ANNUAL REPORT 2010

KUEHNE+NAGEL

Growth and quality worldwide

In the regions Asia-Pacific, Europe, Middle East, Central Asia, Africa and in the Americas Kuehne + Nagel has established more than 200 subsidiaries. While customers worldwide can benefit from Kuehne + Nagel's services, the Group is ideally placed to tap into growth opportunities around the globe. The density of its global logistics network also allows Kuehne + Nagel to always operate with a high level of efficiency and service quality.

KUEHNE + NAGEL GROUP KEY DATA

CHF million	2006 [1]	2007 [1]	2008	2009	2010
Invoiced turnover	18,194	20,975	21,599	17,406	20,261
Gross profit	5,253	6,014	6,253	5,863	5,958
% of turnover	28.9	28.7	29.0	33.7	29.4
EBITDA	857	1,019	1,020	885	1,004
% of gross profit	16.3	16.9	16.3	15.1	16.9
EBIT	602	693	736	594	765
% of gross profit	11.5	11.5	11.8	10.1	12.8
EBT	603	708	764	610	767
% of gross profit	11.5	11.8	12.2	10.4	12.9
Earnings for the year (Kuehne + Nagel share)	459	536	585	467	601
% of gross profit	8.7	8.9	9.4	8.0	10.1
Depreciation, amortisation and impairment of intangible assets and goodwill	255	326	284	291	239
% of gross profit	4.9	5.4	4.5	5.0	4.0
Operational cash flow	857	1,043	1,015	893	989
% of gross profit	16.3	17.3	16.2	15.2	16.6
Capital expenditures for fixed assets	246	231	245	264	134
% of operational cash flow	28.7	22.1	24.1	29.6	13.5
Total assets	5,720	6,438	5,555	5,933	5,941
Non-current assets	2,290	2,119	1,864	2,456	2,058
Equity	1,964	2,367	2,073	2,290	2,378
% of total assets	34.3	36.8	37.3	38.6	40.0
Total employees at year-end	46,290	51,075	53,823	54,680	57,536
Personnel expenses	2,959	3,396	3,518	3,341	3,391
% of gross profit	56.3	56.5	56.3	57.0	56.9
Gross profit in CHF 1,000 per FTE	113	118	116	107	104
Manpower expenses in CHF 1,000 per FTE	64	66	65	61	59
Basic earnings per share (nominal CHF 1) in CHF					
Consolidated earnings for the year (Kuehne + Nagel share) [2]	3.91	4.54	4.96	3.95	5.06
Distribution in the following year	1.50	1.90	2.30 [3]	2.30	2.75 [4]
in % of the consolidated earnings for the year	39.0	41.8	46.4	58.2	54.6
Development of share price					
SIX Swiss Exchange (high/low in CHF)	99/69	131/91	113/57	104/53	137/92
Average trading volume per day	161,664	195,916	331,536	295,884	190,910

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

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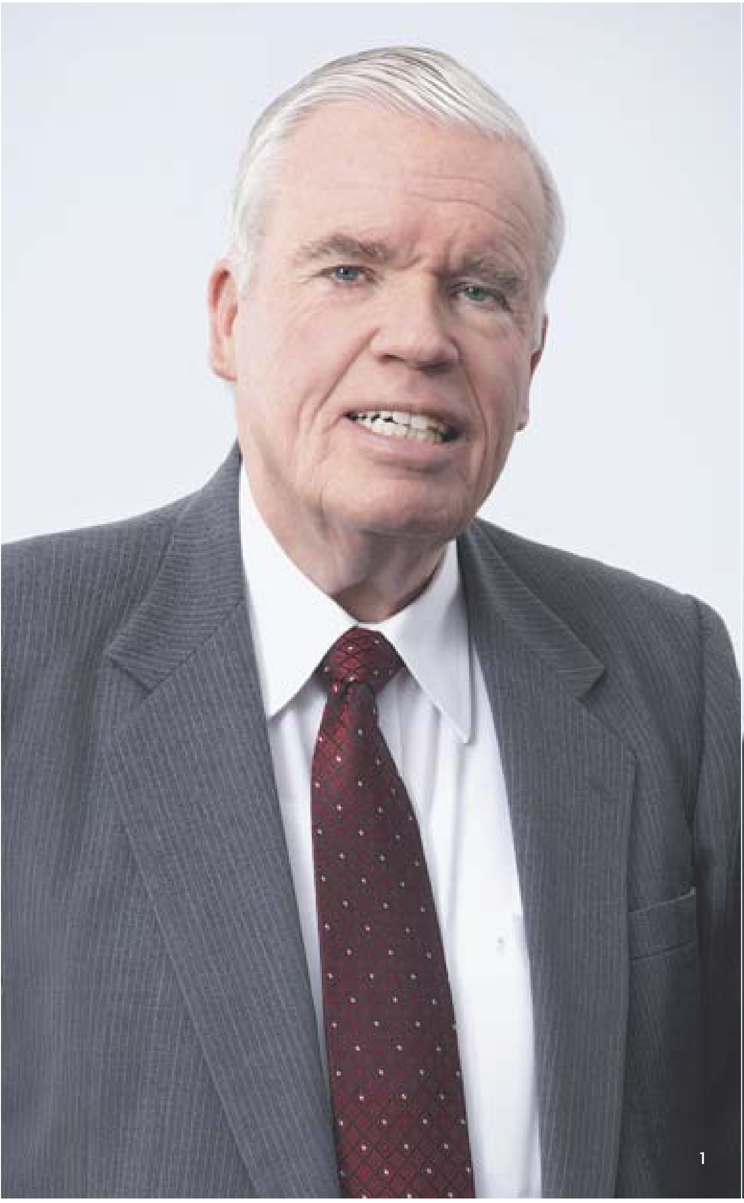

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THE BOARD OF DIRECTORS:

1 **KLAUS-MICHAEL KUEHNE** _ _ _ _ _ Chairman
2 **KARL GERNANDT** _ _ _ _ _ _ _ _ _ _ Executive Vice Chairman

A new record result

Ladies and Gentlemen

In 2010, the Kuehne + Nagel Group met its ambitious targets and recorded the best result in its history. The company already had laid the foundations for this successful development in the crisis year 2009 by consistently implementing its strategy of optimising costs, while at the same time increasing its market share. This placed Kuehne + Nagel in an excellent position to maximise business opportunities during the 2010 economic upswing. Due to this, the development of business and results was above the pre-crisis period. Furthermore, the increased efficiency, documented by the improved ratio between gross profit and EBIT, indicates the internal strengths of the Group. Turnover increased by 16.4 per cent to CHF 20,261 million in comparison with the previous year, and net earnings improved by 28.7 per cent to CHF 601 million.

Board of Directors

At the Annual General Meeting of May 18, 2010, Dr. Joerg Wolle was newly elected to the Board of Directors for a one-year term. Dr. Wolle is CEO and Delegate of the Board of Directors of the DKSH Group, the leading market expansion services provider with a focus on Asia. Juergen Fitschen, Karl Gernandt, Hans-Joerg Hager, Dr. Joachim Hausser, Klaus-Michael Kuehne, Hans Lerch, Dr. Georg Obermeier, Dr. Wolfgang Peiner, Dr. Thomas Staehelin and Bernd Wrede were re-elected for a further one-year term. Klaus-Michael Kuehne remained Chairman of the Board of Directors.

Board committees

The Board of Directors' regular committees are the Audit, the Executive and Nomination and the Compensation Committees. In 2010, the committees took place quarterly, with the respective chairmen reporting issues at the 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. The Group has cooperated intensively with the relevant authorities. At the end of September 2010, Kuehne + Nagel International AG entered into a plea agreement with the U.S. Department of Justice (DoJ) to resolve allegations in respect of establishing certain surcharges for international freight forwarding services to the United States. With this plea agreement, which is subject to court approval – Kuehne + Nagel agreed to pay a fine of approximately USD 9.9 million – investigations into international airfreight activities were concluded out-of-court. A verdict on the same proceedings by the European Commission is still awaited.

Management Board

Kuehne + Nagel has the objective of expanding its European overland activities, while optimally exploiting operational synergies between the other business units. As a result, on January 1, 2010, Road & Rail Logistics was placed under the responsibility of Dirk Reich, in addition to the Contract Logistics business unit already in his charge. The Management Board now consists of six members, chaired by Reinhard Lange as Chief Executive Officer (CEO).

Shareholder structure

At the end of 2010 the shareholder structure of Kuehne + Nagel International AG was as follows:

– Kuehne Holding AG	53.3 per cent
– Free float	46.0 per cent
– Treasury shares	0.7 per cent
	100.0 per cent

Economic environment

The measures taken during the crisis period in almost all regions of the world to stabilise the economy have proven effective. World economy already started to recover during the winter 2009/10. According to 2010 figures available to date, global gross domestic product showed an annual increase of 3.9 per cent compared with a contraction of around 0.8 per cent in 2009. Global trade volume grew by 12.5 per cent in 2010, having fallen a hefty 10 per cent in 2009. Worldwide growth was again driven by the emerging and developing countries, whose economies showed an expansion of 6 per cent, largely due to strong domestic demand. China's economy grew most rapidly at 10.3 per cent. According to official figures, its gross domestic product increased by 9.8 per cent in the fourth quarter of 2010 alone, thus making the People's Republic the world's second-largest economy. The recovery in the industrial countries with growth of 2 per cent was gratifying but modest in comparison.

Logistics industry

The revival of the world economy was accompanied by a distinct rise in transport and logistics volumes, primarily in the Asia-Pacific region and South America. Logistics providers with broad geographical coverage, efficient organisation and processes benefited from business potential and quickly put the year of crisis behind them. New growth opportunities presented themselves, particularly in regional, customer- and product-specific niches. On the other hand, the pressure on profit margins persisted as a result of unchanged fierce global competition.

The logistics industry is still subject to a significant consolidation; in 2010, takeover and merger activities increased.

Performance and results

All business units of the Kuehne + Nagel Group outperformed growth rates in their markets. Again, sea- and airfreight were most successful, both earning top scores for their operational results due to productivity improvements and strong volume increases. Following a higher demand for complex services as well as for warehousing and distribution activities, a number of new contracts were concluded in contract logistics all over the world. Insufficient warehouse utilisation in North America and start-up costs, however, impacted the operational result. In overland transport Kuehne + Nagel continued to invest in network density and in product development.

Kuehne + Nagel's significant increase in transport orders was boosted by higher sales expenditures and supported by the economic recovery. Its productivity enhancements were based on internal efficiency increases, digitisation and newly designed integrated processes combined with extended IT support. Increased productivity, together with the rise in volume in all business units, contributed to improved results, all the more remarkable considering the negative currency effects.

Dividend

In view of the very good development of business and results as well as the high cash flow of the Group, the Board of Directors will propose to the Annual General Meeting of May 10, 2011, the distribution of a dividend increased by 19.6 per cent to CHF 2.75 per share (previous year CHF 2.30 per share).

Capital contribution reserves

In addition, the Board of Directors will propose to the Annual General Meeting to repay capital contribution reserves to its shareholders amounting to CHF 1.50 per share.

Summary and outlook

Due to its global logistics capabilities and integrated product portfolio, the Kuehne + Nagel Group was able to quickly benefit from the revival of world trade. The Group outperformed the market in all business units, further improving its global competitive position. Internal processes and costs were optimised, increasing the productivity of the organisation and putting it in position to achieve profitability above market average, even in difficult economic periods. The potential of the global logistics market and the outstanding growth momentum within the Kuehne + Nagel Group were the bases for the strategic growth programme, which the company has planned for the next four years. It is aimed to double the business by 2014, increasing the number of containers moved by sea from 2.5 million in 2009 to more than 5 million in 2014. In airfreight it is intended to increase the cargo volume to 1.3 million tons. In the same period, in overland transport it is planned to double the 2009 net turnover figure and increase the number of European scheduled connections to 500, while in contract logistics it is aimed to raise turnover by 50 per cent. These expansion plans are underpinned by investments in the development of activities in emerging countries, especially Brazil, China and India. A further core aim of the strategy is to strengthen sales' customer orientation and extend the industry-specific know-how to even better market Kuehne + Nagel's sophisticated logistics services.

The economic outlook for the current business year is favourable, although potential for a setback is still present, including such factors as the volatility of the U.S. economy, rising commodity prices and currency risks. The Kuehne + Nagel Group has proven its capabilities, even under the most difficult economic conditions. For that reason, the Board of Directors is very confident of its future development and supports the determined pursuit of the adopted strategy's aim of achieving above-average growth.

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 the very good results achieved in 2010. Thanks are also extended to all customers and partners for their confidence in Kuehne + Nagel and good business relations the Group enjoyed with them.

Yours sincerely

Klaus-Michael Kuehne
Chairman of the
Board of Directors

Karl Gernandt
Executive Vice Chairman of the
Board of Directors

Targeting above market average growth

In 2010, the Kuehne + Nagel Group again secured a leading position with regard to growth and profitability. Important success factors were the Group's ability to offer customers higher value through intelligent integrated logistics solutions and its improved operational efficiency.

Economic environment

In the first half of 2010, there was still no certainty of a sustained global economic recovery due to the volatility in international finance markets, the lasting recession in the United States, and credit risks in some southern European markets. Emerging countries, primarily China, significantly contributed to the stimulation of global trade, which closely correlates with the international logistics business. While economies picked up in Asia, diverging gross domestic product development was seen in other regions.

Concentration on core competencies

In this environment, the Kuehne + Nagel Group concentrated on its strengths: customer orientation, detailed industry know-how, operational excellence and internal efficiency.

The Group systematically invested in product development and sales to extend its industry-specific solutions, market its offering more effectively and gain new customers. As a result, in 2010, Kuehne + Nagel increased turnover by 16.4 per cent. The Group countered the increasing complexity of international business with process improvements through system standardisation. Its information logistics solutions meet the highest standards and found high esteem in customer surveys.

Innovative IT solutions helped achieve higher internal efficiency and increased productivity in all business units.

Development of the business units

Kuehne + Nagel's objective in 2010 was to achieve profitable, above-market growth in sea- and airfreight, its core business fields. With an increase in volume of almost 16 per cent in seafreight and a plus of approximately 25 per cent in airfreight, these aims were achieved. In addition, record levels in volume and productivity were reached. Sales of highly specialised services for selected industries were successful. Examples include an increase in demand for reefer container services in seafreight and expert handling of perishables in airfreight. These segments, and the value-creating services for the drinks, hotel, pharmaceutical and oil and gas industries, will be assigned a central position in the corporate growth strategy and systematically extended.

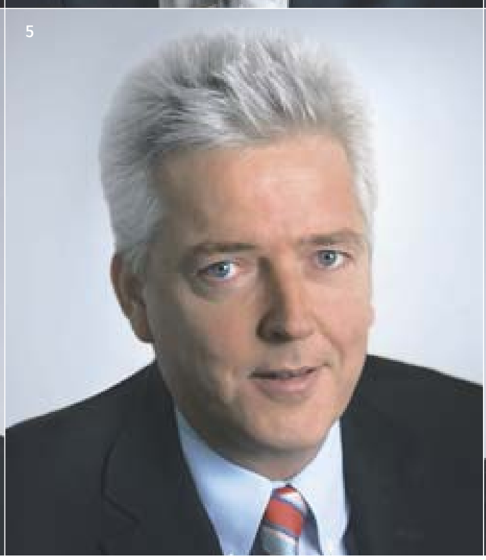
In road & rail logistics Kuehne + Nagel concentrated on increasing the density of its European groupage network and improving operational efficiency. The Group plans to strategically develop its activities in the full-truck-load (FTL) and less-than-truckload (LTL) segments as well as its industry-specific distribution networks. The wider range of services will support customer base expansion, customer service improvement and increased efficiency and productivity.

Globally operating companies in various industries that outsource their warehousing and distribution cross-nationally expect to achieve efficiency improvement through standardisation. Kuehne + Nagel succeeded in seizing business opportunities; however, negative exchange rate effects and high start-up costs associated with large new projects impacted the operational result. Overall, the driving force for growth in contract logistics will remain the trend towards outsourcing, from which Kuehne + Nagel will highly benefit due to its global logistics capabilities.

THE MANAGEMENT BOARD:

1	REINHARD LANGE	Chief Executive Officer
2	GERARD VAN KESTEREN	Chief Financial Officer
3	LOTHAR HARINGS	Human Resources
4	MARTIN KOLBE	Information Technology
5	PETER ULBER	Sea & Air Logistics
6	DIRK REICH	Road & Rail and Contract Logistics

As of January 1, 2011



Regional developments

The countries of the Asia-Pacific region, in particular, China, have emerged as growth engines for Kuehne + Nagel's freight forwarding business. In sea- and airfreight record volume growth was achieved. In line with the global strategy, Kuehne + Nagel expanded its contract logistics operations, primarily in China and India, and started the development of overland transport activities in this region.

Despite being subject to different economic conditions in the European countries, Kuehne + Nagel recorded significant growth in all business units. With Germany in the lead, the national companies in Spain, Ukraine, the Czech Republic, Poland and the Netherlands merit special mention, distinguishing themselves by particularly good results.

In North America, the international forwarding business grew substantially, although the economic situation in the United States only gradually improved. In contract logistics new business led to a higher capacity utilisation, however, volumes still lagged expectations. All South American national companies reported substantial improvement in volumes and earnings.

The development of business and the results also exceeded expectations in the Middle East and Central Asia. New contracts were concluded in all fields of activity. Kuehne + Nagel achieved strong results, among others, in the United Arab Emirates and Saudi Arabia. The oil and gas as well as project logistics businesses were the main drivers for the activities in Africa.

Outlook for 2011

The 2011 business plan again envisages growth above market average in all business units. It assigns great importance to the expansion of activities in the regions, in particular China, Brazil and Colombia as well as to the development of new products and services for niche segments. The specialised networks are to be globally expanded, for example by acquisition of local specialist firms in the perishables segment. In contract logistics, increased global sales and marketing of industry-specific products is the objective, while in overland transport is the plan to achieve further progress through organic growth and strategic acquisitions.

All Kuehne + Nagel staff with their dedication, strong customer orientation and commitment to success will contribute substantially to the achievement of the ambitious growth targets.

Reinhard Lange
Chairman of the Management Board

STATUS REPORT

Turnover

In 2010 Kuehne + Nagel's turnover amounted to CHF 20,261 million representing an increase of 16.4 per cent or CHF 2,855 million compared to the previous year. The impact of the world-wide rebound of economic activity on the organic business resulted in an increase of CHF 3,783 million. Exchange rate fluctuation resulted in a negative impact of CHF 928 million.

At regional level, the Asia-Pacific (32.3 per cent), Americas (25.5 per cent) and Middle East, Central Asia and Africa (15.2 per cent) reported the largest increases in turnover. Europe experienced comparatively the smallest increase in turnover with 12.1 per cent.

Exchange rate fluctuations between 2009 and 2010, based on average yearly exchange rates, led to a significant lower valuation of the Euro of 8.2 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 3.5 per cent and of the British Pound of 3.9 per cent against the Swiss franc. When comparing the turnover in the income statement, a negative currency impact of approximately 5.3 per cent must be taken into consideration in 2010.

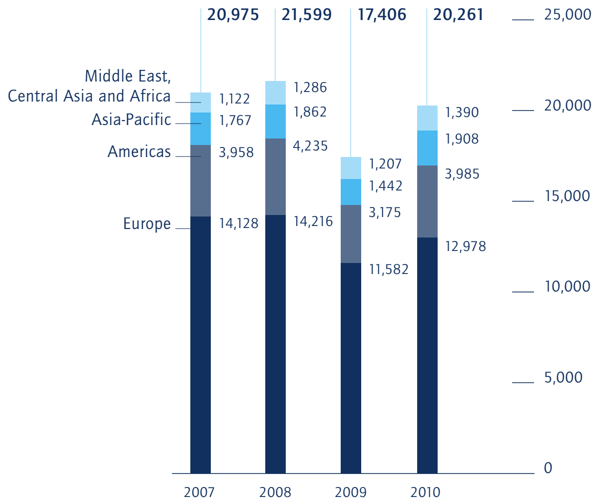
Income

Gross profit

Gross profit, a better indicator of performance than turnover in the logistics and forwarding industry, reached in 2010 CHF 5,958 million, which is a 1.6 per cent increase compared to the previous year. The organic business has developed positively by CHF 433 million (plus 7.4 per cent). A negative exchange rate development has impacted the gross profit by CHF 338 million (minus 5.8 per cent).

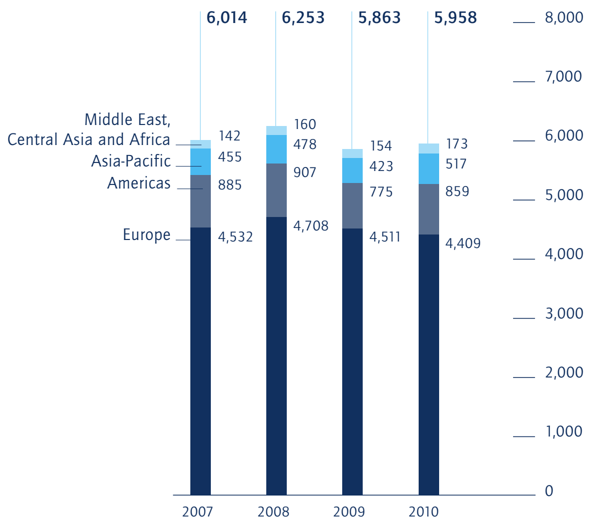
Regional turnover

CHF million



Regional gross profit

CHF million



In the Asia-Pacific, gross profit increased by 22.2 per cent, in Middle East, Central Asia and Africa by 12.3 per cent and in Americas by 10.8 per cent. In Europe gross profit decreased by 2.3 per cent, whereby a negative currency impact of 5.8 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, increased by CHF 99 million to CHF 992 million (for further information, please refer to the cash flow statement on page 70).

EBITDA

The earnings before interest, tax, depreciation, amortisation and impairment of property, plant and equipment, goodwill and other intangible assets increased by CHF 119 million or 13.4 per cent compared to the previous year (including a provision of CHF 5 million in respect of competition investigations); the organic business increased by CHF 171 million, whereby the negative exchange rate development accounted for CHF 52 million. Europe generated the largest EBITDA contribution of CHF 593 million (59.1 per cent) followed by Asia-Pacific with CHF 221 million (22.0 per cent), the Americas with CHF 152 million (15.1 per cent) and the Middle East, Central Asia and Africa with CHF 38 million (3.8 per cent).

The EBITDA margin was maintained at 5.0 per cent compared to 5.1 per cent in 2009. Personnel expenses increased by CHF 50 million or 1.5 per cent attributable to an increase of number of employees compared to substantial volume increases demonstrating a stringent cost management and productivity improvements.

EBIT/Earnings for the year

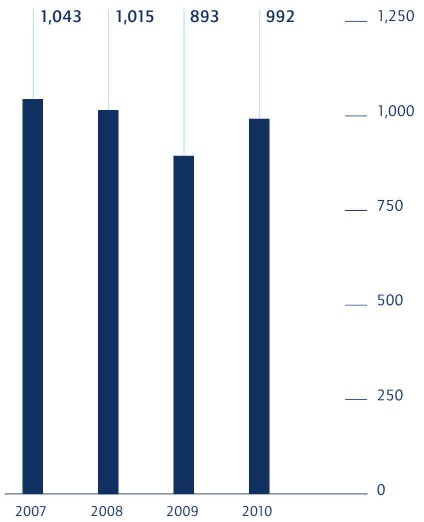
The increase of earnings before interest and tax (EBIT) by CHF 171 million was due to a strong organic business increase (CHF 206 million) but also impacted by a negative exchange rate development (CHF 35 million).

EBIT in Europe increased by CHF 58 million (17.1 per cent), in the Americas by CHF 32 million (33.0 per cent), in Asia-Pacific by CHF 79 million (61.7 per cent) and in the Middle East, Central Asia and Africa by CHF 2 million (6.7 per cent). Driven by the overall volume increases due to the economical recovery and the high operational efficiency, the EBIT margin (in per cent of invoiced turnover) was increased to 3.8 per cent compared to previous year's 3.4 per cent.

The earnings for the year increased by CHF 134 million to CHF 601 million (including a provision of CHF 5 million in respect of competition investigations) compared to the previous year, whereby the margin was increased to 3.0 per cent (in per cent of the invoiced turnover) compared to previous year's 2.7 per cent.

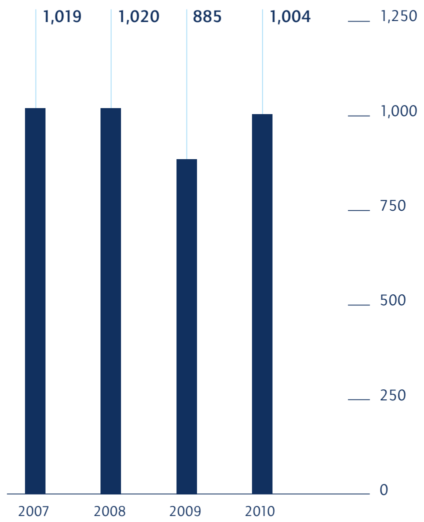
Operational cash flow

CHF million



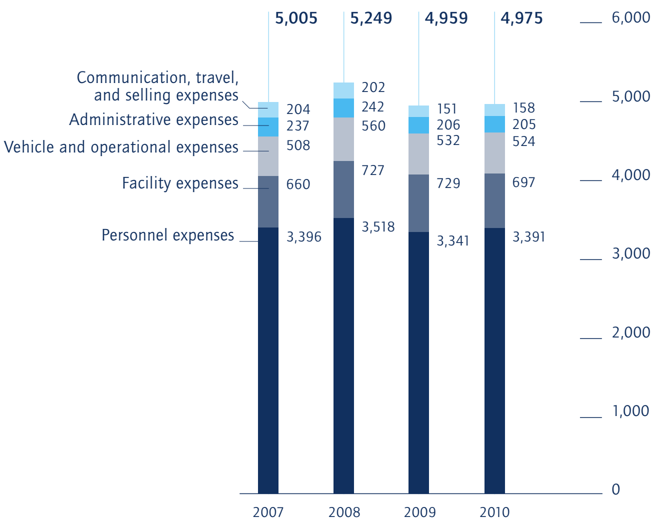
EBITDA

CHF million



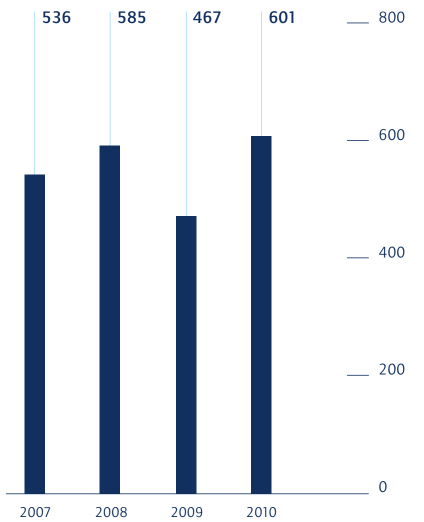
Operational expenses

CHF million



Earnings for the year

CHF million



Financial position

Total assets and liabilities of the Group increased by CHF 8 million to CHF 5,941 million compared to 2009. The changes are mainly a decrease in property, plant and equipment, and other intangibles assets due to depreciation and currency impact; details can be found in notes 27 and 28 to the Consolidated Income Statement. Cash and cash equivalents increased by CHF 344 million mainly due to a strong operational cash flow and reduced capital expenditure; for further information, refer to the cash flow statement on page 70.

Trade receivables amounting to CHF 2,077 million represent the most significant asset of the Kuehne + Nagel Group. The days outstanding of 37.8 days in 2010 decreased from 40.6 days in 2009.

The equity of the Group has increased by CHF 88 million to CHF 2,378; this represents an equity ratio of 40.0 per cent (2009: 38.6 per cent). Developments of other key figures on capital structure are shown in the following table:

Kuehne + Nagel Group key figures on capital structure

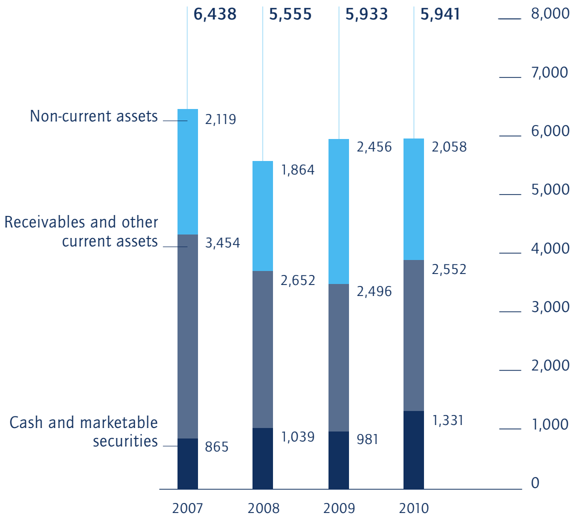
		2007 *	2008	2009	2010
1	Equity ratio (in per cent)	36.8	37.3	38.6	40.0
2	Return on equity (in per cent)	24.6	24.8	21.2	25.5
3	Debt ratio (in per cent)	63.2	62.7	61.4	60.0
4	Short-term ratio of indebtedness (in per cent)*	53.4	54.1	49.5	49.7
5	Intensity of long-term indebtedness (in per cent)*	9.9	8.6	11.9	10.3
6	Fixed assets coverage ratio (in per cent)*	141.7	136.9	122.0	145.1
7	Working capital (in CHF million)*	835	632	540	929
8	Receivables terms (in days)	41.9	37.6	40.6	37.8
9	Vendor terms (in days)	51.4	44.0	53.9	48.0
10	Intensity of capital expenditure (in per cent)	32.9	33.6	41.4	34.6

* Previous years have been restated for comparison purposes.

1 Total equity in relation to total assets at the end of the year.
2 Net earnings for the year in relation to share + reserves + retained earnings as of January 1 of the current year less dividend paid during the current year as of date of distribution + capital increase (incl. share premium) as of date of payment.
3 Total liabilities – equity in relation to total assets.
4 Short-term liabilities in relation to total assets.
5 Long-term liabilities in relation to total assets.
6 Total equity (including 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.

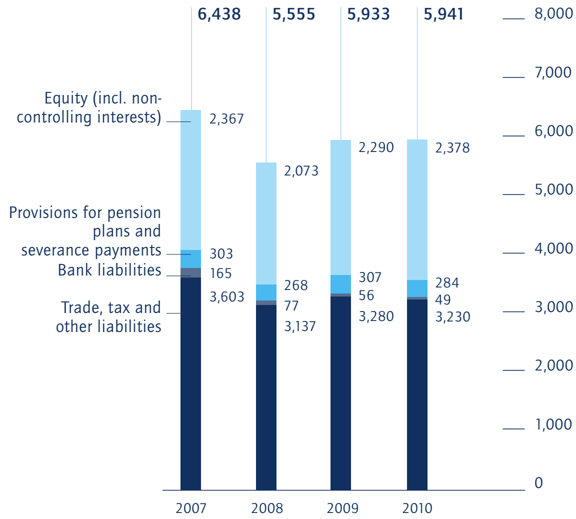
Assets

CHF million



Liabilities

CHF million



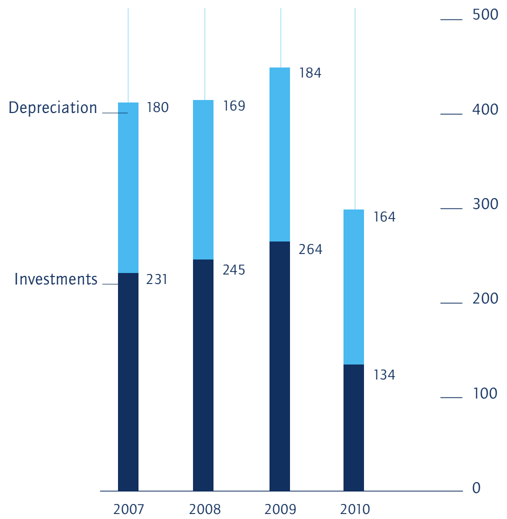
Investments, depreciation and amortisation

In 2010 the Kuehne + Nagel Group invested a total of CHF 134 million for capital expenditures. All capital expenditures in 2010 were financed by the operational cash flow of CHF 992 million generated during 2010.

Investments in properties and buildings amounted to CHF 28 million, and CHF 106 million were spent for other fixed assets, operating and office equipment.

Investments in fixed assets / depreciation

CHF million



In 2010 the following major investments were made in properties and buildings:

Region/Location	CHF million	
Europe		
Various locations, France	13	Extension and work in progress of logistic centres
Contern, Luxembourg	2	Extension of logistic centre
Duisburg, Germany	10	Extension of logistic centre
Bielefeld, Germany	3	Extension of logistic centre
	28	

The allocation by category is as follows:

CHF million	
Operating equipment	48
Vehicles	7
Leasehold improvements	25
IT hardware	18
Office furniture and equipment	8
Total	**106**

The allocation by region is as follows:

CHF million	
Europe	67
Americas	25
Asia-Pacific	8
Middle East, Central Asia and Africa	6
Total	**106**

Depreciation and amortisation 2010 amounted to CHF 239 million and are allocated in the profit and loss statement as indicated in notes 27 and 28 in the Consolidated Financial Statement.

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

CHF million	2007	2008	2009	2010
Capital Expenditure				
Fixed assets				
Properties and buildings	58	93	161	28
Operating and office equipment	173	152	103	106
Intangible assets				
Goodwill in consolidated companies	113	–	139	–
Other intangibles through acquisitions	77	26	151	2
IT software	27	34	22	17
	448	**305**	**576**	**153**
Depreciation and amortisation				
Fixed assets				
Buildings	29	21	24	24
Operating and office equipment	151	148	160	140
Intangible assets				
Impairment of goodwill	31	6	–	–
Amortisation / impairment of other intangible assets	115	109	107	75
	326	**284**	**291**	**239**

Planned investments in 2011

In 2011 the Kuehne + Nagel Group plans to invest about CHF 213 million for capital expenditures compared to a spending of CHF 134 million in 2010.

Planned investment per category

CHF million	
Properties and buildings	82
Operating equipment	58
Vehicles	14
Leasehold improvements	23
IT hardware	27
Office furniture and equipment	9
Total	**213**

Expected allocation per business segment

CHF million	
Seafreight	22
Airfreight	16
Road & Rail Logistics	16
Contract Logistics	77
Real Estate	82
Total	**213**

In 2011 the depreciation on fixed assets is estimated at CHF 178 million and the amortisation of intangible assets at CHF 70 million (excluding potential acquisitions of companies).

Expected investments per region

CHF million	
Europe	132
Americas	15
Asia-Pacific	28
Middle East, Central Asia and Africa	38
Total	**213**

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 2010 the Kuehne + Nagel share outperformed the SMI, the SPI and the BEUTRAN Index.

Share price and market capitalisation (at December 31)

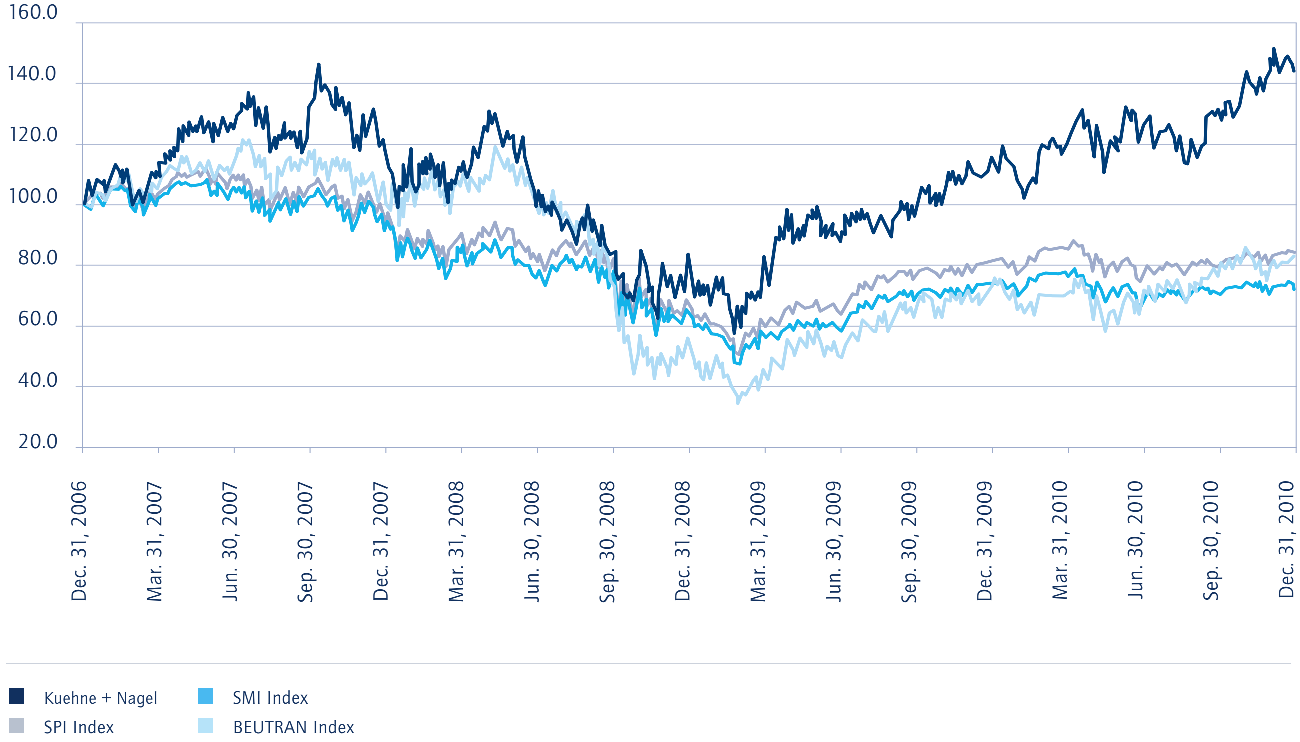
	2010	2009	per cent change
Share price (CHF)	130.0	100.5	29.4
Market capitalisation (in CHF million)	15,600	12,060	29.4

Total shareholder return development

in CHF	2010	2009
Increase/(decrease) year over year	29.50	32.95
Dividend per share	2.30	2.30
Total return	31.80	35.25

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

January 2007 – December 2010



Dividend

The Board of Directors is proposing a dividend per share for 2010 amounting to CHF 2.75 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 328 million (2009: CHF 273 million), resulting in a payout ratio of 54.6 per cent (2009: 58.2 per cent). Based on the share price at year-end 2010 the dividend yield on the Kuehne + Nagel share is 2.1 per cent (2009: 2.3 per cent).

Additionally the Board of Directors proposes to the Annual General Meeting to repay capital contribution reserves amounting to CHF 1.50 per share.

REGIONS

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
AUSTRIA	FINLAND	MALTA
BELARUS	FRANCE	NETHERLANDS
BELGIUM	GERMANY	NORWAY
BOSNIA AND	GREECE	POLAND
HERZEGOVINA	HUNGARY	PORTUGAL
BULGARIA	IRELAND	ROMANIA
CROATIA	ITALY	RUSSIA
CYPRUS	LATVIA	SERBIA
CZECH REPUBLIC	LITHUANIA	SWEDEN
DENMARK	LUXEMBOURG	SWITZERLAND

KUEHNE + NAGEL WORLDWIDE

- SLOVAKIA
- SLOVENIA
- SPAIN
- UNITED KINGDOM
- UKRAINE

MIDDLE EAST, CENTRAL ASIA AND AFRICA

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

ASIA-PACIFIC

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

SEAFREIGHT______ A MAIN DRIVER FOR GROWTH WAS THE CONTAINER TRAFFIC FROM ASIA TO ALL REGIONS OF THE WORLD

AIRFREIGHT______ KUEHNE + NAGEL SET NEW VOLUME RECORDS ON THE ROUTES FROM CHINA AND INDIA TO EUROPE

HOTEL LOGISTICS ______ IN SINGAPORE KUEHNE + NAGEL WAS IN CHARGE OF ONE OF THE LARGEST HOTEL LOGISTICS PROJECTS

HIGHTECH _______ THERE IS A GROWING DEMAND FOR INTEGRATED LOGISTICS SOLUTIONS IN THE HIGH-TECH INDUSTRY

Seafreight: Strong recovery in 2010

Kuehne + Nagel is back to its traditional growth dynamics. With an increase in container volume of almost 16 per cent, in 2010, the company outperformed the market and reaffirmed its leadership in the global seafreight business.

Container market growing again

Beginning in the autumn of 2008, the financial and economic crisis caused substantial problems for international container shipping; in 2009, global volumes slumped by almost 12 per cent. A turnaround was experienced by the rise in container volumes handled in the second half of 2009 and the positive development of business in the first quarter of 2010. Driving the upward trend, which resulted in a market growth between 10 and 12 per cent in 2010, were the trades from Asia, particularly China, to all regions of the world. Both the transpacific trade and the routes between Asia-Pacific and Europe showed impressive growth rates of 17 per cent. In the preceding year, container volumes in these trade lanes had suffered declines of 14 and 10 per cent, respectively.

In 2010, Kuehne + Nagel recovered its growth momentum of the pre-crisis years and gained market share in almost all trade lanes. The company experienced the biggest growth in the trades from Asia to North America and to the Middle East. The Group also increased its market share in the trans-Atlantic trades, where market growth was up more than 13 per cent in 2010. North-south traffic benefited also from the economic recovery. While exports from Asia to Africa and Latin America increased by more than 20 per cent, demand in the trades from Europe and the United States to Latin America did not reach that level. Kuehne + Nagel outperformed the market on almost all these routes and recorded its best results in the trades between Asia and Latin America.

Kuehne + Nagel's route management proved its value in the times of high business volumes, ensuring the prompt execution of customer orders. Higher productivity and process optimisation resulted in a 17.3 per cent improvement in the operational result.

Its strategic partnerships with leading carriers enabled Kuehne + Nagel to offer capacity in every alliance and on every container vessel and to handle large volumes for its customers without any problems. Furthermore, in 2010 the company expanded its capacities on many routes, further increasing the flexibility of its offering.

Development of rates

In 2009, with container shipping in the down-current of recession, the global fall in volumes led to a dramatic slump in freight rates. To counter this trend and bring supply in line with demand, shipping companies initiated various measures such as laying-up containerships, cancelling new-building orders, and "slow-steaming programmes".

The strong revival of demand in the first half of 2010, led to full ships and a significant rise in rates, to which the drastic reduction of capacity was also a contributing factor. Although the rate level fell back in the second half of 2010 when growth returned to normal and additional capacity came onto the market, it still remained substantially higher than in the preceding year. While more than 12 per cent of the container fleet had been laid up at the end of 2009, this figure was reduced to around 2 per cent by the end of 2010.

Internal processes and information technology

Kuehne + Nagel continued to invest in its IT-based seafreight services to further enhance customer satisfaction and cost efficiency. Since the company is increasingly conducting its business with the shipping companies via INTTRA, the industry's Internet portal, there was also a marked increase in the number of electronic container bookings. The KN Login information logistics system, which provides comprehensive visibility and monitoring throughout the supply chain, has enjoyed a high level of acceptance among customers for a number of years. In 2010, its functions were extended through the addition of new applications, specially tailored for retail, high-tech and automotive customers.

LCL (Less than Container Load) business

LCL is an important segment of the seafreight business unit. Factors for success are the company's own network and its multi-country consolidation services. At central gateways in Asia, the Middle East and Europe consignments are grouped, sorted according to destination ports, consolidated in containers and shipped. New routes were established in all regions in 2010, transport volume increased by 20 per cent compared with the preceding year.

Niche products

To meet customers' manifold needs, for a number of years, Kuehne + Nagel has specialised in various niche products, which have reached a high market acceptance.

In the worldwide shipment of forestry products (paper, cellulose and timber) Kuehne + Nagel achieved growth rates exceeding the market average.

In reefer container traffic, the Group's concentration on specific goods and regions contributed to very satisfactory growth. In drinks logistics, a segment in which Kuehne + Nagel has been engaged for eight years now, growth exceeded expectations despite changes in consumer behaviour.

Emergency and relief logistics

With its special know-how Kuehne + Nagel supports well-known international aid organisations in crisis areas through long-term contracts. Private companies also benefit from Kuehne + Nagel's expertise in emergency and relief logistics. In addition to its activities in a number of African countries, Kuehne + Nagel played a major role in relief operations following the earthquakes in Haiti and Chile at the beginning of 2010.

Oil & gas, project services

Although companies in the oil and gas industry were still hesitant to invest, in 2010, Kuehne + Nagel strengthened its activities in all major markets, generating an improved result in this segment. The project business saw continued favourable development with large new contracts in North Africa and North America.

River shipping

River shipping, a safe, economical and environmentally-friendly transport mode, is experiencing a renaissance. In 2010, demand for Kuehne + Nagel's services in this sector increased substantially, requiring the charter of additional transport capacity.

Outlook for 2011

In the current business year, the international container market volume is expected to grow between 6 and 8 per cent. Kuehne + Nagel aims to achieve profitable growth that substantially exceeds that of the market. In accordance with the Group's growth strategy, efforts will be concentrated on the continuous expansion of its sophisticated service offerings in niche areas and a strengthening of activities in intra-Asian trades activities.

Performance Seafreight

CHF million	2010	Margin per cent	2009	Margin per cent	Variance 2010/2009 per cent
Turnover	8,996		7,572		18.8
Gross profit	1,224	13.6	1,202	15.9	1.8
EBITDA*	441	4.9	376	5.0	17.3
EBIT*	416	4.6	339	4.5	22.7
Number of operational staff	7,588		7,421		2.3
TEU '000	2,945		2,546		15.7

* Includes provision for competition investigations including associated legal expenses of CHF 1 million (2009: CHF 10 million) (see notes 23, 40 and 44 of Consolidated Financial Statements for details).

Airfreight: Steep growth rates

With a rise of approximately 25 per cent in cargo volume, Kuehne + Nagel outperformed the market and increased its share in the global airfreight business.

Development of market and business

The recovery of the world economy resulted in a significant upturn for the airfreight business, particularly in the first half of 2010. In all regions and industries, shippers used the more cost-intensive mode of transport to minimise their order lead times. As a consequence, the global airfreight market increased volumes between 15 and 20 per cent in 2010, although growth rates slightly declined in the third and fourth quarters.

Kuehne + Nagel increased tonnage on all routes and set a new volume record by handling almost one million tons of cargo in 2010. The company benefited from its market-oriented airfreight products and its proactive capacity management, particularly on the routes to and from the Asia-Pacific region. On the China to Europe traffic, for instance, Kuehne + Nagel achieved growth of 36 per cent while exports from India to Europe expanded by 72 per cent.

The Icelandic volcanic eruption during the second quarter presented a special challenge for the aviation industry. As a result of the ash cloud, the whole of the European and a large part of the global airfreight market was brought to a standstill for days. Kuehne + Nagel immediately established a global team with bases in Atlanta (for the Americas), Frankfurt (for Europe, the Middle East and Africa) and Hong Kong (for Asia Pacific) which analysed the situation in each region and identified solutions allowing customers to avoid interrupting their flow of goods.

Development of rates

Rates increased significantly, particularly in the first half of 2010, since demand exceeded the available capacity. In 2009, more than 2,000 aircraft had been withdrawn from operation in response to the gloomy situation in the global airfreight market. From July 2010 onwards, the rate structure stabilised as more capacity came back into the market. Lower-than-expected "peak season" demand also helped counteract a further rise in rates.

Process improvement and quality assurance

Kuehne + Nagel considerably increased productivity through process optimisation and standardisation, which is reflected in a 47.2 per cent rise of the operational result. Quality assurance based on Cargo 2000 standards remains of high importance. Kuehne + Nagel's time-defined airfreight products – the newest of which, KN Extreme Climate, was added in the year under review – all fully conform to the quality standard expected by the customers.

The following special airfreight solutions meet the needs of specific industries:

Aviation/Aerospace Logistics

Kuehne + Nagel, with its spare parts logistics and maintenance services, achieved highly satisfactory growth in 2010 due to the continuing outsourcing trend in the aerospace industry. There is also a growing tendency for these customers to choose the industry-specific services of other Kuehne + Nagel business units as well.

Hotel Logistics

The Hotel Logistics business segment offers turn-key logistics solutions to leading global hotel chains. Despite the crisis-related dent in the order curve in 2010, Kuehne + Nagel successfully handled large hotel construction and renovation projects on all five continents. The strategic investment in software to manage the flow of materials on the construction sites set new industry standards and helped make Kuehne + Nagel the market leader in this segment.

Marine Logistics

The experts in the Marine Logistics segment ensure the seamless operation of the spare parts supply chain for several thousand commercial ships. The year under review saw a further increase in the volume of business and a widening of the customer base.

Perishables Logistics

The continuous development of the perishable goods transport network is bearing fruit. In 2010, there was a global increase in orders. In addition to the worldwide transport of fresh flowers, Kuehne + Nagel is concentrating on other product groups such as fruit, vegetables and seafood. As part of its growth strategy Kuehne + Nagel will invest in the global extension of its perishables network.

Pharma Logistics

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 shipment's temperature along the supply chain. This is an indispensable requirement, particularly for the transport of pharmaceutical products to the United States. For certain products the U.S. Food and Drug Administration (FDA) expects clear evidence that the temperature has remained within the prescribed corridor during transit and that the quality of the product is thus assured. To even better meet the requirements of this industry, Kuehne + Nagel has developed new concepts that will be rolled out shortly. As part of its growth strategy, the company also plans to invest in strategically located temperature-controlled warehouses.

Outlook for 2011

The global airfreight market improved considerably in 2010; therefore, a further stabilisation and volume growth between 3 and 6 per cent can be expected in 2011. Kuehne + Nagel aims to achieve profitable growth well above the market average. In line with the company's growth objectives, the focus will be on expansion of activities in the trans-Pacific and intra-Asian trades as well as the further development of industry specific solutions.

Performance Airfreight

CHF million	2010	Margin per cent	2009	Margin per cent	Variance 2010/2009 per cent
Turnover	4,044		2,857		41.5
Gross profit	749	18.5	635	22.2	18.0
EBITDA*	234	5.8	159	5.6	47.2
EBIT*	216	5.3	139	4.9	55.4
Number of operational staff	4,244		3,613		17.5
Tons '000	948		758		25.1

* Includes provision for competition investigations including associated legal expenses of CHF 4 million (2009: CHF 25 million) (see notes 23, 40 and 44 of Consolidated Financial Statements for details).

Road & Rail Logistics: Expansion of activities

Growth exceeded market average as a result of the increasing density of the European groupage network and the expanding portfolio of full-truckload (FTL) and less-than truckload (LTL) services as well as industry-specific solutions.

Development of European road transport

In the European overland transport market the strong economic upswing led to a marked increase in freight volumes. At the same time, service providers coped with fierce competition and increased price pressure. The 12 per cent market growth resulted in a transport capacity shortage and an exceptionally strong rise in freight space costs.

Kuehne + Nagel faced up well to this situation. The successful expansion of activities in the groupage, FTL and LTL areas is reflected by 15 per cent increase in volumes.

European groupage network

In 2010, Kuehne + Nagel handled roughly 15 million national and international groupage shipments. The positive volume development was largely due to intensified local and regional sales efforts and selective customer segmentation. Kuehne + Nagel succeeded in expanding its customer base by 10 per cent, notably by gaining new customers among small and medium-sized enterprises.

In line with its strategy of increasing the density of its European overland network, Kuehne + Nagel extended the number of international connections in 2010. Poland and Italy, in particular, were better tied into the European network by the introduction of new direct lines. However, investments in the expansion of the national groupage network in France led to start-up losses that adversely affected the operational result.

In addition to the development of the unified Europe-wide product portfolio "KN Euro-Line", Kuehne + Nagel continued the standardisation of its IT systems and processes. These initiatives are expected to substantially contribute to an improvement in turnover and profit. In 2010, a centralised network management team at the headquarters in Schindellegi, Switzerland, assumed responsibility for planning, control and supervision of all European groupage activities.

FTL and LTL shipments

Kuehne + Nagel has decided to foster the expansion of the FTL and LTL business in addition to its groupage activities. Primarily large customers benefit from tailor-made services offered by Kuehne + Nagel. In 2010, the company already achieved growth of more than 20 per cent and handled over 100,000 FTL and roughly 1 million LTL shipments. A centralised tender center and a unified IT solution linking all locations will support efficiency increases.

Development of specialised networks

Kuehne + Nagel plans to further develop specialised distribution networks as a third pillar of its overland transport activities. In 2010, new customers were added to the existing distribution solution for high-tech products and other high-value goods. A new special network was developed for customers in the pharmaceutical and healthcare sector. The plan is to offer solutions customised to the needs of each industry.

Fairs and Exhibition Logistics

The KN Expo Service segment specialises in the transport and handling of trade-fair goods and event and concert logistics. Kuehne + Nagel is represented with specialist staff in 22 global locations. Activities in China were extended in connection with the EXPO 2010 in Shanghai.

Rail transport

After the 2009 shift of roughly a third of the cargo volume from rail to road, 2010 was characterised by a reverse trend from which Kuehne + Nagel's rail logistics organisation benefited. Since the company had maintained its presence in more than 15 countries during the crisis, it participated strongly in the rapid upswing of the rail logistics market, particularly in Central Europe, the Commonwealth of Independent States (CIS) and the Middle East. Kuehne + Nagel also instituted new block train connections in the CIS states and the Middle East.

Kuehne + Nagel has decided to place the development of intermodal solutions at the core of its rail strategy, in view of the discontinuation of single-wagon-load traffic by a number of European countries' state railways and the growing demand of customers for environmentally-friendly transport solutions. The development of intermodal connections also allows synergies with other business units and FTL transport.

Outlook for 2011

Kuehne + Nagel will continue to develop its groupage network in 2011 with the objective of improving profitability and economies of scale in European traffic. The business plan also foresees the expansion of FTL activities and special networks. Investment in a Europe-wide information system will support these goals.

In Europe Kuehne + Nagel will concentrate on organic growth and selective acquisitions in both road and rail logistics. The company also intends to develop overland transport activities in markets outside Europe. Cooperation with other business units will be strengthened, particularly in pre- and post-carriage transport, in seafreight and airfreight and in distribution in contract logistics.

Performance Road & Rail Logistics

CHF million	2010	Margin per cent	2009	Margin per cent	Variances 2010/2009 per cent
Turnover	2,776		2,511		10.6
Gross profit	825	29.7	818	32.6	0.9
EBITDA	43	1.5	52	2.1	–17.3
EBIT	–17	–0.6	–22	–0.9	22.7
Number of operational staff	7,255		6,849		5.9

Contract Logistics: Global market position strengthened

In 2010, Kuehne + Nagel strengthened its position in the global contract logistics market and experienced growing demand for its industry-specific solutions.

Moderate contract logistics market recovery

After the 2009 global slump in demand, the contract logistics market recovered in 2010, albeit hesitantly at the beginning. Improved capacity utilisation and accelerated warehouse throughput led to 3 per cent market growth, although pressure on margins remained unchanged.

Global, industry-specific logistics capabilities

Kuehne + Nagel's strategy of offering comprehensive contract logistics services at uniform standards to its customers around the world is supported by more than 500 locations in 60 countries. The company took advantage of the economic crisis to further develop its industry-specific solutions, gaining a number of important contracts in 2010. A large retailer in the United Kingdom, an aircraft manufacturer in Spain and a German producer of consumer goods, for instance, placed complex warehousing and distribution operations in the hands of Kuehne + Nagel on a long-term basis.

Currency adjusted, net turnover in the contract logistics business unit increased by roughly 5 per cent. New contracts helped to significantly reduce idle space. However, as a result of start-up costs and exchange rate effects, the positive impact of this development was not fully reflected in the 2010 operational result.

Growing demand for lead logistics solutions

There is a growing tendency for companies to outsource complex logistics management functions, not least as a result of the global economic crisis. Kuehne + Nagel's expertise and capabilities resulted in new contracts, which substantially increased turnover in the lead logistics business field.

The integrated management and optimisation of transport chains, warehousing and inventories lead to rapid cost reductions, which are largest at the beginning. As a partner in supply chain management, Kuehne + Nagel participates in the initial cost reduction as well as in the continuous optimisation of all processes in the logistics chain. In the period under review, the margin came under pressure due to the entry of smaller competitors into this attractive market segment.

Industry solutions a driving force for growth

In developing highly specialised logistics concepts, Kuehne + Nagel adopts a holistic approach in line with the needs of the relevant industry.

Automotive and industrial goods

Kuehne + Nagel has established itself as one of the leading logistics specialists for the automotive industry in Germany, as a result of being entrusted with production logistics for a well-known automobile manufacturer at its Leipzig location and the increased demand for value-added services, such as assembly work for manufacturers and suppliers. Its range of services is also successfully marketed in China, the United Kingdom, Canada, South Africa, Hungary and the United States.

Aerospace industry

Based on its highly specialised portfolio of services for the aerospace industry, Kuehne + Nagel extended its cooperation with Airbus to other countries and segments. New contracts, focusing primarily on the optimisation of procurement and production logistics, were also concluded with manufacturers and principal suppliers to the aerospace industry in Australia, China and the United States.

Consumer goods/beverage industry, trade

In trade global competition is making it necessary to optimise logistics on a multinational basis. Therefore, well-known companies in France and the United Kingdom have intensified their cooperation with Kuehne + Nagel in a number of countries.

Kuehne + Nagel has developed a warehousing and distribution concept that enables consumer goods producers to achieve cross-company synergies and cost savings. The integrated solution includes returns logistics for consumer goods manufacturers, the beverage industry and trade. In the Netherlands Kuehne + Nagel is one of the leading providers in this segment. It is also planned to offer this successful industry concept in Spain, Norway, Canada, the United States and a number of Asian countries.

Pharmaceutical and healthcare industry

Kuehne + Nagel is one of the few global logistics providers that conforms to the stringent regulatory requirements of the industry and can offer certified logistics concepts and information systems.

In 2010 , the company inaugurated new facilities in Poland and Mexico, exclusively designed for the needs of the pharmaceutical industry. A leading Swiss pharmaceutical company has added contracts in airfreight, lead logistics and overland transport to its existing cooperation with Kuehne + Nagel in the field of contract logistics.

High-tech industry

Kuehne + Nagel expanded activities in North and South America, primarily for telecommunication companies and printer manufacturers. As a result, local contract logistics solutions have been added to the existing seafreight business in the Asia – North America trades, and customer relations intensified.

Further global standardisation

Kuehne + Nagel has further developed its production system (KNPS). More than 400 employees at 140 locations were trained to identify and increase potentials for reducing costs, improving productivity and quality assurance.

The standardised warehouse and transport management system, used for more than 700 customers, is now in operation in 195 locations in more than 50 countries.

Outlook 2011

In the current business year, with the contract logistics market expected to grow by 5 per cent, Kuehne + Nagel will consistently maximise business opportunities to achieve above-average growth. Globally, it will accelerate development and sales of industry-specific solutions to maintain stable margins.

Performance Contract Logistics

CHF million	2010	Margin per cent	2009	Margin per cent	Variances 2010/2009 per cent
Turnover	4,316		4,345		–0.7
Gross profit	3,119	72.3	3,167	72.9	–1.5
EBITDA	188	4.4	201	4.6	–6.5
EBIT	77	1.8	65	1.5	18.5
Number of operational staff	29,057		27,958		3.9

Real Estate: Focus on sustainable logistics real estate

In 2010, new logistics facilities were added to the portfolio and high importance was attached to the identification of suitable locations and surfaces for future project developments.

Strategy

While its overriding aim is to support Kuehne + Nagel's business activities, the professional management, continuous expansion, and optimisation of the company-owned real estate portfolio at strategically important locations are significant elements in its real estate strategy. In addition, sustainable planning and construction of buildings in accordance with the latest energy optimisation guidelines is of increasing importance.

Market development

The global real estate market recovered in 2010. Opportunities, nevertheless, presented themselves for acquiring sites on favourable terms and concluding long-term lease agreements. Real estate developers and investors increasingly are willing to meet the requirements of end users regarding flexibility and location, but do not to make concessions where lease duration and creditworthiness are concerned.

Global real estate portfolio

At the end of 2010, Kuehne + Nagel's real estate portfolio comprised 123 logistics facilities and office buildings in 21 countries.

New construction

In Germany, the third extension phase of Kuehne + Nagel's logistics centre in the Duisburg port area began with a groundbreaking ceremony in October 2010. In Bielefeld, work started on the enlargement of the existing leasehold facility.

The portfolio of overland logistics properties in France was expanded and optimised with four new cross-dock platforms in Andrézieux, Bourges, Chaponnay and Tours going into service: In Reims, construction began on a further facility.

When planning these buildings, Kuehne + Nagel incorporated sustainability aspects and the economical use of natural resources. Among other things, the facilities in Duisburg, Andrézieux, Bourges and Chaponnay are equipped with large-area photovoltaic solar power installations.

Facilities under construction in 2010

	Usable area (sqm)
Germany: Duisburg, 3rd phase of Logport logistics facility	26,000
France: Reims, cross-dock facility	6,000

Facilities opened in 2010

	Usable area (sqm)
France: Andrézieux, Bourges, Chaponnay, Tours, cross-dock facilities	24,000

Project development and outlook for 2011

A number of strategically located sites for future logistics facilities were identified, acquired or secured in 2010. In the cargo transport centre GVZ Leipzig the land owned by Kuehne + Nagel was enlarged to 90,000 sqm by the purchase of an adjacent 25,000 sqm site. The first phase of construction on the new logistics facility is expected to begin in mid-2011. In Vienna, project development started for a new logistics centre close to the airport. The site has a total usable area of 80,000 sqm and is provided with a rail connection. It can be developed on a phase-by-phase basis; the new premises will replace the facility now leased by Kuehne + Nagel in mid-2014.

In the current business year, Kuehne + Nagel will continue to invest in logistics real estate at strategically important world trade hubs to generate and enhance value and to strengthen operational efficiency.

Performance Real Estate

CHF million	2010	2009	Variance 2010/2009 per cent
Gross profit	82	91	–9.9
EBITDA	79	80	–1.3
EBIT	54	56	–3.6

Insurance Broker: Continuous expansion

In a complex market environment, the business performance of the globally operating Nacora Group was very satisfactory. Both, turnover and operational results improved.

Insurance market

Although in 2010 the business volume in national and international trade increased considerably, expectations of cargo insurers regarding a rise in premium levels were not fulfilled. Revenues came under pressure due to the adjustment of contracts from the crisis year 2009 and lower advance premiums on the policies of the 2010 business year.

Furthermore, in 2010 there was a further decline in premium levels all over the world, primarily in the transport insurance field. Premiums in Asia came under severe pressure from local insurers and the situation seems unlikely to ease in the medium term. In the field of property and third-party liability insurance the industry expects premium levels to remain constant in the current business year.

Development of business

The Nacora Group performed above-average in Western and Northern Europe as well as in the Middle East. Substantial growth was realised in the Benelux countries and France; favourable results were also achieved in China and Japan.

In a number of growth markets, the Nacora Group expanded its capacities or prepared for market entry. Particularly in South America and Eastern Europe significant investments were made in personnel and infrastructure, resulting in a rise in commission income in 2010. Only in North America, and primarily in the United States, the result was weaker as in the year before due to the still strained economic situation.

The successful development of business was due to increased sales expenditures, a clear focus on the core business, cargo insurance, new contracts concluded with existing customers in other insurance lines, and strict cost management.

Cargo insurance for special segments

The Nacora Goup's activities are primarily centred on cargo insurance for small and medium-sized companies in trade, industry, transport and logistics. Broking activity is progressively being extended to other lines of commercial insurance such as property damage and third party liability insurance with the aim of providing comprehensive insurance solutions with a high service quality.

A number of innovative insurance solutions designed for specific customer segments have been created. Nacora now offers special cargo insurance for perishables, the drinks and hotel industries. Specialised products for shipbuilding and the high-tech industry are to be added in 2011.

Nacora will continue to invest in qualified personnel and continuous staff training as well as in the development of integrated IT systems. A standardised global broking IT platform with a complementary customer management system (CRM) is part of the strategy and a key to further growth.

Outlook for 2011

The Nacora Group aims to achieve above-average growth in the current business year and does not rule out strategic acquisitions. Besides further expansion in South America, the establishment of subsidiaries in China, Japan and Luxembourg is under consideration.

It is also planned to obtain the status of a Lloyd's cover holder for the offices in Vienna and Athens, which would then have direct access to the Lloyd's insurance market. This step is motivated mainly by the aim of promoting sales of forwarder's liability insurance.

Performance Insurance Broker

CHF million	2010	Margin per cent	2009	Margin per cent	Variances 2010/2009 per cent
Turnover	125		116		7.8
Gross profit	37	29.6	36	31.0	2.8
EBITDA	19	15.2	17	14.7	11.8
EBIT	19	15.2	17	14.7	11.8
Number of operational staff	172		169		1.8

OIL & GAS ______ KUEHNE + NAGEL IS MANAGING THE LOGISTICS FOR NUMEROUS PROJECTS IN THE OIL AND GAS INDUSTRY

ROAD & RAIL LOGISTICS

KUEHNE + NAGEL AIMS AT INCREASING GROWTH AND DENSITY OF THE EUROPEAN OVERLAND NETWORK

EMERGENCY & RELIEF LOGISTICS

KUEHNE + NAGEL SUPPORTS HUMANITARIAN ORGANISATIONS IN CRISIS AREAS WITH ITS LOGISTICS EXPERTISE IN THEIR RELIEF EFFORTS

CONTRACT LOGISTICS

______ THE MULTI-FUNCTIONAL FACILITY IN DUBAI IS TURNING INTO ONE OF THE MOST IMPORTANT DISTRIBUTION HUBS OF THE REGION

SUSTAINABILITY

Human Resources

A company's long-term success depends not only on its financial and innovative strength but also on a highly qualified committed workforce. This was confirmed during the 2009 global crisis as well as the 2010 economic upswing. Therefore, Kuehne + Nagel Group's human resources policy continued to focus on sustained further development and training of its staff and management in line with the company's philosophy. In 2010, the employees' sense of responsibility, strong results-orientation and high flexibility contributed decisively to the successful implementation of the corporate strategy.

Improved talent management

Kuehne + Nagel's ambitious growth plans go hand in hand with an increased need for specialists and managers worldwide. Human resources staff concentrates on further improving talent management, standardising global performance management and succession planning as well as using powerful IT systems to increase efficiency. In 2010, the structured identification and development of young talents was one HR focal point in line with Kuehne + Nagel's practice of filling vacant key positions primarily from its ranks.

Gaining talents by e-recruiting

Electronic media, job exchanges and Internet forums are crucial instruments for recruiting key staff from outside the company. A global e-recruiting solution, developed by Kuehne + Nagel and a partner in 2010 and already introduced in a number of national companies, enhances search capabilities for external candidates and makes the e-recruitment process quick, easy and efficient. It is planned to implement the e-recruiting solution in all major national companies in the current business year. In 2010, Kuehne + Nagel's reputation as a highly attractive employer was reflected in the low turnover among top performers as well as success in recruiting talented personnel from outside the company.

New programme for High Potentials

Kuehne + Nagel devotes special attention to systematic training of a sufficient number of managerial staff to prepare them for future functions. Along with the announcement of the global growth strategy, a new programme for management trainees was developed, its contents aligned with the strategic business objectives. 80 participants were selected using a rigorous, standardised process. The programme also incorporates the deployment of graduates to vacant key positions worldwide.

Performance management

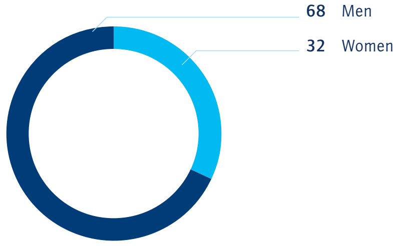
Performance assessment is one of the most important means of ascertaining the commitment and productivity of employees. In 2010, a target agreement and performance-monitoring process was developed for the top management of the Group. The introduction of a systematic performance measurement and management scheme is accompanied by supportive training focused on annual staff interviews, target agreements, performance assessment and the use of the Human Capital Management System (HCM), an innovative IT solution.

Training and further education

In 2010, Kuehne + Nagel continued to invest in staff training and development. Worldwide, 9,500 training and further education courses took place, including IT and product-trainings as well as sales seminars. Interest in computer-based trainings continued to increase.

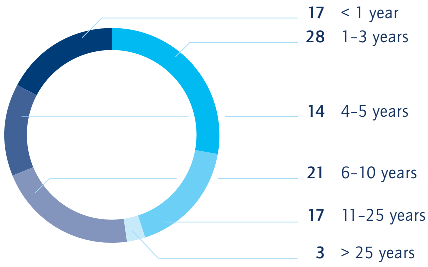
Employees: as per Dec. 31, 2010

Per cent



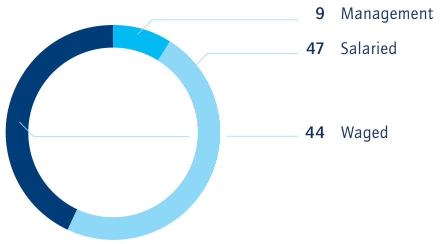
Duration of employment

Per cent



Personnel structure

Per cent



Video conferences

Several thousand on-line training courses were conducted via the Centra platform. The approach allows the virtual interconnection of global teams to take part in presentations or events aimed at updating knowledge and skills. Besides saving substantial travel costs, the use of this user-friendly system also speeds the introduction of new products, processes and IT systems.

Compliance – acting according to the rules

After 2009's global instruction on competition law, in 2010, all staff members were trained on the topic of corruption and illicit payments and sensitised to this issue. This training campaign was translated into 30 languages. In an electronic test at the end of the course the participants confirmed not only their learning success, but also their commitment to strict observance of compliance regulations.

New HR key figures system

In collaboration with the financial department, a reporting system for human resources has been developed that provides managerial staff with responsibility for personnel to consult key figures relating to human resources globally. Information on employee numbers, staff turnover, costs and productivity can be accessed each month. The system permits better planning and management of the global workforce, including temporary resources.

Number of employees

In 2010, the number of employees increased by more than 5 per cent from 54,680 to 57,536.

Kuehne Foundation: A personal commitment to training and further education

The Kuehne Foundation, which was founded in Switzerland 35 years ago, has gained high esteem in the German-speaking countries 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 highlight of the Foundation's activities in 2010 was the establishment and opening of the Kühne Logistics University (KLU) in Hamburg. The sole donor of this public-interest foundation, Prof. Dr. h. c. Klaus-Michael Kuehne, regards his commitment to sustainable initiatives as an important part of his social responsibility.

Sponsorship in the field of logistics

In addition to the establishment of the Kühne Logistics University, the Kuehne Foundation supported the following logistics institutions, professorships and projects:

- 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
- Professorship and Centre for International Logistics Networks at the Technical University (TU), Berlin
- 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 TU Berlin and establishment of a Centre for Humanitarian Logistics in Schindellegi, Switzerland

Kühne Logistics University (KLU), Hamburg

Following the announcement of the establishment of the Kühne Logistics University (KLU) in March 2010, its official opening took place in September with a ceremony in the Town Hall of the Free and Hanseatic City of Hamburg. Shortly before, it had been granted state-recognition and university status. The structure of the new university and the quality of its teaching and research are in line with international standards. The KLU cooperates closely with German and international companies to maintain a practical-oriented approach.

The KLU will consist of two faculties, the "Department of Logistics" and the "Department of Management & Economics". It began its teaching activities with the master course "MSc Global Logistics", for which 26 students, selected according to strictly scientific criteria, have enrolled. Up to 2015 it is planned to continuously expand the courses of study on offer and to develop a PhD programme in cooperation with German and international universities. In addition to bachelor and master courses for German and international students, as part of its management training programme KLU will also offer a master degree programme and an executive MBA programme. There will also be a variety of executive education events.

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

The chair of logistics management at the ETH Zurich again succeeded in combining studies and further education programmes of high standard with excellent research, a fact that is evident from its many publications in leading international journals. As co-editor of a special publication on "Entrepreneurship and Operations Management" the holder of the chair laid the foundation for research into entrepreneurial behaviour in logistics and supply chain management.

Since 2010, with the lecture "Market-Driven Logistics Service Organisations", a course has been offered which aims at preparing students for a challenging and exciting career in logistics companies. The eighth course of the Executive MBA in Supply Chain Management began with participants from 13 countries.

This programme is unique in Europe and specially designed for managers with substantial professional experience. A milestone was set with the internationally prestigious accreditation of the Executive MBA programme by the European Foundation for Management Development (EFMD).

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

In cooperation with the renowned INSEAD Business School, Fontainebleau, the chair conducted research into an analytical tool, which enables commercial fleet operators to develop an optimum strategy for the replacement of conventional trucks or other vehicles with electrically powered equipment. This is particularly useful in view of the uncertain development of fuel and battery prices. In collaboration with a leading German maker of cash dispensers a strategy was also developed for improving the efficiency of the cash supply chain by means of parallel routing and stock optimisation. A simulation model has been developed and a prototype application prepared. The annual WHU Campus for Supply Chain Management, which is supported by the Kuehne Foundation, took place in March 2010. In lectures and workshops held by academics and representatives of companies, new developments and challenges in supply chain management were viewed from different angles.

Professorship and Centre for International Logistics Networks at the Technical University, Berlin

The research activities of the professorship for international logistics networks, supported by the Kuehne Foundation since the beginning of 2009, focus on the analysis of vertical and horizontal supply chain relationships, the management of logistics operations and security in global logistics networks and value added chains. Besides the themes of sustainability, risk management and entry into the Chinese market, in 2010 in-depth studies were carried out into the topic of cooperation between logistics providers. Strategic alliances, but also changing cooperation between logistics companies will in future become even more important than they are today. Two studies were completed on this topic, which also embraces cooperation in the provision of services, procurement and marketing, in addition to holding of numerous lectures and practical workshops. The institute cooperates internationally in research and teaching with Ohio State University, Columbus (USA), and the logistics chair at Tongji University, Shanghai, which is also supported by the Kuehne Foundation.

Support for the Hochschule für Internationale Wirtschaft und Logistik (HIWL) and the German Foreign Trade and Transport Academy, Bremen

As a result of the support given by the Kuehne Foundation, it was possible to establish the "Kuehne Foundation Professorship for Logistics Systems and Processes" at the newly founded Hochschule für Internationale Wirtschaft und Logistik (HIWL). The holder of the chair is also responsible, as director of studies, for building up the study course "logistics". This private academy is located on the campus of the German Logistics Association (BVL) in Bremen, in the immediate vicinity of the other training and further education institutions of the BVL. Teaching activities commenced at the beginning of August 2010. The students acquire their skills in a combination of theoretical instruction and practical experience.

Chair of Logistics Management at the Tongji University, Shanghai

Jointly with the TU Berlin and the School of Economics and Management, the Chinese-German University College at the Tongji University has established a Dual Degree master's course within the framework of industrial engineering studies. This involves a one-year period of study at the appropriate partner university. The two chairs endowed by the Kuehne Foundation look after the Chinese and German students on a joint basis.

Humanitarian Logistics

With H.E.L.P., the humanitarian and emergency logistics platform, the Kuehne Foundation is further strengthening its engagement in the field of logistics. H.E.L.P., initiated in October 2010 in Schindellegi, Switzerland, is devoted to training, further education and research. It will also offer consultancy services as well as placing a knowledge platform for humanitarian logistics. In November, the Foundation sponsored a conference of the Humanitarian Logistics Association (HLA) in Nairobi, where it introduced H.E.L.P. and exchanged experience with aid organisations. The first consultancy project for the International Organisation for Migration (IOM) began in December. Its aim is to improve effectiveness and efficiency in the field of supply chain management. Already since 2009, the Kuehne Foundation has been supporting a research project on humanitarian logistics in cooperation with the TU Berlin.

NetloP-Seminar – network management for logistics processes

This series of seminars celebrated its tenth birthday in 2010, and was attended by roughly 300 participants from the trade, industry and service sectors. Over the years the NetloP-Seminar has become an important part of German-language further education programmes in logistics. This event gains a special attractiveness by offering a wide range of contributions from logistics science and excursions to various companies and institutions. 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

In September 2010 the annual logistics day of the Kuehne Foundation took place against the background of the ceremonial opening of the Kühne Logistics University in Hamburg. Under the motto “Global Logistics – Global Challenges”, it was attended by nearly 300 leading logistics experts and prominent guests from trade and industry.

Last year the Kuehne Foundation also supported the following projects in the medical and cultural fields:

CK-CARE – Allergy research

The Christine Kuehne Center for Allergy Research and Education (CK-CARE), Davos, was created in 2009. By research and education it aims to eliminate deficits in the recognition and treatment of allergic conditions and the rehabilitation of persons affected by them. Research and clinical treatment, allow insights into the underlying genetics of allergies and the way their development is influenced by environmental factors, which also seem to include climate change. Imaging processes to improve diagnosis and new molecules for innovative, individual therapy concepts have also been developed. Information systems are being built up to provide patients with an instrument that enables them to better cope with “their” allergies. On the basis of the scientific findings of CK-CARE, strategies are being developed with the aim of creating environmental conditions for high-risk children which prevent them from developing allergies in the first place. In the year under review, international attention was attracted by a number of articles published on the results of CK-CARE.

Literature Festival Hamburg

The Harbour Front Literature Festival, whose main sponsor was again the Klaus-Michael Kühne Foundation, Hamburg, took place for the second time in September 2010. Over a ten-day period 114 authors presented their books to a total of 20,000 listeners and gave readings in 20 different locations in Hamburg. The Klaus-Michael Kühne prize, endowed with 5,000 euros, was awarded for the first time to a young writer for her first novel.

Lucerne Festival

In addition to the support for young talents at the Lucerne Festival in the past three years, 2010, the Kuehne Foundation helped to realise the performance of a Venezuelan wind ensemble which formed part of the “Sinfónica de la Juventud Venezolana Simón Bolívar”. This unique, state-supported music project embraces more than 200 children’s and youth orchestras and roughly 100 music centres spread over the whole country.

The Kuehne Foundation is 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, the “Literaturhaus Hamburg” and projects in the Canton of Schwyz.

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

Quality, Safety, Health and Environment (QSHE)

QSHE – the basis for the three pillars of sustainability

In 2010, Kuehne + Nagel's integrated management in the areas of quality, safety, health and environment (QSHE) again made substantial contributions to the three pillars of sustainability:

- from the economic viewpoint, for instance, through quality and efficiency improvements, which helped to enhance customer satisfaction, 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.

Certified quality

Kuehne + Nagel carries out internal and external audits to ensure conformity with quality requirements. 600 locations all over the world, 150 more than three years ago, are now certified according to the latest quality standard ISO 9001:2008. At the end of 2010, more than 210 locations conformed to environmental standard ISO 14100. This corresponds to an increase of more than 60 per cent within three years.

In addition, the company also fulfils special quality standards of specific industries. Examples include the automotive, chemical and food industries as well as the pharmaceutical and healthcare sector. The aerospace industry has also developed its own standard EN 9100 as a European norm on the basis of ISO 9001. For one large customer, in 2010, Kuehne + Nagel successfully obtained certification in accordance with this important standard for more than ten locations in Germany, the UK, France and Spain. It is planned to obtain further certifications in the current business year.

Outstanding quality

Kuehne + Nagel again received a number of distinctions for its outstanding quality standard in 2010 – not only from customers but also from independent bodies all over the world. In the location promotion initiative "Germany – Land of Ideas" Kuehne + Nagel Hamburg was among the award winners for the Group's innovative information logistics system KN Login. Under its Italian Shipping Awards programme, Lloyd's List conferred the title of "Transport Logistics Operator of the Year" on Kuehne + Nagel's Italian subsidiary, while in Asia the customer Samsung Electronics singled out Kuehne + Nagel as its "Best Partner". Finally, at the Irish Export Industry Awards event, the national subsidiary in Ireland was awarded the coveted distinction of "Logistics Company of the Year".

Safety and health management

The Kuehne + Nagel Group also sets an exemplary standard in the field of work safety and health protection. More than 210 locations in over 30 countries are now certified according to the internationally recognised standard OHSAS 18001. This active health and safety management substantially contributes to the attainment of social sustainability objectives and underscores Kuehne + Nagel's commitment to corporate social responsibility for its staff, its business partners and the environment.

Security throughout the supply chain

2010 saw an increase in security requirements which logistics providers are expected to meet. The reasons for this include organised crime and terror risks as well as customer demand for seamless security throughout the supply chain, particularly for high-value goods. Kuehne + Nagel has taken various steps to meet this demand:

- AEO-status (Authorized Economic Operator to strengthen security in the customs area) more than doubled in 2010 from seven to 15 European countries;
- Investments in additional video surveillance and break-in alarms, stronger perimeter fences and training measures in the field of security;
- Establishment of "Best Security Practices".

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.

Internal programmes aimed at savings in the use of resources and targeted staff instruction programmes contribute to the implementation of the environmental strategy.

Global Facility Carbon Calculator (GFCC)

For the second successive year the Global Facility Carbon Calculator (GFCC), a tool developed by Kuehne + Nagel itself, has proved its value in the prioritisation and performance monitoring of programmes to reduce the internal carbon footprint, waste volumes and the consumption of energy, fuel and water:

- CO_2 emissions fell by 3.8 per cent, corresponding to 10,883 tons;
- waste recycling increased by 5.3 per cent and was thus 10.3 per cent above the target figure;
- water consumption was down by roughly 50 million litres compared with the preceding year.

Global Transport Carbon Calculator (GTCC)

In 2010, a growing number of customers were interested in receiving detailed information on the CO_2 emissions resulting from their shipments, and requested reports from the Global Transport Carbon Calculator (GTCC), which was introduced in 2009. The system is based on standardised data obtained directly from the operational IT systems, and not only shows the carbon dioxide emissions but also suggests possible ways of reducing them.

Other environmental activities

Various other programmes contributed to a greater environmental competence and a reduction of CO_2 emissions. In 2010, the ambitious target of a 2.5 per cent reduction in the carbon dioxide emissions of warehouses was attained.

Kuehne + Nagel achieved the reduction in energy and water consumption and waste generation in warehouses and office buildings by a number of measures including automatic lighting control, energy-efficient light sources, energy-saving machines in automated systems, improved control of heating systems, the use of grey water, improved capacity utilisation management, optimum waste separation and compression.

Besides using conventional energy sources more efficiently, Kuehne + Nagel is highly committed to make use of solar energy. The solar installations now cover a total area of more than 90,000 square metres and have an annual output of 1,300 kWh/sqm.

New facilities are in principle constructed in accordance with Kuehne + Nagel's "Green Building" standard; examples are three terminals serving as transhipment platforms that were opened in 2010 in Andrézieux, Bourges and Chaponnay (France). With an area of 19,000 sqm these facilities are powered by solar energy and are also 100 per cent CO_2 neutral.

Awards

In 2010, Kuehne + Nagel was awarded the "Carbon Trust Standard", a distinction which is granted for measurement and management in the reduction of carbon dioxide emissions. Together with the non-profit organisation Carbon Trust Kuehne + Nagel developed a plan, which reduced the company's overall emissions by 4.1 per cent within three years. In November 2010, Kuehne + Nagel also received the "Green Supply Chain Award", a prestigious distinction in the Asia-Pacific region. The prize was awarded for the introduction of resource-conserving measures and effective emission management including annual reduction targets.

Outlook for 2011

Besides securing sustainable activities, Kuehne + Nagel's integrated QSHE management will focus on the further development of its security management and the expansion of its industry-specific service portfolio.

Information Technology

Core strategy

Kuehne + Nagel's IT organisation continued to focus on the further development of the existing information and automation platform with the aim of increasing both process efficiency and customer value. The company's IT architecture ensures high-availability and scalability and enables Kuehne + Nagel to quickly adapt to future applications while, at the same time, accommodating specific customer requirements.

Steady increase in customer benefit

KN Login, Kuehne + Nagel's comprehensive information logistics system, is characterised by high performance, high availability and a wide range of functions. As a result of automatic monitoring processes and preventive actions to cover possible weak spots, the availability of the system reached almost 100 per cent in 2010. Furthermore, the range of freely combinable application modules was expanded by the addition of a newly designed order tracking and management system together with additional overland shipment tracking and online booking functions. Kuehne + Nagel's development of industry-specific monitoring solutions helps customers to save costs, as for instance on container demurrage.

The strong growth in all business units was accompanied by a substantial increase in the electronic data exchange volume. Due to its standardised, fail-safe infrastructure, Kuehne + Nagel was able to handle global information logistics reliably and on a high quality level.

To support the development of the European overland transportation network, Kuehne + Nagel took the necessary steps to standardise processes and systems. In the year under review, the changeover was completed at the four biggest locations in Germany. Another objective is to integrate cooperation partners or newly acquired companies more quickly into Kuehne + Nagel's IT landscape. The cross-country, cross-platform tracking of shipments with functions such as ePoD (electronic proof of delivery) provides additional value to customers.

In contract logistics the company accelerated the harmonisation of processes by extending the introduction of the standardised warehouse management system. This application is already in use in more than 50 countries. By the rapid integration of the flows of data, the system enables customers to benefit from efficient warehouse administration.

Increased efficiency through new applications

The new applications for finance and accounting were implemented according to plan and are in use in seven countries already.

In order to meet the requirements of the law (including anti-terror legislation), Kuehne + Nagel developed a software with which customer addresses can be clearly identified throughout the Group. This application serves at the same time as a basis for the planned master data concept of Kuehne + Nagel, which is intended to reduce programming costs in the development of new applications.

Infrastructure

In the year under review, Kuehne + Nagel achieved substantial savings through the newly negotiated agreements for the global IT network and the e-mail service. Work also began on the consolidation of different e-mail platforms in order to reduce administrative costs by standardisation. This project is continuing in the current business year.

Outlook for 2011

The further development of the IT strategy is largely guided by the needs of the customer. This – like growth in the individual business units – calls for a constant adaptation of the applications, infrastructure and organisation.

Kuehne + Nagel will continue with the automation of processes and concentrate on improving the development process for IT applications, based on a modular structure. This will further speed the completion of new IT solutions tailored for specific industries.

PHARMACEUTICALS ______ WITH ITS CERTIFIED LOGISTICS SOLUTIONS KUEHNE + NAGEL FULFILS THE DEMANDING REQUIREMENTS OF THE PHARMACEUTICAL INDUSTRY

WINE LOGISTICS

KUEHNE + NAGEL COORDINATES THE TRANSPORTATION OF WINE AROUND THE WORLD

PERISHABLES ______ THE SPECIALISED NETWORK FOR GOODS LIKE FRESH FLOWERS, FRUITS, AND VEGETABLES IS BEING EXTENDED GLOBALLY

CONTRACT LOGISTICS

IN SOUTH AMERICA DEMAND IS GROWING FOR KUEHNE + NAGEL'S SOLUTIONS FOR THE AUTOMOTIVE INDUSTRY

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 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 Kuehne + Nagel Group.

Operational group structure

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

Reportable segment 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 the 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, 2010) amounted to CHF 15,600 million (120 million registered shares at CHF 130 per share).

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

– the free float consisted of = 46.0 per cent and	55,222,520 shares
– treasury shares consisted of = 0.7 per cent	877,480 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 appendix "Significant subsidiaries and joint ventures" to the Consolidated Financial Statements (pages 120 to 125), including particulars as to the country, name of the company, location, currency, 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 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

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 CHF 1 nominal value each.

Authorised and conditional share capital

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 respective section 3.4 in the Articles of Association.

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.

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.

Change in capital over the past three years

During the years 2008 through 2010 no changes in capital occurred other than related to conditional and approved share capital as outlined above.

Shares and participating certificates

On the closing date 120 million registered shares of CHF 1 nominal value 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.

Board of Directors

At the Annual General Meeting of May 18, 2010, Klaus-Michael Kuehne, Bernd Wrede, Karl Gernandt, Juergen Fitschen, Hans-Joerg Hager, Dr. Joachim Hausser, Hans Lerch, Dr. Georg Obermeier, Dr. Wolfgang Peiner and Dr. Thomas Staehelin were re-elected to the Board of Directors for a one-year term. Dr. Joerg Wolle has been newly elected to the Board of Directors for a one-year term.

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

Klaus-Michael Kuehne, Chairman, German, 1937

Trained as a banker, export trader and freight forwarder.

Positions within the Kuehne + Nagel Group:

1958–1966	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–today	Chairman of the Board of Directors elected until the Annual General Meeting 2011 Chairman of the Nomination and Compensation Committee
2010–today	Chairman of the Executive 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, member of the Advisory Board of Citigroup, Frankfurt, 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 2011
2008–2009	Member of the Investment Committee Chairman of the Economic Council
2003–2006/ 2008–2010	Member of the Audit Committee
2003–2010	Member of the Nomination and Compensation Committee
2010	Member of the Executive Committee

Karl Gernandt, Executive Vice 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 Spokesman of the Board of Management and the 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.

Positions within the Kuehne + Nagel Group:

2008–today	Member of the Board of Directors elected until the Annual General Meeting 2011
2008–2009	Member of the Economic Council
2009–today	Executive Vice Chairman and Delegate of the Board of Directors
2010–today	Member of the Executive Committee

Juergen Fitschen, German, 1948

Trained as 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 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 2011
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 in 1998 the TOP International Management Program at INSEAD/Fontainebleau. Since January 2009 Hager is 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 Management Board of the Schenker AG responsible for the Europe region and the overland transportation business.

Other significant activities: Since the second semester 2009 Hager is lecturer at the university Baden Wuerttemberg/Villingen – Schwenningen in Business Informatics; Additionally since 2010 at the institute for materials handling and logistics at the university of Stuttgart.

Positions within the Kuehne + Nagel Group:

2009–today	Member of the Board of Directors elected until the Annual General Meeting 2011

Dr. Joachim Hausser, German, 1944

Holds a PhD in economics from the Université de Genève. Former bank executive, he is currently working as independent finance consultant.

Other significant activities: Chairman of the Supervisory Board of Ludwig Beck am Rathauseck Textilhaus Feldmeier AG, Munich, and member of the Advisory Board of GETRAG Getriebe- und Zahnradfabrik Hermann Hagenmeyer GmbH & Cie, Ludwigsburg.

Positions within the Kuehne + Nagel Group:

1992–today	Member of the Board of Directors elected until the Annual General Meeting 2011
2006–2009	Chairman of the Investment Committee

Hans Lerch, Swiss, 1950

Trained in tourism with a long time career at Kuoni Travel Holding Ltd. from 1972–1985 assignments in the Far East, then various responsibilities at the company's headquarters in Zurich and President and CEO from 1999–2005. Chairman and CEO of SR Technics in Zurich from 2005–2008.

Other significant activities: Chairman of the Board of Directors of the International School of Tourism Management, Zurich; Vice Chairman of the Board of Directors and CEO of Hotelplan Holding Ltd., Zurich; Vice Chairman of the Board of Directors of New Venturetec Ltd., Zurich, and Chairman of the Board of Trustees of the Movemed Foundation, Zurich.

Positions within the Kuehne + Nagel Group:

2005–today	Member of the Board of Directors elected until the Annual General Meeting 2011
2006–2010	Member of the Nomination and Compensation Committee

Dr. Georg Obermeier, German, 1941

Holds a PhD in business administration of the University of Munich. From 1989–1998 member of the Board of Directors of VIAG AG, Berlin/Munich, and as of 1995 its Chairman. From 1999–2001 Executive Chairman of RHI AG, Vienna. Currently working as Managing Partner of Obermeier Consult GmbH, a consultancy for strategic issues.

Other significant activities: Memberships on the Supervising Committees of the following companies: Energie-Control GmbH, Vienna, Regulierungsbehörde für Strom und Gas; Bilfinger Berger Industrial Services AG, Munich.

Positions within the Kuehne + Nagel Group:

1992–today	Member of the Board of Directors elected until the Annual General Meeting 2011
2006–2010	Member of the Audit Committee
2003–2010	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 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, Hamburg.

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 2011

Dr. Thomas Staehelin, Swiss, 1947

Holds a PhD in law from the University of Basel; Lawyer.

Other significant activities: Chairman of the Board of Directors of Kuehne Holding AG; Vice Chairman of the Board of Directors and Chairman of the Audit Committee of Siegfried Holding AG, Zofingen; member of the Board 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; member of the Board and Committee President of Economiesuisse; 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 2011
2003–2010	Chairman of the Audit Committee

Dr. Joerg Wolle, German/Swiss, 1957

Holds a PhD in Mechanical Engineering. Since June 2002 CEO and President 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 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. Member of the management board of the German Asia-Pacific Business Assocation 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 2011
2010	Member of the Nomination and Compensation Committee

With the exception of the Executive Vice Chairman of the Board of Directors, Karl Gernandt, all members of the Board of Directors are non-executive directors and none of them serves as a member of the Management Board.

During the Annual General Meeting 2011, Dr. Renato Fassbind, will be proposed for election to the Board of Directors. Dr. Renato Fassbind, Swiss, born in 1955, was Chief Financial Officer of the Credit Suisse Group AG and the Credit Suisse AG from 2004 until October 2010. In this function he was member of the Executive Board of the Credit Suisse Group AG and the Credit Suisse AG since 2004.

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 2010

According to the Articles of Association and Swiss corporate law (SCO) 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 Kuehne + Nagel International AG and Group Financial Statements.

Klaus-Michael Kuehne is the Chairman of the Board of Directors. As of January 1, 2009, the Board of Directors has assigned specified responsibilities to Karl Gernandt, the Executive Vice Chairman. In particular, this applies to the areas of investment, finance and accounting as well as personnel. 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, the Vice Chairman and the Executive Vice Chairman are stipulated in the Organisational Rules.

The Board of Directors convenes at least four full-day meetings annually 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.

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 and clears the quarterly financial statement prior to publication. As part of regular contacts between the Audit Committee and both internal and external auditors, the quality and functioning of the internal control mechanisms and the 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, regular contacts with the external auditors throughout the year enables the Audit Committee to obtain knowledge of problem areas at an early stage. This allows to propose 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 Bernd Wrede and Dr. Georg Obermeier.

The Audit Committee holds at least four meetings annually. The Chairman and the Executive Vice Chairman of the Board of Directors can take part in the meetings as advisors. 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 advisor whenever needed. In 2010 the audit partner in charge attended three meetings of the Audit Committee. The Committee's Chairman reports in detail to the other members of the Board of Directors about the topics discussed and the 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 the 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, Klaus-Michael Kuehne was the Chairman of the Nomination and Compensation Committee and Bernd Wrede, Hans Lerch, Dr. Georg Obermeier and Dr. Joerg Wolle 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 within the competence of the Board of Directors.

Investment Committee

The Investment Committee consists of three to five members of the Board of Directors, elected for a period of one year. Reelection is allowed. The Chairman of the Board of Directors may be part of the Investment Committee as long as the majority consists of non-executive and independent members.

The Investment Committee advises the Board of Directors on investment planning of the Group and respective financing issues. Significant investments of the Group are reviewed by the Investment Committee as preparation for any decision made by the Board of Directors. In its advisory role the Investment Committee thereby considers the strategy of the Management Board and impact on the budget.

The Board of Directors has suspended the activities of the Investment Committee and consequently no meetings were held in 2010.

Economic Council

The Economic Council is an adhoc committee that has been formed to counteract the impact of the global economic crisis to the Group. The Economic Council has been established in 2009 as a temporary committee for one year but can be extended by the Board of Directors. It consists of members of the Board of Directors and the Executive Vice Chairman of the Board of Directors.

The Economic Council advises the Board of Directors on business development and financial performance of the Group. In its advisory role the Economic Council thereby considers the strategy of the Management Board, the macro-economic environment and the impact on the Group's financial performance.

The Board of Directors has terminated the activities of the Economic Council and consequently no meetings were held in 2010.

Executive Committee

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

On the closing date, Klaus-Michael Kuehne was the Chairman of the Executive Committee and Bernd Wrede and Karl Gernandt, were members.

On invitation of the Chairman, the Executive Committee convenes as often as business requires, but at least 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 Executive Committee about all issues discussed, in particular, about all decisions 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 Executive Vice 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 Audit Committee, the Board of Directors or the Executive Vice 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 Executive Vice Chairman of the Board of Directors pursuant to approval requirements based on the extent and kind of the respective business.

Information and control system applicable 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 Executive Vice 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 as well as to the meetings of the Executive Committee and the Audit 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.

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

	Board of Directors	Audit Committee	Nomination and Compensation Committee	Executive Committee
Number of meetings in 2010	4	5	3	4
Approximate duration of each meeting	9 hours	4 hours	1 hour	4 hours
Klaus-Michael Kuehne	4		3	4
Bernd Wrede	4	5	3	4
Karl Gernandt	4			4
Juergen Fitschen	4			
Hans-Joerg Hager	4			
Dr. Joachim Hausser	4			
Hans Lerch	4		3	
Dr. Georg Obermeier	4	5	3	
Dr. Wolfgang Peiner	4			
Dr. Thomas Staehelin	4	5		
Dr. Joerg Wolle [1]	2		2	

1 Elected to the Board of Directors on May 18, 2010.

Management Board

Effective January 1, 2010, Dirk Reich was appointed Executive Vice President Road & Rail and Contract Logistics of the Group. Effective January 1, 2010, Lothar Harings, the Chief Human Resources Officer, was appointed Company Secretary. At closing date, the biographical particulars of the Management Board are as follows:

Reinhard Lange, German, 1949

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, Chief Executive and 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	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. Member of the Management Board of T-Mobile International. Responsible for Global Human Resources with T-Mobile and Deutsche Telekom.

Positions within the Kuehne + Nagel Group:

1.4.2009–today	Chief Human Resources Officer (CHRO)
As of 1.1.2010	Company Secretary

Martin Kolbe, German, 1961

Graduated computer scientist. Positions in IT management including CIO with Deutsche Post World Net, responsible for DHL Europe and DHL Germany as well as member of the Supervisory Board in several DPWN-associated companies.

Position within the Kuehne + Nagel Group:

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

Dirk Reich, German, 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
2001–2009	Executive Vice President Contract Logistics of the Group
2008–2009	Company Secretary
As of 1.1.2010	Executive Vice President Road & Rail and Contract Logistics of the Group

Peter Ulber, German, 1960

Graduated in business administration.

Positions within the Kuehne + Nagel Group:

1983–1998	Various management positions within the North America organisation
1998–2001	Regional Director of the South America region
2001–2006	National Manager of the UK organisation
2006–2008	Regional Manager of the North West Europe region including the country organisations of UK, Denmark, Finland, Ireland, Norway and Sweden
2009–today	Executive Vice President Sea & Air Logistics 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 periodically.

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.

For the year 2010 the members of the Board of Directors received a guaranteed 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
Chairman of the Board of Directors	900,000	–	10,000
Vice Chairmen and members	1,518,600	45,000	36,240
Total	**2,418,600**	**45,000**	**46,240**

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 2010 amounted to CHF 18 million, of which CHF 12 million were paid to the sole executive member of the Board of Directors and the members of the Management Board, and CHF 6 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 13 (remuneration report) to the 2010 Financial Statements of KNI.

The members of the Management Board receive an income with a fixed and a profit-linked component and have the possibility to participate in the Employee Share Purchase and Option Plan.

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 can only be represented at the Annual General Meeting either by shareholders or beneficiary owners whose personal particulars and size of shareholdings are listed in the KNI share register. As per Swiss law (SCO 689d), 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.

Statutory quorums

The legal rules on quorums and terms apply.

Calling of an Annual General Meeting

The calling of an Annual General Meeting is regulated 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 includes 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, 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 2010 was confirmed with the declaration of acceptance dated May 18, 2010.

Audit fees

According to the Group's financial records, the fees charged for auditing services for the year 2010 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 2010 an amount of CHF 0.5 million was incurred related to consulting services.

Supervisory and controlling instruments towards the statutory auditors

The work performed by 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 2010 attended three Audit Committee meetings in the person of the audit partner in charge. In 2010 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. In addition, detailed contact information per field of activity is available to any persons interested.

Kuehne + Nagel publishes its quarterly financial data on its corporate website. Prior to the first quarterly results being released, the financial calendar is published to announce the dates of the upcoming quarterly reports as well as of the Annual General Meeting.

Income Statement

CHF million	Note	2010	2009	Variance per cent
Invoiced turnover	20	**20,261**	**17,406**	**16.4**
Customs duties and taxes		–3,403	–3,070	
Net invoiced turnover		**16,858**	**14,336**	**17.6**
Net expenses for services from third parties		–10,900	–8,473	
Gross profit	20	**5,958**	**5,863**	**1.6**
Personnel expenses	21	–3,391	–3,341	
Selling, general and administrative expenses	22	–1,584	–1,618	
Other operating income/expenses, net	23	21	–19	
EBITDA		**1,004**	**885**	**13.4**
Depreciation of property, plant and equipment	27	–164	–184	
Amortisation of other intangibles	28	–75	–98	
Impairment of other intangibles	28	–	–9	
EBIT		**765**	**594**	**28.8**
Financial income	24	6	22	
Financial expenses	24	–9	–12	
Result from joint ventures and associates	20	5	6	
Earnings before tax (EBT)		**767**	**610**	**25.7**
Income tax	25	–162	–139	
Earnings for the year		**605**	**471**	**28.5**
Attributable to:				
Equity holders of the parent company		**601**	**467**	**28.7**
Non-controlling interests		4	4	
Earnings for the year		**605**	**471**	**28.5**
Basic earnings per share in CHF	26	**5.06**	**3.95**	**28.1**
Diluted earnings per share in CHF	26	**5.05**	**3.94**	**28.2**

Statement of Comprehensive Income

CHF million	Note	2010	2009
Earnings for the year		**605**	**471**
Other comprehensive income			
Foreign exchange differences		–296	8
Actuarial gains/(losses) on defined benefit plans, net of tax	35/25	–15	–22
Other comprehensive income, net of tax		**–311**	**–14**
Total comprehensive income for the year		**294**	**457**
Attributable to:			
Equity holders of the parent company		290	453
Non-controlling interests		4	4

Balance Sheet

CHF million	Note	Dec. 31, 2010	Dec. 31, 2009 restated *	Jan. 1, 2009 restated *
Assets				
Property, plant and equipment	27	1,083	1,301	955
Goodwill	28	590	681	540
Other intangibles	28	176	273	202
Investments in joint ventures	29	43	11	10
Deferred tax assets	25	166	190	157
Non-current assets		**2,058**	**2,456**	**1,864**
Prepayments		93	92	88
Work in progress	30	253	224	269
Trade receivables	31	2,077	2,004	2,143
Other receivables	32	129	176	152
Cash and cash equivalents	33	1,331	981	1,039
Current assets		**3,883**	**3,477**	**3,691**
Total assets		**5,941**	**5,933**	**5,555**
Liabilities and equity				
Share capital		120	120	120
Reserves and retained earnings		1,644	1,693	1,359
Earnings for the year		601	467	585
Equity attributable to the equity holders of the parent company		**2,365**	**2,280**	**2,064**
Non-controlling interests		13	10	9
Equity		**2,378**	**2,290**	**2,073**
Provisions for pension plans and severance payments	35	284	307	268
Deferred tax liabilities	25	173	220	111
Bank liabilities	37	–	1	12
Finance lease obligations	38	58	107	32
Non-current provisions*	40	94	71	56
Non-current liabilities		**609**	**706**	**479**
Bank and other interest-bearing liabilities	37/38	49	55	65
Trade payables	39	1,201	1,123	1,129
Accrued trade expenses/deferred income	39	877	856	873
Current tax liabilities		114	102	152
Current provisions*	40	69	87	55
Other liabilities	41	644	714	729
Current liabilities		**2,954**	**2,937**	**3,003**
Total liabilities and equity		**5,941**	**5,933**	**5,555**

* Restated for comparison purposes, see note 3.

Schindellegi, February 24, 2011

KUEHNE + NAGEL INTERNATIONAL AG

Reinhard Lange	Gerard van Kesteren
CEO	CFO

Statement of Changes in Equity

CHF million	Share capital	Share premium	Treasury shares	Actuarial gains & losses	Cumulative translation adjustment	Retained earnings	Total equity attributable to the equity holders of parent company	Non-controlling interests	Total equity
Balance as of January 1, 2009	120	683	–112	11	–353	1,715	2,064	9	2,073
Earnings for the year	–	–	–	–	–	467	467	4	471
Other comprehensive income									
Foreign exchange differences	–	–	–	–	8	–	8	–	8
Actuarial gains/(losses) on defined benefit plans, net of tax	–	–	–	–22	–	–	–22	–	–22
Total other comprehensive income, net of tax	**–**	**–**	**–**	**–22**	**8**	**–**	**–14**	**–**	**–14**
Total comprehensive income for the year	**–**	**–**	**–**	**–22**	**8**	**467**	**453**	**4**	**457**
Disposal of treasury shares	–	1	24	–	–	–	25	–	25
Dividend paid	–	–	–	–	–	–272	–272	–2	–274
Expenses for employee share purchase and option plan	–	–	–	–	–	10	10	–	10
Changes in non-controlling interests	–	–	–	–	–	–	–	–1	–1
Balance as of December 31, 2009	**120**	**684**	**–88**	**–11**	**–345**	**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	**–**	**–**	**–**	**–15**	**–296**	**–**	**–311**	**–**	**–311**
Total comprehensive income for the year	**–**	**–**	**–**	**–15**	**–296**	**601**	**290**	**4**	**294**
Disposal of treasury shares	–	21	37	–	–	–	58	–	58
Dividend paid	–	–	–	–	–	–273	–273	–1	–274
Expenses for employee share purchase and option plan	–	–	–	–	–	10	10	–	10
Balance as of December 31, 2010	**120**	**705**	**–51**	**–26**	**– 641**	**2,258**	**2,365**	**13**	**2,378**

Cash Flow Statement

CHF million	Note	2010	2009
Cash flow from operating activities			
Earnings for the year		605	471
Reversal of non-cash items:			
Income tax	25	162	139
Financial income	24	–6	–22
Financial expenses	24	9	12
Result from joint ventures and associates	29	–5	–6
Depreciation of property, plant and equipment	27	164	184
Amortisation of other intangibles	28	75	98
Impairment of other intangibles	28	–	9
Expenses for employee share purchase and option plan	21	10	10
Gain on disposal of property, plant and equipment	23	–30	–18
Loss on disposal of property, plant and equipment	23	4	2
Net addition to provisions for pension plans and severance payments		4	14
Subtotal operational cash flow		**992**	**893**
(Increase)/decrease work in progress		–57	50
(Increase)/decrease trade and other receivables, prepayments		–329	289
Increase/(decrease) other liabilities		33	–126
Increase/(decrease) provisions		18	47
Increase/(decrease) trade payables, accrued trade expenses/deferred income		356	–104
Income taxes paid		–148	–213
Total cash flow from operating activities		**865**	**836**
Cash flow from investing activities			
Capital expenditure			
– Property, plant and equipment	27	–147	–267
– Other intangibles	28	–19	–23
Disposal of property, plant and equipment		56	40
Acquisition of subsidiaries, net of cash acquired	42	–3	–292
Interest received		4	18
Increase of share capital in joint ventures	29	–36	–
Dividend received from joint ventures and associates		4	5
Total cash flow from investing activities		**–141**	**–519**
Cash flow from financing activities			
Proceeds of interest-bearing liabilities		–	14
Repayment of interest-bearing liabilities		–43	–124
Interest paid		–7	–12
Disposal of treasury shares	34	58	25
Dividend paid to equity holders of parent company	34	–273	–272
Dividend paid to non-controlling interests		–1	–2
Total cash flow from financing activities		**–266**	**–371**
Exchange difference on cash and cash equivalents		–114	7
Increase/(decrease) in cash and cash equivalents		**344**	**–47**
Cash and cash equivalents at the beginning of the year, net	33	**971**	**1,018**
Cash and cash equivalents at the end of the year, net	33	**1,315**	**971**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ACCOUNTING POLICIES

1 Organisation

Kuehne + Nagel International AG (the Company) is incorporated in Schindellegi (Feusisberg), Switzerland. The Company is one of the world's leading global logistics providers. Its strong market position lies in seafreight, airfreight, overland and contract logistics businesses.

The Consolidated Financial Statements of the Company for the year ended December 31, 2010 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, 2010. 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 (SCO). The Consolidated Financial Statements are prepared on a historical cost basis except for certain financial instruments which are stated at fair value. Non-current assets and disposal groups held for sale are stated at the lower of the carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The actual result may differ from these estimates. Judgments made by management in the application of IFRS that have a significant effect on the Consolidated Financial Statements and estimates with a significant risk of material adjustment in the next year are shown in note 50.

The accounting policies are the same as those applied in the Consolidated Financial Statements for the year ended December 31, 2009 except that the adoption as of January 1, 2010 of revised IFRS 3 Business Combinations has impacted the accounting for and disclosure of business combinations. The change in accounting policy for business combinations has been applied prospectively. There were no significant business combinations in 2010.

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 measures non-controlling interests at their 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 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.

From January 1, 2010 the Group also applies revised IAS 27 Consolidated and Separate Financial Statements (2008) dealing with accounting for acquisitions and disposals of non-controlling interests. Previously the Group did not have any material acquisitions and disposals of non-controlling interests. Also in 2010 there were no such material transactions. Under revised IAS 27, changes in the parent's ownership interest in a subsidiary after control is obtained 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.

Other new or revised standards and interpretations that are effective for the 2010 reporting year are either not applicable to the Group or do not have a significant impact on the Consolidated Financial Statements.

Reclassifications

The Group classifies provisions as non-current and current based on the best estimate of the timing of the expected payments. The comparative figures have been restated to conform to the current year's presentation. The Group presents a third balance sheet as of January 1, 2009 to illustrate the effect of this reclassification of provisions.

Adoption of new and revised standards and interpretations in 2011

The following new and revised standards and interpretations have been issued but are not yet effective and are 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
Amendment to IAS 32 – Financial Instruments: Presentation – Classification of Rights Issues [1]	February 1, 2010	reporting year 2011
IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments [1]	July 1, 2010	reporting year 2011
IAS 24 Related Party Disclosures (revised 2009) [1]	January 1, 2011	reporting year 2011
Amendments to IFRIC 14: IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – Prepayments of a Minimum Funding Requirement [1]	January 1, 2011	reporting year 2011
Improvements to IFRSs (May 2010) [1]	July 1, 2010/ January 1, 2011	reporting year 2011
IFRS 7 – Disclosures – Transfer of Financial Assets [1]	July 1, 2011	reporting year 2012
Amendment to IAS 12 – Deferred Tax – Recovery of Underlying Assets [1]	January 1, 2012	reporting year 2012
IFRS 9 – Financial Instruments: Classification and Measurement [2]	January 1, 2013	reporting year 2013

1 No or no significant impacts are expected on the Consolidated Financial Statements.

2 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 120 to 125. The significant changes in the scope of consolidation in 2010 relate 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 120 to 125.
2 The Group previously owned 70 percent of share capital and applied the full consolidation method. The main activity is Insurance Brokers.

There were no significant divestments in the year 2010.

Significant changes in the scope of consolidation for the year 2009 are related to the following companies (for further information on the financial impact of acquisitions refer to note 42):

	Capital share [1] acquired in per cent equals voting rights	Currency	Share capital in 1,000	Acquisition/ incorporation date
Acquisition				
Alloin Group, France [2]	100	EUR	35,000	January 1, 2009
J. Martens Group, Norway [3]	100	NOK	3,431	March 9, 2009
Incorporation				
Kuehne + Nagel Real Estate Ltd., Canada	100	CAD	–	January 1, 2009
Kuehne + Nagel Ibrakom Tashkent Ltd., Uzbekistan	60	UZS	14,084	February 1, 2009
Kuehne + Nagel Logistics S.A., Colombia	100	COP	2,800,000	February 1, 2009
Agentes de Seguros S.A. de C.V., Mexico	100	MXN	50	May 1, 2009
Nacora S.A., Venezuela	100	VEF	60	June 1, 2009
Kuehne + Nagel Services Ltd., Canada	100	USD	–	December 1, 2009

1 For the capital share as per December 31, 2009, please refer to the list of the Group's significant subsidiaries and joint ventures on pages 120 to 125.
2 Alloin Group ranks among the leading groupage providers in France.
3 J. Martens Group, Norway, a leading service provider to the oil and gas industry.

There were no significant divestments in the year 2009.

5 Principles of consolidation

The subsidiaries are companies controlled, directly or indirectly, by the Company, 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 Company 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 or has potential voting rights of a company. Joint ventures are entities that are subject to contractually established joint control. The Group's share of income and expenses of associates and joint ventures is included in the income statement from the date significant influence or joint control commences until the date significant influence or joint control ceases.

Transactions eliminated on consolidation

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

Foreign exchange translation

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

Transactions in foreign currencies within individual subsidiaries are translated into the functional currency at actual rates of the transaction day. Monetary assets and liabilities are translated at year-end rates. Non-monetary assets and liabilities that are stated at historical cost are translated at actual rates of the transaction day. Non-monetary assets and liabilities that are stated at fair value are translated at the rate at the date the values are determined. Exchange differences arising on the translation are included in the income statement.

The major foreign currency conversion rates applied are as follows:

Income statement and cash flow statement (average rates for the year)

	2010 CHF	Variance per cent	2009 CHF
EUR 1.–	1.3864	–8.2	1.5099
USD 1.–	1.0430	–3.5	1.0811
GBP 1.–	1.6119	–3.9	1.6774

Balance sheet (year-end rates)

	2010 CHF	Variance per cent	2009 CHF
EUR 1.–	1.2578	–15.6	1.4899
USD 1.–	0.9532	–7.9	1.0355
GBP 1.–	1.4712	–11.1	1.6544

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** only includes financial assets or liabilities held for trading. There are no financial assets or liabilities that, upon initial recognition, have been designated at fair value through profit or loss. As of December 31, 2010 and 2009 the Group did not have any financial assets or liabilities held for trading with the exception of a few derivative instruments.
– **Loans and receivables** are carried at amortised cost, calculated by using the effective interest rate method, less allowances for impairment.
– **Financial assets/investments available for sale** include all financial assets/investments not assigned to one of the above mentioned categories. These 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, 2010 and 2009 the Group did not have any financial assets/investments available for sale.
– **Financial liabilities** that are not at fair value through profit or loss are carried at amortised cost calculated by using the effective interest rate method.

The fair value of investments held for trading and investments available for sale is their quoted bid price at the balance sheet day.

Derivatives and hedge accounting

Derivative financial instruments (foreign exchange contracts) are used to hedge the foreign exchange exposures on outstanding balances in the Group's internal clearing system, centralised at head office. Given that the Group's hedging activities are limited to hedges of recognised foreign currency monetary items, the Group does not apply hedge accounting. Derivatives held to hedge foreign currency exposures are carried at fair value, and all changes in fair value are recognised immediately in the income statement. All derivatives with a positive fair value are shown as other receivables, while all derivatives with a negative fair value are shown as other liabilities. No material open derivative contracts were outstanding as of December 31, 2010 and 2009.

Impairment of financial assets

If there is any indication that a financial asset (loans and receivables) or financial assets/investment available for sale may be impaired, its recoverable amount is calculated. The recoverable amount of the Group's loans and receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

Trade receivables are reported at their anticipated recoverable amounts. The allowance for bad debts is determined based on individual basis, or on a portfolio basis, where there is objective evidence that impairment losses have been incurred. The allowance account is used to record impairment losses unless the Group is satisfied that no recovery of the amount 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	4–5
Leasehold improvements	3
Office machines	4
IT hardware	3
Office furniture	5

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

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. Leased assets are depreciated over the shorter of the lease term and their useful life. The interest portion of the lease payments is expensed through the income statement based on the effective interest rate inherent in the lease.

Operating lease payments are treated as operating cost and charged to the income statement on a straight line basis over the lease period unless another basis is more appropriate to reflect the pattern of benefits to be derived from the leased asset.

Any gain or loss from sale and lease-back transaction resulting in operating leases is taken directly to the income statement if the transaction is established at fair value. If the transaction is established below fair value, any loss that is compensated by future lease payments at below market price is deferred and amortised over the length of the period the asset is expected to be used. Any other loss is recognised in the income statement immediately. If the transaction is established above fair value the gain arising on the transaction is deferred and amortised over the period the asset is expected to be used. If the fair value at the time of the sale and lease-back transaction is less than the carrying of the asset, a loss equal to the difference between the carrying amount and the fair value is recognised immediately.

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 and short-term deposits with a term of three months or less. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of the following items which form an integral part of the Group's cash management:

- cash at banks
- cash in hand
- short-term deposits less bank overdrafts repayable on demand

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 of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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 prior 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 36.

For the share purchase plan, the difference between the fair value of the shares at purchase date and the purchase price of the shares is recognised as a personal expense with a corresponding increase in equity. The fair value of the shares granted is measured at the market price of the Company's shares, adjusted to take into account terms and conditions upon which the shares were granted.

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

16 Revenue recognition

The 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 with 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 is recognised in the income statement, except to the extent that the tax relates to 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.

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 logistic solutions across customer's supply chains using its global logistic network. The business is divided into six reportable 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 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 world wide 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 that represents more than 10 per cent of the Group's total revenue.

a) Reportable segments

	Total Group		Seafreight*		Airfreight*		Road & Rail Logistics	
CHF million	2010	2009	2010	2009	2010	2009	2010	2009
Invoiced turnover (external customers)	**20,261**	**17,406**	**8,996**	**7,572**	**4,044**	**2,857**	**2,776**	**2,511**
Invoiced inter-segment turnover	–	–	1,752	1,418	2,281	1,490	855	936
Customs duties and taxes	–3,403	–3,070	–2,265	–2,208	–692	–529	–233	–151
Net invoiced turnover	**16,858**	**14,336**	**8,483**	**6,782**	**5,633**	**3,818**	**3,398**	**3,296**
Net expenses for services from third parties	–10,900	–8,473	–7,259	–5,580	–4,884	–3,183	–2,573	–2,478
Gross profit	**5,958**	**5,863**	**1,224**	**1,202**	**749**	**635**	**825**	**818**
Total expenses*	–4,954	–4,978	–783	–826	–515	–476	–782	–766
EBITDA	**1,004**	**885**	**441**	**376**	**234**	**159**	**43**	**52**
Depreciation of property, plant and equipment	–164	–184	–16	–19	–12	–12	–34	–42
Amortisation of other intangibles	–75	–98	–9	–18	–6	–8	–26	–32
Impairment of other intangibles	–	–9	–	–	–	–	–	–
EBIT (segment profit/(loss))	**765**	**594**	**416**	**339**	**216**	**139**	**–17**	**–22**
Financial income	6	22						
Financial expenses	–9	–12						
Result from joint ventures and associates	5	6	3	2	–	–	2	2
Earnings before tax (EBT)	**767**	**610**						
Income tax	–162	–139						
Earnings for the year	**605**	**471**						
Attributable to:								
Equity holders of the parent company	**601**	**467**						
Non-controlling interests	4	4						
Earnings for the year	**605**	**471**						
Additional information not regularly reported to CODM								
Non-current assets	2,058	2,456	61	80	37	53	283	380
Segment assets	5,941	5,933	1,087	1,053	492	480	658	746
Segment liabilities	3,563	3,643	1,088	1,063	568	542	511	509
Allocation of goodwill	590	681	23	25	14	16	152	179
Allocation of other intangibles	176	273	20	26	11	17	73	109
Capital expenditure property, plant and equipment	134	264	13	6	10	7	21	28
Capital expenditure other intangibles	17	22	5	9	3	5	3	3
Property, plant and equipment, goodwill and intangibles through business combinations	3	575	–	47	–	32	3	496
Non-cash expenses	119	141	15	27	12	33	18	17

* Total expenses in 2010 include additional charges to a provision for competition investigations and associated legal expenses of CHF 1 million in Seafreight (2009: CHF 10 million) and CHF 4 million in Airfreight (2009: CHF 25 million) (see notes 23, 40 and 44).

	Contract Logistics		Real Estate		Insurance Brokers		Total Reportable Segments		Eliminations		Unallocated corporate	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	4,316	**4,345**	**4**	**5**	**125**	**116**	**20,261**	**17,406**	**–**	**–**	**–**	**–**
	115	85	78	86	60	59	5,141	4,074	–5,141	–4,074	–	–
	–213	–182	–	–	–	–	–3,403	–3,070	–	–	–	–
	4,218	**4,248**	**82**	**91**	**185**	**175**	**21,999**	**18,410**	**–5,141**	**–4,074**	**–**	**–**
	–1,099	–1,081	–	–	–148	–139	–15,963	–12,461	5,063	3,988	–	–
	3,119	**3,167**	**82**	**91**	**37**	**36**	**6,036**	**5,949**	**–78**	**–86**	**–**	**–**
	–2,931	–2,966	–3	–11	–18	–19	–5,032	–5,064	78	86	–	–
	188	**201**	**79**	**80**	**19**	**17**	**1,004**	**885**	**–**	**–**	**–**	**–**
	–77	–87	–25	–24	–	–	–164	–184	–	–	–	–
	–34	–40	–	–	–	–	–75	–98	–	–	–	–
	–	–9	–	–	–	–	–	–9	–	–	–	–
	77	**65**	**54**	**56**	**19**	**17**	**765**	**594**	**–**	**–**	**–**	**–**
	–	2	–	–	–	–	5	6	–	–	–	–
	596	722	872	1,020	–	–	1,849	2,255	–	–	209	201
	1,270	1,426	883	1,034	11	12	4,401	4,751	–	–	1,540	1,182
	933	956	15	31	54	57	3,169	3,158	–	–	394	485
	401	461	–	–	–	–	590	681	–	–	–	–
	72	121	–	–	–	–	176	273	–	–	–	–
	56	51	34	172	–	–	134	264	–	–	–	–
	6	5	–	–	–	–	17	22	–	–	–	–
	–	–	–	–	–	–	3	575	–	–	–	–
	59	52	–	–	15	12	119	141	–	–	–	–

b) Geographical information

	Total		Europe 1*		Americas 2*	
CHF million	2010	2009	2010	2009	2010	2009
Invoiced turnover (external customers)	**20,261**	**17,406**	**12,978**	**11,582**	**3,985**	**3,175**
Invoiced inter-region turnover	–	–	2,811	2,418	665	544
Customs duties and taxes	–3,403	–3,070	–1,986	–1,804	–688	–610
Net invoiced turnover	**16,858**	**14,336**	**13,803**	**12,196**	**3,962**	**3,109**
Net expenses for services from third parties	–10,900	–8,473	–9,394	–7,685	–3,103	–2,334
Gross profit	**5,958**	**5,863**	**4,409**	**4,511**	**859**	**775**
Total expenses*	–4,954	–4,978	–3,816	–3,932	–707	–647
EBITDA	**1,004**	**885**	**593**	**579**	**152**	**128**
Depreciation of property, plant and equipment	–164	–184	–129	–148	–19	–22
Amortisation of other intangibles	–75	–98	–67	–83	–4	–9
Impairment of other intangibles	–	–9	–	–9	–	–
EBIT	**765**	**594**	**397**	**339**	**129**	**97**
Financial income	6	22				
Financial expenses	–9	–12				
Result from joint ventures and associates	5	6	5	6	–	–
Earnings before tax (EBT)	**767**	**610**				
Income tax	–162	–139				
Earnings for the year	**605**	**471**				
Attributable to:						
Equity holders of the parent company	**601**	**467**				
Non-controlling interests	4	4				
Earnings for the year	**605**	**471**				
Non-current assets	**2,058**	**2,456**	**1,588**	**1,958**	**181**	**211**
Additional information not regularly reported to CODM						
Segment assets	5,941	5,933	3,179	3,609	712	678
Segment liabilities	3,563	3,643	2,294	2,379	445	375
Allocation of goodwill	590	681	500	583	84	91
Allocation of other intangibles	176	273	176	262	–	11
Capital expenditure property, plant and equipment	134	264	93	204	26	49
Capital expenditure other intangibles	17	22	15	19	–	–
Property, plant and equipment, goodwill and intangibles through business combinations	3	575	–	575	–	–
Non-cash expenses	119	141	105	103	10	11

* Total expenses in 2010 include additional charges to a provision for competition investigations and associated legal expenses of CHF 1 million in Europe (2009: CHF 8 million), CHF 1 million in the Americas (2009: CHF 7 million) and CHF 3 million in Asia-Pacific (2009: CHF 20 million) (see notes 23, 40 and 44).

	Asia-Pacific [3*]		Middle East, Central Asia and Africa [4]		Eliminations		Unallocated corporate	
	2010	2009	2010	2009	2010	2009	2010	2009
	1,908	**1,442**	**1,390**	**1,207**	**–**	**–**	**–**	**–**
	1,303	907	207	119	–4,986	–3,988	–	–
	–197	–194	–532	–462	–	–	–	–
	3,014	**2,155**	**1,065**	**864**	**–4,986**	**–3,988**	**–**	**–**
	–2,497	–1,732	–892	–710	4,986	3,988	–	–
	517	**423**	**173**	**154**	**–**	**–**	**–**	**–**
	–296	–283	–135	–116	–	–	–	–
	221	**140**	**38**	**38**	**–**	**–**	**–**	**–**
	–10	–9	–6	–5	–	–	–	–
	–4	–3	–	–3	–	–	–	–
	–	–	–	–	–	–	–	–
	207	**128**	**32**	**30**	**–**	**–**	**–**	**–**
	–	–	–	–	–	–	–	–
	37	**38**	**43**	**48**	**–**	**–**	**209**	**201**
	278	249	232	215	–	–	1,540	1,182
	295	280	135	124	–	–	394	485
	–	–	6	7	–	–	–	–
	–	–	–	–	–	–	–	–
	8	3	7	8	–	–	–	–
	2	3	–	–	–	–	–	–
	3	–	–	–	–	–	–	–
	2	22	2	5	–	–	–	–

c) Geographical information
Country information

CHF million	2010 Non-current assets	2010 Invoiced turnover	2009 Non-current assets	2009 Invoiced turnover
Switzerland 1	6	265	7	232
Germany 1	482	4,155	578	3,637
USA 2	129	2,114	157	1,710
China 3	4	659	4	453
South Africa 4	2	492	2	454

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

21 Personnel expenses

CHF million	2010	2009
Salaries and wages	2,696	2,650
Social expenses and employee benefits	598	585
Expenses for employee share purchase and option plans	10	10
Pension plan expenses		
– defined benefit plans	21	22
– defined contribution plans	48	53
Other	18	21
Total	**3,391**	**3,341**

22 Selling, general and administrative expenses

CHF million	2010	2009
Administrative expenses	192	203
Communication expenses	78	85
Travel and promotion expenses	80	66
Vehicle expenses	325	328
Operating expenses	199	204
Facility expenses	697	729
Bad debt and collection expenses	13	3
Total	**1,584**	**1,618**

23 Other operating income/expenses, net

CHF million	2010	2009
Gain on disposal of property, plant and equipment	30	18
Loss on disposal of property, plant and equipment	–4	–2
Provision for competition investigations and associated legal expenses*	–5	–35
Total	**21**	**–19**

* See also notes 40 and 44.

24 Financial income and expenses

CHF million	2010	2009
Interest income	4	18
Exchange differences, net	2	4
Financial income	**6**	**22**
Interest expenses	–9	–12
Financial expenses	**–9**	**–12**
Net financial result	**–3**	**10**

25 Income tax

CHF million	2010	2009
Current tax expense		
– in current year	185	137
– under/(over)-provided in prior years	1	3
	186	**140**
Deferred tax expense from		
– changes in temporary differences	–9	–2
– impact of deferred tax assets not recognised previously	–15	1
	–24	**–1**
Income tax	**162**	**139**

Income tax of CHF –3 million (2009: CHF –1 million) relating to actuarial gains and losses of CHF 18 million before tax (2009: CHF 23 million) arising from defined benefit plans and is recognised in other comprehensive income.

Reconciliation of the effective tax rate

CHF million	2010	per cent	2009	per cent
Earnings before tax according to the income statement	767		610	
Income tax/expected tax rate	**159**	**20.7**	**125**	**20.5**
Tax effect on				
– tax exempt (income)/expenses	15	2.0	7	1.1
– tax losses (utilised)/expired	-10	-1.3	-4	-0.6
– change of deferred tax assets not recognised	-15	-2.0	1	0.2
– under/(over)-provided in prior years	1	0.1	3	0.5
– other	12	1.6	7	1.1
Income tax/effective tax rate	**162**	**21.1**	**139**	**22.8**

Deferred tax assets and liabilities

	Assets*		Liabilities*		Net*	
CHF million	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009
Property, plant and equipment	36	42	-98	-122	-62	-80
Goodwill and other intangibles	18	15	-50	-74	-32	-59
Trade receivables	15	17	-2	-2	13	15
Other receivables	5	6	-21	-20	-16	-14
Finance lease obligations	30	51	–	-1	30	50
Provisions for pension plans and severance payments	9	9	–	-1	9	8
Other liabilities	46	42	-2	–	44	42
Tax value of loss carry-forwards recognised	7	8	–	–	7	8
Tax assets/(liabilities)	**166**	**190**	**-173**	**-220**	**-7**	**-30**
* of which acquired in business combinations (opening balance sheet)	–	57	–	-132	–	-75

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, 2010	Dec. 31, 2009
On tax losses	39	47
Deductible temporary differences	42	59
Total	**81**	**106**

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.

	2010	2009
Earnings for the year attributable to the equity holders of the parent company in CHF million	**601**	**467**
Weighted average number of shares outstanding during the year	118,735,266	118,252,271
Effect of dilutive shares:		
Share options	267,504	132,094
Adjusted weighted number of shares applicable to diluted earnings per share	119,002,770	118,384,365
Basic earnings per share in CHF	**5.06**	**3.95**
Diluted earnings per share in CHF	**5.05**	**3.94**

27 Property, plant and equipment

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 property, plant and equipment were pledged and no restriction on title exists as of December 31, 2010.

2009

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, 2009	681	108	–	657	1,446
Additions through business combinations	22	177	73	13	285
Other additions	149	12	1	102	264
Disposals	–20	–	–6	–73	–99
Effect of movements in foreign exchange	6	–2	–1	6	9
Balance as of December 31, 2009	**838**	**295**	**67**	**705**	**1,905**
Accumulated depreciation and impairment losses					
Balance as of January 1, 2009	94	5	–	392	491
Depreciation charge for the year	18	6	22	138	184
Disposals	–6	–	–1	–68	–75
Effect of movements in foreign exchange	1	–	–2	5	4
Balance as of December 31, 2009	**107**	**11**	**19**	**467**	**604**
Carrying amount					
As of January 1, 2009	**587**	**103**	**–**	**265**	**955**
As of December 31, 2009	**731**	**284**	**48**	**238**	**1,301**

Fire insurance value as of December 31, 2009: CHF 2,007 million. No property, plant and equipment were pledged and no restriction on title exists as of December 31, 2009.

28 Goodwill and other intangibles

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
Effects 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.

2009

CHF million	Goodwill	Other intangibles [1]
Cost		
Balance as of January 1, 2009	592	501
Addition through business combinations	139	151
Other additions	–	22
Disposals	–	–18
Effects of movements in foreign exchange	–5	4
Balance as of December 31, 2009	**726**	**660**
Accumulated amortisation and impairment losses		
Balance as of January 1, 2009	52	299
Amortisation charge for the year	–	98
Impairment loss [2]	–	9
Disposals	–	–18
Effect of movements in foreign exchange	–7	–1
Balance as of December 31, 2009	**45**	**387**
Carrying amount		
As of January 1, 2009	**540**	**202**
As of December 31, 2009	**681**	**273**

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

2 An impairment charge of CHF 9 million was recorded relating to other intangible assets pertaining to reportable segment Contract Logistics recognised upon the acquisition of G.L. Kayser Group, Germany (acquired in December 2007). Due to the loss of customer contracts the whole carrying amount of the acquired other intangible assets of CHF 9 million was written off.

Impairment testing of goodwill

The Group has performed impairment tests of goodwill at the end of the financial years 2010 and 2009. 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 logistic industry in which the cash generating units operate. Future cash flows are discounted based on the weighted average cost of capital (WACC), taking into account risks that are specific to 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 – 2009	
Carrying amount of goodwill in CHF million	**84**	**297**	**91**	**118**	**590**
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 2010	13.3	12.0 – 14.6	12.3	11.2 – 12.7	
Pre-tax discount rate in per cent 2009	11.9	10.9 – 12.3	9.6	10.0 – 10.5	
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 71 million), the Netherlands (CHF 59 million) and various other countries (CHF 69 million).

2 Including cash generating units without significant goodwill of Cordes & Simon Group, Germany (CHF 39 million), G.L. Kayser Group, Germany (CHF 37 million) and J. Martens Group, Norway (CHF 31 million).

Key assumptions have not changed from previous year with the exception of discount rates used. For both 2010 and 2009, all recoverable amounts exceeded their carrying amounts and consequently no impairment of goodwill was recognised for the years 2010 and 2009.

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 (–) 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	99	85	73	62
0.5 per cent	105	90	77	66
1.0 per cent	111	95	82	70
1.5 per cent	117	101	86	74

Sensitivity analysis of goodwill ACR Group

Amount of excess (+)/necessary impairment (–) 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	686	623	571	523
0.5 per cent	710	645	588	538
1.0 per cent	738	669	608	555
1.5 per cent	765	692	628	574

Sensitivity analysis of goodwill Alloin Group

Amount of excess (+)/necessary impairment (–) 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	44	26	11	–2
0.5 per cent	52	33	16	2
1.0 per cent	60	39	22	7
1.5 per cent	69	47	28	12

29 Investments in joint ventures

As of December 31, 2010 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 summary financial information on joint ventures (100 per cent):

CHF million	Dec. 31, 2010	Dec. 31, 2009
Non-current assets	67	86
Current assets	36	57
Non-current liabilities	2	96
Current liabilities	16	24
Net invoiced turnover	376	415
Earnings for the year	1	2

No investments in associates were held at December 31, 2010 and December 31, 2009.

30 Work in progress

This position increased from CHF 224 million in 2009 to CHF 253 million in 2010 which represents a billing delay of 4.6 working days against the previous year's 4.8 working days.

31 Trade receivables

CHF million	2010	2009
Trade receivables	2,134	2,076
Impairment allowance	–57	–72
Total trade receivables	**2,077**	**2,004**

The majority of all billing is done in the respective Group companies' own functional currencies and is mainly in EUR 47.4 per cent (2009: 49.2 per cent), USD 13.3 per cent (2009: 10.3 per cent) and GBP 6.9 per cent (2009: 9.0 per cent).

No trade receivables in 2010 are pledged (2009: CHF 34 million as security for own bank liabilities in South Africa).

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 57 million (2009: CHF 72 million) are:

- specific loss component that relates to individually significant exposure
- a collective loss component based on historical experience.

Trade receivables with credit insurance cover are not included in the impairment allowance. The individual impairment allowance relates to specifically identified customers representing extremely high risk of being declared bankrupt, Chapter 11 companies in the USA and customers operating with significant financial difficulties (such as negative equity). The impairment allowance for individually significant exposures is CHF 37 million (2009: CHF 52 million) at year-end 2010.

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 20 million (2009: CHF 20 million) which represents 2.3 per cent (2009: 2.1 per cent) of total outstanding trade receivables, excluding trade receivables with insurance cover (see above) and trade receivables included in the individual impairment allowance.

The majority of the trade receivables not past due relates to customers that have good track record with the Group and are subject to yearly credit risk assessments. Therefore, the Group does not believe that an additional impairment allowance for these trade receivables is necessary.

	2010			2009		
	Gross (excluding insured receivables and individual allowance)	Collective allowance	Collective allowance per cent of subtotal	Gross (excluding insured receivables and individual allowance)	Collective allowance	Collective allowance per cent of subtotal
Not past due	610	–	–	647	–	–
Past due 1–30 days	176	–	–	234	–	–
Past due 31–90 days	42	3	5	37	2	5
Past due 91–180 days	14	1	10	14	1	10
Past due 181–360 days	12	12	100	12	12	100
More than 1 year	4	4	100	5	5	100
Total	**858**	**20**	**2.3**	**949**	**20**	**2.1**

During the year the movement in the impairment allowance was as follows:

	2010			2009		
CHF million	Individual allowance	Collective allowance	Total allowance	Individual allowance	Collective allowance	Total allowance
Balance as of January 1	52	20	72	44	27	71
Additions through business combinations	–	–	–	–	7	7
Additional impairment losses recognised	13	4	17	27	4	31
Reversal of impairment losses and write-offs	–28	–4	–32	–19	–18	–37
Balance as of December 31	**37**	**20**	**57**	**52**	**20**	**72**

Trade receivables outstanding at year-end averaged 37.8 days (2009: 40.6 days). 94.9 per cent (2009: 94.9 per cent) of the total trade receivables were outstanding between 1 and 90 days.

32 Other receivables

CHF million	Dec. 31, 2010	Dec. 31, 2009
Receivables from tax authorities	57	91
Deposits	29	36
Other	43	49
Total	**129**	**176**

The majority of the other receivables are held in the respective Group companies' own functional currencies which represents EUR 49.3 per cent (2009: 56.2 per cent), USD 17.6 per cent (2009: 12.2 per cent) and GBP 0.2 per cent (2009: 0.2 per cent).

33 Cash and cash equivalents

CHF million	Dec. 31, 2010	Dec. 31, 2009
Cash in hand	2	3
Cash at banks	755	512
Short-term deposits	574	466
Cash and cash equivalents	**1,331**	**981**
Bank overdraft	–16	–10
Cash and cash equivalents in the cash flow statement, net	**1,315**	**971**

The majority of the above mentioned amounts are held in commercial banks. The majority of cash and cash equivalents is managed centrally in order to limit currency risk. A netting system and a Group cash pool are in place which also further reduce the currency exposure. Most of the bank balances held by Group companies are in their respective functional currencies, which are mainly in CHF, EUR, USD and GBP.

34 Equity

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 dividend	**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**

In 2010 the Company sold 648,271 (2009: 406,488) treasury shares for CHF 58 million (2009: CHF 25 million) under the Employee Share Option and Purchase Plan.

On December 31, 2010 the Company had 877,480 treasury shares (2009: 1,525,751), of which 877,480 (2009: 1,525,751) are blocked under the Employee Share Purchase and Option Plan; refer to note 36 for more information.

Dividends

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

Year	per share	CHF million	
2011	CHF 2.75	328	(2010: CHF 2.30 per share amounting to CHF 273 million)

Distribution from capital contribution reserves

The Board for Directors proposes to the Annual General Meeting to repay capital contribution reserves amounting to CHF 1.50 per share (CHF 179 million) to the shareholders.

Share capital and treasury shares 2009

2009		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)	64,900,000	65	54.1	54.8	66,900,000
Public shareholders	53,574,249	54	44.6	45.2	51,167,761
Entitled to voting rights and dividend	**118,474,249**	**119**	**98.7**	**100.0**	**118,067,761**
Treasury shares	1,525,751	1	1.3		1,932,239
Total	**120,000,000**	**120**	**100.0**		**120,000,000**

Approved and conditional share capital

At the Annual General Meeting held on May 18, 2010 it has been decided to create an approved share capital increase up to a maximum of CHF 20 million restricted for two years. This option expires in May 2012.

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.

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 clients and generate returns to its investors;
- To provide an adequate return to investors based on the level of risk undertaken;
- To have the necessary financial resources available to allow the Group to invest in areas that may deliver future benefits for clients and investors.

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

CHF million	2010	2009	2008	2007	2006
Total equity	2,378	2,290	2,073	2,367	1,964
Total assets	5,941	5,933	5,555	6,438	5,720
Equity ratio in per cent	**40.0**	**38.6**	**37.3**	**36.8**	**34.3**

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

35 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, 2009	**244**	**24**	**268**
Addition through business combinations	3	3	6
Provisions made	22	16	38
Provisions used	–20	–8	–28
Actuarial (gains)/losses recognised in equity, excluding tax	24	–	24
Effect of movements in foreign exchange	–	–1	–1
Balance as of December 31, 2009	**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**

CHF million	2010 Funded plans	2010 Unfunded plans	2010 Total	2009 Funded plans	2009 Unfunded plans	2009 Total
Present value of obligations	126	220	346	122	240	362
Fair value of plan assets	-98	–	-98	-89	–	-89
Present value of net obligations	28	220	248	33	240	273
Recognised liability for defined benefit obligations	**28**	**220**	**248**	**33**	**240**	**273**
Pension plan assets						
Debt securities	60	–	60	40	–	40
Equity securities	17	–	17	18	–	18
Property	8	–	8	10	–	10
Others	13	–	13	21	–	21
Total	**98**	**–**	**98**	**89**	**–**	**89**

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	2010 Funded plans	2010 Unfunded plans	2010 Total	2009 Funded plans	2009 Unfunded plans	2009 Total
Movements of fair value of plan assets						
Opening fair value of plan assets	89	–	89	87	–	87
Contributions paid into the plan	11	–	11	9	–	9
Actuarial gains/(losses) recognised in other comprehensive income	2	–	2	-5	–	-5
Benefits paid by the plan	–	–	–	-5	–	-5
Expected return on plan assets	4	–	4	4	–	4
Amendments/Settlements	-4	–	-4	–	–	–
Exchange differences	-4	–	-4	-1	–	-1
Closing fair value of plan assets	**98**	**–**	**98**	**89**	**–**	**89**
Expected payments to defined benefit plan in next year	11	–	11	9	–	9
Return on plan assets	6	–	6	-1	–	-1

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

	2010			2009		
CHF million	Funded plans	Unfunded plans	Total	Funded plans	Unfunded plans	Total
Movements of present value of defined benefit obligations						
Opening liability for defined benefit obligations	122	240	362	104	227	331
Liabilities assumed through business combinations	–	1	1	–	3	3
Employee contribution	3	–	3	3	–	3
Current service costs	5	4	9	4	4	8
Interest costs	5	11	16	6	12	18
Benefits paid by the plan	–	–11	–11	–5	–11	–16
Actuarial (gains)/losses recognised in other comprehensive income	5	14	19	12	7	19
Amendments/Settlements	–5	–2	–7	–	–	–
Exchange differences	–9	–37	–46	–2	–2	–4
Closing liability for defined benefit obligations	**126**	**220**	**346**	**122**	**240**	**362**
Expense recognised in the income statement						
Current service costs	5	4	9	4	4	8
Interest costs	5	11	16	6	12	18
Expected return on plan assets	–4	–	–4	–4	–	–4
Expense recognised in personnel expenses (refer to note 21)	**6**	**15**	**21**	**6**	**16**	**22**
Actuarial gains/(losses) recognised in other comprehensive income excluding tax						
Cumulative amount as of January 1	–14	7	–7	2	14	16
Recognised during the year	–3	–14	–17	–17	–7	–24
Exchange differences	–	–1	–1	1	–	1
Cumulative amount as of December 31	**–17**	**–8**	**–25**	**–14**	**7**	**–7**

Principal weighted actuarial assumptions at the balance sheet date:

Per cent	2010 Funded plans	2010 Unfunded plans	2010 Total	2009 Funded plans	2009 Unfunded plans	2009 Total
Discount rate	3.8	4.8	4.7	4.2	5.3	4.9
Expected rate of return on plan assets	4.5	–	4.5	4.8	–	4.8
Future salary increases	1.1	2.0	1.9	1.9	2.1	2.0
Future pension increases	1.7	0.3	1.2	2.9	2.0	2.0

Historical information:

CHF million	2010 Funded plans	2010 Unfunded plans	2010 Total	2009 Funded plans	2009 Unfunded plans	2009 Total
Present value of the defined benefit plan obligations	126	220	346	122	240	362
Fair value of plan assets	98	–	98	89	–	89
Surplus/(deficit) in the plan	–28	–220	–248	–33	–240	–273
Experience adjustment arising on plan liabilites	–2	14	12	–	–1	–1
Experience adjustment arising on plan assets	2	–	2	–1	–	–1

CHF million	2008 Funded plans	2008 Unfunded plans	2008 Total	2007 Funded plans	2007 Unfunded plans	2007 Total	2006 Funded plans	2006 Unfunded plans	2006 Total
Present value of the defined benefit plan obligations	104	227	331	110	236	346	108	220	328
Fair value of plan assets	87	–	87	94	–	94	88	–	88
Surplus/(deficit) in the plan	–17	–227	–244	–16	–236	–252	–20	–220	–240
Experience adjustment arising on plan liabilites	1	2	3	4	–2	2	6	–1	5
Experience adjustment arising on plan assets	–12	–	–12	3	–	3	–1	–	–1

36 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. 223,699 numbers of shares were granted in 2010 (2009: 153,901).

CHF per share	2010	2009
Fair value of shares granted at measurement date	111.80	85.10

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 (2010: CHF 1 million, 2009 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, 2010	Number outstanding as of Dec. 31, 2009
June 30, 2003	July 1, 2006–June 30, 2009	462,900	18.90	–	–
June 30, 2004	July 1, 2007–June 30, 2010	413,260	35.00	–	25,281
June 30, 2005	July 1, 2008–June 30, 2011	451,230	51.80	54,400	162,570
June 30, 2006	July 1, 2009–June 30, 2012	538,154	87.14	285,398	479,538
June 30, 2007	July 1, 2010–June 30, 2013	605,990	110.71	486,199	579,720
June 30, 2008	July 1, 2011–June 30, 2014	25,756	107.27	21,468	23,728
June 30, 2009	July 1, 2012–June 30, 2015	307,802	82.12	289,240	303,740
June 30, 2010	July 1, 2013–June 30, 2016	447,398	111.37	444,398	–
Total		**3,252,490**		**1,581,103**	**1,574,577**

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:

	2010		2009	
	Weighted average exercise price (CHF)	Number of Options	Weighted average exercise price (CHF)	Number of Options
Options outstanding as of January 1	**90.56**	**1,574,577**	**85.83**	**1,523,106**
Options granted	111.37	447,398	82.12	307,802
Options cancelled	97.38	–16,300	106.94	–3,744
Options exercised	79.96	–424,572	48.61	–252,587
Options outstanding as of December 31	**99.23**	**1,581,103**	**90.56**	**1,574,577**
Options exercisable as of December 31		825,997		667,389

The weighted average life of the options outstanding at December 31, 2010 is 3.5 years (2009: 3.3 years). The options outstanding at December 31, 2010 have an exercise price in the range of CHF 51.80 to CHF 111.37 (2009: CHF 35.00 to CHF 110.71).

	2010	2009
Fair value of options granted at measurement date in CHF	31.44	30.93
Share price in CHF	111.80	85.10
Exercise price in CHF	111.37	82.12
Expected volatility in per cent	33.5	39.36
Option life	6 years	6 years
Dividend yield in per cent	2.10	1.30
Risk-free interest rate in per cent	0.85	2.13

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	2010	2009
Employee expenses		
Expense arising from employee share purchase	1	1
Expense arising from employee option plan	9	9
Total expense for the Employee Share Purchase and Option Plan	**10**	**10**

37 Bank liabilities and other interest-bearing liabilities

CHF million	Dec. 31, 2010	Dec. 31, 2009
Less than 1 year	49	55
Between 1–5 years	–	1
Total	**49**	**56**

The current bank and other interest bearing liabilities include the short-term portion of non-current loans of nil (2009: CHF 1 million) and finance lease liabilities due for payment within one year of CHF 33 million (2009: CHF 44 million). Current bank and other interest bearing liabilities less than one year in the amount of CHF 49 million (2009: CHF 55 million) also include bank overdrafts of CHF 16 million (2009: CHF 10 million), which is 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 67.6 per cent (2009: 89.7 per cent) and USD 25.4 per cent (2009: 6.8 per cent) on terms of the prevailing market conditions. The majority of bank overdraft facilities are repayable upon notice or within one year of 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 58 million (2009: CHF 107 million) and is presented separately on the face of the balance sheet.

38 Finance lease obligations

	2010			2009		
CHF million	Payments	Interest	Principal	Payments	Interest	Principal
Less than 1 year	35	2	33	48	4	44
Between 1–5 years	43	3	40	86	7	79
After 5 years	19	1	18	29	1	28
Total	**97**	**6**	**91**	**163**	**12**	**151**

39 Trade payables/accrued trade expenses/deferred income

CHF million	Dec. 31, 2010	Dec. 31, 2009
Trade payables	1,201	1,123
Accrued trade expenses	745	721
Deferred income	132	135
Total	**2,078**	**1,979**

The majority of all trade payables is in the respective Group companies' own functional currencies, which is in EUR 52.3 per cent (2009: 55.2 per cent), USD 17.0 per cent (2009: 8.9 per cent) and GBP 8.3 per cent (2009: 9.3 per cent).

40 Provisions

The movements for 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, 2009	38	30	43	111
Additions through business combinations	10	–	9	19
Provisions used	–10	–10	–20	–40
Provisions reversed	–24	–3	–8	–35
Provisions made	62	12	29	103
Balance as of December 31, 2009	**76**	**29**	**53**	**158**
of which				
– Current portion	51	12	24	87
– Non-current portion	25	17	29	71
Total provisions	**76**	**29**	**53**	**158**
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**

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, in prior year a provision was recognised in respect of competition investigations relating to potential government fines from the Department of Justice and related claims in the jurisdictions of the USA. The provision represents the best estimate of the amount to settle competition authority 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 regulatory investigations and in its potential litigations. (See also notes 23 and 44)

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 20 million (2009: CHF 20 million) and of provisions for onerous contracts amounting to CHF 20 million (2009: CHF 14 million).

41 Other liabilities

CHF million	Dec. 31, 2010	Dec. 31, 2009
Personnel expenses (including social security)	389	406
Other tax liabilities	64	70
Other operating expenses	154	183
Other	37	55
Total	**644**	**714**

42 Acquisition of businesses/subsidiaries

2010

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 is CHF 3 million.

2009

During the year a number of subsidiaries were acquired (see note 4) which had the following effect on the Group's assets and liabilities:

	Alloin			J. Martens			
CHF million	Carrying amounts	Fair value adjustments	Recognised values	Carrying amounts	Fair value adjustments	Recognised values	Total
Property, plant and equipment	233	51	284	2	–1	1	285
Other intangibles	5	99	104	–	47	47	151
Other non-current assets	2	54	56	2	–	2	58
Trade receivables	84	–1	83	39	–3	36	119
Other current assets	20	–	20	2	–	2	22
Acquired cash and cash equivalents, net	–5	–	–5	14	–	14	9
Subtotal assets	**339**	**203**	**542**	**59**	**43**	**102**	**644**
Trade payables	–39	–	–39	–24	2	–22	–61
Other current liabilities	–	–	–	–4	–	–4	–4
Non-current liabilities	–266	–110	–376	–18	–13	–31	–407
Subtotal net identifiable assets and liabilities	**34**	**93**	**127**	**13**	**32**	**45**	**172**
Goodwill			108			31	139
Total consideration			**235**			**76**	**311**
Contingent consideration			**–**			**–10**	**–10**
Purchase price, paid in cash			**235**			**66**	**301**
Acquired cash and cash equivalents, net			5			–14	–9
Net cash outflow			**240**			**52**	**292**

Effective January 1, 2009, the Group acquired the French groupage provider Alloin for CHF 235 million. The Alloin Group ranks among the leading groupage providers in France with an annual turnover of approximately EUR 300 million and 3,000 employees. The company operates 53 cross-docking terminals across the country and handles 20,000 shipments per day.

Effective March 9, 2009, the Group acquired the J. Martens Group, Norway, a leading service provider in the oil and gas industry for CHF 76 million, including a contingent consideration of CHF 10 million. Besides providing transportation and logistics services for the past 125 years in Norway, J. Martens has set up operations in other key markets as Singapore, Great Britain and the Netherlands. With its 260 employees, the company achieved a turnover of NOK 1.3 billion (approximately CHF 250 million) in 2008.

The acquisitions contributed CHF 25 million of loss to the consolidated earnings in 2009. If all acquisitions had occurred on January 1, 2009, Group invoiced turnover would have been CHF 17,449 million and consolidated earnings for the year would have been CHF 470 million.

In 2009, goodwill of CHF 139 million arose on these acquisitions because certain intangible assets did not meet the IFRS 3 criteria for recognition as intangible assets at the date of acquisition. These assets are mainly management expertise, workforce and geographic presence.

In 2009, other intangibles of CHF 151 million recognised on these acquisitions represent non-contractual customer lists having a useful life of 7 years.

In the 2009 interim condensed consolidated financial statements, the initial accounting for the acquisition made in the first half of 2009 was only determined provisionally. No material adjustment to these values was deemed necessary after having finalised the purchase accounting in the second half of the year.

43 Personnel

Number	Dec. 31, 2010	Dec. 31, 2009
Europe	40,910	39,858
Americas	7,791	6,964
Asia-Pacific	6,363	5,535
Middle East, Central Asia and Africa	2,472	2,323
Total employees (unaudited)	**57,536**	**54,680**
Full-time equivalent	**66,045**	**60,538**

Employees within the Kuehne + Nagel Group are defined as persons with valid employment contract as of December 31 on the 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 re-calculated into the number of full-year employees. The number, derived as described, is disclosed in the table above.

44 Contingent liabilities

As of year-end the following contingent liabilities existed:

CHF million	Dec. 31, 2010	Dec. 31, 2009
Guarantees in favour of clients and others	10	20
Contingency under unrecorded claims	3	3
Total	13	23

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 40) of CHF 77 million (2009: CHF 76 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 competitors in the international freight forwarding industry.

The proceedings have been closed in Australia and Canada.

In the USA competition investigations, the Group has entered into a plea agreement with the Department of Justice subject to court approval which enables the Group to estimate the amount to settle the competition authority claim; therefore a provision including legal expenses has been setup, recognising that the final amount required to pay all claims and fines is subject to uncertainty (see notes 40 and 50).

In 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 for these cases. Consequently, no provision or quantification of the contingent liability for these cases was made in the Consolidated Financial Statements 2010.

45 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, 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**

As of December 31, 2009

CHF million	Properties and buildings	Operating and office equipment	Total
2010	385	78	463
2011–2014	913	98	1,011
Later	320	1	321
Total	**1,618**	**177**	**1,795**

The expense for operating leases recognised in the Income Statement is CHF 518 million (2009: CHF 557 million).

46 Capital commitments

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

CHF million	Dec. 31, 2010	Dec. 31, 2009
Great Britain	2	–
France	2	15
Others	1	1
Total	**5**	**16**

47 Risk management, objectives and policies

Group risk management

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

In accordance with Article 663b of the Swiss Code of Obligations, the Group carries out an annual risk assessment. In conformity with the Swiss Code of Best Practice for Corporate Governance, the risk management system at 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 2010

The analysis and assessment of financial risks was carried out by the finance and accounting department. An independent risk assessment procedure was adopted for operational risks using the interview method. Applying an interview methodology, risks were identified in collaboration with regional management, included into a risk overview and discussed with 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 subject to the constant monitoring and control of the finance and accounting department.
- Monitoring the environmental and economic developments in major markets is key fact of risk-political importance for a global logistics company. Amongst the most important risk-reducing measures, the prevention of regional and industry concentration is one of an appropriate risk diversification.
- Risks pertaining to operating capacity, caused by Force Majeure such as natural disasters and pandemics: various activities in the area of Business Continuity, targeted training and information to staff, safety measures and emergency plans are designed to maintain operational readiness.
- Risks of IT security, particularly in terms of ensuring network availability and data security are mitigated by a permanent monitoring of systems, redundant infrastructure, interlinked data center with back-up structures and business continuity plans.
- Risks associated with acquisitions are in special focus of management with the declared intention of unconditional and active business expansion. Particularly in the area of due diligence, change-management and integration, Kuehne + Nagel has developed the relevant precautionary measures.
- Increasing regulatory demands and growing complexity and interdependence of the international business tend to increase risks in the legal and compliance area. The Kuehne + Nagel risk management is concerned mainly with contract and liability risks, fraud risks and risks of intentional and unintentional violations of the law and complying with export regulations. The measures include inter alia the intensification of the nationwide training of employees and the establishment of a network of compliance officers to ensure the anchoring at regional and national levels.

– Image and reputation risk, especially in connection with compliance-related issues, is supported by a central approach in corporate communications.

The success of Kuehne + Nagel is determined to a large extent by the commitment and skills of the employees. Also against the background of the strong growth of the group, the focus of risk assessment is on issues of succession planning and training.

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 catalogue is reviewed regularly and critical analysis ensures a continuous improvement development of the risk management system.

The risk management system is governed by the Risk Assessment Guideline defining the structure and the process of risk assessments.

Summarised assessment of the risk situation

In the 2010 business year there were no risks identified that would have the potential to substantially negatively impact the Group and its further development.

Moreover, the Risk and Compliance Committee lead by the Executive Vice Chairman of the Board of Directors comprising members of the Management Board and heads of central administrative departments puts 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 of stable world economic development remains in constant focus of management and determines 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 risks (i.e. interest rate and currency risk) and to credit and liquidity risk.

Financial risk management within the Group is governed by policies and guidelines approved by senior management. These policies and guidelines cover interest rate risk, currency risk, credit risk and liquidity risk. Group policies and guidelines also cover areas such as cash management, investment of excess funds and the raising of short and long-term debt. Compliance with the policies and guidelines is managed by segregated functions within the Group. The objective of financial risk management is to contain, where deemed appropriate, exposures in the various types of financial risks mentioned above in order to limit any negative impact on the Group's results and financial position.

In accordance with its financial risk policies, the Group manages its market risk exposures through the use of financial instruments when deemed appropriate. It is the Group's policy and practice not to enter into derivative transactions for trading or speculative purposes, nor for the purposes unrelated to the underlying business.

Market risk

Market risk is the risk that 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 investment at fixed interest rates expose the Group to fair value interest rate risk.

Exposure

The Group's exposure to changes in interest rates is limited due to the short-term nature of the investments of excess 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 a limited extent, 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	2010	2009
Variable rate instruments		
Cash and cash equivalents	1,329	978
Current bank and other interest-bearing liabilities	–49	–55
Non-current bank liabilities and finance lease obligations	–58	–108
Total	**1,222**	**815**

Cash flow sensitivity analysis – variable rate instruments

A change of 100 basis points in interest rates on December 31 would have increased or decreased profit or loss by CHF 12 million (2009: CHF 8 million) due to changed interest payments on variable rate interest bearing liabilities and assets. The analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

Currency risk

Currency risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Exposure

The Group operates on a worldwide basis and, as a result, is exposed to movements in foreign currency exchange rates of mainly EUR, USD and GBP on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group entities. Monthly payments are conducted through a Group clearing system in EUR and USD which facilitates monitoring and control of the group-wide foreign exchange rate exposures.

Derivative financial instruments (foreign exchange contracts) are, to a limited extent, in use to hedge the foreign exchange exposure on outstanding balances in the Group's internal clearing system centralised at the head office. Given that the Group's hedging activities are limited to hedges of recognised foreign currency monetary items, hedge accounting under IAS 39 is not applied. As of the 2010 and 2009 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:

		2010			2009	
CHF million	EUR	USD	GBP	EUR	USD	GBP
Cash and cash equivalents	279	74	–	349	80	–
Trade receivables	26	193	1	23	197	1
Trade payables	–17	–87	–2	–15	–54	–2
Gross balance sheet exposure	**288**	**180**	**–1**	**357**	**223**	**–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 decreased 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.

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

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

2009

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	35.7	22.3	21.6	13.5	34.5
Negative effect on P/L	–35.7	–22.3	–21.6	–13.5	–34.5

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	2010	2009
Trade receivables	2,077	2,004
Other receivables	68	85
Cash and cash equivalents	1,329	978
Total	**3,474**	**3,067**

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 insurances 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	2010	2009
Europe	1,314	1,358
Americas	418	350
Asia-Pacific	194	163
Middle East, Central Asia & Africa	151	133
Total	**2,077**	**2,004**

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) with first-class financial institutions with the close coordination and management of Centralised Corporate Treasury function. The Group does not invest in equity securities.

Liquidity risk

Liquidity risk is the risk that the Group will 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:

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
Exposure	**2,244**	**2,250**	**2,170**	**18**	**62**

2009

CHF million	Carrying amounts	Contractual cash flow	Up to 6 months	6–12 months	Over 1 year
Bank and other interest-bearing liabilities	55	59	57	2	–
Trade payables	1,123	1,123	1,123	–	–
Accrued trade expenses	721	721	721	–	–
Other liabilities	238	238	238	–	–
Bank liabilities (non-current)	1	1	–	–	1
Finance lease obligations (non-current)	107	115	–	–	115
Exposure	**2,245**	**2,257**	**2,139**	**2**	**116**

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.

48 Fair value of financial assets and liabilities

The fair values of financial assets and liabilities carried at amortised cost are approximately equal to the carrying amounts.

Cash and cash equivalents with a carrying amount of CHF 1,331 million (2009: CHF 981 million) as well as financial assets with a carrying amount of CHF 2,145 million (2009: CHF 2,089 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 2,244 million (2009: CHF 2,245 million) carried at amortised cost. The majority of these financial liabilities are current liabilities. At year-end 2010 there were no non-current fixed rate interest bearing loans and other liabilities.

49 Related party transactions

The Group has a related party relationship with its subsidiaries, joint ventures and with its directors and executive officers.

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

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

The total remuneration paid to and accrued for the members of the Board of Directors and the Management Board of Kuehne + Nagel International AG, Schindellegi, Switzerland, amounted to:

- Management Board: CHF 12 million (2009: CHF 13 million)
- Board of Directors: CHF 6 million (2009: CHF 4 million)

As of December 31, 2010 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 and the Management Board control 53.8 per cent (2009: 55.0 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 [1]	
CHF million	2010	2009	2010	2009
Wages, salaries and other short-term employee benefits	10.1	12.0	4.9	4.3
Post-employment benefits	0.3	0.4	0.1	0.1
Equity compensation benefits	1.8	0.7	0.5	–
Total compensation	**12.2**	**13.1**	**5.5**	**4.4**

1 Includes payment of nil (2009: CHF 0.5 million) for services provided by members of the Board of Directors.

Reference is made to pages 133 to 136; note 13 "Remuneration report" of the Financial Statements of Kuehne + Nagel International AG for disclosure requirements according to Swiss law (SCO 663 b/c). For other related parties refer to note 34 outlining the shareholder's structure, and pages 120 to 125 listing the Group's significant subsidiaries and joint ventures.

50 Accounting estimates and judgments

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

Purchase accounting

Intangible assets acquired in a business combination are required to be recognised separately from goodwill and amortised over their useful life if they are subject to contractual or legal rights or are separately transferable and their fair value can be reliably estimated. The Group has separately 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 other intangible assets of acquisition date. The value of other intangible assets is tested for impairment when there is an indication that they might be impaired. The management must also make assumptions about the useful life of the acquired other intangible assets which might be effected 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 590 million (2009: CHF 681 million) for impairment every year as disclosed in note 12. No impairment loss on goodwill was recognised in 2010 and 2009. The Group also assesses annually any indicators that other intangible assets or property, plant and equipment are impaired. In such a case the assets are tested for impairment. No impairment loss on property, plant and equipment and other intangible assets was recognised in 2010 (2009: CHF 9 million on other intangible assets). The carrying amount of other intangibles is CHF 176 million (2009: CHF 273 million), and of property, plant and equipment CHF 1,083 million (2009: CHF 1,301 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 248 million (2009: CHF 273 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 deferred net tax liability of CHF 7 million (2009: CHF 30 million). The Group also has unrecognised deferred tax assets relating to unused tax losses and deductible temporary differences of CHF 81 million (2009: CHF 106 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 163 million (2009: CHF 158 million) related to legal claims and other exposures in the freight forwarding and logistics operations (see note 40). The provisions represent the best estimate of the risks, but the final amount required is subject to uncertainty.

51 Post balance sheet events

Effective January 14, 2011 the Group acquired a perishables logistics business consisting of two companies in Columbia and Ecuador. The business acquired is a specialised perishables forwarder having 160 employees and handling 75,000 tons of air export perishables per annum.

The acquired business will be consolidated as of January 14, 2011. The purchase price including contingent consideration is CHF 22 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, 2010 and the date of authorisation of the Consolidated Financial Statements that would require adjustments of the Consolidated Financial Statements or disclosure.

52 Resolution of the Board of Directors

The Consolidated Financial Statements of the Group were authorised for issue by the Board of Directors on February 24, 2011. A resolution to approve the Consolidated Financial Statements will be proposed at the Annual General Meeting on May 10, 2011.

REPORT OF THE STATUTORY AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS TO THE ANNUAL GENERAL MEETING OF KUEHNE + NAGEL INTERNATIONAL AG, SCHINDELLEGI, SWITZERLAND

As statutory auditor, we have audited the accompanying consolidated financial statements of Kuehne + Nagel International AG, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes on the pages 66 to 118 for the year ended December 31, 2010.

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, 2010 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, February 24, 2011

Holding and Management Companies

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN 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 share (in per cent)
Belgium	Kuehne + Nagel N.V.	Antwerp	EUR	6,337	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	88	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
	Alloin Maintenence SARL	Villefranche	EUR	1	100
	Kuehne + Nagel Participations S.a.r.l.	Ferrières	EUR	203,630	100
Italy	Kuehne + Nagel Srl	Milan	EUR	4,589	100
	European Brokers Associated S.P.A.	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 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
	Global Ship Logistics AS	Oslo	NOK	537	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
	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 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 Versicherungsmarkler GmbH	Hamburg	EUR	79	100
	Gustav. F. Hubener GmbH	Hamburg	EUR	31	100
	Kuehne + Nagel Logistics Langenau GmbH	Langenau	EUR	25	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
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 share (in per cent)
Albania	Transalbania Shpk.	Tirana	ALL	36,298	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	111	100
Bosnia and Herzegovina	Kuehne + Nagel doo	Sarajevo	BAM	98	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	816	100
Greece	Hellenic and International Transportation Company PROODOS A.E.	Athens	EUR	3,900	100
	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.	Warsaw	PLN	104,416	100
Romania	Kuehne + Nagel S.R.L	Bucharest	RON	2,543	100
Russia	OOO Kuehne + Nagel	Moscow	RUR	1,138,877	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	21,997	100

North America

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN share (in per cent)
Bermuda	Kuehne + Nagel Ltd.	Hamilton	EUR	12	100
Canada	Kuehne & Nagel Canada Holding Inc.	Toronto	CAD	2,910	100
	Kuehne + Nagel Ltd.	Toronto	CAD	8,022	100
	Nacora Insurance Brokers Ltd.	Toronto	CAD	–	100
	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 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.	Sao Paulo	BRL	8,728	100
	Nacora Corretagens de Seguros Ltda.	Sao Paulo	BRL	1,094	100
Chile	Kuehne + Nagel Ltda.	Santiago	CLP	575,000	100
Colombia	Kuehne + Nagel S.A.	Bogotá	COP	1,284,600	100
	Agencia De Aduanas KN Colombia SA. Nivel 2	Bogotá	COP	595,000	100
Costa Rica	Kuehne Nagel Logistic Services S.A.	San Jose	CRC	25,400	100
	Kuehne + Nagel S.A.	San Jose	CRC	–	100
Cuba	Kuehne Nagel Logistic Services S.A.	Havana	CUC	–	100
Ecuador	Kuehne + Nagel S. A.	Quito	USD	7	100
El Salvador	Kuehne + Nagel S.A. DE C.V.	San Salvador	USD	69	100
Guatemala	Kuehne + Nagel S.A.	Guatemala	GTQ	4,245	100
Honduras	Kuehne + Nagel S.A.	San Pedro Sula	HNL	25	100
Nicaragua	Kuehne + Nagel S.A.	Managua	NIO	10	100
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	481	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 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
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	17,070	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
Macau	Kuehne & Nagel Ltd.	Macau	HKD	971	100
	Nacora Insurance Brokers Ltd.	Macau	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
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 share (in per cent)
Bahrain	Kuehne + Nagel W.L.L.	Manama	BHD	200	100
Egypt	Kuehne + Nagel Ltd.	Cairo	EGP	1,000	100
Israel	Amex Ltd.	Holon	NIS	2	75
Iran	Kala Navgan Shargh Co. Ltd.	Tehran	IRR	2,000	60
	Caspian Terminal Services Ltd.	Bandar Abbas	IRR	200,000	57
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
Turkey	Kuehne + Nagel Nakliyat Sti.	Istanbul	TRL	5,195	100
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 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	–	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	2010	2009
Income			
Income from investments in Group companies	1	615	676
Income from marketable securities		–	8
Income from sale of treasury shares		20	1
Interest income on loans receivable from Group companies		1	2
Other financial income		1	3
Exchange gains		–	2
Total income		**637**	**692**
Expenses			
Operating expenses		–6	–5
Interest expenses on liabilities towards Group companies		–4	–6
Exchange losses		–2	–1
Losses from marketable securities		–2	–
Write-down of investments in Group companies	2/3	–	–22
Total expenses		**–14**	**–34**
Earnings before tax		**623**	**658**
Tax		–31	–8
Earnings for the year		**592**	**650**

Balance Sheet

CHF million	Note	Dec. 31, 2010 (before profit distribution)	Dec. 31, 2010 (before transfer of capital contribution reserves)	Dec. 31, 2009
Assets				
Cash and cash equivalents	7	671	671	360
Treasury shares	6	51	51	88
Receivables from Group companies	4	98	98	44
Other receivables		1	1	1
Current assets		**821**	**821**	**493**
Financial investments	3	1,170	1,170	1,161
Non-current assets		**1,170**	**1,170**	**1,161**
Total assets		**1,991**	**1,991**	**1,654**
Liabilities and equity				
Share capital	8	120	120	120
Reserves	9	60	60	60
Capital contribution reserves	9	185	73	36
Share premium from merger of subsidiaries		89	89	89
Reserves for treasury shares	10	51	51	88
Retained earnings [1]	11	391	503	126
Earnings for the year		592	592	650
Equity		**1,488**	**1,488**	**1,169**
Tax provision		25	25	7
Other provisions and accruals		5	5	5
Provisions		**30**	**30**	**12**
Liabilities towards Group companies	5	473	473	473
Liabilities		**473**	**473**	**473**
Total liabilities		**503**	**503**	**485**
Total liabilities and equity		**1,991**	**1,991**	**1,654**

1 Included CHF 112 million capital contribution reserves (before transfer of capital contribution reserves) as of Dec. 31, 2010 and CHF 0 million as of Dec. 31, 2010 (before profit distribution).

Schindellegi, March 25, 2011

KUEHNE + NAGEL INTERNATIONAL AG

Reinhard Lange	Gerard van Kesteren
CEO	CFO

NOTES TO THE FINANCIAL STATEMENTS 2010

General remarks

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

Financial statement presentation and principles of valuation

Financial investments

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

Receivables

– *from Group companies*
  Outstanding balances 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 is valued at average cost of treasury shares.

Tax provision

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

Liabilities

– *towards 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 mainly to dividends received.

CHF million	
Income from investments and others	493
Income on sale of investments (internal)	122
Total	**615**

2 Write-down of investments in consolidated companies

The write-down of investments in consolidated companies is shown in note 3.

NOTES TO THE BALANCE SHEET

3 Development of financial investments

CHF million	Investments in consolidated companies	Investments in affiliated companies	Total
Cost			
Balance as of January 1, 2010	2,438	2	2,440
Additions	105	–	105
Disposals	–413	–	–413
Balance as of December 31, 2010	**2,130**	**2**	**2,132**
Cumulative amortisation			
Balance as of January 1, 2010	1,277	2	1,279
Additions	–	–	–
Disposals	–317	–	–317
Balance as of December 31, 2010	**960**	**2**	**962**
Carrying amount			
As of January 1, 2010	**1,161**	**–**	**1,161**
As of December 31, 2010	**1,170**	**–**	**1,170**

A schedule of the Group's main subsidiaries and Kuehne + Nagel's share in the respective equity is shown on pages 120 to 125 of the Consolidated Financial Statements.

4 Receivables from Group companies

CHF million	Dec. 31, 2010	Dec. 31, 2009
Kuehne + Nagel L.L.C., Dubai	–	2
Kuehne + Nagel (AG & Co.) KG, Hamburg	–	10
Kuehne + Nagel Real Estate Holding AG, Schindellegi	4	4
Kuehne + Nagel Liegenschaften AG, Schindellegi	25	27
Kuehne + Nagel S.a.r.l., Luxembourg	–	1
Kuehne + Nagel Investment AB, Stockholm	1	–
Kuehne + Nagel S.A., Caracas	1	–
Kuehne + Nagel GmbH, Vienna	9	–
Kuehne + Nagel Services Ltd., Vancouver	52	–
Kuehne + Nagel Ltd., Hong Kong	6	–
Total	**98**	**44**

5 Liabilities towards Group companies

CHF million	Dec. 31, 2010	Dec. 31, 2009
Kuehne + Nagel Ltd., Dublin	2	6
OY Kuehne + Nagel Ltd., Helsinki	13	9
Kuehne + Nagel S.a.r.l., Luxembourg	26	7
Kuehne + Nagel S.A.S., Paris	75	112
Kuehne + Nagel N.V., Rotterdam	11	20
Kuehne + Nagel NV/SA, Antwerpen	15	16
Kuehne + Nagel Sp.z.o.o., Poznan	–	1
Kuehne + Nagel Investment S.a.r.l., Luxembourg	3	5
Kuehne + Nagel Investment SL, Madrid	35	58
Kuehne + Nagel (AG & Co.) KG, Hamburg	69	–
Kuehne + Nagel Inc., New York	52	21
Kuehne + Nagel Management AG, Schindellegi	16	63
Kuehne + Nagel AG, Zurich	24	25
Nacora Insurance Brokers AG, Zurich	–	1
Nacora Holding AG, Schindellegi	76	3
Nacora Agencies AG, Schindellegi	56	123
Kuehne + Nagel AP Ltd., Hong Kong	–	3
Total	**473**	**473**

6 Treasury shares

CHF million	Dec. 31, 2010	Dec. 31, 2009
Treasury shares [1]	51	88
Total	**51**	**88**

1 See note 10.

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

7 Cash and cash equivalents

CHF million	Dec. 31, 2010	Dec. 31, 2009
The bank deposits are in following currencies:		
CHF	397	2
EUR	265	325
USD	9	33
Total	**671**	**360**

8 Share capital

	Registered shares at nominal CHF 1 each number	CHF million
Balance as of December 31, 2010	120,000,000	120

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

Conditional and authorised 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 authorised 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 authorised or conditional share capital.

9 Reserves

CHF million	Free reserves	Legal reserves	Capital contribution reserves	Total reserves
Balance as of January 1, 2010	36	60	–	96
Addition from release of reserves for treasury shares [1]	–	–	37	37
Addition from release of free reserves	–36	–	36	–
Balance as of December 31, 2010 (before profit distribution)	**–**	**60**	**73**	**133**
Addition from retained earnings	–	–	112	112
Balance as of December 31, 2010 (after profit distribution)	**–**	**60**	**185**	**245**

1 See note 10.

10 Reserves for treasury shares

	number of shares	CHF million
Balance as of January 1, 2010	1,525,751	88
Disposal of treasury shares	–648,271	–37
Purchase of treasury shares	–	–
Balance as of December 31, 2010	**877,480**	**51**

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

11 Retained earnings

CHF million	
Balance as of January 1, 2010 (before income for the year)	126
Earnings for the year 2009	650
Retained earnings as of January 1, 2010	**776**
Distribution to the shareholders (CHF 2.30 per share)	–273
Subtotal	**503**
Transfer to capital contribution reserves	–112
Subtotal	**391**
Earnings for the year 2010	592
Balance as of December 31, 2010	**983**

OTHER NOTES

12 Personnel

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

13 Remuneration report

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

Remuneration 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 is disclosed as part of the Corporate Governance section.

					2010	2009
TCHF	Compensation Board of Directors	Compensation Committees	Additional fees for services provided	Social insurance	Total	Total
Klaus-Michael Kuehne (Chairman)	900	10	–	46	956	955
Bernd Wrede (Vice Chairman)	225	25	–	–	250	423
Karl Gernandt (Executive Vice Chairman)	150	–	2,825	9	2,984	1,534
Dr. Joachim Hausser	150	–	–	7	157	169
Dr. Willi Kissling [1]	–	–	–	–	–	64
Juergen Fitschen	150	–	–	9	159	159
Hans-Joerg Hager	150	–	38	–	188	316
Hans Lerch	150	10	–	10	170	169
Dr. Georg Obermeier	150	25	–	–	175	175
Dr. Wolfgang Peiner	150	–	–	–	150	150
Dr. Thomas Staehelin	150	15	–	10	175	206
Dr. Joerg Wolle [2]	94	6	–	7	107	–
Total	**2,419**	**91**	**2,863**	**98**	**5,471**	**4,320**

1 Resigned from the Board of Directors on May 13, 2009.
2 Since May 18, 2010.

Remuneration to the Management Board

							2010	2009
TCHF	Salary	Bonus	Social insurance	Pension	Options	Others [1]	Total	Total
Reinhard Lange, Chief Executive Officer	700	1,893	133	59	471	6	3,262	2,398
Management Board	2,957	3,929	346	271	1,352	70	8,925	10,622
Total	**3,657**	**5,822**	**479**	**330**	**1,823**	**76**	**12,187**	**13,020**

1 Other compensation comprises company cars for all members of the Management Board.

Allocation of shares

In 2010 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 pages 103 to 105).

Shareholdings by members of the Board of Directors

As of December 31, 2010, the following number of shares was held by members of the Board of Directors. No shareholdings were reported from parties closely associated with the mentioned Board members.

	2010	2009
	Number of KNI shares	
Klaus-Michael Kuehne (Chairman)	63,900,000	64,900,000
Bernd Wrede (Vice Chairman)	–	–
Karl Gernandt (Executive Vice Chairman)	16,560	8,560
Dr. Joachim Hausser	–	–
Dr. Willi Kissling [1]	–	–
Juergen Fitschen	–	–
Hans-Joerg Hager	–	–
Hans Lerch	5,000	5,000
Dr. Georg Obermeier	500	500
Dr. Wolfgang Peiner	–	–
Dr. Thomas Staehelin	10,000	10,000
Dr. Joerg Wolle [2]	–	–
Total	**63,932,060**	**64,924,060**

1 Resigned from the Board of Directors on May 13, 2009.
2 Since May 18, 2010.

Shareholdings by members of the Management Board

As of December 31, 2010 the following number of shares was held by members of the Management Board. No shareholdings were reported from parties closely associated with the mentioned Board members:

	2010	2009
	Number of KNI shares	
Reinhard Lange, Chief Executive Officer	23,710	26,210
Gerard van Kesteren, Chief Financial Officer	132,682	125,182
Martin Kolbe, Chief Information Officer	4,000	4,000
Dirk Reich, Executive Vice President Road & Rail Logistics and Contract Logistics	15,016	30,032
Lothar Harings, Chief Human Resources Officer	3,000	2,000
Peter Ulber, Executive Vice President Sea & Air Logistics	5,000	5,000
Xavier Urbain, former Executive Vice President Road & Rail Logistics	–	3,750
Total	**183,408**	**196,174**

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 36 to the Consolidated Financial Statements on pages 103 to 105.

Name	Date of allocation	Number of Options	Year of Expiry of vested period
Karl Gernandt, Executive Vice Chairman of the Board of Directors	2009	17,120	2012
	2010	16,000	2013
Reinhard Lange, Chief Executive Officer	2007	10,000	2010
	2008	1,526	2011
	2009	14,836	2012
	2010	15,000	2013
Gerard van Kesteren, Chief Financial Officer	2007	15,000	2010
	2008	2,938	2011
	2009	14,176	2012
	2010	15,000	2013
Martin Kolbe, Chief Information Officer	2009	2,000	2012
	2010	6,000	2013
Dirk Reich, Executive Vice President Road & Rail and Contract Logistics	2007	10,800	2010
	2008	1,694	2011
	2009	13,338	2012
	2010	15,000	2013
Lothar Harings, Chief Human Resources Officer	2009	9,963	2012
	2010	2,000	2013
Peter Ulber, Executive Vice President Sea & Air Logistics	2007	5,000	2010
	2009	5,000	2012
	2010	5,000	2013
Total options allocated		**197,391**	

Loans

In 2010 no loans were granted to members of the Board of Directors or the Management Board of KNI nor associated parties, and no such loans were outstanding as of December 31, 2010.

14 Contingent liabilities

For further information regarding contingent liabilities refer to note 44 of the Consolidated Financial Statements.

15 Risk management/Risk Assessment

The detailed disclosures regarding risk management that are required by Swiss law (SCO 663b) are included in the Kuehne + Nagel Group Consolidated Financial Statements on pages 111 to 116.

16 Proposal of the Board of Directors to the Annual General Meeting of May 10, 2011 regarding appropriation of the available earnings & capital contribution reserves

	CHF million
Balance as of January 1, 2010 (before income for the year)	503
Reclassification of addition from merger of subsidiaries to retained earnings	89
Earnings for the year 2010	592
Balance as of December 31, 2010	**1,184**
Contribution to capital contribution reserves	–112
Distribution to the shareholders (CHF 2.75 per share) [1]	–328
Retained earnings as of December 31, 2010	**744**

1 The total dividend amount covers all outstanding shares (as per December 31, 2010: 119,122,520 shares). However, shares still held in treasury on the date of the dividend declaration are not eligible for dividend payments. In consequence, the reported total dividend amount may be correspondingly adjusted.

	CHF million
Capital contribution reserves as of December 31, 2010	73
Contribution from retained earnings to capital contribution reserves	112
Capital contribution reserves as of December 31, 2010	**185**
Distribution to the shareholders (CHF 1.50 per share)	–179
Balance capital contribution reserves as of December 31, 2010	**6**

Distribution from capital contribution reserves

The Board of Directors proposes to the Annual General Meeting of May 10, 2011, to repay capital contribution reserves within the meaning of Article 20 DBG amounting to CHF 1.50 per share to the shareholders.

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 126 to 136 for the year ended December 31, 2010.

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, 2010 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 25, 2011

CORPORATE TIMETABLE 2011

March 1, 2011	Press Conference 2010 Result
	Analyst Conference 2010 Result
April 18, 2011	Announcement of First Quarter 2011 Result
May 10, 2011	Annual General Meeting 2010
May 17, 2011	Dividend & capital contribution reserves distribution for 2010
July 18, 2011	Announcement of Half-Year 2011 Result
October 17, 2011	Announcement of Nine-Months 2011 Result

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