealand (CHF 21 million), Eichenberg Group, Brazil (CHF 23 million), J. Van de Put, the Netherlands (CHF 12 million).

Key assumptions have not changed from previous year with the exception of discount rates used. For both 2011 and 2010, all recoverable amounts exceeded their carrying amounts and consequently no impairment of goodwill was recognised for the years 2011 and 2010.

Management considers that it is not likely for the assumptions used to change so significantly as to eliminate the excess. 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:

	Discount rate			
CHF million	12.0 per cent	13.0 per cent	14.0 per cent	15.0 per cent
Growth rate				
0.0 per cent	26	18	10	4
0.5 per cent	30	21	13	6
1.0 per cent	34	24	16	8
1.5 per cent	38	27	18	11

Sensitivity analysis of goodwill ACR Group

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

	Discount rate			
CHF million	14.0 per cent	15.0 per cent	16.0 per cent	17.0 per cent
Growth rate				
0.0 per cent	529	478	433	393
0.5 per cent	550	495	448	407
1.0 per cent	572	514	464	420
1.5 per cent	596	535	481	435

Sensitivity analysis of goodwill Alloin Group

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

	Discount rate			
CHF million	13.0 per cent	14.0 per cent	15.0 per cent	16.0 per cent
Growth rate				
0.0 per cent	46	33	22	12
0.5 per cent	51	37	26	16
1.0 per cent	57	42	30	19
1.5 per cent	63	47	34	23

29 Investments in joint ventures

As of December 31, 2011, the following investments in joint ventures are held (all with 50 per cent voting rights / KN share):

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

* During 2010 additional share capital of CHF 36 million was contributed to close existing long-term finance facilities.

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

CHF million	Dec. 31, 2011	Dec. 31, 2010
Non-current assets	54	67
Current assets	59	36
Non-current liabilities	–	2
Current liabilities	34	16
Net invoiced turnover	303	376
Earnings for the year	–	1

No investments in associates were held at December 31, 2011 and 2010.

30 Work in progress

The position increased from CHF 253 million in 2010 to CHF 275 million in 2011 which represents a billing delay of 5 working days against the previous year's 4.6 working days.

31 Trade receivables

CHF million	2011	2010
Trade receivables	2,345	2,134
Impairment allowance	–67	–57
Total trade receivables	**2,278**	**2,077**

The majority of all billing is done in the respective Group companies' own functional currencies and is mainly in EUR 45.2 per cent (2010: 47.4 per cent), USD 12.6 per cent (2010: 13.3 per cent) and GBP 8.9 per cent (2010: 6.9 per cent).

No trade receivables in 2011 and 2010 are pledged.

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

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 67 million (2010: CHF 57 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 companies in the USA and customers operating with significant financial difficulties (such as negative equity). The impairment allowance for individually significant exposures is CHF 42 million at year-end 2011 (2010: CHF 37 million).

The collective impairment allowance based on overdue trade receivables is estimated considering past experience of payment statistics. The Group has established a collective impairment allowance of CHF 25 million (2010: CHF 20 million) which represents 2.6 per cent (2010: 2.3 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 track record with the Group and are subject to yearly credit risk assessments. Therefore, the Group does not believe that an additional impairment allowance for these trade receivables is necessary.

CHF million	2011 Gross (excluding insured receivables and individual allowance)	2011 Collective allowance	2011 Collective allowance per cent of subtotal	2010 Gross (excluding insured receivables and individual allowance)	2010 Collective allowance	2010 Collective allowance per cent of subtotal
Not past due	658	–	–	610	–	–
Past due 1–30 days	194	–	–	176	–	–
Past due 31–90 days	65	3	5	42	3	5
Past due 91–180 days	17	2	10	14	1	10
Past due 181–360 days	15	15	100	12	12	100
More than 1 year	5	5	100	4	4	100
Total	**954**	**25**	**2.6**	**858**	**20**	**2.3**

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

CHF million	2011 Individual allowance	2011 Collective allowance	2011 Total allowance	2010 Individual allowance	2010 Collective allowance	2010 Total allowance
Balance as of January 1	37	20	57	52	20	72
Additions through business combinations	–	3	3	–	–	–
Additional impairment losses recognised	18	7	25	13	4	17
Reversal of impairment losses and write-offs	–13	–5	–18	–28	–4	–32
Balance as of December 31	**42**	**25**	**67**	**37**	**20**	**57**

Trade receivables outstanding at year-end averaged 42.2 days (2010: 37.8 days). 94.4 per cent (2010: 94.9 per cent) of the total trade receivables were outstanding between 1 and 90 days.

32 Other receivables

CHF million	Dec. 31, 2011	Dec. 31, 2010
Receivables from tax authorities	80	57
Deposits	29	29
Other	40	43
Total	**149**	**129**

The majority of the other receivables are held in the respective Group companies' own functional currencies which represents EUR 45.9 per cent (2010: 49.3 per cent), USD 19 per cent (2010: 17.6 per cent) and GBP 0.7 per cent (2010: 0.2 per cent).

33 Financial investments and derivative instruments

Financial investments

Maturity from date of acquisition CHF million	2011 < 3 months	2011 > 3 months	2011 Total	2010 < 3 months	2010 > 3 months	2010 Total
Investments in sovereign debt securities						
– denominated in foreign currency (EUR)	61	152	213	–	–	–
– denominated in Swiss francs (CHF)	–	63	63	–	–	–
Investments in corporate debt securities						
– denominated in foreign currency (EUR)	–	35	35	–	–	–
Total	**61**	**250**	**311**	**–**	**–**	**–**

The investments in debt securities are designated as assets at fair value through profit or loss. Financial investments having a maturity date of 3 months or less from the date of acquisition are presented in cash and cash equivalents.

Derivative instruments

CHF million	2011 Derivative assets	2011 Derivative liabilities	2010 Derivative assets	2010 Derivative liabilities
Forward foreign exchange contracts				
– fair value	2		–	
– notional amount	259		–	

The remaining life of the derivative instruments is between 4 and 116 days.

34 Cash and cash equivalents

CHF million	Dec. 31, 2011	Dec. 31, 2010
Cash in hand	3	2
Cash at banks	694	755
Short-term deposits	93	574
Financial investments	61	–
Cash and cash equivalents	**851**	**1,331**
Bank overdraft	–16	–16
Cash and cash equivalents in the cash flow statement, net	**835**	**1,315**

The majority of the above mentioned amounts is held in commercial banks and cash and cash equivalents are 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 2011

2011	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	53.6	63,900,000
Public shareholders	55,408,099	55	46.1	46.4	55,222,520
Entitled to voting rights and dividends	**119,308,099**	**119**	**99.4**	**100.0**	**119,122,520**
Treasury shares	691,901	1	0.6		877,480
Total	**120,000,000**	**120**	**100.0**		**120,000,000**

In 2011 the Company sold 309,089 (2010: 648,271) treasury shares for CHF 28 million (2010: CHF 58 million) under the Employee Share Purchase and Option Plan. The Company also purchased 123,510 treasury shares for CHF 13 million (2010: none).

On December 31, 2011, the Company had 691,901 treasury shares (2010: 877,480), of which 691,901 (2010: 877,480) are blocked under the Employee Share Purchase and Option Plan; 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	
2012	CHF 3.85	459	(2011: CHF 2.75 per share amounting to CHF 328 million)

Capital contribution reserves distribution

During the year 2011 CHF 1.50 per share amounting to CHF 179 million in total was distributed to the shareholders from capital contribution reserves.

Share capital and treasury shares 2010

2010	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	53.6	64,900,000
Public shareholders	55,222,520	55	46.0	46.4	53,574,249
Entitled to voting rights and dividends	**119,122,520**	**119**	**99.3**	**100.0**	**118,474,249**
Treasury shares	877,480	1	0.7		1,525,751
Total	**120,000,000**	**120**	**100.0**		**120,000,000**

Authorised and conditional share capital

The Annual General Meeting held on May 18, 2010, extended its authorisation of authorised share capital up to a maximum of CHF 20 million by a further two years until May 8, 2012. 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.

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.

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

Capital Management

The Group defines the capital that it manages 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	2011	2010	2009	2008	2007
Total equity	2,405	2,378	2,290	2,073	2,367
Total assets	6,141	5,941	5,933	5,555	6,438
Equity ratio in per cent	**39.2**	**40.0**	**38.6**	**37.3**	**36.8**

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

CHF million	Pension plans	Severance payments	Total
Balance as of January 1, 2010	**273**	**34**	**307**
Addition through business combinations	1	–	1
Provisions made	21	11	32
Provisions used	–22	–4	–26
Actuarial (gains)/losses recognised in equity, excluding tax	17	–	17
Effect of movements in foreign exchange	–42	–5	–47
Balance as of December 31, 2010	**248**	**36**	**284**
Addition through business combinations	–	–	–
Provisions made	20	2	22
Provisions used	–17	–2	–19
Actuarial (gains)/losses recognised in equity, excluding tax	17	–	17
Effect of movements in foreign exchange	–7	–1	–8
Balance as of December 31, 2011	**261**	**35**	**296**

	2011			2010		
CHF million	Funded plans	Unfunded plans	Total	Funded plans	Unfunded plans	Total
Present value of obligations	161	218	379	126	220	346
Fair value of plan assets	–118	–	–118	–98	–	–98
Present value of net obligations	43	218	261	28	220	248
Recognised liability for defined benefit obligations	**43**	**218**	**261**	**28**	**220**	**248**
Pension plan assets						
Debt securities	68	–	68	60	–	60
Equity securities	27	–	27	17	–	17
Property	9	–	9	8	–	8
Others	14	–	14	13	–	13
Total	**118**	**–**	**118**	**98**	**–**	**98**

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.

CHF million	2011 Funded plans	2011 Unfunded plans	2011 Total	2010 Funded plans	2010 Unfunded plans	2010 Total
Movements of fair value of plan assets						
Opening fair value of plan assets	98	–	98	89	–	89
Contributions paid into the plan – Employer	7	–	7	8	–	8
Contributions paid into the plan – Employee	4	–	4	3	–	3
Actuarial gains/(losses) recognised in other comprehensive income	–6	–	–6	2	–	2
Benefits paid by the plan	–4	–	–4	–	–	–
Expected return on plan assets	5	–	5	4	–	4
Assets assumed through business combination	15	–	15	–	–	–
Amendments/settlements	–	–	–	–4	–	–4
Exchange differences	–1	–	–1	–4	–	–4
Closing fair value of plan assets	**118**	**–**	**118**	**98**	**–**	**98**
Expected payments to defined benefit plan in next year	7	–	7	11	–	11
Return on plan assets	–1	–	–1	6	–	6

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

CHF million	2011 Funded plans	2011 Unfunded plans	2011 Total	2010 Funded plans	2010 Unfunded plans	2010 Total
Movements of present value of defined benefit obligations						
Opening liability for defined benefit obligations	126	220	346	122	240	362
Liabilities assumed through business combinations	15	–	15	–	1	1
Employee contribution	4	–	4	3	–	3
Current service costs	6	4	10	5	4	9
Interest costs	5	10	15	5	11	16
Benefits paid by the plan	–4	–10	–14	–	–11	–11
Actuarial (gains)/losses recognised in other comprehensive income	13	–2	11	5	14	19
Amendments/settlements	–2	2	–	–5	–2	–7
Curtailment	–2	–	–2	–	–	–
Exchange differences	–	–6	–6	–9	–37	–46
Closing liability for defined benefit obligations	**161**	**218**	**379**	**126**	**220**	**346**
Expense recognised in the income statement						
Current service costs	6	4	10	5	4	9
Interest costs	5	10	15	5	11	16
Expected return on plan assets	–5	–	–5	–4	–	–4
Expense recognised in personnel expenses (refer to note 21)	**6**	**14**	**20**	**6**	**15**	**21**
Actuarial gains/(losses) recognised in other comprehensive income excluding tax						
Cumulative amount as of January 1	–17	–8	–25	–14	7	–7
Recognised during the year	–19	2	–17	–3	–14	–17
Exchange differences	–	–	–	–	–1	–1
Cumulative amount as of December 31	**–36**	**–6**	**–42**	**–17**	**–8**	**–25**

Principal weighted actuarial assumptions at the balance sheet date

Per cent	2011 Funded plans	2011 Unfunded plans	2011 Total	2010 Funded plans	2010 Unfunded plans	2010 Total
Discount rate	3.6	4.8	4.3	3.8	4.8	4.7
Expected rate of return on plan assets	4.5	–	4.5	4.5	–	4.5
Future salary increases	0.9	2.0	1.5	1.1	2.0	1.9
Future pension increases	1.8	0.3	0.8	1.7	0.3	1.2

Historical information

CHF million	2011 Funded plans	2011 Unfunded plans	2011 Total	2010 Funded plans	2010 Unfunded plans	2010 Total
Present value of the defined benefit plan obligations	161	218	379	126	220	346
Fair value of plan assets	118	–	118	98	–	98
Surplus/(deficit) in the plan	–43	–218	–261	–28	–220	–248
Experience adjustment arising on plan liabilites	–	–2	–2	–2	14	12
Experience adjustment arising on plan assets	–1	–	–1	2	–	2

CHF million	2009 Funded plans	2009 Unfunded plans	2009 Total	2008 Funded plans	2008 Unfunded plans	2008 Total	2007 Funded plans	2007 Unfunded plans	2007 Total
Present value of the defined benefit plan obligations	122	240	362	104	227	331	110	236	346
Fair value of plan assets	89	–	89	87	–	87	94	–	94
Surplus/(deficit) in the plan	–33	–240	–273	–17	–227	–244	–16	–236	–252
Experience adjustment arising on plan liabilites	–	–1	–1	1	2	3	4	–2	2
Experience adjustment arising on plan assets	–1	–	–1	–12	–	–12	3	–	3

37 Employee Share Purchase and Option Plan

In 2001 the Company implemented an employee share purchase and option plan. This plan allows Group employees to acquire shares of the Company. The employees can buy shares at a reduced price compared to the actual share price at a cut-off date. The price of the shares offered is 90 – 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 grants 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.

Shares granted

The fair value of the shares granted is measured at the market price of the Company's shares, adjusted to take into consideration the conditions upon which the shares will be granted, such as blocking periods. 18,687 shares were granted in 2011 (2010: 223,699).

CHF per share	2011	2010
Fair value of shares granted at measurement date	127.60	111.80

The difference between the fair value of the shares at purchase date and the purchase price of the shares is recognised as a personnel expense (2011: none, 2010: CHF 1 million) with a corresponding increase in equity.

Options

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, 2011	Number outstanding as of Dec. 31, 2010
June 30, 2005	July 1, 2008–June 30, 2011	451,230	51.80	–	54,400
June 30, 2006	July 1, 2009–June 30, 2012	538,154	87.14	160,785	285,398
June 30, 2007	July 1, 2010–June 30, 2013	605,990	110.71	370,410	486,199
June 30, 2008	July 1, 2011–June 30, 2014	25,756	107.27	21,468	21,468
June 30, 2009	July 1, 2012–June 30, 2015	307,802	82.12	278,240	289,240
June 30, 2010	July 1, 2013–June 30, 2016	447,398	111.37	415,298	444,398
June 30, 2011	July 1, 2014–June 30, 2017	37,374	131.15	37,374	–
Total		**2,413,704**		**1,283,575**	**1,581,103**

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

	2011		2010	
	Weighted average exercise price (CHF)	Number of Options	Weighted average exercise price (CHF)	Number of Options
Options outstanding as of January 1	**99.23**	**1,581,103**	**90.56**	**1,574,577**
Options granted during the year	131.15	37,374	111.37	447,398
Options cancelled during the year	104.07	–44,500	97.38	–16,300
Options exercised during the year	89.56	–290,402	79.96	–424,572
Options outstanding as of December 31	**102.18**	**1,283,575**	**99.23**	**1,581,103**
Options exercisable as of December 31		552,663		825,997

The weighted average life of the options outstanding at December 31, 2011, is 2.9 years (2010: 3.5 years). The options outstanding at December 31, 2011, have an exercise price in the range of CHF 82.12 to CHF 131.15 (2010: CHF 51.80 to CHF 111.37).

CHF	2011	2010
Fair value of options granted at measurement date	29.96	31.44
Share price	127.60	111.80
Exercise price	131.15	111.37
Expected volatility in per cent	32.2	33.5
Expected option life	5 years	5 years
Dividend yield in per cent	2.2	2.1
Risk-free interest rate in per cent	1.07	0.85

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	2011	2010
Employee expenses		
Expense arising from employee share purchase plan	–	1
Expense arising from employee option plan	7	9
Total expense for the Employee Share Purchase and Option Plan	**7**	**10**

38 Bank liabilities and other interest-bearing liabilities

CHF million	Dec. 31, 2011	Dec. 31, 2010
Less than 1 year	44	49
Between 1–5 years	–	–
Total	**44**	**49**

The current bank and other interest-bearing liabilities include the short-term portion of non-current loans of CHF 5 million (2010: none) and finance lease liabilities due for payment within one year of CHF 23 million (2010: CHF 33 million). Current bank and other interest-bearing liabilities also include bank overdrafts of CHF 16 million (2010: CHF 16 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 60.6 per cent (2010: 67.6 per cent), GBP 28.6 per cent (2010: None) and USD 7 per cent (2010: 25.4 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 43 million (2010: CHF 58 million) and is presented separately on the face of the balance sheet.

39 Finance lease obligations

	2011			2010		
CHF million	Payments	Interest	Principal	Payments	Interest	Principal
Less than 1 year	25	2	23	35	2	33
Between 1–5 years	34	3	31	43	3	40
After 5 years	12	–	12	19	1	18
Total	**71**	**5**	**66**	**97**	**6**	**91**

40 Trade payables/accrued trade expenses/deferred income

CHF million	Dec. 31, 2011	Dec. 31, 2010
Trade payables	1,285	1,201
Accrued trade expenses	736	745
Deferred income	145	132
Total	**2,166**	**2,078**

The majority of all trade payables is in the respective Group companies' own functional currencies, which is in EUR 51.8 per cent (2010: 52.3 per cent), USD 14.3 per cent (2010: 17.0 per cent) and GBP 8.7 per cent (2010: 8.3 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, 2010	76	29	53	158
Provisions used	–10	–12	–13	–35
Provisions reversed	–8	–3	–7	–18
Provisions made	24	15	32	71
Effect of movements in foreign exchange	–5	–	–8	–13
Balance as of December 31, 2010	**77**	**29**	**57**	**163**
of which				
– Current portion	38	6	25	69
– Non-current portion	39	23	32	94
Total provisions	**77**	**29**	**57**	**163**
Balance as of January 1, 2011	77	29	57	163
Additions through business combinations	1	–	1	2
Provisions used	–19	–11	–13	–43
Provisions reversed	–6	–2	–8	–16
Provisions made	23	14	20	57
Effect of movements in foreign exchange	–1	–	–1	–2
Balance as of December 31, 2011	**75**	**30**	**56**	**161**
of which				
– Current portion	27	8	29	64
– Non-current portion	48	22	27	97
Total provisions	**75**	**30**	**56**	**161**

1 Some companies are involved in legal cases based on logistics services provided. Some legal cases have been settled in the reporting period, and corresponding payments have been made. In addition, a provision has been made in respect of a civil class action law suit relating to a competition investigation in the USA which itself has been settled in the meantime. The provision represents the best estimate of the amount to settle the class action claim and the associated legal expenses, but acknowledges that the final amount required to pay all claims and fines is subject to uncertainty. A detailed breakdown of the claim is not presented as it may seriously prejudice the position of the Group in the pending litigations (see also note 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 consist mainly of provisions for dilapidation costs amounting to CHF 22 million (2010: CHF 20 million) and of provisions for onerous contracts amounting to CHF 14 million (2010: CHF 20 million).

42 Other liabilities

CHF million	Dec. 31, 2011	Dec. 31, 2010
Personnel expenses (including social security)	426	389
Other tax liabilities	67	64
Other operating expenses	215	154
Other	56	37
Total	**764**	**644**

43 Acquisition of businesses/subsidiaries

2011 Acquisitions

The acquisition of businesses and subsidiaries, each individually immaterial, had the following effect on the Group's assets and liabilities in 2011.

2011

CHF million	Recognised fair values
Property, plant and equipment	54
Other intangibles	88
Other non-current assets	4
Trade receivables	49
Other current assets	17
Acquired cash and cash equivalents	–2
Subtotal assets	**210**
Trade payables	–42
Other current liabilities	–30
Non-current liabilities	–34
Total identifiable assets and liabilities	**104**
Attributable to non-controlling interests, based on its fair value	–7
Goodwill	121
Total consideration	**218**
Contingent and deferred consideration	–46
Purchase price, paid in cash	**172**
Acquired cash and cash equivalents	2
Net cash outflow	**174**

All acquisitions in the year 2011 were in connection with the implementation of the Group's "Go for Growth" strategy.

Effective January 14, the Group acquired the perishable logistics business (mainly customer list) from two companies in Colombia and one in Ecuador. The business acquired is a specialised perishable forwarding operation having 160 employees and handling 75,000 tons of air export per annum. The purchase price of CHF 21.8 million includes a contingent consideration of CHF 10.9 million depending on the financial performance of the acquired business in the next three years ending December 31, 2013. CHF 10.9 million has been paid in cash.

Effective March 24, the Group acquired the business (mainly customer list) of Grolman & Co. GmbH and ASTRA Assekuranz GmbH. The purchase price of CHF 0.6 million has been paid in cash.

Effective April 1, the Group acquired a 75 per cent stake of Cooltainer Holdings Limited, a leading reefer operator in New Zealand. The purchase price of CHF 23.6 million has been paid in cash. As part of the acquisition, the Group issued a written put option, giving the non-controlling shareholder the right from April 1, 2014, to sell its remaining shares in Cooltainer to the Group at fair value. The Group has recognised a liability in the amount of CHF 8 million for this potential obligation. The Group has a call option on the shares held by the non-controlling shareholder with the same terms and conditions as the written put option.

Effective April 1, the Group acquired Rennies Investment Limited (RH Freight), a European overland provider in the United Kingdom. The purchase price of CHF 88 million has been paid in cash.

Effective September 1, the Group acquired Eichenberg Group, a Brazilian road logistics provider. The purchase price of CHF 40.1 million includes a deferred consideration of CHF 18.1 million to be paid until April 2013 and a contingent consideration of CHF 5.5 million depending on the financial performance of the acquired business until December 31, 2012. CHF 16.5 million has been paid in cash.

Effective September 2, the Group acquired shares of K-Logistics, a French co-packing service provider. The purchase price of CHF 1.7 million includes a contingent consideration of CHF 1.1 million depending on the financial performance of the acquired business until December 31, 2012. CHF 0.6 million has been paid in cash.

Effective October 1, the Group acquired J. van de Put Fresh Cargo Handling B.V., a specialised operator in handling perishables airfreight cargo in the Netherlands. The purchase price of CHF 27.3 million includes a deferred consideration of CHF 3 million and a contingent consideration of CHF 7.3 million depending on the financial performance of the acquired business until April 30, 2013. CHF 17 million has been paid in cash.

Effective October 24, the Group acquired the shares of Carl Drude GmbH & Co. KG, located in Bad Hersfeld (Hauneck), Germany, specialised in hub operations for international groupage networks. The purchase price of CHF 12.4 million has been paid in cash.

The acquisitions contributed CHF 459 million of invoiced turnover and CHF 4 million of loss to the consolidated invoiced turnover and earnings for the year 2011 respectively. If all acquisitions had occurred on January 1, 2011, the Group's invoiced turnover would have been CHF 19,816 million and consolidated earnings for the period would have been CHF 597 million.

The trade receivables comprise gross contractual amounts due of CHF 52 million, of which CHF 3 million were expected to be uncollectible at the acquisition date.

Goodwill of CHF 121 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. An amount of CHF 32 million of goodwill is expected to be deductible for tax purposes. Other intangibles of CHF 88 million recognised on these acquisitions represent non-contractual customer lists having a useful life of 3 to 7 years.

In the 2011 three quarterly condensed consolidated financial statements, the initial accounting for the acquisitions made in 2011 was only determined provisionally. No material adjustments to the values previously reported were deemed necessary after having finalised the acquisition accounting.

The initial accounting for the acquisitions made from October 1, 2011, and onwards has only been determined provisionally. It is not feasible to provide detailed information about the assets and liabilities at this stage.

Effective December 1, the Group acquired an additional 12.5 per cent of the shares of Amex Ltd., Israel, in which the Group previously owned 75 per cent, for a purchase price of CHF 2 million, which has been paid in cash. The difference between the purchase price paid and the net assets acquired has been recognised in equity.

2010 Acquisitions

There were no significant acquisitions of subsidiaries in the year 2010.

Effective August 4, 2010, a business, mainly comprising a customer list, was acquired from a domestic road transport operator in India. The purchase price paid in cash was CHF 3 million.

44 Personnel

Number	Dec. 31, 2011	Dec. 31, 2010
Europe	43,771	40,910
Americas	9,389	7,791
Asia-Pacific	7,195	6,363
Middle East, Central Asia and Africa	2,755	2,472
Total employees (unaudited)	**63,110**	**57,536**
Full-time equivalent	**71,884**	**66,045**

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

Full-time equivalent is defined as all 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. Whereby pro rata temporis employment, has been recalculated into the number of full-year employees. The number, derived as described, is disclosed in the table above.

45 Contingent liabilities

As of year-end the following contingent liabilities existed:

CHF million	Dec. 31, 2011	Dec. 31, 2010
Guarantees in favour of customers and others	2	10
Contingency under unrecorded claims	–	3
Total	**2**	**13**

Some Group companies are defendants in various court cases. Based on respective legal advice, the management is of the opinion that the outcome of those proceedings will have no effect on the financial situation of the Group beyond the existing provision for pending claims (refer to note 41) of CHF 75 million (2010: CHF 77 million).

From October 2007 and thereafter various competition authorities have carried out an inspection at a number of international freight forwarding companies. The inspection encompassed amongst others the Group companies in Switzerland, the USA, the UK, South Africa, New Zealand, Australia, Brazil, Canada, Austria and France. The investigations relate to alleged anti-competitive activities in the area of national and international freight forwarding. In the above context, class action law suits were filed in the USA against Kuehne + Nagel Inc. and Kuehne + Nagel International AG, Switzerland, and other competitors in the international freight forwarding industry.

In the US competition investigations, the competent District Court on November 11, 2011, approved the terms of the plea agreement, which the Group had entered into with the Department of Justice. Whereas the investigation of the Department of Justice therewith is closed the related civil class action is still pending; a provision including legal expenses has been set up, recognising that the final amount required to pay all claims and fines is subject to uncertainty (see notes 41 and 51).

The other cases, including investigations of the EU competition authority, are ongoing and queries by the competition authorities have been received and answered by the Group entities in order to cooperate in the pending investigations. No decisions have been received by the respective authorities so far, and therefore it is currently not possible to reliably estimate a potential financial impact of these cases. Consequently, no provision or quantification of the contingent liability for these cases was made in the Consolidated Financial Statements 2011.

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, 2011

CHF million	Properties and buildings	Operating and office equipment	Total
2012	339	79	418
2013–2016	637	112	749
Later	253	4	257
Total	**1,229**	**195**	**1,424**

As of December 31, 2010

CHF million	Properties and buildings	Operating and office equipment	Total
2011	334	71	405
2012–2015	682	96	778
Later	258	3	261
Total	**1,274**	**170**	**1,444**

The expense for operating leases recognised in the income statement is CHF 548 million (2010: CHF 518 million).

47 Capital commitments

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

CHF million	Dec. 31, 2011	Dec. 31, 2010
Great Britain	2	2
France	–	2
Others	–	1
Total	**2**	**5**

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 encompasses different types of risks. At Group level, risk management is an integral part of the business planning and controlling processes. Material risks are monitored and regularly discussed with the Management Board and the Audit Committee.

In accordance with Article 663b of the Swiss Code of Obligations, the Group carries out an annual risk assessment. In reference to the "Swiss Code of Best Practice for Corporate Governance", the risk management system within the Group 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 part of the Internal Control System (ICS). Preventive and risk-reducing measures to control risks are proactively taken on different levels and are an integral part of management responsibility. Operational risks are treated where they occur in accordance with established competencies.

Conduct of a risk assessment in 2011

The analysis and assessment of financial risks was carried out by the finance and accounting department. A specific risk assessment procedure was adopted for operational risks. Applying an interview methodology, risks were identified in collaboration with regional management and included into a risk overview which was discussed with the senior management. Strategic risks and the adoption of countermeasures were dealt with at Management Board level. Within the framework of the corporate governance process, the Audit Committee of the Board of Directors was informed on the progress of the risk assessment.

Identified risks:

- Financial risks such as development of interest rate, credit and financial markets and currency risks, which are all constantly monitored and controlled by the finance and accounting department.
- The growing challenges of the economic development as well as the uncertainties of the financial markets are of essential importance from the risk-policy point of view, whereby this is counteracted by appropriate risk diversification and avoidance of regional and industry clustering. In this connection, risks relating to purchase of transportation services are specifically monitored.
- Ensuring readiness of the operational network is paramount for a global logistics company. Potential risks are mainly caused by Force Majeure such as natural disasters and pandemics, but also in the socio-political environment. Various activities in the area of Business Continuity, targeted training and information to staff, safety measures and emergency plans are set up to maintain operational availability.
- Further to the operational readiness, the IT network availability is in the focus. Permanent monitoring of systems, redundant infrastructure, interlinked data centres with back-up structures and business continuity plans are risk mitigating measures of this area.
- Organised crime, terrorism, accompanied by increased density of regulations, growing complexity and customer expectations have led to rising security requirements which are taken into consideration by using a holistic supply chain approach.
- In this connection, management intensified focus on IT security, particularly data security and integrity.
- Special focus is given by senior management to risks combined with the integration of new staff members in particular following the acquisition of companies. Kuehne + Nagel has further developed its precautionary measures in the area of integration management.
- Increasing regulatory demands as well as growing complexity and international interrelation of business relations increase the trend towards contract and liability risks. These risks are monitored primarily by the development of an integral IT-supported contract management.
- Legal and compliance risks such as fraud and intentional and unintentional violations of the law as well as adherence to export regulations are counteracted by various activities. The measures include inter alia comprehensive staff training and a worldwide network of compliance officers to ensure anchoring on regional and national management levels.
- Communication risks with respect to capital markets as well as image and reputation risk, e.g. 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 2011 business year there were no substantial risks identified that would have the potential to impact the Group and its further development negatively.

Moreover, the Risk and Compliance Committee led by the Chairman of the Board of Directors and comprising the members of the Management Board and heads of central administrative departments, pays special attention to monitoring the risk profile of the company, the observance and the development of essential internal requirements and the potential interactions between individual risks.

The major risk remains in the uncertainties of the global economical development and the financial markets, therefore being in constant focus of management and determining its actions.

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 through the use of financial instruments when deemed appropriate. It is the Group's policy and practice not to enter into derivative transactions for trading or speculative purposes, nor for the purposes unrelated to the underlying business.

Market risk

Market risk is the risk that market prices change due to interest rates and foreign exchange rates risk affecting the Group's income or the value of its holdings of financial instruments.

Interest rate risk

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

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

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 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:

	Carrying amount	
CHF million	2011	2010
Fixed rate instruments		
Cash and cash equivalents	61	–
Financial investments	250	–
Total	**311**	–

	Carrying amount	
CHF million	2011	2010
Variable rate instruments		
Cash and cash equivalents	787	1,329
Current bank and other interest-bearing liabilities	–44	–49
Non-current finance lease obligations	–43	–58
Total	**700**	**1,222**

Fair value sensitivity analysis – fixed rate instruments
The Group's investments in debt securities are fixed rate financial assets at fair value through profit or loss. A change of 100 basis points in interest rates at the reporting date would have increased or decreased profit or loss by CHF 3 million (2010: nil) due to the corresponding fair value change of these instruments.

Cash flow sensitivity analysis – variable rate instruments
A change of 100 basis points in interest rates on December 31, 2011, would have increased or decreased profit or loss by CHF 7 million (2010: CHF 12 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.

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 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. The outstanding derivative contracts as of December 31, 2011, have mainly been entered into to off-set the foreign exchange effect on investments in foreign currency debt instruments (see note 33). As of the 2011 and 2010 year-end there were no material derivative instruments outstanding. Forecast transactions are not hedged. Likewise, investments in foreign subsidiaries are not hedged as those currency positions are considered to be long-term in nature.

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

	2011			2010		
CHF million	EUR	USD	GBP	EUR	USD	GBP
Cash and cash equivalents	98	66	1	279	74	–
Financial investments	187	–	–	–	–	–
Trade receivables	29	223	8	26	193	1
Trade payables	–33	–60	–4	–17	–87	–2
Gross balance sheet exposure	**281**	**229**	**5**	**288**	**180**	**–1**

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

Sensitivity analysis

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

2011

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
Positive effect on P/L	28.1	23.0	19.2	15.7	30.0
Negative effect on P/L	–28.1	–23.0	–19.2	–15.7	–30.0

The impact on the profit or loss is mainly a result of foreign exchange gains or losses arising on translation of trade receivables, trade payables, investments in debt securities and cash and cash equivalents in foreign currencies. The currency risk on investments in foreign currency debt securities has mainly been offset by foreign exchange contracts entered into. There would not be 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.

2010

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
Positive effect on P/L	28.8	18.0	19.6	12.2	30.2
Negative effect on P/L	–28.8	–18.0	–19.6	–12.2	–30.2

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 without taking into account any collateral held or other credit enhancements was:

CHF million	2011	2010
Trade receivables	2,278	2,077
Other receivables	69	68
Cash and cash equivalents	848	1,329
Financial investments	252	–
Total	**3,447**	**3,474**

Trade receivables

Trade receivables are subject to a policy of active risk management which focuses on the assessment of country risk, credit availability, ongoing credit evaluation and account monitoring procedures. There are no significant concentrations of credit risk due to the Group's large number of customers and their wide geographical spread. For 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	2011	2010
Europe	1,427	1,314
Americas	483	418
Asia-Pacific	202	194
Middle East, Central Asia & Africa	166	151
Total	**2,278**	**2,077**

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 surpluses and the raising of loans to cover cash deficits subject to guidance by the Group and, in certain cases, to approval at Group level. The Group maintains sufficient reserves of cash to meet its liquidity requirements at all times.

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

2011

CHF million	Carrying amounts	Contractual cash flow	Up to 6 months	6–12 months	Over 1 year
Bank and other interest-bearing liabilities	44	48	27	21	–
Trade payables	1,285	1,285	1,285	–	–
Accrued trade expenses	736	736	736	–	–
Other liabilities	263	263	236	27	–
Finance lease obligations (non-current)	43	46	–	–	45
Total	**2,371**	**2,378**	**2,284**	**48**	**45**

2010

CHF million	Carrying amounts	Contractual cash flow	Up to 6 months	6–12 months	Over 1 year
Bank and other interest-bearing liabilities	49	51	33	18	–
Trade payables	1,201	1,201	1,201	–	–
Accrued trade expenses	745	745	745	–	–
Other liabilities	191	191	191	–	–
Finance lease obligations (non-current)	58	62	–	–	62
Total	**2,244**	**2,250**	**2,170**	**18**	**62**

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 851 million (2010: CHF 1,331 million) as well as financial assets with a carrying amount of CHF 2,347 million (2010: CHF 2,145 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 2,371 million (2010: CHF 2,244 million) carried at amortised cost. The majority of these financial liabilities are current liabilities. At year-end 2011 and 2010 there were no non-current fixed rate interest-bearing loans and other liabilities.

The Group has debt instruments designated as financial assets at fair value through profit or loss upon initial recognition with the carrying amount of CHF 250 million (2010: none) and derivative instruments with the carrying amount of CHF 2 million (2010: none).

The Group's financial instruments measured at fair value have been categorised into the below levels, reflecting the significance of the inputs used in estimating the 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 Group's debt instruments with the carrying amount of CHF 250 million (2010: none) are categorised as level 1 investments. Derivative instruments in the amount of CHF 2 million (2010: none) are categorised as level 2 investments.

The fair value of the debt instruments is based on their current bid prices. 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 directors and executive officers.

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

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

The total remuneration paid to and accrued for the members of the Board of Directors and the Management Board of Kuehne + Nagel International AG, Schindellegi, Switzerland, amounted to:
- Management Board: CHF 12 million (2010: CHF 12 million)
- Board of Directors: CHF 5 million (2010: CHF 6 million)

As of December 31, 2011, 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 53.9 per cent (2010: 53.8 per cent) of the voting shares of the Company.

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

	Management Board		Board of Directors	
CHF million	2011	2010	2011	2010
Wages, salaries and other short-term employee benefits	11.4	10.1	4.7	4.9
Post-employment benefits	0.4	0.3	0.2	0.1
Equity compensation benefits	0.4	1.8	0.2	0.5
Total compensation	**12.2**	**12.2**	**5.1**	**5.5**

Refer to pages 127 to 130; note 12 of the Financial Statements of Kuehne + Nagel International AG for disclosure requirements according to the Swiss law (Article 663 b/c CO). For other related parties refer to note 35 outlining the shareholder's structure, and pages 114 to 119 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 and their fair value can be reliably estimated. 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. The valuation models 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 696 million (2010: CHF 590 million) for impairment every year as disclosed in note 12. No impairment loss on goodwill was recognised in 2011 and 2010. The Group also assesses annually any indicators that other intangible assets or property, plant and equipment might be impaired. In such a case, the assets are tested for impairment. An impairment loss on other intangible assets of CHF 5 million was recognised in 2011 (2010: none). The carrying amount of other intangibles is CHF 196 million (2010: CHF 176 million), and of property, plant and equipment CHF 1,146 million (2010: CHF 1,083 million).

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

Defined benefit pension plans

The Group has recognised a liability for defined benefit pension plans in the amount of CHF 261 million (2010: CHF 248 million). A number of assumptions are made in order to calculate the liability, including discount rate, rate of return on plan assets, future salary and pension increases. A relatively minor change in any of these assumptions can have a significant impact on the carrying amount of the defined benefit obligation.

Accrued trade expenses and deferred income

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

Income tax

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

The Group has recognised a net deferred tax asset of CHF 6 million (2010: Net deferred tax liability of CHF 7 million). The Group furthermore has unrecognised deferred tax assets relating to unused tax losses and deductible temporary differences of CHF 82 million (2010: CHF 81 million). Based on estimates of the probability of releasing these tax benefits, available taxable temporary differences, periods of reversals of such differences etc., the management does not believe that the criteria to recognise deferred tax assets are met (see note 25).

Provisions

The Group has recognised provisions for an amount of CHF 161 million (2010: CHF 163 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

Effective February 2, 2012, the Group entered into an agreement to take over the shares of the Australian freight forwarder Link Logistics International Pty. Ltd, specialised in perishables logistics. The acquired business is expected to be consolidated from March 1, 2012. The estimated purchase price is CHF 5.4 million.

The Group is in the process of finalising the acquisition accounting and can therefore not provide any other reliable disclosure in line with IFRS 3 at this stage.

There have been no other material events between December 31, 2011, 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 March 2, 2012. A resolution to approve the Consolidated Financial Statements will be proposed at the Annual General Meeting on May 8, 2012.

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 on the pages 56 to 112 for the year ended December 31, 2011.

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, 2011, give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

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

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

We recommend that the consolidated financial statements submitted to you be approved.

KPMG AG

Marc Ziegler
Licensed Audit Expert
Auditor in Charge

Lukas Marty
Licensed Audit Expert

Zurich, March 2, 2012

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

South West Europe

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
Belgium	Kuehne + Nagel N.V.	Antwerp	EUR	6,338	100
	Kuehne + Nagel Logistics N.V.	Geel	EUR	5,206	100
	Nacora Insurance Brokers N.V.	Brussels	EUR	155	100
	Logistics Kontich BVBA	Antwerp	EUR	50	100
	Logistics Nivelles SA	Nivelles	EUR	1,521	100
	Kuehne + Nagel Transport SA	Nivelles	EUR	889	100
France	Kuehne + Nagel SAS	Ferrières	EUR	17,380	100
	Kuehne + Nagel Immobilier SCI	Ferrières	EUR	4	100
	Kuehne + Nagel Parts SASU	Trappes	EUR	87	100
	Kuehne + Nagel DSIA SAS	Nantes	EUR	360	100
	Kuehne + Nagel Management SAS	Ferrières	EUR	570	100
	Nacora Courtage d'Assurances SASU	Paris	EUR	40	100
	Kuehne + Nagel Aerospace & Industry SASU	Ferrières	EUR	37	100
	Logistique Distribution Gasocogne SASU	Ferrières	EUR	37	100
	Alloin Transport SAS	Villefranche	EUR	4,000	100
	I.M. Alloin SARL	Villefranche	EUR	8	100
	Alloin Logistique SAS	Villefranche	EUR	50	100
	S.N.C. Almeca	Villefranche	EUR	32	100
	Kuehne + Nagel Participations S.a.r.l.	Ferrières	EUR	203,630	100
	K Logistics SAS	Le Meux	EUR	91	100
Italy	Kuehne + Nagel Srl	Milan	EUR	4,589	100
	Nacora S.R.L	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 Investment S.a.r.l.	Contern	EUR	200	100
	*Cologic S.A.	Contern	EUR	32	50
Malta	Kuehne + Nagel Limited	Hamrun	EUR	14	100
Portugal	Kuehne + Nagel Lda.	Porto	EUR	165	100
Spain	Kuehne & Nagel S.A.	Madrid	EUR	60	100
	Kuehne & Nagel Investments S.L.	Madrid	EUR	3	100
	Nacora Correduria de Seguros S.A.	Madrid	EUR	150	100
	Kuehne & Nagel Network, S.L.	Madrid	EUR	60	100

North West Europe

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
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
Ireland	Kuehne & Nagel (Ireland) Limited	Dublin	EUR	500	100
Norway	Kuehne + Nagel AS	Oslo	NOK	3,100	100
Sweden	Kuehne & Nagel AB	Stockholm	SEK	500	100
	Kuehne & Nagel Investment AB	Stockholm	EUR	112	100
	Nacora International Insurance Brokers AB	Stockholm	SEK	100	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
	The RH Group Ltd	Nottingham	GBP	600	100
	Kuehne + Nagel Drinks Logistics Limited	Milton Keynes	GBP	–	100
	*Kuehne + Nagel Drinkflow Logistics Limited	Milton Keynes	GBP	877	50
	*Kuehne + Nagel Drinkflow Logistics Holding Limited	Milton Keynes	GBP	6,123	50

Central Europe

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
	Kuehne + Nagel Airlift GmbH	Frankfurt	EUR	256	100
	Stute Verkehrs GmbH	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 GmbH	Bremen	EUR	307	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
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
	J. van de Put Fresh Cargo Handling B.V	Schiphol	EUR	18	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 Shpk.	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	EEK	346	100
Greece	Kuehne + Nagel Transportation & Logistics A.E	Athens	EUR	15,365	100
	Arion SA	Athens	EUR	411	100
	Nacora Brokins International S.A.	Athens	EUR	60	60
	*Sindos Railcontainer Services A.E	Thessaloniki	EUR	3,038	50
Hungary	Kuehne + Nagel Kft.	Budapest	HUF	134,600	100
Latvia	Kuehne + Nagel Latvia SIA	Riga	LVL	100	100
Lithuania	Kuehne & Nagel UAB	Vilnius	LTL	800	100
Macedonia	Kuehne + Nagel d.o.o.e.l.	Skopje	MKD	8,232	100
Poland	Kuehne + Nagel Poland sp.z.o.o.	Poznan	PLN	104,416	100
Romania	Kuehne + Nagel S.R.L	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	22,995	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
	Almacenadora Kuehne + Nagel S.A. de C.V.	México' D.F.	MXN	35,440	100
	Kuehne + Nagel Servicios Administrativos S.A. de C.V.	México' D.F.	MXN	50	100
	Agentes 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 and Central 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
Bolivia	Kuehne + Nagel Ltda.	Santa Cruz	BOB	260	100
Brazil	Kuehne + Nagel Servicos Logisticos Ltda.	São Paulo	BRL	38,728	100
	Nacora Corretagens de Seguros Ltda.	São 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.	Bogotá	COP	5,184,600	100
	Agencia De Aduanas KN Colombia SAS. Nivel 2	Bogotá	COP	595,000	100
	Nacora S.A.	Bogotá	COP	20,000	100
Costa Rica	Kuehne Nagel Logistic Services S.A.	San José	CRC	25,400	100
	Kuehne + Nagel S.A.	San José	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	70	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
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	654	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

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
Bangladesh	Kuehne + Nagel Ltd.	Dhaka	BDT	10,000	100
Cambodia	Kuehne + Nagel Ltd.	Phnom Penh	USD	5	100
China	Kuehne & Nagel Ltd. China Repr.	Shanghai	HKD	–	100
	Kuehne & Nagel Ltd.	Shanghai	CNY	22,070	100
	Kuehne & Nagel Logistics Co Ltd.	Shanghai	CNY	5,515	100
	Kuehne & Nagel Information Center 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
India	Kuehne + Nagel Pvt. Ltd.	New Delhi	INR	40,000	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
Macao	Kuehne & Nagel Ltd.	Macao	HKD	971	100
	Nacora Insurance Brokers Ltd.	Macao	HKD	53	51
Maldives	Kuehne + Nagel Ltd.	Male	USD	1	100
Malaysia	Kuehne + Nagel Sdn. Bhd.	Kuala Lumpur	MYR	1,000	100
	Nacora (Malaysia) Sdn. Bhd.	Kuala Lumpur	MYR	100	100
New Zealand	Kuehne + Nagel Ltd.	Auckland	NZD	200	100
	Nacora Insurance Services Limited	Auckland	NZD	10	100
	Cooltainer New Zealand Limited	Christchurch	NZD	2,233	75
Pakistan	Kuehne + Nagel (Pvt) Ltd.	Karachi	PKR	9,800	100
Philippines	Kuehne + Nagel Inc.	Manila	PHP	5,000	100
	KN Subic Logistics Inc.	Manila	PHP	1,875	100
Singapore	Kuehne + Nagel Pte. Ltd.	Singapore	SGD	500	100
	Nacora Insurance Agency Pte. Ltd.	Singapore	SGD	100	100
	Kuehne + Nagel (Asia Pacific) Management Pte. Ltd.	Singapore	SGD	200	100
Sri Lanka	Kuehne + Nagel (Pvt) Ltd.	Colombo	LKR	2,502	100
Taiwan	Kuehne + Nagel Ltd.	Taipei	TWD	20,000	100
	Nacora Insurance Brokers Ltd.	Taipei	TWD	6,000	100
Thailand	Kuehne + Nagel Ltd.	Bangkok	THB	20,000	100
	Consolidation Transport Ltd.	Bangkok	THB	100	100

Middle East and Central Asia

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
Bahrain	Kuehne + Nagel W.L.L.	Manama	BHD	200	100
Egypt	Kuehne + Nagel Ltd.	Cairo	EGP	1,000	100
Iran	Kala Navgan Shargh Co. Ltd.	Tehran	IRR	2,000	60
	Caspian Terminal Services Ltd.	Bandar Abbas	IRR	200,000	57
Israel	Amex Ltd.	Holon	ILS	2	87.5
Jordan	Kuehne and Nagel Jordan L.L.C.	Amman	JOD	300	100
Kazakhstan	KN Ibrakom L.L.P.	Almaty	KZT	140,000	60
Kuwait	Kuehne + Nagel Co. W.L.L.	Kuwait	KWD	150	100
Lebanon	*KN-ITS S.A.L.	Beirut	LBP	113,000	50
Qatar	Kuehne + Nagel L.L.C.	Doha	QAR	1,900	100
Saudi Arabia	Kuehne + Nagel Limited	Jeddah	SAR	1,000	100
Syria	Kuehne + Nagel Syria LLC	Damascus	SYP	7,000	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
	KN Ibrakom FZCO	Jebel Ali	USD	273	60
	Ibrakom Cargo L.L.C	Jebel Ali	USD	82	60
	Lloyds Maritime Trading Ltd.	Jebel Ali	USD	–	60
Uzbekistan	Kuehne + Nagel Ibrakom Tashkent Ltd.	Tashkent	UZS	14,000	60

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
Equatorial Guinea	Kuehne + Nagel (Equatorial Guinea) Ltd.	Malabo	CFA	1,046	100
Kenya	Kuehne + Nagel Limited	Nairobi	KES	63,995	100
Mauritius	KN (Mauritius) Limited	Port Louis	MUR	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) Ltd.	Lagos	NGN	10,000	100
South Africa	Kuehne + Nagel (Pty) Limited	Johannesburg	ZAR	3,625	100
	KN Tsepisa Logistics (Pty) Limited	Johannesburg	ZAR	100	92
	Nacora Insurance Brokers (Pty) Limited	Johannesburg	ZAR	35	100
Tanzania	Kuehne + Nagel Ltd.	Dar Salaam	TZS	525,000	100
Uganda	Kuehne + Nagel Ltd.	Kampala	UGX	827,500	100
Zambia	Kuehne + Nagel Zambia Limited	Lusaka	ZMK	85,000	100
Zimbabwe	Kuehne + Nagel (Zimbabwe) (Private) Limited	Harare	ZWD	–	100

Income Statement

CHF million	Note	2011	2010
Income			
Income from investments in Group companies	1	524	615
Sale of treasury shares		9	20
Interest income on loan receivables from Group companies		2	1
Other financial income		2	1
Exchange gains		10	–
Total income		**547**	**637**
Expenses			
Operational		–8	–6
Interest expenses on liabilities towards Group companies		–2	–4
Losses from marketable securities		–	–2
Exchange losses		–2	–2
Total expenses		**–12**	**–14**
Earnings before tax (EBT)		**535**	**623**
Income Taxes		–12	–31
Earnings for the year		**523**	**592**

Balance Sheet

CHF million	Note	Dec. 31, 2011	Dec. 31, 2010
Assets			
Investments	2	1,291	1,170
Non-current assets		**1,291**	**1,170**
Receivables from Group companies	3	53	98
Other receivables		2	1
Cash and cash equivalents	6	291	671
Financial investments	6	311	–
Treasury shares	5	45	51
Current assets		**702**	**821**
Total assets		**1,993**	**1,991**

Liabilities and Equity			
Share capital	7	120	120
Reserves	8	60	60
Capital contribution reserves	8	6	185
Share premium from merger of subsidiaries		–	89
Free reserves	8	6	–
Reserve for treasury shares	9	45	51
Retained earnings	10	744	391
Earnings for the year		523	592
Equity		**1,504**	**1,488**
Tax provision		12	25
Other provisions and accruals		6	5
Non-current liabilities		**18**	**30**
Liabilities towards Group companies	4	471	473
Current liabilities		**471**	**473**
Total liabilities		**489**	**503**
Total liabilities and equity		**1,993**	**1,991**

Schindellegi, March 2, 2012

KUEHNE + NAGEL INTERNATIONAL AG

Reinhard Lange — CEO

Gerard van Kesteren — CFO

NOTES TO THE FINANCIAL STATEMENTS 2011

General

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

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 "reserves for treasury shares" within equity are valued at average cost of treasury shares.

Tax provision

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

Liabilities

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

NOTES TO THE INCOME STATEMENT

1 Income from investments in consolidated companies

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

CHF million	2011	2010
Income from investments and others	422	388
Trademark fee	102	105
Income on sale of investments (internal)	–	122
Total	**524**	**615**

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, 2011	2,130	2	2,132
Additions	292	–	292
Disposals	–174	–	–174
Balance as of December 31, 2011	**2,248**	**2**	**2,250**
Cumulative amortisation			
Balance as of January 1, 2011	960	2	962
Additions	2	–	2
Disposals	–5	–	–5
Balance as of December 31, 2011	**957**	**2**	**959**
Carrying amount			
As of January 1, 2011	**1,170**	**–**	**1,170**
As of December 31, 2011	**1,291**	**–**	**1,291**

A schedule of the Group's main subsidiaries and Kuehne + Nagel's share in the respective equity is shown on pages 114 to 119 of the Consolidated Financial Statements.

3 Receivables from Group companies

CHF million	Dec. 31, 2011	Dec. 31, 2010
KN Ibrakom FZCO., Dubai	5	–
Kuehne + Nagel Ltd., Nairobi	4	–
Kuehne + Nagel Real Estate Holding AG, Schindellegi	4	4
Kuehne + Nagel Liegenschaften AG, Schindellegi	24	25
Kuehne + Nagel Investment AB, Stockholm	–	1
Kuehne + Nagel S.A., Caracas	–	1
Kuehne + Nagel GmbH, Vienna	7	9
Kuehne + Nagel Services Ltd., Vancouver	–	52
Other Group companies	9	6
Total	**53**	**98**

4 Liabilities towards Group companies

CHF million	Dec. 31, 2011	Dec. 31, 2010
Kuehne + Nagel Ltd., Dublin	1	2
OY Kuehne + Nagel Ltd., Helsinki	4	13
Kuehne + Nagel S.a.r.l., Luxembourg	24	26
Kuehne + Nagel S.A.S., Paris	17	75
Kuehne + Nagel N.V., Rotterdam	24	11
Kuehne + Nagel NV/SA, Antwerp	13	15
Kuehne + Nagel Ltd., Toronto	37	–
Kuehne + Nagel spol.s.r.o., Prague	2	–
Kuehne + Nagel Investment S.a.r.l., Luxembourg	17	3
Kuehne + Nagel Investment SL, Madrid	40	35
Kuehne + Nagel Investment AB, Stockholm	2	–
Kuehne + Nagel (AG & Co.) KG, Hamburg	97	69
Kuehne + Nagel Inc., New York	65	52
Kuehne + Nagel Management AG, Schindellegi	22	16
Kuehne + Nagel AG, Zurich	31	24
Nacora Holding AG, Schindellegi	16	76
Nacora Agencies AG, Schindellegi	59	56
Total	**471**	**473**

5 Treasury shares

CHF million	Dec. 31, 2011	Dec. 31, 2010
Treasury shares [1]	45	51
Total	**45**	**51**

1 See note 9.

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

6 Cash, Cash equivalents and financial investments

CHF million	Dec. 31, 2011	Dec. 31, 2010
The bank deposits are in the following currencies:		
CHF	224	397
EUR	65	265
USD	2	9
Total	**291**	**671**

CHF million	< 3 months	> 3 months	Dec. 31, 2011	Dec. 31, 2010
Bonds:				
CHF	–	63	63	–
EUR	61	187	248	–
Total	**61**	**250**	**311**	–

7 Share capital

	Registered shares at nominal CHF 1 each number	CHF million
Balance as of December 31, 2011	120,000,000	120

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

Approved and conditional share capital

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

The Annual General Meeting held on May 18, 2010 agreed to the Board of Directors proposal to create an approved share capital increase up to a maximum of CHF 20 million restricted for two years. This option will expire on May 8, 2012.

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

8 Reserves

CHF million	Free reserves	Legal reserves	Capital contribution reserves	Total reserves
Balance as of January 1, 2011	–	60	185	245
Addition from release of reserves for treasury shares [1]	6	–	–	6
Distribution capital contribution to shareholders	–	–	–179	–179
Balance as of December 31, 2011	**6**	**60**	**6**	**72**

1 See note 9.

9 Reserves for treasury shares

	number of shares	CHF million
Balance as of January 1, 2011	877,480	51
Disposal of treasury shares	–309,089	–19
Purchase of treasury shares	123,510	13
Balance as of December 31, 2011	**691,901**	**45**

In agreement with the provisions of the 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

CHF million	
Balance as of January 1, 2011 (before income for the year and reclassification)	503
Reclassification of addition from merger of subsidiaries to retained earnings	89
Earnings for the year 2010	592
Retained earnings as of January 1, 2011 (prior to appropriation of available earnings)	**1,184**
Distribution to the shareholders (representing CHF 2.75 per share)	–328
Transfer to capital contribution reserves	–112
Subtotal (after appropriation of available earnings)	**744**
Earnings for the year 2011	523
Balance as of December 31, 2011	**1,267**

CHF million	
Capital contribution reserves as of January 1, 2011	185
Distribution to the shareholders (CHF 1.50 per share)	–179
Balance capital contribution reserves as of December 31, 2011	**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 operating expenses.

12 Compensation

Due to Swiss law (Article 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.

Remuneration to the Board of Directors

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

TCHF	Compensation for Board of Directors	Compensation for Committees	Social insurance	2011 Total	2010 Total
Klaus-Michael Kuehne (Honorary Chairman)	804	10	41	855	956
Karl Gernandt (Chairman) [3]	300	25	–	325	150
Bernd Wrede (Vice Chairman)	225	48	–	273	250
Juergen Fitschen	150	–	9	159	159
Hans-Joerg Hager	150	–	–	150	188
Hans Lerch	150	10	10	170	170
Dr. Wolfgang Peiner	150	–	–	150	150
Dr. Thomas Staehelin	150	15	10	175	175
Dr. Joerg Wolle	150	50	12	212	107
Dr. Renato Fassbind [2]	96	9	7	112	–
Dr. Georg Obermeier [1]	54	9	–	63	175
Dr. Joachim Hausser [1]	54	–	2	56	157
Total	**2,433**	**176**	**91**	**2,700**	**2,637**

1 Retired from the Board of Directors on May 10, 2011.
2 Since May 10, 2011.
3 Compensations are included in remuneration to the Chairman and the Management Board.

Remuneration to the Chairman and the Management Board

TCHF	Salary	Bonus	Social insurance	Pension [2]	Options	Others [1]	2011 Total	2010 Total
Karl Gernandt, Chairman	667	1,568	117	191	191	–	2,734	2,825
Reinhard Lange, Chief Executive Officer	800	2,090	162	80	126	20	3,278	3,262
Management Board	3,368	4,396	406	339	307	75	8,891	8,925
Total	**4,835**	**8,054**	**685**	**610**	**624**	**95**	**14,903**	**15,012**

1 Other compensations comprise of company car, respectively of company car allowances for all members of the Management Board.
2 Including risk premium and savings contributions.

Share allocation

In 2011 no shares were allocated to any members of either the Board of Directors or the Management Board and/or to parties closely associated with them other than disclosed under the Employee Share Purchase and Option Plan (see page 94 to 96).

Shareholdings by members of the Board of Directors

As of December 31, 2011, 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:

	2011	2010
	Number of KNI shares	
Klaus-Michael Kuehne (Honorary Chairman)	64,054,100	63,900,000
Karl Gernandt (Chairman)	23,500	16,560
Bernd Wrede (Vice Chairman)	–	–
Juergen Fitschen	–	–
Hans-Joerg Hager	–	–
Hans Lerch	5,000	5,000
Dr. Renato Fassbind [2]	1,700	–
Dr. Wolfgang Peiner	–	–
Dr. Thomas Staehelin	10,000	10,000
Dr. Joerg Wolle	2,080	–
Dr. Joachim Hausser [1]	–	–
Dr. Georg Obermeier [1]	–	500
Total	**64,096,380**	**63,932,060**

1 Resigned from Board of Directors on May 10, 2011.
2 Since May 10, 2011.

Management Board

Total shareholdings as of December 31:

	2011	2010
	Number of KNI shares	
Reinhard Lange, Chief Executive Officer	35,811	23,710
Gerard van Kesteren, Chief Financial Officer	135,658	132,682
Martin Kolbe, Chief Information Officer	4,991	4,000
Dirk Reich, Executive Vice President Road & Rail and Contract Logistics	15,325	15,016
Lothar Harings, Chief Human Resources Officer	3,000	3,000
Tim Scharwath, Executive Vice President Airfreight	5,000	n/a
Horst Joachim Schacht, Executive Vice President Seafreight	7,780	n/a
Peter Ulber, former Executive Vice President Sea & Air Logistics	n/a	5,000
Total	**207,565**	**183,408**

Options

In 2001 KNI introduced an Employee Share Purchase and Option Plan for members of the KNI Management Board, by which they have the option to purchase shares of KNI. As of the balance sheet date, all members of the Management Board had participated and the total amount of shares was purchased at the agreed price of 90 per cent (plan 1 to 3), 95 per cent (plan 4), 96.5 per cent (plan 5) and 95 per cent (plan 6, 7, 8, 9 and 10) of the average share closing price quoted on the SIX Swiss Exchange between April and June of the respective year of purchase. The sale of the shares acquired under this plan is blocked for a period of three years after the date of purchase. Each share purchased is linked with two options carrying the right to purchase one KNI share for each option at the average price as outlined above. The option is blocked for three years from the date of subscription and thereafter can be exercised within the period of another three years. The option lapses after expiry of that period.

The prices to exercise the above mentioned options are quoted in note 37 to the Consolidated Financial Statements on pages 95 to 96.

Name	Date of allocation	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
Reinhard Lange, Chief Executive Officer	2008	1,526	2011
	2009	14,836	2012
	2010	15,000	2013
	2011	4,202	2014
Gerard van Kesteren, Chief Financial Officer	2008	2,938	2011
	2009	14,176	2012
	2010	15,000	2013
	2011	5,952	2014
Martin Kolbe, Chief Information Officer	2009	2,000	2012
	2010	6,000	2013
	2011	1,982	2014
Dirk Reich, Executive Vice President Road & Rail and Contract Logistics	2008	1,694	2011
	2009	13,338	2012
	2010	15,000	2013
	2011	2,312	2014
Lothar Harings, Chief Human Resources Officer	2009	9,963	2012
	2010	2,000	2013
	2011	–	2014
Tim Scharwath, Executive Vice President Airfreight	2011	–	2014
Horst Joachim Schacht, Executive Vice President Seafreight	2011	–	2014
Total options allocated		**167,415**	

Loans

In 2011 no loans were granted to members of the Board of Directors or the Management Board of KNI nor to associated parties, and no such loans were outstanding as of December 31, 2011.

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 (Article 663b CO) are included in the Kuehne + Nagel Group Consolidated Financial Statements on pages 103 to 109.

15 Proposal of the Board of Directors to the Annual General Meeting of May 08, 2012 regarding appropriation of the available earnings

	CHF million
Balance as of January 1, 2011 (before income for the year)	744
Earnings for the year 2011	523
Available earnings as of December 31, 2011	1,267
Distribution to the shareholders (representing CHF 3.85 per share) [1]	–459
Retained earnings as of December 31, 2011 (after appropriation of available earnings)	**808**

1 The total dividend amount covers all outstanding shares (as per December 31, 2011: 119,308,099 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 AUDITORS TO THE ANNUAL GENERAL MEETING OF KUEHNE + NAGEL INTERNATIONAL AG, SCHINDELLEGI

As statutory auditor, we have audited the accompanying financial statements of Kuehne + Nagel International AG, which comprise the income statement, balance sheet and notes on the pages 120 to 130 for the year ended December 31, 2011.

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, 2011, comply with Swiss law and the company's articles of incorporation.

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

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

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

KPMG AG

Marc Ziegler
Licensed Audit Expert
Auditor in Charge

Lukas Marty
Licensed Audit Expert

Zurich, March 2, 2012

CORPORATE TIMETABLE 2012

March 5, 2012	Full year 2011 results
April 16, 2012	1st quarter 2012 results
May 8, 2012	Annual General Meeting
July 16, 2012	Half-year 2012 results
October 15, 2012	3rd quarter 2012 results

Kuehne + Nagel International AG
Kuehne + Nagel House
P.O. Box 67
CH-8834 Schindellegi
Telephone +41 (0) 44 786 95 11
Fax +41 (0) 44 786 95 95
www.kuehne-nagel.com