ANNUAL REPORT 2007




KUEHNE+NAGEL

KUEHNE + NAGEL GROUP KEY DATA

CHF million	2003	2004	2005	2006	2007
Turnover	9,548.0	11,563.1	14,048.9	18,194.1	20,975.0
Gross profit	2,064.3	2,322.5	2,769.0	5,252.5	6,013.8
Per cent of turnover	21.6	20.1	19.7	28.9	28.7
EBITDA[1]	413.9	473.6	561.5	855.3	1.011.8
Per cent of gross profit	20.1	20.4	20.3	16.3	16.8
EBIT	276.7	317.5	429.1	600.7	685.6
Per cent of gross profit	13.4	13.7	15.5	11.4	11.4
EBT	286.1	344.1	445.9	601.4	700.1
Per cent of gross profit	13.9	14.8	16.1	11.4	11.6
Net earnings for the year (Kuehne + Nagel share)	195.7	238.1	315.0	458.3	531.2
Per cent of gross profit	9.5	10.3	11.4	8.7	8.8
Depreciation, amoritsation and impairment of intangible assets	137.2	156.1	132.4	254.6	326.2
Per cent of gross profit	6.6	6.7	4.8	4.8	5.4
Operational cash flow	426.5	487.7	574.5	856.7	1,042.7
Per cent of gross profit	20.7	21.0	20.8	16.3	17.3
Capital expenditures for fixed assets[1]	159.8	106.7	189.6	246.2	230.8
Per cent of operational cash flow[1]	37.5	21.9	33.0	28.7	22.1
Balance sheet total	2,719.9	2,843.1	4,221.4	5,714.9	6,438.7
Non-current assets	770.3	825.5	993.1	2,285.2	2,120.0
Equity[1]	1,018.1	802.3	1,601.0	1,975.3	2,365.1
Per cent of total assets	37.4	28.2	37.9	34.6	36.7
Employees at year end	19,004	21,193	25,607	46,290	51,075
Personnel expense	1,130.1	1,271.9	1,499.9	2,960.9	3,403.9
Per cent of gross profit	54.7	54.8	54.2	56.4	56.6
Gross profit in CHF 1,000 per employee	108.6	109.6	108.1	113.5	117.7
Manpower expense in CHF 1,000 per employee	59.5	60.0	58.6	64.0	66.6
Net earnings per share (nominal CHF 1) in CHF					
Consolidated net income for the year (Kuehne + Nagel share)[2]	1.69	2.09	2.87	3.90	4.50
Distribution in the following year[1]	0.70	0.90	1.10	1.50	1.90
in per cent of the consolidated net income for the year	41.0	43.0	38.0	39.0	42.0
Development of share price					
Zurich (high/low in CHF)	32/16	50/28	74/46	99/69	131/91
Average trading volume per day	24,050	47,545	118,095	161,664	195,916

1 adjusted for comparison purposes
2 excluding treasury shares

The original of this report is written in German. In case of inconsistencies between the German original and this English translation, the German version shall prevail.

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KLAUS-MICHAEL KUEHNE

Executive Chairman of the Kuehne + Nagel International AG Board of Directors

REPORT OF THE BOARD OF DIRECTORS

Continued strong turnover and earnings growth

Ladies and Gentlemen

2007 was characterised by continued growth, and Kuehne + Nagel again achieved the best result in its corporate history. Compared with the previous year, global turnover rose by 15.3 per cent and the Group's operational result (EBITDA) improved by 18.3 per cent. Net earnings increased by 15.9 per cent to CHF 531.2 million.

SHAREHOLDER STRUCTURE

The Kuehne + Nagel International AG shareholder structure remained virtually unchanged in 2007 and is as follows:

– Kuehne Holding AG	55.75 per cent
– Free float	42.59 per cent
– Treasury shares	1.66 per cent
	100.00 per cent

BOARD OF DIRECTORS

Before being appointed as Head of the Ministry of Finance of the Free and Hanseatic City of Hamburg, Dr. Wolfgang Peiner was a member of the Kuehne + Nagel International AG Board of Directors from 2000 to 2001. After resigning from his Senate post, he was elected to the Kuehne + Nagel Board of Directors at the Annual General Meeting of May 4, 2007 together with Xavier Urbain, former Chief Executive Officer of the Paris-based ACR Group acquired by Kuehne + Nagel. On December 31, 2007 the Board of Directors comprised ten members. Klaus-Michael Kuehne is its Executive Chairman and Bernd Wrede its Vice Chairman.

BOARD COMMITTEES

Committee meetings were generally held quarterly with the outcome of these meetings shared with the Board of Directors at its conventions. Members of the Management Board were asked to participate in the Audit Committee and Investment Committee meetings, while they attended Nomination and Compensation Committee meetings only if required. In view of the considerable expansion and investment plans in the field of electronic data processing, an ad hoc committee was founded at the end of the year.

MANAGEMENT BOARD

Klaus Herms, Chairman of the Management Board of Kuehne + Nagel International AG and Chief Executive Officer of Kuehne + Nagel Group, will retire on June 30, 2009. At the Board of Directors meeting of September 7, 2007 Reinhard Lange was appointed his successor and promoted to Deputy CEO.

Ewald Kaiser, member of the Management Board since 2005 and responsible for European Road & Rail Logistics, withdrew from his functions within the Kuehne + Nagel Group in mid-December 2007. He was succeeded by Xavier Urbain on January 15, 2008 who, effective that date, resigned from the Board of Directors.

Dr. Alexander Schmid-Lossberg, member of the Management Board and responsible for human resources, and Legal Counsel of the Group, left the company effective January 31, 2008. At present, Klaus-Dieter Pietsch has re-assumed responsibility for global human resources, a function he previously exercised until retiring from the Management Board on March 31, 2007, thereafter taking charge of special tasks within the Group.

DEVELOPMENT FOCUS

The expansion of the European overland business remains among the Kuehne + Nagel Group's strategic objectives. At the end of 2007 two medium-sized German companies with a strong regional foothold were acquired:

– G.L. Kayser Spediteur seit 1787 GmbH & Co. KG, Mainz
– Cordes & Simon GmbH & Co. KG, Hagen

The two companies combine a workforce of more than 1,250 who are now part of the Kuehne + Nagel Group.

RESULTS

In sea- and airfreight as well as increasingly in contract logistics the results were highly positive. In the European overland business targeted investments were made in the further expansion of activities which impacted the result in this business unit.

DIVIDEND

Reflecting the strong results, the Board of Directors will propose to distribute a dividend of CHF 1.90 per share (previous year: 1.50 per share) to the Annual General Meeting of April 30, 2008.

BUSINESS PERFORMANCE

In seafreight, 2.6 million container units (TEU) were shipped; 15 per cent more than the previous year. The increase was realised on virtually all routes with volumes from China to Europe and to North and South America recording the strongest growth.

Airfreight business expanded significantly with turnover up 10 per cent and volume increasing 14 per cent compared with 2006. The profitability in this business field improved considerably.

Contract Logistics saw a large number of important business wins, and against this background more than 50 new logistics facilities were opened worldwide. Kuehne + Nagel's strategy is to offer contract logistics services globally, providing international customers with a truly comprehensive offering. Accordingly, contract logistics activities were initiated in Kenya, Venezuela, Vietnam, and the Philippines.

The acquisitions of G.L. Kayser and Cordes & Simon expanded Kuehne + Nagel's presence in the German overland market. Uniform pricing and handling standards were implemented across Europe and the introduction of new standardised operational software was initiated. The measures introduced in 2007 will considerably strengthen this business in the coming years.

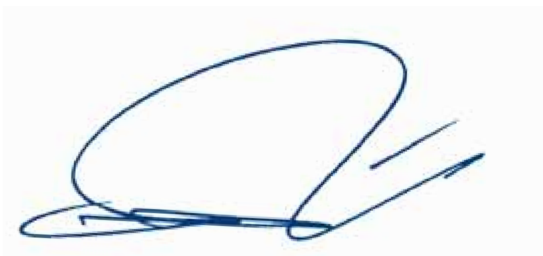
The insurance brokerage business (the Nacora Group) and the company's real estate activities performed to plan.

SUMMARY AND OUTLOOK

While 2007 was characterised by booming global trade, the outlook for 2008 is mixed. The unfavourable U.S. economic development and credit crisis are likely to impact the global economy. In other regions, however, a continuation of favourable economic trends and, thus, the ongoing demand for complex logistics services may be expected. Kuehne + Nagel is well positioned to maximise these growth opportunities, both in sea- and airfreight, as well as in contract logistics.

The European overland business requires further strengthening and rapid expansion of the market share. This includes selected acquisitions of suitable companies in a number of European key countries.

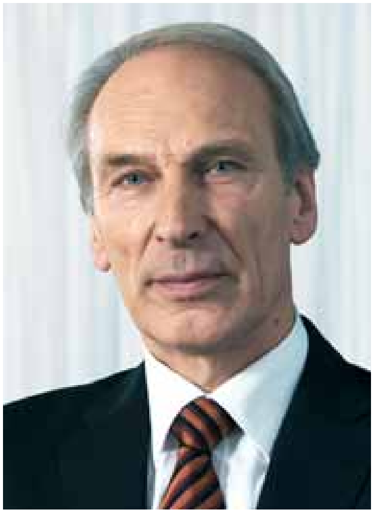
The Board of Directors expresses its appreciation to the Management Board and the entire staff worldwide for their successful contribution to the excellent 2007 results. This gratitude is also extended to all customers and business associates with whom we enjoy strong ties of trust and cooperation.



Klaus-Michael Kuehne
Executive Chairman of the Board of Directors






KLAUS HERMS, Chief Executive Officer
REINHARD LANGE, Sea & Air Logistics
GERARD VAN KESTEREN, Chief Financial Officer
DIRK REICH, Contract Logistics
XAVIER URBAIN, Road & Rail Logistics
KLAUS-DIETER PIETSCH, Human Resources
MARTIN KOLBE, Chief Information Officer

REPORT OF THE MANAGEMENT BOARD

Business model ensures sustained growth

Kuehne + Nagel's comprehensive service portfolio met with great interest worldwide. Growth accelerated from quarter to quarter resulting in a considerable increase in the company's overall performance in 2007.

GENERAL CONDITIONS

Despite year-end turbulence in the U.S. economy in the wake of the subprime crisis, general economic conditions for the global logistics business were favourable. Global trade and investment activity reached a record high in 2007 with world trade growing between 6 and 7 per cent. At 5.1 per cent, global GDP was slightly below the previous year (5.4 per cent), but still provided important impulses in the domestic markets. Asia, driven by China's dynamic development, reported impressive growth rates and again proved to be important for Kuehne + Nagel's activities.

Trade and industry are globalising sourcing, production and distribution increasingly, creating complex supply chains. This leads to a growing need to outsource logistics activities to a professional service provider. These may include replicating existing services in new regions, developing and deploying new solutions, or outsourcing the management of entire global logistics networks to one service provider. Kuehne + Nagel, offering single-source services across the supply chain and with global capabilities, is among the beneficiaries of this trend.

DEVELOPMENTS IN THE INDUSTRY

While consolidation in the logistics industry proceeded, with the exception of the takeover of TNT Freight Management through Geodis and the merger of CEVA and EGL, no major deals closed in 2007. Mainly medium-sized firms were affected by the consolidation trend; companies that, due to their infrastructure, cannot take full advantage of the industry's growth opportunities compared with the few major global players.

BUSINESS PERFORMANCE

Seafreight

Globalisation continued to drive the demand for seafreight services, helping Kuehne + Nagel to outgrow the market again. In addition to the expansion of existing contracts considerable new business was won in all regions. The company's value-adding IT-based products, strategic planning and securing of freight capacity in all trade lanes proved strong competitive advantages. High productivity and efficient cost management contributed to an operational result up by 13.7 per cent.

Airfreight

Results in airfreight were outstanding and exceeded expectations. Kuehne + Nagel raised volumes by 14 per cent, organically outpacing the market by a factor of three and improving the operational result by 31.6 per cent. This impressive performance was due to successful cross-selling, product innovation, process improvements, and intensified customer service.

Road & Rail Logistics

Growth was the primary target in the European overland business. Considerable investments were made in this business field, taking low margins into account. The commissioning of its European groupage network, connecting 80 Kuehne + Nagel branches, raised volumes appreciably and strengthened the company's market position in many parts of the continent. The roll-out of standardised operations software commenced in 2007 with the objective of increasing the level of automation and enhancing productivity. This will lead to margin improvements in the future.

Contract Logistics

Contract Logistics has become the third pillar of the Kuehne + Nagel Group and is also growing considerably faster than the market, underlining the value of the services offered. This business unit benefits greatly from its global set-up which supports regional cross-selling activities and its service offering which has been extended due to the expertise and know-how acquired following the successful integration of the ACR Group in 2006. Process enhancements and cost-reduction efforts improved the operational result by 28.5 per cent.

Insurance Broker and Real Estate

These two businesses complement Kuehne + Nagel's scope of services and contributed to the successfull performance of the Group.

REGIONS

All Kuehne + Nagel regions were solidly positioned and gained additional market shares in 2007 due in part to their close interaction. The considerable transport volumes in Asia-Pacific, particularly in China, again benefited the entire Kuehne + Nagel organisation. In Europe and North America significant growth was recorded in all business fields. In South America the company participated in the export boom successfully and further expanded its market position. In Africa, the Middle East and Central Asia, intensified activity in the niche industries as well as the oil & gas business paid off.

2008 OUTLOOK

Integrated logistics generates greater value, and demand from industry and commerce is growing. The Kuehne + Nagel business model is resilient and will generate sustained growth. Despite the difficult economic outlook, the Kuehne + Nagel International AG Management Board is confident to achieve volume growth above the market in all business units in 2008 again. The business plan for Road & Rail Logistics remains unchanged: to achieve an annual turnover of CHF 5 billion at an EBITDA margin of approximately 3 per cent in the coming years. Within its pan-European strategy the company is now focusing on extending the network in western and southern Europe.

Klaus Herms
Chief Executive Officer

EVERYTHING ALWAYS AVAILABLE

REDUCED CAPITAL COMMITMENT.

Day 1–14	Day 15–18	Day 19–20
USA/China Order placement; goods in production; e-documentation and web-booking process	**Hong Kong** Goods delivered by truck from suppliers in China to Container Freight Station; stuffing of containers	**Hong Kong** Containers delivered to the port and loaded onto vessel

WITH KUEHNE + NAGEL SEAFREIGHT.

Day 21

Hong Kong
Vessel departs

Day 22–31

At sea
Electronic pre-clearance of goods

Day 32–33

Long Beach/USA
Arrival; containers loaded onto rail/truck

Day 34–42

USA
Deliveries by rail and truck via retailer's regional cross-dock facilities to stores across the country

FLOURISHING BUSINESSES WORLDWIDE

INCREASED SALES.

Day 1

> 11.00 **Aalsmeer/Netherlands**
Tulips are packed and loaded onto airfreight pallets

> 11.30 Transport by truck to Schiphol airport

WITH KUEHNE + NAGEL AIRFREIGHT.

Day 2

> 12.30 **Amsterdam/Netherlands** Loading of pallets > 15.00 Take-off for Hong Kong	> 09.30 **Hong Kong** Arrival and unloading of pallets	> 11.00 **Hong Kong** Deconsolidation of pallets in airline warehouse	> 13.30 **Hong Kong** Delivery of the tulips to the flower shop

SERVING EUROPE'S MARKETS

HAPPY CUSTOMERS.

Day 1

> 18.00 **Hungary**
Collection by truck
from contract
manufacturer

> 22.00 **Budapest/Hungary**
Arrival in the
Kuehne + Nagel terminal

WITH KUEHNE + NAGEL OVERLAND TRANSPORT.

> 23.30 **Budapest/Hungary**
On-shipment to the UK with GPS-tracked box trailer

Day 3

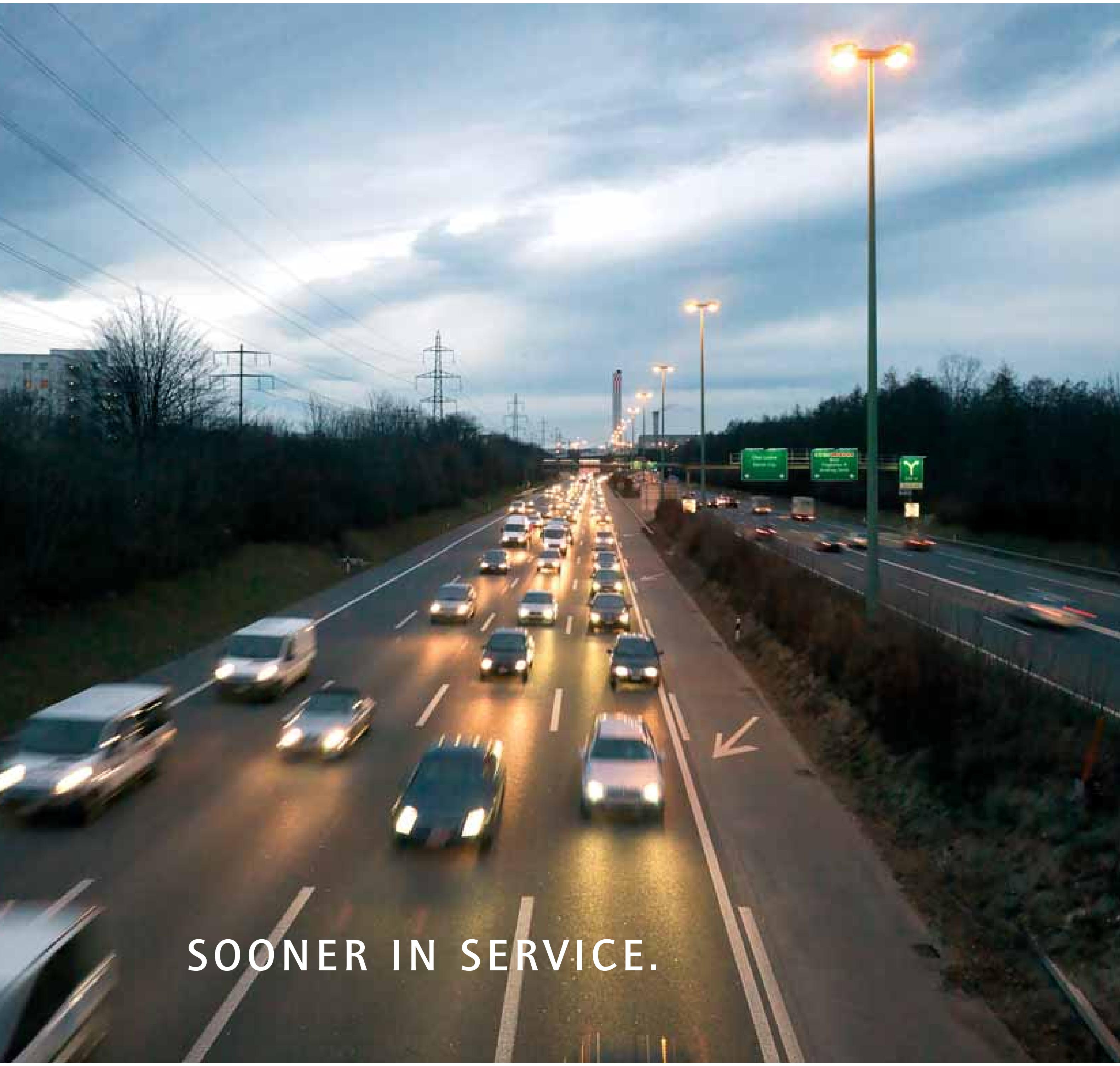
> 22.00 **Birmingham/UK**
Arrival in the Kuehne + Nagel terminal

Day 4

> 03.00 **Birmingham/UK**
On-shipment of the individual consignments

> 07.00 **Manchester/UK**
Delivery to end customer (retailer)

TAILOR-MADE SOLUTIONS



SOONER IN SERVICE.

Day 1

> 13.00 **Landshut/Germany**
Shuttle truck collects semi-finished parts from customer's production plant

> 14.00 **Wörth/Germany**
Arrival of goods at Kuehne + Nagel warehouse

> 14.30 Parts placed in buffer stock

WITH KUEHNE + NAGEL CONTRACT LOGISTICS.

Day 2

> 10.00 **Wörth/Germany**
Sequencing order from customer's plant

> 10.10 Quality control of bumpers

> 10.15 Pre-assembly operations

> 10.20 **Wörth/Germany**
Sequenced packing in special load carriers

> 10.30 Storage in outgoing buffer

Day 3

> 05.30 **Wörth/Germany**
Shuttle truck transport to customer's plant

> 06.30 **Munich/Germany**
Just-in-sequence delivery of the load carriers to the production line

STATUS REPORT

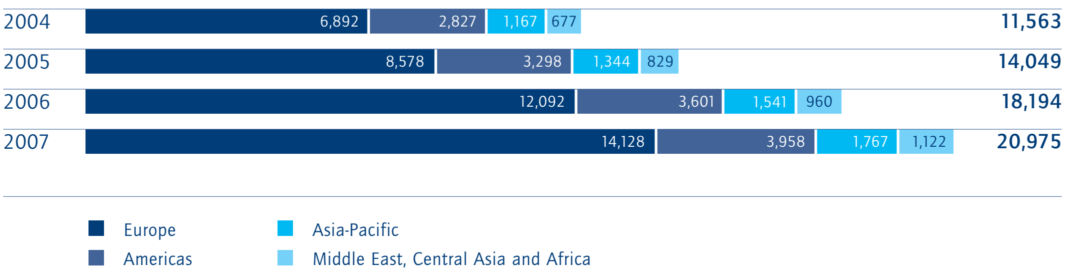
TURNOVER

Exchange rate fluctuations between 2006 and 2007, and based on average yearly exchange rates, led to a slightly higher valuation of the euro of 4.2 per cent and the British pound of 3.8 per cent against the Swiss franc. On the other hand a weakening of the U.S. dollar and depending currencies (e.g. a number of countries in Asia, South America and the Middle East) of 4.6 per cent each against the Swiss franc had to be recorded. When comparing the turnover in the income statement the currency impact of the Swiss franc of approximately plus 2.0 per cent must be taken into consideration in 2007.

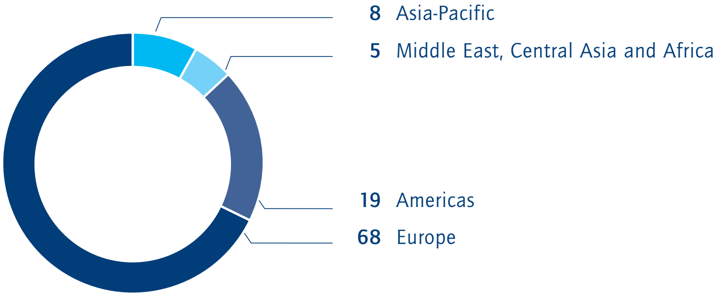
In 2007 Kuehne + Nagel's turnover amounted to CHF 20,975 million representing an increase of 15.3 per cent or CHF 2,781 million. The impact from acquisitions amounted to CHF 80 million only, from organic growth to CHF 2,297 million and from exchange rate fluctuation to CHF 404 million.

At regional level Europe increased its turnover mainly organically by 16.8 per cent. Favourable turnover increases were achieved in the Americas (9.9 per cent), in Asia-Pacific (14.7 per cent), and in the Middle East, Central Asia and Africa (16.9 per cent).

Regional Turnover
CHF million



Regional Turnover
per cent



INCOME

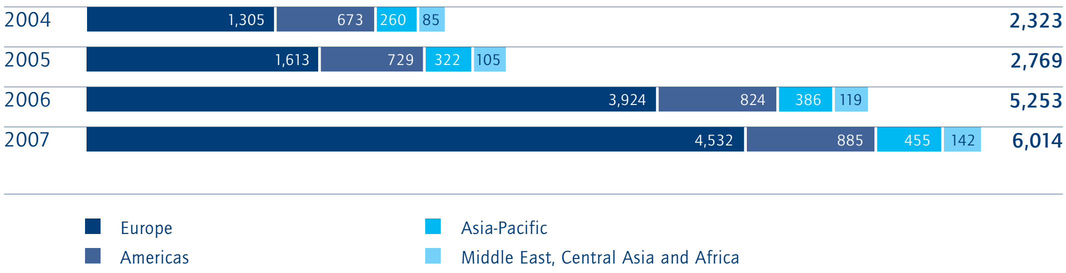
Gross profit

Gross profit which, in the logistics and forwarding industry, provides a better indication of performance than turnover, reached CHF 6,014 million in 2007, up by 14.5 per cent compared to the previous year. This increase has mainly been achieved through strong organic growth (CHF 606 million), a positive exchange rate impact (CHF 142 million), and CHF 13 million by acquisitions.

At a regional level gross profit in Europe grew by 15.5 per cent, Americas by 7.4 per cent, Asia-Pacific by 17.8 per cent, and the Middle East, Central Asia and Africa by 19.9 per cent.

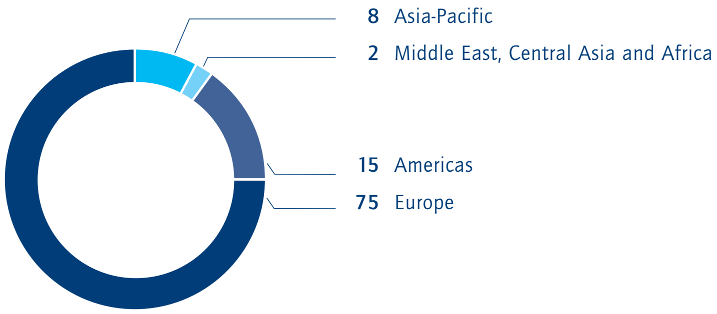
Regional Gross Profit

CHF million

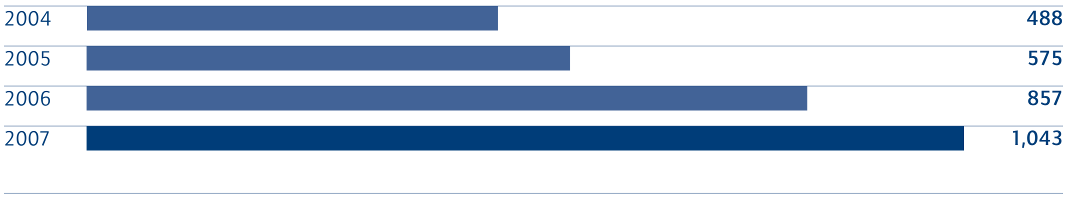


Regional Gross Profit

per cent



Operational Cash Flow
CHF million



Operational Cash Flow

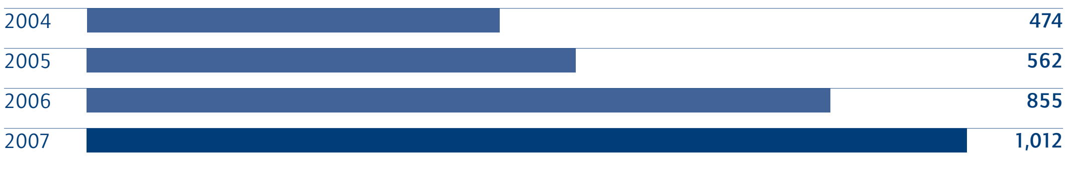
The operational cash flow – the sum of the net income for the year plus/minus non-cash related transactions – increased by CHF 186 million to CHF 1,043 million (for further information, please refer to the 'cash flow statement' section of the Consolidated Income Statement).

EBITDA

The earnings before interest, tax, depreciation, and amortisation on goodwill and other intangible assets increased by CHF 157 million or 18.3 per cent compared to the previous year; organic growth amounted to CHF 140 million, the exchange rate to CHF 15.0 million, and acquisitions to CHF 2 million. Europe generated the largest EBITDA contribution (CHF 633 million or 62.6 per cent) followed by Asia-Pacific (CHF 180 million or 17.8 per cent), the Americas (CHF 170 million or 16.8 per cent) and the Middle East, Central Asia and Africa (CHF 29 million or 2.8 per cent).

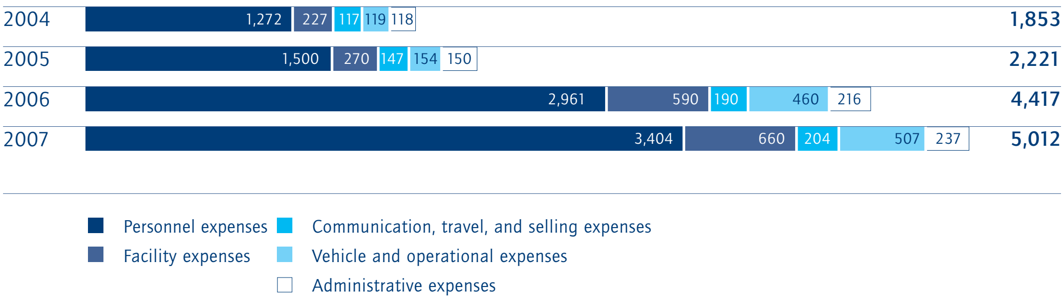
The EBITDA margin increased slightly to 4.8 per cent compared to 4.7 per cent in 2006. The increase of the manpower cost by CHF 443 million or 15.0 per cent is mainly due to the increase of employees by 4,785.

EBITDA
CHF million



Operational Expenses

CHF million



EBIT/Earnings for the year

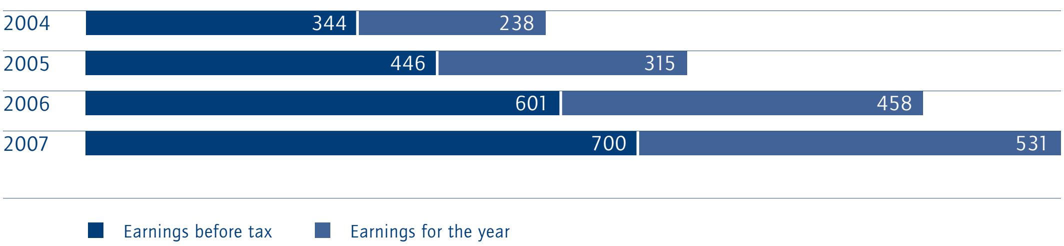
The increase of earnings before interest and tax (EBIT) by CHF 85 million was mainly caused by organic growth (CHF 81 million) and the rest by exchange rate impact and acquisitions (CHF 4 million).

In 2007 EBIT increased considerably by CHF 43 million (14.1 per cent) in Europe, the Americas by CHF 10 million (7.5 per cent), in Asia-Pacific by CHF 21 million (14.4 per cent), and in the Middle East, Central Asia and Africa by CHF 11 million (82.5 per cent). The EBIT margin remained unchanged (in per cent of invoiced turnover) at 3.3 per cent.

The earnings for the year increased by CHF 73 million to CHF 531 million compared to the previous year, and also the margin (in per cent of the invoiced turnover) remained unchanged at 2.5 per cent compared to the previous year.

Earnings before tax/Earnings for the year

CHF million

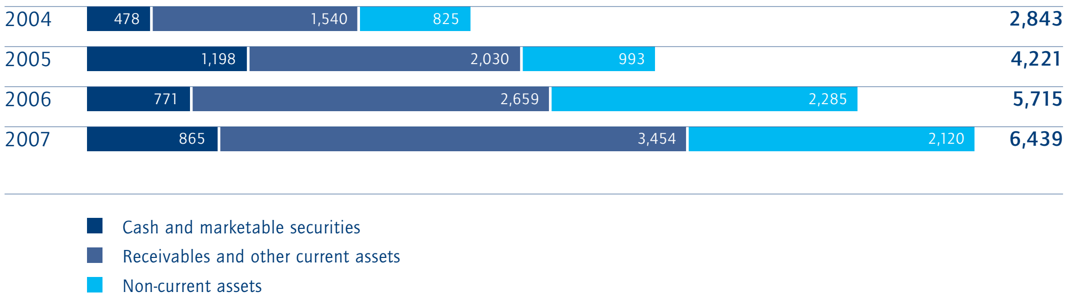


FINANCIAL POSITION

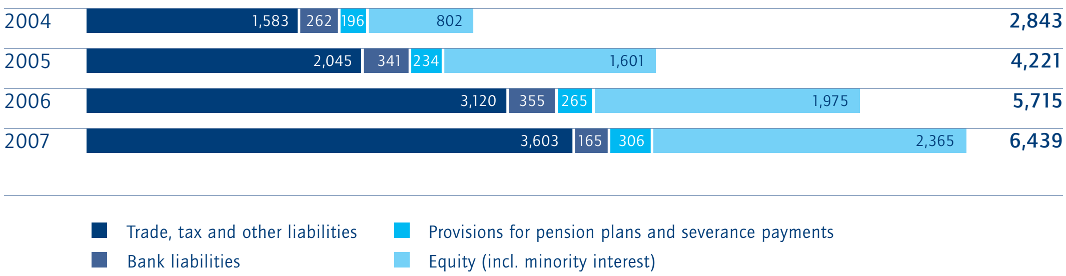
Total assets and liabilities of the Group increased by CHF 724 million to CHF 6,439 million compared to December 31, 2006. The changes in property, plant and equipment, goodwill and other intangibles assets are shown in detail in notes 25/26 to the consolidated income statement. Cash and cash equivalents increased by CHF 94 million; for further information, refer to the cash flow statement on page 87.

Trade receivables amounting to CHF 2,537 million represent the most significant asset of the Kuehne + Nagel Group. The days outstanding of 41.4 days in 2006 increased slightly to 41.9 days in 2007.

Assets
CHF million



Liabilities
CHF million



The equity grew by CHF 390 million to CHF 2,365 million. This represents an equity ratio of 36.7 per cent (2006: 34.6 per cent).

Developments of other key figures on capital structure are shown in the following table:

Kuehne + Nagel Group Key Figures on Capital Structure

CHF million	2004	2005	2006	2007
1 Equity ratio (in per cent)	28.2	37.9	34.6	36.7
2 Return on equity (in per cent)	25.1	38.7	25.6	24.4
3 Debt ratio (in per cent)	71.8	62.1	65.4	63.3
4 Short-term ratio of indebtedness (in per cent)	64.2	55.7	55.7	54.1
5 Intensity of long-term indebtedness (in per cent)	7.5	6.4	9.7	9.2
6 Fixed assets coverage ratio (in per cent)	123.1	188.3	110.8	142.1
7 Working capital	191.0	875.1	246.8	835.4
8 Receivables terms (in days)	35.6	38.8	41.4	41.9
9 Vendor terms (in days)	38.4	41.1	51.2	51.4
10 Intensity of capital expenditure (in per cent)	29.1	23.5	40.0	32.9

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 1.1. 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 minority interest) + long-term liabilities in relation to non-current assets
7 Total current assets less short-term liabilities; 2005 adjusted for comparison purposes
8 Turnover in relation to the 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

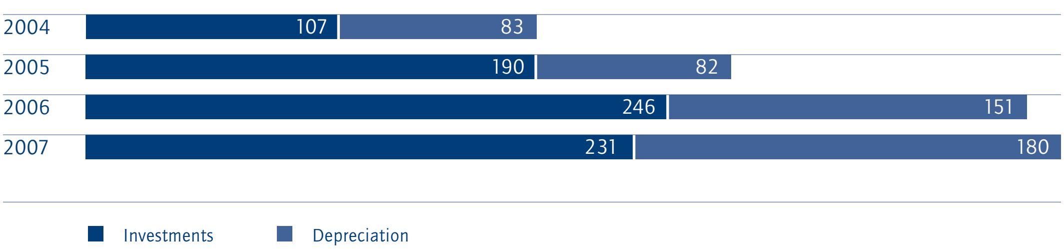
INVESTMENTS, DEPRECIATION AND AMORTISATION

In 2007 the Kuehne + Nagel Group invested a total of CHF 231 million for capital expenditures. All capital expenditures in 2007 were financed by the operational cash flow of CHF 1,043 million generated during 2007.

CHF 58 million were invested in properties and buildings, and CHF 173 million for other fixed assets, operating and office equipment.

Investments in Fixed Assets / Depreciation

CHF million



During the course of 2007 the following major investments were made in properties and buildings:

Region/Location	CHF million	
Europe		
Hamburg	3	Completion of logistics centre "HafenCity"
Hamburg	6	Extension of logistics centre
Bremen	3	Extension of logistics centre
Duisburg	3	Extension of logistics centre
Frankfurt	3	Extension of logistics centre
Cologne	9	Extension of logistics centre
	27	
Asia-Pacific		
Auckland	2	Extension of logistics centre
Melbourne	14	Extension of logistics centre
	16	
Middle East, Central Asia and Africa		
Istanbul	13	Extension of logistics centre
UAE	2	Construction of a new logistics centre
	15	
Total	**58**	

The allocation per category is as follows:

	CHF million
Operating equipment	57
Vehicles	14
Leasehold improvements	25
IT hardware	65
Office furniture and equipment	12
Total	**173**

The allocation by region is as follows:

	CHF million
Europe	122
Americas	25
Asia-Pacific	18
Middle East, Central Asia and Africa	8
Total	**173**

Depreciation, amortisation and impairment losses on goodwill and other intangibles in 2007 amounted to CHF 326 million and are allocated in the profit and loss statement as indicated in note 40, pages 124 to 125.

Development of capital expenditure and depreciation of fixed assets over a period of 4 years

CHF million	2004	2005	2006	2007
Capital expenditure				
Fixed assets				
Properties and buildings	51	99	111	58
Operating and office equipment	56	91	135	173
Intangible assets				
Goodwill in consolidated companies	46	37	462	113
IT software	10	23	19	27
	163	**250**	**727**	**371**
Depreciation and amortisation				
Fixed assets				
Buildings	14	16	28	29
Operating and office equipment	68	66	124	151
Intangible assets				
Goodwill	58	–	–	–
Impairment of goodwill	6	25	6	31
Amortisation/impairment of other intangible assets	10	25	97	115
	156	**132**	**255**	**326**

PLANNED INVESTMENTS IN 2008

In 2008 the Kuehne + Nagel Group plans to invest about CHF 290 million for capital expenditures compared to a spending of CHF 231 million in 2007.

Planned investment per category:

	CHF million
Properties and buildings	90
Operating equipment	60
Vehicles	25
Leasehold improvements	30
IT hardware	60
Office furniture and equipment	25
Total	**290**

Expected allocation per business segment:

	CHF million
Airfreight	30
Seafreight	30
Road & Rail Logistics	25
Contract Logistics	115
Real Estate	90
Total	**290**

In 2008 the depreciation on fixed assets is estimated at CHF 200 million and the amortisation of intangible assets at CHF 90 million (excluding potential acquisitions of companies).

Expected investments per region:

	CHF million
Europe	175
Americas	50
Asia-Pacific	35
Middle East, Central Asia and Africa	30
Total	**290**

Planned acquisitions

In order to reach the strategic goal of a turnover of CHF 5 billion in the Road & Rail Logistics business segment, further acquisitions in the main European markets such as Germany, France, Italy, and Spain can be expected within the next 2 to 3 years.

SHAREHOLDER RETURN

In 2007 the Kuehne + Nagel share outperformed both the SMI and the SMIM (mid-caps).

Share price and market capitalisation (at December 31)

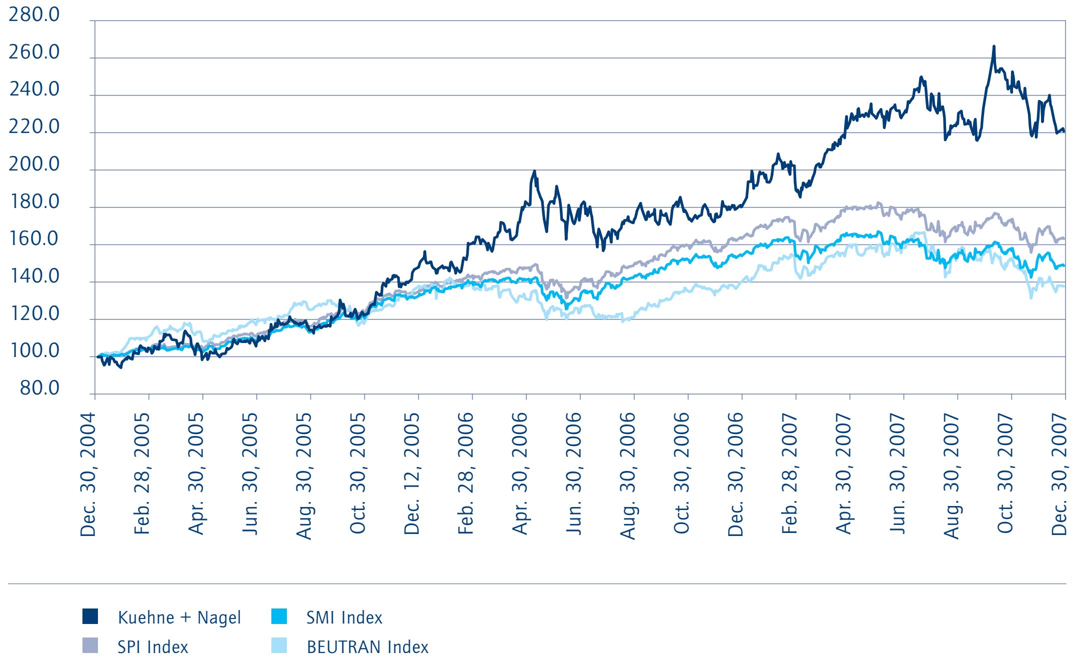
	2007	2006	per cent change
Share price (CHF)	108.50	88.65	+ 22.4
Market capitalisation (millions of CHF)	13.020	10.638	+ 22.4

Total shareholder return development in per cent

	2007	2006	per cent change
Increase year over year (CHF)	19.85	14.60	+ 36.0
Dividend per share (CHF)	1.90	1.50	+ 26.7
Total return (CHF)	21.75	16.10	+ 35.1

Kuehne + Nagel share price compared with SMI, SPI, and Bloomberg Europe Transportation Index 2005

January 2005 – December 2007



Dividend

The Board of Directors is proposing an increase of 26.7 per cent in the dividend for 2007 to CHF 1.90 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 224.2 million (2006: CHF 176.8 million), resulting in a payout ration of 42.2 per cent (2006: 38.4 per cent). Based on the share price at year-end 2007 the dividend yield on the Kuehne + Nagel share is 1.8 per cent (2006: 1.7 per cent).

CONTAINER VOLUME EXCEEDS 2.6 MILLION TEUS.

REPORTS OF THE BUSINESS UNITS

SEAFREIGHT

Seafreight maintains strong momentum

2007 was another record year. A turnover of CHF 9,641.5 million (previous year CHF 8,305.8 million) and an operational result of CHF 424.6 million which exceeded the previous year's result by 13.7 per cent confirm the strong performance of Kuehne + Nagel's seafreight business. The company handled more than 2.6 million TEUs; an increase of over 343,000 TEUs (15 per cent). With a growth rate far above the market, Kuehne + Nagel increased its market share.

Container market

The global container market increased by 9 per cent in 2007. The economic slowdown in the United States, aggravated by the subprime crisis, however, led to a decrease in container volumes from Europe to the U.S. In contrast to the strong growth recorded in the past years the volume in the trans-Pacific trade lane from Asia to the United States stagnated. On the other hand the weakness of the U.S. dollar increased the business for American exporters with container volumes to Europe rising by more than 17 per cent, to Asia by 11 per cent and to Latin America by 15 per cent.

The world's biggest market in terms of volume, intra-Asian traffic, grew by roughly 10 per cent. Traffic from Asia to Europe increased by 19 per cent. This strong growth resulted from the continuing relocation of production capacity and the higher demand for Asian products in Eastern Europe. The volume from Europe to Asia was up by more than 5 per cent.

The Latin American trade lanes achieved double-digit growth on both the import and the export side again, the latter driven by higher overseas demand for South American agricultural products.

World Container Traffic

million TEU*

* Source: Drewry Shipping Consultants

Kuehne + Nagel volume growth

Kuehne + Nagel recorded double-digit growth in 2007 again. Key success factors for the rise in volume in most trade lanes included the expansion of its global network, innovative IT products, and major new customer wins. The highest growth rates were achieved on the Asian routes. In the trans-Pacific trade, in a stagnating market, the volume increased by more than 17 per cent. The same growth was achieved in traffic from Asia to Europe which is the largest in terms of volume. Due to its global presence the company was able to increase volumes by more than 20 per cent in all non-European trade lanes. Only volumes from Europe to the United States did not expand, but since the market contracted by 6 per cent, the company succeeded in increasing its market share.

Freight rates

Due to the economic growth the available shipping space was filled to capacity, in some cases leading to a dramatic rise in freight rates, primarily in the trades from Asia to Europe, the Middle East, and Latin America. Intensified competition between logistics providers placed considerable pressure on margins during the first half of the year. In the trade from Europe to Asia the shipping lines pushed through a significant increase in rates towards the end of the year, while freight rates from Europe to the United States fell substantially again as a result of the reduced volume. In all trades the enormous rise in the price of oil resulted in a substantial increase in bunker surcharges (BAFs).

Shipping companies

Capacity was expanded by roughly 14 per cent in 2007. More shipping companies ordered vessels with capacities in excess of 10,000 TEU. In response to the doubling of bunker surcharges – in November the market price was more than USD 500/t – the first operators began reducing the speed of their vessels. Instead of eight ships, nine ships per week sail from Asia to Europe now. This on the one hand slows the growth of capacity, while, on the other hand, customers must be prepared to accept longer transit times. However, this reduction in speed substantially cuts CO_2 emission levels. Kuehne + Nagel has begun making greater use of these services for its customers.

Forward-looking e-business strategy

Kuehne + Nagel has a forward-looking IT strategy. Customer needs are changing ever more quickly and are becoming increasingly complex. By the continuous modernisation of its systems Kuehne + Nagel plays a leading role in the industry.

A key factor for success is the standardisation and optimisation of all operational processes in a single proprietary IT system. Relevant investments in 2007 focused upon the expansion of this system while to meet the challenges of the future, the starting signal for a sophisticated successor system was given. The further enhancement of electronic data exchange with customers and suppliers is also being pushed ahead consistently.

Communication with the shipping companies is handled via the INTTRA internet platform. Apart from container booking, shipping instructions are also communicated to the shipping companies via INTTRA. This reduces the error rate while speeding data processing. The visibility features of KN Login, greatly valued by customers, were further developed. At the same time work began on bringing the KN Login New Generation web application in line with the latest technological requirements.

LCL business

The LCL (Less than Container Load) business, an important segment in seafreight, made good progress in 2007 with the establishment of new gateways in Asia, North and South America, and Europe. The Group's own network and associated new routes were more closely meshed, resulting in a more efficient cost structure, a shortening of transit times, and better data quality. The volume handled increased to nearly 1,500,000 cbm.

Niche products

The successful development of business in special niches continued in 2007. Market shares were substantially increased in reefer logistics, paper and wood transportation, and beverage logistics.

River shipping

The Kuehne + Nagel river shipping organisation again made an important contribution towards the environment-friendly management of the growing volume of goods traffic.

Good water levels and a high utilisation of ship capacity helped to achieve favourable results which exceeded the previous year despite substantial handling bottlenecks in the West European ports in container and dry cargo shipping.

Further activities in this field centre upon the expansion of Rhine-Main-Danube traffic to the Black Sea, training of young crew members, and increased use of company-own equipment.

Emergency and relief logistics

Additional resources were placed at the disposal of this business to meet its special needs. In all regions that depend on aid and relief deliveries the structures were strengthened which conform, in particular, to the expectations of the United Nations, non-governmental organisations (NGOs), and government authorities. Kuehne + Nagel sees it as an obligation to continue giving priority to emergency and relief logistics and help people in crisis regions.

Oil, energy, and project logistics

Turnover and earnings increased in this segment substantially in 2007. Investments were made in the expansion of the global infrastructure, the emphasis being on China, North and South America, and West Africa. In this field, too, Kuehne + Nagel was able to strengthen its position as a leading service provider. In view of the good order situation a positive development of business can also be expected in future.

Outlook for 2008

2008 will be marked by U.S. economic issues. High bunker costs will also continue to affect shipping severely. It is thus uncertain how the relationship will develop between economic activity and growth-generated cargo volume on the one and the supply of shipping capacity on the other hand. Despite the uncertain economic outlook Kuehne + Nagel anticipates to be able to further strengthen its leading market position while maintaining stable margins.

Performance Seafreight

CHF million	2007	Margin per cent	2006	Margin per cent	Variance 2007/2006 per cent
Turnover	9,642	100.0	8,306	100.0	16.1
Gross profit	1,270	13.2	1,138	13.7	11.6
EBITDA	425	4.4	373	4.5	13.9
Number of operational staff	7,506		6,794		10.5
TEU '000	2,618		2,275		15.1

MORE THAN 800,000 TONS HANDLED.

AIRFREIGHT

Outstanding growth – market shares gained

In a global airfreight market that grew only 4 per cent Kuehne + Nagel expanded its volume by 14 per cent compared with the previous year and thus increased its market share substantially. Export cargo handled amounted to 818,000 tons. Volume growth and a tight control of costs led to an improvement in the operational result of 31.6 per cent to CHF 218 million.

Market development

In 2007 the global airfreight market got off to a relatively weak start. Volume developed more favourably in the second half, but, for the whole year, remained below the forecasts of the airfreight experts. Although the peak season in Asia began later than in previous years, the region and, in particular, China remained the growth engine of the global airfreight industry with regard to imports and exports.

Global Airfreight Traffic

million tons*

* Figures are based on Kuehne + Nagel market research and estimates.

Kuehne + Nagel business performance

The excellent performance in airfreight across all regions was entirely the result of organic growth.

In Europe the German national company led the field with a volume growth of more than 20 per cent. The Kuehne + Nagel organisation in the United States regained its former strength and was able to expand its market share. Kuehne + Nagel volumes also increased in other important markets, such as Latin America, Africa and the Middle East, considerably.

The Asia-Pacific region remained an important growth engine for Kuehne + Nagel's airfreight business, although not at the same high level as in previous years. Growth slowed in Hong Kong, in particular, due to a substantial slowing in the shift of traffic from sea to air transport. In Shanghai the export volume increased by 13 per cent.

Trans-Pacific traffic is a strategic market for Kuehne + Nagel. Enhanced sales efforts enabled faster growth to be achieved in the year under review. Acquisitions of attractive firms remain an option.

Kuehne + Nagel products

Globally standardised, time-defined airfreight products are now available in more than 60 countries. The complete conversion to the new Kuehne + Nagel products, all of which are based on Cargo 2000, the recognised quality standard of the airfreight industry, is one of the main objectives for 2008. All three products – KN Express, KN Expert and KN Extend – offer an all-in price and uniform, transparent invoicing for every country.

The following highly specialised airfreight solutions are tailored to the requirements of specific industries:

Aviation logistics

In 2007 aviation logistics achieved an excellent volume growth of 44 per cent. In particular, Australia, Brazil, China, and India contributed to this strong performance. Until a few years ago outsourcing logistics functions was almost non-existent in the aviation industry; however, integrated supply chain solutions are now sought after. This opens up attractive prospects for qualified logistics providers. The good positioning of Kuehne + Nagel in this sector is assured by new developments, such as the introduction of the Advanced Aircraft Engine product and an innovative electronic data processing solution.

Hotel logistics

The good performance of the hotel logistics business continued in 2007. Kuehne + Nagel's position as a market leader was strengthened by contract extensions within the satisfied customer base of international luxury hotel operators and manufacturers of hotel supplies as well as the acquisition of new customers who invested in hotel and casino projects in Macau and Las Vegas. Supplementary services, such as furniture installation, amenities replenishment, and the casino equipage, made substantial contributions to the successful result of this specific product. In future emphasis will be placed on end-to-end solutions for comprehensive hotel and casino projects.

Ship spares logistics

Due to the opening of four additional Kuehne + Nagel offices the ship spares logistics business experienced a strong growth. The implementation of a state-of-the-art, tailor-made IT system within the global network enables even stronger support for internationally operating customers. Ship owners and ship management agencies are interested in this specific Kuehne + Nagel service increasingly.

Perishable logistics

In the last few years Kuehne + Nagel has firmly established itself in the seafreight reefer container business. Customers are now seeking airfreight solutions for their perishable goods, and in 2007 Kuehne + Nagel began building a network specialised in this group of goods. In Africa the company already is the most important service provider in the transport of fresh flowers.

Outlook for 2008

The growth forecasts for the global airfreight market in 2008 are somewhat restrained, particularly since the development of this business correlates closely with that of the world economy. Due to its strong positioning in the airfreight industry Kuehne + Nagel again aims to grow twice as fast as the market at stable margins in 2008. Once more it expects to benefit from its innovative products and a high operational efficiency.

Performance Airfreight

CHF million	2007	Margin per cent	2006	Margin per cent	Variance 2007/2006 per cent
Turnover	3,719	100.0	3,386	100.0	9.8
Gross profit	698	18.8	599	17.7	16.5
EBITDA	218	5.9	166	4.9	31.3
Number of operational staff	3,656		3,397		7.6
Tons '000	818		720		13.6

GROWTH ABOVE THE MARKET TREND.

ROAD & RAIL LOGISTICS

Successful start for the European groupage network

Since March 2007 Kuehne + Nagel has been represented with its own groupage network in the European overland transport market. 38 countries, five of which are covered by partner firms, are linked together by daily line-haul services. The strengthening of this network is one of the main objectives for 2008.

European road transport

In 2007 road transport again stepped up the pace. In Germany, as key exporting nation traditionally the most important market for European road transport, shipment levels increased approximately 5 per cent over the previous year. Kuehne + Nagel recorded a rise in volume of 7 per cent, again achieving a faster growth than the market. This favourable development reflects the successful integration of the companies acquired prior to the year under review and underlines the strengthening of customer relations that has resulted from the expansion of the service portfolio.

Also, in the other European regions, growth in road transport substantially exceeded the market average. The launch of the European groupage network which is based on a central hub in the town of Haiger, Germany, and seven regional hubs, proceeded without major hitches. A constant adaptation and optimisation of processes enabled the handling of the steadily growing volumes. Profit margins, however, came under pressure as a result of substantial investments in information technology.

Further acquisitions in Germany

The acquisition of the two groupage service providers G.L. Kayser Spediteur seit 1787 GmbH & Co. KG and Cordes & Simon GmbH & Co. KG announced in November 2007 will boost growth in the current business year. Following these takeovers, Kuehne + Nagel is now represented in additional major economic regions of Germany.

Rail transport

The positive economic environment increased the demand for rail transport, but at the same time led to a shortage of capacity. Kuehne + Nagel successfully counteracted this trend by the long-term leasing of wagons and containers. Additionally, a reduction of standing times allowed for the improved utilisation of vehicle capacity in round-trip traffic.

A substantial growth in business was achieved, in particular, in traffic to and from the Commonwealth of Independent States (CIS) and Central Asian countries. Apart from the traditional transport corridors, business via the German ferry port of Mukran was expanded. The rapid establishment of a competence centre for CIS traffic in Berlin facilitated the efficient planning and implementation of integrated logistics solutions.

Besides focusing on the development of intermodal transport the company also expanded its activities in European single-wagon traffic. On the basis of the closer cooperation between the carrier DB Logistics and Kuehne + Nagel which was agreed to at the beginning of 2007 new business programmes have been initiated for single-wagon traffic, mainly between Germany, Scandinavia, and Eastern Europe.

Standardisation and optimisation

Process and IT standardisation offer a potential for improving profitability. Work began on the introduction of the standard operational software in all countries which is to be completed within three years. With these measures it is planned to achieve a high level of automation resulting in a substantial productivity improvement.

Outlook for 2008

In view of the continuing strong demand Kuehne + Nagel expects a significant expansion of its Road & Rail Logistics business in 2008. Great importance is attached to improving productivity and profitability.

With regard to the marked increase in freight costs in 2007 no easing of the pressure is expected in the current business year. Factors pushing up prices are new statutory regulations and charges as well as higher energy and personnel costs.

The development and expansion of road transport activities in a number of core European markets are of high priority. Acquisition possibilities in France, Italy, and Spain are under evaluation.

In rail transport the objectives include sustained growth in the markets of the CIS and Southeast Europe. It is also planned to expand the relevant structures and assure that sufficient capacity is available to make still greater use of rail as an environment-friendly mode of transport.

Performance Road & Rail Logistics

CHF million	2007	Margin per cent	2006	Margin per cent	Variance 2007/2006 per cent
Turnover	2,821	100.0	2,474	100.0	14.0
Gross profit	515	18.3	458	18.5	12.5
EBITDA	33	1.2	37	1.5	–10.8
Number of operational staff	4,516		3,294		37.1

TURNOVER UP 19 PER CENT.

CONTRACT LOGISTICS

Firmly placed among the leaders

With record organic turnover growth of 19 per cent, a very good development of the result and substantial increases in market share, Kuehne + Nagel exceeded its targets for 2007 and strengthened its position among the top three global contract logistics providers.

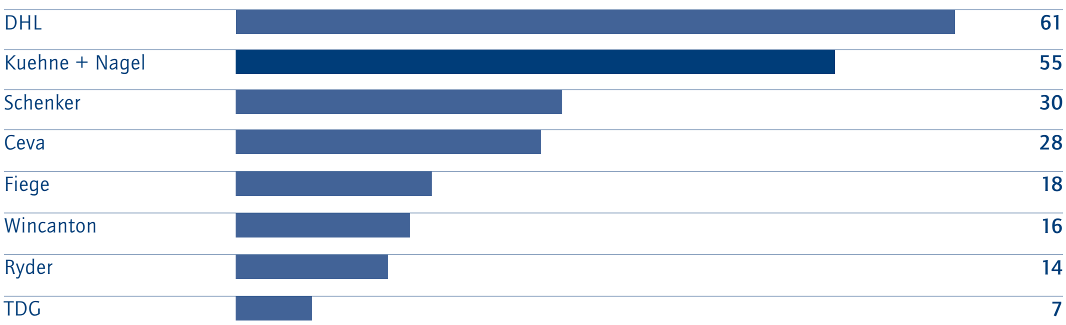
Globalisation gains momentum in contract logistics

Supported by a robust world economy and the growing tendency to outsource large sections of physical goods management, the volume of the global contract logistics market grew roughly by 8 per cent to approximately EUR 190 billion in 2007. The largest regional markets are still North and South America with a turnover of around EUR 80 billion and Europe (EUR 70 billion) followed by Asia with roughly EUR 30 billion. The globalisation of the contract logistics market is receiving further momentum from the international division of labour and the concentration on core competences. Large international customers from many industries benefit strongly from collaborating with logistics partners who also offer high-quality services in growth markets.

With a network that embraces more than 500 logistics centres with a warehouse space totalling 7 million sqm in 55 countries and a staff of 27,000 full-time and 8,000 part-time employees, Kuehne + Nagel is one of the pacesetters of internationalisation in contract logistics.

Internationalisation in Contract Logistics

Number of countries



* Figures are based on Kuehne + Nagel market research and estimates.

Innovation through lead logistics services

Its innovative power and the continuous development of new products and processes remain the key differentiators of Kuehne + Nagel's contract logistics business. In 2007 the emphasis was placed upon the dynamic expansion of the lead logistics product range. Integrated management services are now provided in the segments of Supply Chain Technology Services, Supplier & Inventory Management, Distribution and Aftermarket Management. Depending on the individual customer these can be neutral and independent of the Kuehne + Nagel network or largely based on it.

Kuehne + Nagel has specialised know-how and its own network of Lead Logistics Control Centres in all core markets. The company has positioned itself as a leader in this field to meet the growing demand for complex lead logistics services all over the world.

Industry specialisation: the example of automotive logistics

The automotive industry has always been at the forefront of innovative logistics solutions. No other industry has made such consistent efforts to outsource and relocate production, assembly and logistics services. The result requires service providers with dependability, flexibility and true global capabilities. With its high-quality standard and global network Kuehne + Nagel is able to fulfil these three requirements to the satisfaction of its automotive customers.

The Kuehne + Nagel 'Supply the Motion' product accompanies the vehicle throughout its life cycle. It thus generates appreciable added value: in inbound logistics for the suppliers, in the production phase for the manufacturers, and in outbound logistics and after-sales service for manufacturers and maintenance firms. This comprehensive Kuehne + Nagel product is a further development of the aviation logistics offering 'Supply the Sky' which was awarded the German Logistics Prize in 2005.

Investments in quality and productivity

Having largely completed the ACR Logistics integration which Kuehne + Nagel acquired at the beginning of 2006 the company continued the worldwide standardisation of processes with the introduction of uniform quality and performance indicators. The ongoing improvement of operating processes, systems and working guidelines facilitates global benchmarking and the cross-regional optimisation of processes, particularly for customers whose requirements extend to a number of countries. Customers from trade and industry thus benefit in the same way as Kuehne + Nagel does from the resultant increases in productivity and cost reduction.

Global information technology

Continuity pays. The standardisation initiative which has now been consistently followed for six years with the worldwide introduction of a uniform warehouse management system has now developed into a clear competitive advantage and unique selling proposition for Kuehne + Nagel. It is one reason for the strengthening of the company's global market position. Kuehne + Nagel has now made its sophisticated software available to nearly 500 customers in 150 locations in more than 40 countries including China, India, and Russia. The functionality of the warehouse management system was extended in 2007 and it now serves as an integrated warehousing and transport management system.

With LogiStar™ Kuehne + Nagel also has a highly specialised supply chain management system, particularly for the retail and fast moving consumer goods (FMCG) sector. The company has extensive experience in the application and operation of SAP modules and continues to invest in the global KN Login visibility platform.

'Green Logistics' means successful logistics

The responsible and caring use of resources automatically leads to streamlined, successful logistics. In 2007, particularly in Europe and driven by the debate over climate change, there was a marked increase in the importance attached to ecological sustainability. In all Kuehne + Nagel's business units the reduction of CO_2 emissions occupies a prominent position. Contract Logistics carries out active benchmarking and can report the global roll-out of successful examples relating to the use of solar energy, avoidance of waste, development of environment-friendly packaging and reduction of energy consumption in the logistics centres.

Outlook for 2008

In 2008 as a result of its competitive advantages – in particular, its global coverage, its innovative power and its highly developed information technology – Kuehne + Nagel will continue its growth in contract logistics. Its aim is to achieve growth above the market while maintaining stable margins.

Performance Contract Logistics

CHF million	2007	Margin per cent	2006	Margin per cent	Variance 2007/2006 per cent
Turnover	4,666	100.0	3,916	100.0	19.2
Gross profit	3,490	74.8	3,019	77.1	15.6
EBITDA	242	5.2	188	4.8	28.7
Number of operational staff	27,162		25,169		7.9

REAL ESTATE

Global real estate portfolio management

The main activity of the Real Estate business unit was the professional management of the company-owned real estate portfolio as well as consulting Kuehne + Nagel companies all over the world on the design, construction, contract management, and pricing for new logistics centres and office buildings.

Expansion and new construction of company-owned facilities

In view of the growing surface area required by the contract logistics business, a number of company-owned facilities were enlarged in 2007; the strategic land reserves held in suitable locations proved to be a valuable asset. In Germany the existing logistics centres in Bremen and in Frankfurt's CargoCity Süd are being enlarged by 8,500 and 4,500 sqm, respectively, while on the Logport premises in Duisburg a new logistics centre with a storage area of roughly 25,000 sqm is under construction. These facilities will be commissioned in the summer of 2008.

In Turkey a 16,000 sqm extension to the terminal in Gebze, a logistics cluster located to the east of Istanbul, was constructed and has already gone into service. At the hub of the Middle East, Dubai Logistics City, Kuehne + Nagel is also building a state-of-the-art logistics centre. A storage area of roughly 20,000 sqm will be available to customers after the completion of the first construction phase in the third quarter of 2008.

Expansion of leased facilities

In 2007 numerous new leases were signed. Kuehne + Nagel's Real Estate business unit was responsible for selecting high-quality logistics properties in suitable locations at an optimum cost-benefit ratio.

As investors and project developers Kuehne + Nagel deals mainly with established, globally operating firms that specialise in the construction and leasing of logistics facilities and logistics parks. This approach results in a durable and reliable partnership in existing as well as emerging or new markets. At the same time it maintains a constant standard of quality all over the world and ensures the efficient realisation of new projects.

With the evaluation and preparation of new property leasing, particularly in the United States, Mexico, and Russia as well as in Western, Central and Southern Europe effective support was given to the dynamic growth of the Contract Logistics business unit.

Outlook for 2008

In addition to the management and optimisation of the portfolio, as well as the provision of in-company services, the Real Estate business unit will continue to count among its key activities the expansion of the portfolio with high-quality facilities in strategically important locations.

Due to the stagnation of the U.S. real estate market attractive options for future acquisitions and investments are becoming more realistic than during the high-price period of the past few years when few, if any, such opportunities were available.

With the aim of a further optimisation of the portfolio real estate ownership in the United States will be expanded with a focus on the optimum timing of acquisitions. Other important markets for the portfolio development will include Russia, Canada, Western and Central Europe as well as Southeast Asia.

Performance Real Estate

CHF million	2007	2006	Variance 2007/2006 per cent
Gross profit	104	105	–1
EBITDA	78	75	4

INSURANCE BROKER

Good business performance worldwide

As in previous years the globally active Nacora Group performed well again. While gross profit increased by 4.7 per cent, the operational result remained at the previous year's level. This was mainly due to an increased sales expenditure to accelerate organic growth.

In 2007 the Nacora Group again bucked the trend by growing in a soft market. The field of commercial insurance, in which the Group is mainly active, saw a decline in premiums of up to 10 per cent in some lines of insurance as a result of the soft insurance market.

Network expansion

Since 2006 the Nacora Group has been represented on all continents. In the year under review it continued its expansion and opened offices in Portugal and Mexico. In the United States the Group now is licensed in all states and can thus carry out consultancy and agency activity throughout the country and in all insurance lines.

Specialisation in cargo insurance

Strategically focusing on cargo insurance again proved beneficial, leading to a steady growth in business volume. Other factors contributing to the good performance were the ongoing globalisation trend, the market-oriented product range, and the stronger sales efforts.

The focus was kept on the provision of tailor-made insurance solutions for trade, industry, and the public sector in order to also gain medium-sized companies with an international orientation as customers.

A high standard of service throughout

A high standard of service is essential for the award of a brokerage mandate. This calls for a competent, motivated workforce. The Nacora Group ensures the high quality and service standard of its staff by continuous training and further education measures.

Outlook for 2008

In the current business year the Nacora Group again aims for profitable growth exceeding the market average. This is to be achieved organically, although possible acquisitions are being evaluated in selected markets. The expansion of the network will continue with the establishment of national companies in Austria, Colombia, and Venezuela and the opening of additional sales offices in various countries.

Performance Insurance Broker

CHF million	2007	Margin per cent	2006	Margin per cent	Variance 2007/2006 per cent
Turnover	123	100.0	108	100.0	13.9
Gross profit	36	29.3	34	31.5	5.9
EBITDA	17	13.8	16	14.8	6.3
Number of operational staff	159		138		15.2

SUSTAINABILITY

HUMAN RESOURCES

The strong organic growth in all business units of the Kuehne + Nagel Group led to an ever greater need for qualified personnel. The number of employees rose from 46,290 in 2006 to 51,075 in 2007, an increase of 10 per cent.

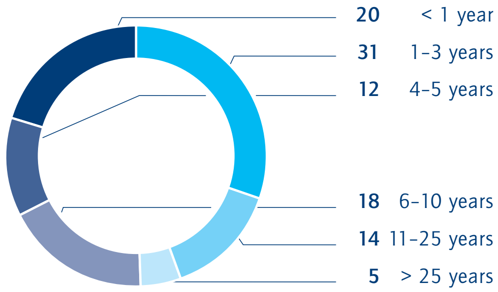
Apart from targeted recruitment, work in the human resources field focused principally on the identification and development of high-potential staff within the company and broad-based professional training and qualification. Furthermore, new instruments and systems to ensure efficient personnel management were introduced.

Managerial and junior staff development

At Kuehne + Nagel staff development and the identification of potential leaders begin with on-campus recruitment. Collaboration with internationally selected universities and business schools has been intensified. In 2007 Kuehne + Nagel offered company internships to 250 students as part of its junior staff development programmes and hired 220 new graduates.

The identification and development of young high potentials is of central importance for the growth strategy of the Kuehne + Nagel Group. The High Potential programme is designed to prepare qualified future leaders for the challenging tasks ahead.

Duration of Employment
per cent



Applicants from all over the world go through an intensive selection process. A two-year development programme is offered to those qualified. As part of their training they are required to attend several one-week courses in different locations. The programme concludes with each individual making a project presentation to the Management Board.

Under the Fast Track International programme, specially tailored training sessions prepared many potential managers and trainees to be successfully placed within the global organisation.

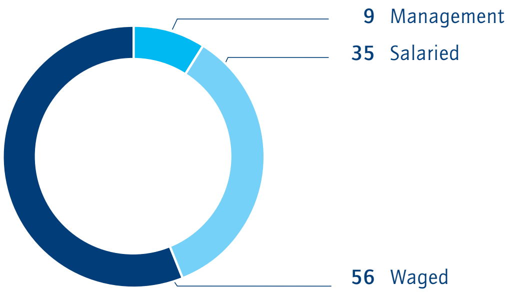
Training and further education

In 2007 more than 32,000 participants took part in over 6,000 training and further education courses globally. A wide range of topics was covered including specialised, IT and product courses, sales seminars as well as leadership and competence development programmes. Workshops to strengthen the strategic networks completed the spectrum.

Management training

The Kuehne + Nagel competence model is the cornerstone of management development and ensures that the programmes offered have the necessary transparency and consistency. A senior management training was held for the first time in 2007. Its aim was to strengthen the strategic dialogue between the decision-makers of the Kuehne + Nagel Group and equip the participants with up-to-date management know-how. The programme was successfully implemented together with the WHU Graduate School of Management (Wissenschaftliche Hochschule für Unternehmensführung), Koblenz, and will be continued in 2008. Management training events tailored for all levels of management have met with a high degree of acceptance.

Personnel Structure
per cent



Specialised training

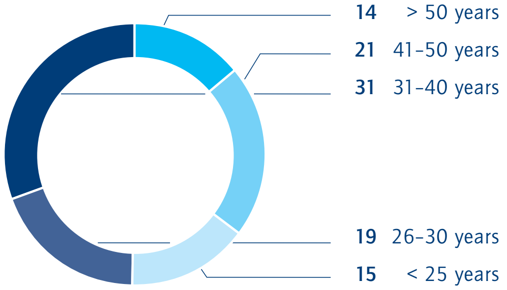
In air- and seafreight the regional training structures were extended. The aim of this initiative is to offer globally standardised training programmes for all new employees to familiarise them with operational IT systems, processes and products quickly.

For regional training managers a modular trainer programme was introduced that will be expanded in 2008. National trainers and technical specialists attended 'Train the Trainer' workshops in various regions to learn the latest training methods on an interactive basis. It is also planned to enhance training offerings in the fields of Road & Rail Logistics and Contract Logistics. In addition to training programmes for clerical staff emphasis will also be placed on providing additional performance improvement workshops for managers.

Computer-based training (CBT)

The e-learning infrastructure has been established consistently. For the first time in 2007 more sea- and airfreight employees were trained via computer-based schemes than personally attended training events. CBTs are always available, contain interactive software and provide web-based tests that enable the trainee to check the knowledge he or she has acquired. This allows for global training standards to be implemented and verified at a relatively low cost. During 2008 more specialist trainers are to be trained as internal authors in order to develop and adapt CBTs to local processes.

Age
per cent



New human resource management instruments

A worldwide performance management process was introduced in 2007. This standardised instrument enables more effective linking with strategic objectives at all levels and between all business units. In addition, it further strengthens the performance culture.

Job evaluation

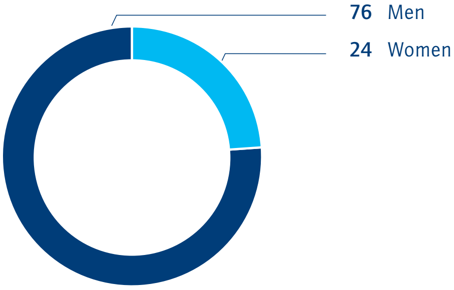
Kuehne + Nagel has decided to introduce a uniform system of job evaluation all over the world. This is intended to facilitate career and succession planning and achieve a common basis of understanding for the assessment of jobs and their relative importance. Global job evaluation allows for compensation levels to be compared with the development of the market to ensure competitive remuneration.

International staff network

One of the factors to which the Kuehne + Nagel Group owes its success is the strong network among its internationally mobile employees. In the selection of personnel for managerial and specialist positions, flexibility to move is a particularly important criterion. A large proportion of the internationally mobile senior managers and specialists have been working abroad in different continents for a number of years.

International mobility enhances the career prospects of employees. In the employment market Kuehne + Nagel is known as a logistics company with very good international career paths. This attractiveness enables it to recruit people with above-average qualifications. The deployment of international staff is coordinated centrally, thus optimising the chances of a successful posting.

Personnel Structure
per cent



COMMITTED TO THE COMMON GOOD

As a responsibly acting and socially committed company the Kuehne + Nagel Group actively supports a number of projects in the cultural, social, and ecological field. Above all, the social commitment of the Kuehne + Nagel organisation is demonstrated by the work of its majority shareholder with the Kuehne Foundation which was established by his family 32 years ago and has Klaus-Michael Kuehne as its sole donor. This public-interest foundation which primarily supports training and further education as well as scientific studies in the field of transport and logistics and also sponsors a number of medical, humanitarian, and cultural projects, increasingly is taking on the role of a corporate citizen. In December 2007 Klaus-Michael Kuehne was awarded the title of honorary professor by the Senate of the Free and Hanseatic City of Hamburg for his enduring commitment to the development of logistics science and his contribution to the 'Elbphilharmonie Hamburg' cultural project.

In 2007 the Kuehne Foundation contributed substantial resources to the sponsorship of logistics institutes, professorships, and research centres including:

- the Kühne School of Logistics and Management at the Technical University of Hamburg-Harburg (TUHH), (Germany)
- the Kuehne Centre for Logistics Management and a professorship for logistics management at the WHU (Otto Beisheim School of Management), Vallendar (Germany)
- the Centre for International Logistics Networks at the Technical University of Berlin (Germany)
- the professorship of logistics management at the ETH (Swiss Federal Institute of Technology), Zurich (Switzerland)
- the professorship of logistics management at the Tongji University, Shanghai (China)

Kühne School of Logistics and Management

On 1 October 2007 the Kühne School began operation as the successor to the Hamburg School of Logistics which was founded in 2003 as a public-private partnership with the Free and Hanseatic City of Hamburg. With the aim of developing this graduate school into one of the leading logistics educational and research institutions, the Kuehne Foundation is placing EUR 30 million (approximately CHF 50 million) at its disposal over a period of seven years. A close association between science and business with an international orientation marks the profile of the Kühne School which is located on the campus of the Technical University of Hamburg-Harburg. In this stimulating environment the school is expected to make a name for itself far beyond the confines of Europe and enter into international competition. The planned Center of Advanced Studies will be of central importance within the Kühne School. Its postgraduate and postdoctoral researchers will work in interdisciplinary teams together with persons of international standing to examine current logistics issues in close collaboration with companies in industry, trade, and the service sector.

In future twelve professors from the fields of logistics and management will conduct research and teach under a single roof. The Kühne School is considered to be the largest logistics faculty in Europe. In the next phase the aim will be to achieve international networking; initial contacts have been made with well-known universities in Europe, the Americas and the Asia-Pacific region.

Kuehne Centre for Logistics Management at the WHU

The chair in logistics management which was set up in 2005 and the Centre for Logistics Management which was established in 2000 were merged to further enhance their functional performance. As a result of the high standard of its research this institute has made a name for itself on both a national and an international level. Its work concentrates on the fields of logistics providers and supply chain controlling. Examples of dissertation subjects include:

– Cooperation structures in logistics
– Network structures between logistics providers and their customers
– In-company network structures between the logistics department, production, and sales
– Innovation management by logistics providers

Centre for International Logistics Networks at the Technical University of Berlin

In 2007 the Kuehne Foundation signed an agreement for the sponsoring of a professorship for logistics management. The position was advertised internationally, and an appointment is expected by the winter semester of 2008. One research area of the competence centre concerns the quantification and analysis of worldwide goods flows; the basis for the World Transport Report published in 2007.

The competence centre in Berlin sees itself increasingly as an institution to promote cooperation between business, society, and universities and provides its services at the interface between science and practice.

Tongji University Shanghai

At the Tongji University a chair in logistics management is planned which will be located in the Chinese German School for Postgraduate Studies (CDHK).

The objectives of this sponsorship include providing a high standard of training for Chinese students in a Master's Supply Chain Management programme and sharing logistics know-how with executives of international and Chinese companies. Research will be carried out in close cooperation with the Technical University of Berlin's logistics department aiming to develop strategies for the internationalisation of logistics systems in Asia.

ETH Zurich – Forum-SCM

Cooperation continued in the seminar field with the renowned ETH (Swiss Federal Institute of Technology) Zurich. The fifth course leading to the MBA in Supply Chain Management which is offered together with Forum-SCM began in the spring of 2007. The Kuehne Foundation also sponsored excursion modules to Japan, China, and Russia. The professor of logistics management was appointed at the end of the year and is expected to take up his duties at the ETH in May 2008.

This sponsoring is for a major professorship with a professor, six doctoral candidates, and a postdoctoral candidate. Close cooperation with the other professorships sponsored by the Kuehne Foundation is planned.

Medical projects

The Centre for Allergy Research at the University Children's Hospital Zurich has been supported by the Kuehne Foundation for many years. The Centre undertakes research into allergology, immunology, and inflammatory diseases, especially those affecting children. Its aim is to better diagnose, treat, and prevent these diseases. The Centre has earned an excellent international reputation and its results are presented at various congresses and events and appear in publications.

Initial contacts with the Dermatological Clinic and Policlinic of the Technical University of Munich have been established with the aim of promoting allergy research. In Switzerland initial discussions have been held with the Höhenklinik Davos, with which both the Zurich University Children's Hospital and the Dermatological Clinic and Policlinic in Germany maintain relations. A world congress on allergy research is planned for 2009.

Together with the Cleven-Becker Foundation of the businessman Dr. Dieter Cleven and the former tennis professional Boris Becker, and in collaboration with the Institute for Sport and Sports Science of the University of Basel, a scientific study is to be carried out on the exercise and nutritional behaviour of children, many of whom are pathologically overweight. The study will show how fitness influences children’s health as well as examining its physical and social aspects.

Cultural projects

The donor’s strong ties with his home city of Hamburg, Germany, are borne out by a substantial contribution towards the realisation of the city's new landmark, the Elbphilharmonie. The second half of the donation, totalling CHF 3.3 million, was provided in 2007.

In 2007 an initial sponsorship agreement was signed with the Lucerne Festival, one of Switzerland's leading cultural events. The agreement will come into effect in 2008. It is aimed to win the Lucerne Festival for a guest performance in Hamburg after the 2010 opening of the Elbphilharmonie.

Support was also given to the ‘Musikfestspiele Mecklenburg-Vorpommern' and the ‘Musiksommer am Zürichsee'.

The public interest Kuehne Foundation has as its sole donor Klaus-Michael Kuehne, main shareholder of the Kuehne + Nagel Group.

QUALITY, SAFETY, HEALTH, ENVIRONMENT AND SECURITY (QSHE)

QSHE – sustainability included

With the QSHE management system Kuehne + Nagel makes substantial contributions to all three pillars of sustainability – in the ecological, the economic and the social fields. Only an integrated management of quality, safety, health, security and the environment allows for adequate consideration of the interdependency of environmental, economic and social objectives.

Awards and prizes from all over the world

In 2007 independent bodies from all over the world again paid tribute to the sustainability of Kuehne + Nagel's activities with a number of distinctions. These included the Logistic Innovation Award in France, the Supplier Award 2007 conferred by the German sports car manufacturer Porsche, the Exporting Excellence La Nacion-TCA 2007 Award of an Argentinian newspaper and the company of Terminal de Cargas Argentina (TCA), the Good Practice Workplace on Labour Relations and Labour Welfare Award 2007 presented by the prime minister of Thailand, and the Logistics Company of the Year 2007 title conferred by the president of the Irish Exporters Association (IEA) with Ireland's Minister for Enterprise, Trade and Employment. Such distinctions are a major incentive for Kuehne + Nagel to expand its sustainability activities further.

Quality management: economic sustainability

Kuehne + Nagel's sophisticated quality management system directly supports the company's objectives of customer satisfaction and integrated quality excellence. The fulfilment of quality requirements is assured with the help of Key Performance Indicators (KPIs) which are constantly monitored. Improvement potentials are identified and processes are optimised accordingly – in many cases in close collaboration with the customers. Management techniques – such as the identification of best practice solutions through benchmarking, Total Quality Management (TQM), Six Sigma and Kaizen – drive process improvements and increased productivity. They also minimise waste and result in further progress towards the zero-error target.

Quality audit as a catalyst for further improvements

By the end of 2007 more than 450 locations in over 75 countries were certified according to the international ISO 9001 quality standard by renowned external classification bodies. A number of customers also performed audits ensuring their goods are in excellent hands. As a supporting measure, in the year under review, more than 1,500 risk-oriented internal QSHE audits were carried out ensuring conformity with quality requirements, identifying any weaknesses and allowing for necessary corrective measures or further improvements to be initiated.

Development of new solutions

At Kuehne + Nagel quality management is not only focused on the maintenance and optimisation of existing processes but also supports the development of new customer- and industry-specific solutions. Examples include measures to meet the exacting requirements of the pharmaceutical and the health-care industries, for which temperature-controlled transport and strict observance of special handling instructions are an imperative. In December 2007 Kuehne + Nagel became the first and so far only Qualified Envirotainer Provider (QEP) accredited logistics provider. The auditors verified the professional handling of such sensitive transports in 52 separate locations. In a number of countries Kuehne + Nagel holds additional industry certifications in accordance with the standards of the World Health Organisation. In the food sector, in many locations, the company operates according to the generally recognised HACCP (Hazard Analysis and Critical Control Point) system. Here possible critical areas of food hygiene and treatment are identified and preventive measures are taken. In 2007 the company also fulfilled the strict International Food Standards (IFS) requirements at several locations. In selected facilities Kuehne + Nagel has been certified according to the international standard ISO 22000 Food Safety Management Systems.

Security management: the fight against organised crime

Security management is an integral part of the QSHE system. The logistics industry is more and more a target for organised crime; Kuehne + Nagel is not immune to threats directed at drivers, burglaries, etc. In 2007 many logistics terminals were therefore upgraded according to the company's own security standards. These measures included the installation of additional video surveillance, burglar alarms and stronger perimeter fences. Stricter selection procedures have been adopted for personnel recruitment in security-sensitive areas, and access controls have been tightened in many cases. Furthermore, Kuehne + Nagel is a member of the Transported Asset Protection Association (TAPA), and many facilities all over the world conform to its strict security requirements.

Occupational Health & Safety OHSAS 18001 in more than 105 locations

Occupational health and safety are firm parts of the QSHE management system and are assigned a high priority within Kuehne + Nagel. A prominent position is occupied by the assurance of safety in the workplace for the Group's employees worldwide.

Standard OHSAS 18001 contains provisions for occupational health and safety. In 2007 Kuehne + Nagel increased the number of locations certified by Bureau Veritas to more than 105 in around 25 countries. This health and safety management substantially contributes to the attainment of the social sustainability objectives.

Environmental management: a contribution to ecological sustainability

The number of locations certified according to the international environmental ISO 14001 standard reached 125 in roughly 30 countries, an increase of more than 8 per cent over the previous year. The certification procedure determines whether the many different international and national environmental rules and regulations are known and observed. Another important aspect examined is management commitment, without which no environmental system can be successfully applied.

In addition to ensuring adherence to environmental standards, further measures and activities at Kuehne + Nagel contribute to the protection of the environment. These include solar energy systems in many logistics terminals, recycling industrial water, waste separation, and reduction of paper consumption by a optimisation of administrative processes.

Process optimisation for more sparing use of resources

With the aim of ecological sustainability Kuehne + Nagel is committed to the responsible and caring use of resources which often pays off in both economic and practical terms.

Kuehne + Nagel pursues this aim in two ways. First, by offering environment-conscious products in close collaboration with customers, such as using vehicles with the latest engine generation (Euronorm 4 and 5) or by transferring freight from road to environment-friendly river barges and railways; and second, via optimising logistics processes. For instance, by the establishment of a packaging material cycle for the retail trade it was possible to achieve a recycling rate of 70 per cent which brought financial advantages for all parties as well as benefits for the environment.

Carbon Footprint and Green Logistics

Kuehne + Nagel supports many initiatives relating to the environment. This includes participating in the Carbon Footprint working group for the measurement and reduction of CO_2 emissions and by following the Green Logistics '3Rs and 1S' principle: Reduce, Recycle, Reuse and Substitute. Kuehne + Nagel regards the continued expansion of its environmental engagement as a long-term commitment necessary for the attainment of important ecological sustainability objectives.

INFORMATION TECHNOLOGY

Renewal of the central IT systems

In 2007 the renewal of two central systems commenced. The sea- and airfreight and the finance system were implemented on a new technical basis (Java/Open Systems) with the aim of achieving greater efficiency, optimising processes and further improving communication with customers and other business associates. This major project is a part of the modernisation of all core applications which began with KN Login (visibility) and KN VAST (sales system).

Internal data integration

To enhance the efficiency of internal data exchange (messaging system) the old system has been replaced. The new program allows a higher throughput to be achieved which is necessary to handle the constantly growing data volume.

Since the company's customers and business associates seek ever closer links between their logistics systems and Kuehne + Nagel's IT solutions additional standardised web functionalities will be offered by means of a modern IT architecture. This project was also started in 2007, and the respective technical infrastructure has now been commissioned. The new platform facilitates handling larger data flows that go with the considerably increased business volume. It is also the basis for the scheduled renewal of the applications for the sea- and airfreight business and for finance.

Own computing centres

Due to the installation of state-of-the-art AS/400 mainframe systems Kuehne + Nagel is again able to operate its computing centres on a self-sufficient basis. The establishment, operation, and networking of the centres in Naugatuck (Americas), Hong Kong (Asia-Pacific) and Hamburg (Europe, the Middle East, Central Asia, Africa) ensure stable, trouble-free and consistent information management around the clock. The simultaneous introduction of uniform processes in line with tried and tested industry standards is proceeding according to plan. Further progress was made with the expansion and optimisation of the Kuehne + Nagel network with more than 850 locations connected. Here considerable potentials for saving were realised through consolidation.

Standardised IT system for overland transport

The introduction of centralised, standardised software enables Kuehne + Nagel to process its customers' orders in a rapid, professional manner in 38 European countries. The Road Logistics Calculation Tool (RLCT) project which was started in 2006 allows the standardisation of quotations to customers by means of stored tariffs. For 2008 it is planned to integrate RLCT into the existing Kuehne + Nagel standard systems for sales and operational processing.

Transfer of visibility and sales system continues

The first phase of the transfer of the KN Login project to a modern technical Java platform was successfully completed in December 2007. KN Login now provides customers with all transport-relevant (visibility) information on a central, worldwide basis. Functional improvements and an enhanced user interface offer numerous advantages and simpler handling. The transfer of the sales system also optimises customer care since the application is always accessible both to logistics and sales staff.

Outlook for 2008

Emphasis will be on ensuring the successful progress of the new programme developments for sea- and airfreight and finance. Great importance is also assigned to achieving a higher level of standardisation in all applications, concentrating on process optimisations to harmonise functionalities. This will improve quality and result in greater benefits for the customer.

Consistent IT cost management to strengthen the competitiveness of Kuehne + Nagel will be continued. Here the efficient development of the global IT infrastructure and further regional systems standardisation are in the foreground.

RISK MANAGEMENT

In conformity with the Swiss Code of Best Practice for Corporate Governance risk management at Kuehne + Nagel covers both financial and operational risks. A risk is understood to be the possibility of an adverse event which has a negative impact on the achievement of the Group's objectives.

Risk management is fundamentally considered as a part of the company's Internal Control System (ICS). Measures for the prevention and minimisation of risks are taken proactively at various levels and are an integral part of management responsibility. In this connection operational risks are dealt with where they arise in accordance with the areas of responsibility assigned.

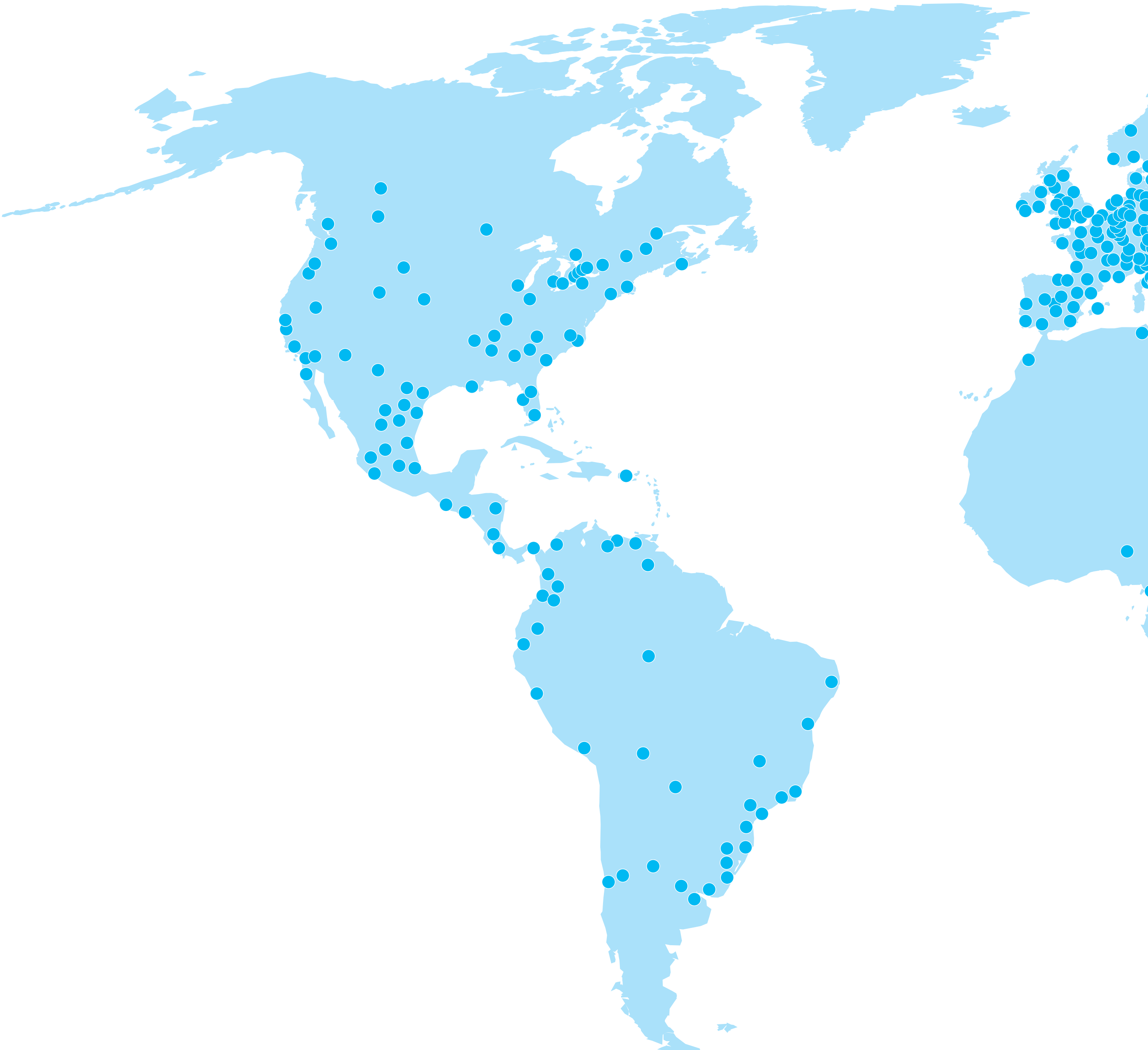
At Kuehne + Nagel risk groups are identified and structured with the participation of and in agreement with the Management Board. To permit effective evaluation specific risks are assigned to risk groups which are subject to monitoring by the management. These groups include:

- Financial risks, such as interest rate, credit and financial market and currency risks which are subject to the constant monitoring and control of the financial and accounting departments (see Consolidated Financial Statements, note 46).
- Risks to operational network availability as a result of force majeure, risks relating to the political and regulatory environment, risks in the field of information technology or occupational safety and health. Countermeasures include emergency plans, extensive provisions to ensure IT security, and the avian influenza/bird flu prevention programme supported by the QSHE organisation.
- As a fast-growing company with the declared aim of further expansion, management focuses, in particular, on risks associated with merger and acquisition activities. Kuehne + Nagel takes comprehensive measures, especially in the fields of due diligence and change and integration management to minimise the risks involved in corporate takeovers.

The categorisation and standardised definition of the risks in a risk catalogue permits the uniform registration and aggregation of risks with the involvement of operational and functional expertise throughout the Group.

Strategic risks are dealt with at Management Board level and discussed with the Audit Committee within the corporate governance framework. A dynamic approach is assured by a continuous dialogue between the management, risk management, and the Audit Committee. The risk catalogue is subjected to regular review and critical analysis which favours a continuous further development of the risk management system.

GLOBAL NETWORK



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Trinidad and Tobago
Tunisia
Turkey
Turkmenistan
Uganda

Ukraine
United Arab Emirates
United Kingdom
Uruguay
USA
Uzbekistan
Venezuela
Vietnam
Zambia
Zimbabwe

CORPORATE GOVERNANCE

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 SWX 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. Furthermore, Kuehne + Nagel follows the worldwide best practice recommendations evolving continuously and is committed to the standards established in the Swiss Code of Best Practice for Corporate Governance.

GROUP STRUCTURE AND SHAREHOLDERS

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

OPERATIONAL GROUP STRUCTURE

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

Primary segment consisting of the business units:
– Seafreight
– Airfreight
– Road & Rail Logistics
– Contract Logistics
– Real Estate
– Insurance Brokers

Secondary segment consisting of the geographical regions:
– Europe
– Americas
– Asia-Pacific
– Middle East, Central Asia and Africa

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

Listed companies of the Group

The only company listed within the scope of the Group's consolidation is the ultimate holding company, Kuehne + Nagel International AG (KNI). KNI has its registered office in Schindellegi, Switzerland, and its shares are listed on the SWX Swiss Exchange. The company's market capitalisation on the closing date (December 31, 2007) amounted to CHF 13,020 million (120 million registered shares at CHF 108.50 per share).

Of the total KNI share capital, on the closing date

- the free float consisted of 51,105,736 shares = 42.59 per cent, and
- KNI-held treasury shares consisted of 1,994,264 shares = 1.66 per cent

KNI shares are traded under the symbol 'KNIN', the security number is 2,523,886 and ISIN is CH0025238863.

Non-listed companies in the Group's consolidation

The main subsidiaries and associated companies of the Group are disclosed in the appendix 'Significant subsidiaries and joint ventures' to the Consolidated Financial Statements (pages 147 to 153), including particulars as to the country, name of company, location, share capital, and Kuehne + Nagel's stake in per cent.

Main shareholders

The main shareholder of the Group is Kuehne Holding AG, Schindellegi, Switzerland, which holds 55.75 per cent of the KNI share capital and is 100 per cent owned by Klaus-Michael Kuehne.

On the closing date the Kuehne Foundation held 4.24 per cent of the KNI share capital.

Cross-shareholdings

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

CAPITAL STRUCTURE

Ordinary share capital on the closing date

The ordinary share capital of KNI amounts to CHF 120 million and is divided into 120 million registered shares of CHF 1.00 nominal value each.

Authorised and conditional share capital

The Annual General Meeting of May 12, 2004 agreed to the Board of Directors' proposal to create approved share capital of at most 4 million registered ordinary shares up to a maximum of CHF 20 million restricted until May 11, 2006. The Annual General Meeting held on May 2, 2006 extended its authorisation of approved share capital up to a maximum of CHF 20 million by a further two years until May 2, 2008.

At the Annual General Meeting held on May 2, 2005 the decision was made to create approved share capital of 2.4 million registered ordinary shares up to a maximum of CHF 12 million restricted for two years until May 1, 2007.

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 5.00 to CHF 1.00.

Change in capital over the past three years

During the years 2005 through 2007 no changes in capital other than related to conditional and approved share capital as outlined above occurred.

Shares and participating certificates

On the closing date 120 million registered shares of CHF 1.00 nominal value each were outstanding. At the same date, no participating certificates were outstanding.

Profit sharing certificates

On the closing date there were no participating certificates outstanding.

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 the 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 on 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 4, 2007 Dr. Wolfgang Peiner and Xavier Urbain were elected to the Board of Directors for a three-year term.

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

Klaus-Michael Kuehne, Executive Chairman, German, age 70

Trained as banker and freight forwarder.
Other significant activities: Member of the Advisory Board of Hapag-Lloyd AG, Hamburg; and of the Landesbeirat Hamburg of Deutsche Bank AG.
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–today	Executive Chairman of the Board of Directors elected until the Annual General Meeting 2009
	Chairman of the Nomination and Compensation Committee

Bernd Wrede, Vice Chairman, German, age 64

Studied at the Universities of Würzburg and Hamburg. 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 Advisory Board of Citigroup, Frankfurt; Chairman of the Board of Schiffshypothekenbank zu Lübeck AG, Hamburg; and member of the Board of Trustees of the ZEIT Foundation, Hamburg.
Positions within the Kuehne + Nagel Group:

1999–2002	Member of the Board of Directors
2002–today	Vice Chairman of the Board of Directors elected until the Annual General Meeting 2008
	Member of the Nomination and Compensation Committee

Dr. Joachim Hausser, German, age 63

Holds a PhD in economics from the Université de Genève. Former bank executive currently an independent financial 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 2009
	Chairman of the Investment Committee

Dr. Willy Kissling, Swiss, age 63

Holds a PhD in business administration from the University of Berne and a PMD from Harvard Business School, Cambridge, USA. Former President and CEO of Landis & Gyr Corporation (1987–1996). From 1998 to 2005, Chairman and, until May 2002, CEO of Unaxis Holding AG, Pfäffikon (since September 2006: OC Oerlikon Corp. AG, Pfäffikon).
Other significant activities: Member of the Board of Directors of Holcim AG, Jona; and of Schneider Electric S.A., Paris; Chairman of the Board of Directors of Grand Hotels Bad Ragaz AG.
Positions within the Kuehne + Nagel Group:

2003–today	Member of the Board of Directors elected until the Annual General Meeting 2009 Member of the Investment Committee

Hans Lerch, Swiss, age 58

Trained in tourism and longtime career at Kuoni Reisen Holding AG: from 1972–1985 assignments in the Far East as well as various responsibilities at the company's headquarters; from 1999–2005, President and CEO of Kuoni Reisen.
Other significant activities: President of the Board of Directors of SR Technics Holding AG; President of the Board of Directors of Octagon Worldwide AG, Zurich; Vice Chairman of the Board of Directors of New Venturetech AG, Zurich; and member of the Board of Alpitour S.p.A., Torino.
Positions within the Kuehne + Nagel Group:

2005–today	Member of the Board of Directors elected until the Annual General Meeting 2008 Member of the Nomination and Compensation Committee

Dr. Georg Obermeier, German, age 66

Holds a PhD in business administration from 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 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; Illbruck Elements GmbH, Munich; Arques Industries AG, Starnberg; Bilfinger Berger Industrial Services AG, Munich; and SKW Stahl-Metallurgie Holding GmbH, Unterneukirchen.
Positions within the Kuehne + Nagel Group:

1992–today	Member of the Board of Directors elected until the Annual General Meeting 2009 Member of the Nomination and Compensation Committee, Member of the Audit Committee

Dr. Wolfgang Peiner, German, age 63

Studied business administration at the Universities of Hamburg and Lawrence, Kansas 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: Since early 2007 Chairman of the Board of Directors of HSH Nordbank AG and Germanischer Lloyd AG; Managing Director of the Board of Trustees of the Kuehne Foundation; member of the Board of Directors of Studio Hamburg GmbH; and since April 2007 General Represantative of Susat & Partner OHG, an accountancy and audit firm.

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 2010

Bruno Salzmann, Swiss, age 73

Education and employment as auditor. Held positions as Chief Accountant, Senior Auditor, Financial Controller and General Manager with various companies in Switzerland and abroad.

Positions within the Kuehne + Nagel Group:

1976–1979	Divisional Controller
1979–1982	Group Controller and Treasurer
1982–1999	General Director Finance and Controlling of the Group (until retirement)
1999–today	Member of the Board of Directors elected until the Annual General Meeting 2008
	Member of the Audit Committee
	Member of the Investment Committee

Dr. Thomas Staehelin, Swiss, age 60

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 AG, Basel; Vice Chairman of the Board of Directors and Chairman of the Audit Committee of Lenzerheide Bergbahnen AG; member 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; delegate to the Board of Directors of Vereinigung der Privaten Aktiengesellschaften; and member of the Swiss Foundation for Accounting and Reporting Recommendations (FER-SWISS GAAP).

Positions within the Kuehne + Nagel Group:

1978–today	Member of the Board of Directors elected until the Annual General Meeting 2009
	Chairman of the Audit Committee

Xavier Urbain, French, age 50

Holds a PhD in Economics and a degree in Higher Accounting Studies (DECS).
From 1997–2003, CEO of Hays Logistics and member of the Management Board of the Hays Group. After the 2003 acquisition of Hays Logistics through Platinum Equity he continued as CEO (Hays Logistics rebranded as ACR). Following the takeover of ACR through Kuehne + Nagel he was appointed Regional Manger South West Europe. He left the Group at the end of 2006.
Positions within the Kuehne + Nagel Group:

2006	Regional Manager, South West Europe
2007–15.01.2008	Member of the Board of Directors (stepped down from the Board of Directors following his appointment to the Management Board of KNI effective January 15, 2008)

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

Election and duration of tenure

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.

Board members are elected for a period of three years. There are no limits regarding the number of terms of service or the age of the incumbents.

Internal organisation, Board committees and meetings in 2007

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

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

Klaus-Michael Kuehne is the Executive Chairman of the Board of Directors. He has been assigned specified powers by the Board. 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 KNI. The scope of responsibilities of the Board of Directors and the Executive Chairman are stipulated in the Organisational Rules.

The Board of Directors convenes at least four times annually, with the Management Board being at least represented by the CEO and CFO of the Group. The Board of Directors has the discretion to invite other members of the Management Board to attend these meetings.

In urgent cases the Board of Directors can also take decisions 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 three years. Re-election as member of the Audit Committee is possible. Members of the Management Board cannot be members of the Audit Committee.

The Audit Committee reviews and clears the quarterly financials prior to publication. As part of the regular contacts between the Audit Committee and both the internal and the external auditors, the quality and functioning of the internal control mechanisms 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 contact with the external auditors throughout the year enables the Audit Committee to obtain knowledge of problem areas at an early stage. This allows it to propose to the Management Board the timely introduction of any corrective measures.

On the closing date Dr. Thomas Staehelin was the Chairman of the Audit Committee assisted by its members Bruno Salzmann and Dr. Georg Obermeier.

The Audit Committee holds at least four full-day meetings annually. The Executive Chairman and 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 2007 the audit partner-in-charge attended four 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.

The 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 three years. Re-election is possible. The Delegate of the Board of Directors is permitted to be part of the Nomination and Compensation Committee as long as it still predominantly consists of non-executive and independent members.

In the area of nomination the Committee is responsible for 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 initiatory gathering of information as well as review of potential new candidates according to the aforementioned guidelines. 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 as well as 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 Nomination and Compensation Committee's chairman with Bernd Wrede, Dr. Georg Obermeier and Hans Lerch as its members.

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

The Investment Committee

The Investment Committee consists of three to five members of the Board of Directors, elected for a period of three years. Re-election is possible. The delegate of the Board of Directors may be part of the Investment Committee as long as it predominantly 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 to 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.

On the closing date Dr. Joachim Hausser was the Chairman of the Investment Committee assisted by its members Dr. Willi Kissling and Bruno Salzmann.

The Investment Committee convenes on invitation of the Chairman as often as required by business, but at least four times a year. The Executive Chairman and Vice Chairman of the Board of Directors can take part in the meetings as advisors. On invitiation members of the Management Board, usually the CEO, CFO and whoever is in charge of the business unit the respective investment is in connection with, may take part in Committee meetings.

The Committee's chairman regularly 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.

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 Delegate 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 Delegate of the Board of Directors by law, by the Articles of Association, or by the Organisational Rules. The Organisational Rules lay down which businesses are able to be approved by the Management Board and which businesses require the approval of the Delegate of the Board of Directors or the Board of Directors pursuant to approval requirements based on the extent and manner of the respective business.

Information and control system versus 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 MIS (Management Information System) report which provides monthly worldwide consolidated results by segment and country including comparative actual, budgeted, and prior-year figures two weeks after a month's end at the latest.

The Executive Chairman of the Board of Directors takes part in the Management Board meetings regularly, while the CEO and CFO are generally invited to meetings of the Board of Directors as well as the meetings of the Audit and Investment Committees. 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 Committes: Membership, Attendance, Number and Duration of Meetings

	Board of Directors	Audit Committee	Nomination and Compensation Committee	Investment Committee
Number of meetings in 2007	5	7	6	5
Approximate duration of each meeting (hours)	6 hours	3 hours	1 hour	3 hours
Klaus-Michael Kuehne	5	5	6	4
Bernd Wrede	5	7	6	5
Dr. Joachim Hausser	5			5
Dr. Willy Kissling	5			4
Hans Lerch	5		6	
Dr. Georg Obermeier	5	7	6	
Dr. Wolfgang Peiner [1]	4			
Bruno Salzmann	5	7		4
Dr. Thomas Staehelin	5	6		
Xavier Urbain [1]	3			

1 Since May 4, 2007

MANAGEMENT BOARD

On September 7, 2007 the Board of Directors appointed Reinhard Lange as the successor to CEO Klaus Herms. He will assume his new function as of June 30, 2009 when Klaus Herms will retire after more than 40 years of service within the Group. Until then Mr. Lange will maintain his current responsiblities and will act as Deputy CEO at the same time.

On December 14, 2007 Ewald Kaiser left the Group. Effective January 15, 2008 Xavier Urbain was appointed to the Management Board of KNI to take over responsibility for the business unit Road & Rail Logistics. At the same time he stepped down from the Board of Directors of KNI.

Dr. Alexander Schmid-Lossberg, member of the Management Board and responsible for global human resources and legal counsel, left the Group effective January 31, 2008. Until a replacement is appointed Klaus-Dieter Pietsch who exercised this function until March 31, 2007 and since then has been managing special projects will again take over responsibility for global human resources as a member of the Management Board.

The biographical particulars of the Management Board are as follows:

Klaus Herms, German, age 66

Graduated in business administration from DAV, Bremen.
Other significant positions: member of the Advisory Board of Fraport, Frankfurt; and member of the Board of Directors of Swissport International SA, Opfikon.
Positions within the Kuehne + Nagel Group:

1968–1969	Trainee in Bremen, Germany
1969–1974	Sales representative for project business Far East in Hong Kong
1974–1988	Regional Manager Far East in Hong Kong, established Kuehne + Nagel organisations in Indonesia, Japan, Korea, Malaysia, the Philippines, Sri Lanka and Thailand, additionally assuming responsibility for Kuehne + Nagel Australia and New Zealand in 1980
1988–1999	Line Chief Executive Asia-Pacific region and member of the Group Management of KNI, additionally assuming responsibility for Kuehne + Nagel's operations on the Indian subcontinent in 1988
1999–today	Chief Executive Officer of the Group, Chairman of the Management Board of KNI

Gerard van Kesteren, Dutch, age 58

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

Martin Kolbe, German, age 46

Graduated computer scientist. Positions in IT management including IT Field Manager 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

Reinhard Lange, German, age 58

Trained freight forwarder.
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–today	Chief Operating Officer (COO) Sea & Air Logistics of the Group
Sep. 2007–today	Deputy CEO

Klaus-Dieter Pietsch, German, age 66

Graduated in business administration. Held various positions in industry in the field of human resources and information technology.

Positions within the Kuehne + Nagel Group:

1987 –31.3.2007 Executive Vice President Human Resources/Quality Management of the Group

1.4.2007–31.1.2008 Executive Vice President Quality Management/Special Projects (see page 78)

Dirk Reich, German, age 44

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

Positions within the Kuehne + Nagel Group:

1995–2001 Senior Vice President Corporate Development

2001–today Executive Vice President Contract Logistics of the Group

Dr. Alexander Schmid-Lossberg, German, age 48

Earned his Doctor (JD) from the University of Hamburg and held various managerial positions in human resources with international companies, most recently (since 1999) as Senior Vice President Human Resources & General Affairs/Legal at DSM Nutritional Products AG (formerly Roche Vitamins).

Positions within the Kuehne + Nagel Group:

1.12.2006–31.3.2007 Executive Vice President Legal Affairs

1.4.2007–31.1.2008 Executive Vice President Human Resources/Legal Affairs (see page 78)

Compensation, shareholdings and loans

The compensation 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 2007 the members of the Board of Directors received a guaranteed compensation as well as a compensation for participation in the respective Committees as follows:

Member of Board of Directors in CHF	Guaranteed Compensation	Additional Compensation Audit Committee	Additional Compensation Nomination and Compensation Committee	Additional Compensation Investment Committee
Chairman of the Board of Directors	225,000			
Vice Chairman	187,500			
Others	150,000	15,000	10,000	10,000

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.

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

The total remuneration accrued for and paid to the members of the Board of Directors and the Management Board in financial year 2007 amounted to CHF 21.0 million, of which CHF 19.2 million were paid to the executive member of the Board of Directors and the members of the Management Board, and CHF 1.8 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 of KNI can be found in note 13 (remuneration report) to the 2007 financial statements of Kuehne + Nagel International AG.

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

Agenda of the Annual General Meeting

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

Registration of shareholders into the share register

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

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

CHANGES OF CONTROL AND DEFENCE MEASURES

Duty to make an offer

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

Clauses on changes of control

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

STATUTORY AUDITORS

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

KPMG, 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 2007 was confirmed with the declaration of acceptance dated May 4, 2007.

The audit partner-in-charge and responsible for the mandate, Roger Neininger, started his assignment on July 1, 2002.

Audit fees

According to the Group's financial records, the fees charged for auditing services for the year 2007 amounted to CHF 4.1 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 2007 an amount of CHF 0.2 million was incurred in this connection.

Supervisory and controlling instruments towards the statutory auditors

The work performed by the external statutory auditors is supervised, controlled, and duly monitored by the Board of Directors' Audit Committee. The statutory auditors report to the Audit Committee regularly and in 2007 attendend four Audit Committee meetings in the person of the audit partner-in-charge. In 2007 the audit partner-in-charge also attended one meeting of the Board of Directors. 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 aspires to ensure 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 company, 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 as well as updating 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 announcing the dates of the upcoming quarterly reports as well as of the Annual General Meeting.

CONSOLIDATED FINANCIAL STATEMENTS 2007 OF THE KUEHNE + NAGEL GROUP

INCOME STATEMENT

CHF million	Note	2007	2006	Variance per cent
Invoiced turnover	40	**20,975.0**	**18,194.1**	**15.3**
Customs duties and taxes		–3,855.1	–3,307.4	
Net invoiced turnover		**17,119.9**	**14,886.7**	**15.0**
Net expenses for services from third parties		–11,106.1	–9,634.2	
Gross profit	40	**6,013.8**	**5,252.5**	**14.5**
Personnel expenses	19	–3,403.9	–2,960.9	
Selling, general and administrative expenses	20	–1,608.5	–1,455.8	
Other operating income, net	21	10.4	19.5	
EBITDA		**1,011.8**	**855.3**	**18.3**
Depreciation of property, plant and equipment	25	–179.9	–151.0	
Amortisation of other intangibles	26	–89.0	–97.2	
Impairment of other intangibles	26	–26.3	–6.4	
Impairment of goodwill	26	–31.0	–	
EBIT		**685.6**	**600.7**	**14.1**
Financial income	22	26.6	18.5	
Financial expenses	22	–18.0	–22.9	
Result from joint ventures and associates	40	5.9	5.1	
Earnings before tax (EBT)		**700.1**	**601.4**	**16.4**
Income tax	23	–166.6	–142.2	
Earnings for the year		**533.5**	**459.2**	**16.2**
Attributable to:				
Equity holders of the parent company		**531.2**	**458.3**	**15.9**
Minority interest		2.3	0.9	
Earnings for the year		**533.5**	**459.2**	**16.2**
Basic earnings per share in CHF	24	**4.50**	**3.90**	**15.4**
Diluted earnings per share in CHF	24	**4.48**	**3.88**	**15.5**

BALANCE SHEET

CHF million	Note	Dec. 31, 2007	Dec. 31, 2006
Assets			
Property, plant and equipment	25	1,020.8	1,189.4
Goodwill	26	638.9	604.3
Other intangibles	26	288.1	329.5
Investments in joint ventures	27	11.4	14.1
Deferred tax assets	23	160.8	147.9
Non-current assets		**2,120.0**	**2,285.2**
Prepayments		98.9	89.9 *
Work in progress	28	321.8	283.0
Trade receivables	29	2,537.3	2,162.3
Other receivables	30	164.7	123.2 *
Cash and cash equivalents	31	865.4	771.3
Assets held for sale	18/25/26	330.6	–
Current assets		**4,318.7**	**3,429.7**
Total assets		**6,438.7**	**5,714.9**
Liabilities and equity			
Share capital	32	120.0	120.0
Reserves and retained earnings		1,704.7	1,391.0
Earnings for the year		531.2	458.3
Total equity attributable to the equity holders of the parent company		**2,355.9**	**1,969.3**
Minority interest		9.2	6.0
Total equity		**2,365.1**	**1,975.3**
Provisions for pension plans and severance payments	33	305.7	264.9
Deferred tax liabilities	23	162.3	172.8
Bank liabilities	35	80.3	64.0
Finance lease obligations	35/36	42.0	55.0
Non-current liabilities		**590.3**	**556.7**
Bank and other interest bearing liabilities	35/36	84.6	291.1
Trade payables	37	1,328.6	1,110.7 *
Accrued trade expenses/deferred income	37	1,124.0	951.1 *
Current tax liabilities		125.7	107.0
Provisions	38	98.6	96.3
Other liabilities	39	721.8	626.7
Current liabilities		**3,483.3**	**3,182.9**
Total liabilities and equity		**6,438.7**	**5,714.9**

* Certain comparatives were reclassified to conform to the current period's presentation.

Schindellegi, March 3, 2008

KUEHNE + NAGEL INTERNATIONAL AG

Klaus Herms — CEO

Gerard van Kesteren — CFO

STATEMENT OF CHANGES IN EQUITY

CHF million	Share capital	Share premium	Treasury shares [1]	Cumulative translation adjustment	Retained earnings	Total equity attributable to the equity holders of parent company	Minority interest	Total equity
Balance as of January 1, 2006	120.0	658.3	–95.4	–24.1	936.3	1,595.1	5.9	1,601.0
Foreign exchange differences	–	–	–	7.6	–	7.6	–0.3	7.3
Net income recognised directly in equity	**–**	**–**	**–**	**7.6**	**–**	**7.6**	**–0.3**	**7.3**
Earnings for the year	–	–	–	–	458.3	458.3	0.9	459.2
Total recognised income and expense for the year	**–**	**–**	**–**	**7.6**	**458.3**	**465.9**	**0.6**	**466.5**
Disposal of treasury shares [1]	–	9.2	19.3	–	–	28.5	–	28.5
Dividend paid [2]	–	–	–	–	–128.9	–128.9	–1.4	–130.3
Expenses for employee share purchase and option plan	–	–	–	–	8.7	8.7	–	8.7
Changes in minority interest	–	–	–	–	–	–	0.9	0.9
Balance as of December 31, 2006	**120.0**	**667.5**	**–76.1**	**–16.5**	**1,274.4**	**1,969.3**	**6.0**	**1,975.3**
Balance as of January 1, 2007	120.0	667.5	–76.1	–16.5	1,274.4	1,969.3	6.0	1,975.3
Foreign exchange differences	–	–	–	25.0	–	25.0	–0.1	24.9
Revaluation of initial share in Orient Transport Company Ltd. [3]	–	–	–	–	2.6	2.6	–	2.6
Net income recognised directly in equity	**–**	**–**	**–**	**25.0**	**2.6**	**27.6**	**–0.1**	**27.5**
Earnings for the year	–	–	–	–	531.2	531.2	2.3	533.5
Total recognised income and expense for the year	**–**	**–**	**–**	**25.0**	**533.8**	**558.8**	**2.2**	**561.0**
Purchase of treasury shares [1]	–	–	–54.5	–	–	–54.5	–	–54.5
Disposal of treasury shares [1]	–	18.7	26.2	–	–	44.9	–	44.9
Dividend paid [2]	–	–	–	–	–176.8	–176.8	–0.7	–177.5
Expenses for employee share purchase and option plan	–	–	–	–	14.2	14.2	–	14.2
Changes in minority interest	–	–	–	–	–	–	1.7	1.7
Balance as of December 31, 2007	**120.0**	**686.2**	**–104.4**	**8.5**	**1,645.6**	**2,355.9**	**9.2**	**2,365.1**

1 Refer to note 32.

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

Year	per share	CHF million	
2008	CHF 1.90	224.2	(2007: CHF 1.50 per share amounting to CHF 176.8 million)

3 Refer to note 4.

CASH FLOW STATEMENT

CHF million	Note	2007	2006
Cash flow from operating activities			
Earnings for the year		533.5	459.2
Reversal of non-cash items:			
Income tax	23	166.6	142.2
Financial income	22	–26.6	–18.5
Financial expenses	22	18.0	22.9
Result from joint ventures and associates	40	–5.9	–5.1
Depreciation of property, plant and equipment and amortisation of intangibles	25/26	268.9	248.2
Impairment of goodwill and of other intangibles	26	57.3	6.4
Expenses for employee share purchase and option plan	19	14.2	8.7
Gain on disposal of property, plant and equipment	21	–12.3	–21.3
Loss on disposal of property, plant and equipment	21	1.9	1.8
Net addition to provisions for pension plans and severance payments		27.1	12.2
Total operational cash flow		**1,042.7**	**856.7**
(Increase)/decrease work in progress		–33.3	–13.1
(Increase)/decrease trade receivables, prepayments		–339.7	–154.5
Increase/(decrease) other liabilities		48.0	–55.0
Increase/(decrease) trade payables, accrued trade expenses/deferred income		331.6	165.8
Income taxes paid		–190.5	–171.2
Total cash flow from operating activities		**858.8**	**628.7**
Cash flow from investing activities			
Capital expenditure			
– Property, plant and equipment	25	–228.7	–246.8
– Other intangibles	26	–25.8	–20.6
Disposal of property, plant and equipment		21.5	62.5
Acquisition of subsidiaries, net of cash acquired	41	–164.7	–655.4
Interest received	22	26.6	15.3
Dividend received from joint ventures and associates		5.0	4.9
Total cash flow from investing activities		**–366.1**	**–840.1**
Cash flow from financing activities			
Proceeds of interest bearing liabilities		23.8	23.6
Repayment of interest bearing liabilities		–92.8	–213.6
Interest paid	22	–15.2	–22.9
Purchase of treasury shares	32	–54.5	–
Disposal of treasury shares	32	44.9	28.5
Dividend paid to shareholders of the company		–176.8	–128.9
Dividend paid to minority shareholders		–0.7	–1.4
Total cash flow from financing activities		**–271.3**	**–314.7**
Exchange difference on cash and cash equivalents		–10.0	1.7
Increase/(decrease) in cash and cash equivalents		**211.4**	**–524.4**
Cash and cash equivalents at the beginning of the year, net	31	**600.2**	**1,124.6**
Cash and cash equivalents at the end of the year, net	31	**811.6**	**600.2**

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 lays in the Sea & Air Logistics, Road & Rail Logistics and Contract Logistics.

The consolidated financial statements of the Company for the year ending December 31, 2007 comprise the Company, its subsidiaries and its interests in joint ventures (the Group).

2 STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

3 BASIS OF PREPARATION

The consolidated financial statements are presented in Swiss francs (CHF) million. The consolidated financial statements are based on the individual financial statements of the consolidated companies as of December 31, 2007. Those financial statements have been prepared in accordance with uniform accounting policies issued by the Group which comply with the requirements of the International Financial Reporting Standards (IFRS) and with Swiss law. The consolidated financial statements are prepared on a historical cost basis except for certain financial instruments which are stated at fair value. Non-current assets and disposal groups held for sale are stated at the lower of the carrying amount and fair value less costs to sell.

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

The accounting policies are the same as those applied in the consolidated financial statements for the year ending December 31, 2006 except for the fact that the Group as of January 1, 2007 adopted

- IFRS 7: 'Financial Instruments: Disclosures' and
- Amendment to IAS 1: 'Presentation of Financial Statements: Capital Disclosures.'

New interpretations that are effective for 2007 reporting year were not applicable to the Group or did not have significant impact on the consolidated financial statements.

IFRS 7 and amendment to IAS 1

The adoption of IFRS 7 and the amendment to IAS 1 had an impact on the disclosures given but not on the amounts recognised in the consolidated financial statements. The adoption led to some minor reclassifications of amounts in the balance sheet and to increased qualitative and quantitative disclosure about mainly trade receivables, risk and risk management.

Adoption of new standards in 2007

The following new and revised Standards and Interpretations have been issued but are not yet effective and are not applied early in these consolidated financial statements. Their impact on the consolidated financial statements has not yet been systematically analysed. The expected effects as disclosed below the table reflect a first assessment by Group management.

Standard/Interpretation	Effective date	Planned application
IFRIC 11 IFRS 2 – Group and treasury share transactions [1]	1 March 2007	reporting year 2008
IFRIC 12 – Service concession arrangements [1]	1 January 2008	reporting year 2008
IFRIC 14 IAS 19 – The limit of defined benefit assets, minimum funding requirements and their interaction [3]	1 January 2008	reporting year 2008
IFRIC 13 – Customer loyalty programmes [1]	1 July 2008	reporting year 2009
IAS 1 revised – Presentation of financial statements [2]	1 January 2009	reporting year 2009
IAS 23 revised – Borrowing costs [1]	1 January 2009	reporting year 2009
IFRS 8 – Operating segments [2]	1 January 2009	reporting year 2009
IFRS 3 revised – Business Combinations [4]	1 July 2009	reporting year 2010
IAS 27 amended – Consolidation and separate financial statements [4]	1 July 2009	reporting year 2010

1 No or no significant impacts are expected on the consolidated financial statements.
2 Mainly additional disclosures are expected on the consolidated financial statements.
3 The impact on the consolidated financial statements can not yet be determined with sufficient reliability.
4 Disclosure is voluntary: 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 147 to 153. The significant changes in the scope of consolidation in 2007 relate to the following companies (for further information on the financial impact of acquisitions refer to note 41).

	Capital share* acquired in per cent equals voting rights	Currency	Share capital in 1,000	Acquisition/ Incorporation date
Acquisitions				
Orient Transport Company Ltd., Saudi Arabia [1]	50	SAR	1,000	January 1, 2007
G.L. Kayser Group, Germany [2]	100	EUR	1,784	December 13, 2007
Cordes & Simon Group, Germany [3]	100	EUR	3,945	December 27, 2007
European Brokers S.p.A., Italy [4]	40	EUR	73	December 31, 2007
Nakufreight Ltd., Cyprus [5]	30	CYP	10	December 31, 2007
Pact Benelux B.V., The Netherlands [6]	40	EUR	18	December 31, 2007
Incorporation				
Kuehne + Nagel Ltd., Trinidad & Tobago	100	TTD	31	April 1, 2007
Kuehne + Nagel L.L.C, Qatar	100	QAR	200	April 1, 2007
Kuehne + Nagel Aduaneiras, Brazil	100	BRL	900	April 1, 2007
Kuehne + Nagel Real Estate Holding AG, Switzerland	100	CHF	100	June 1, 2007
Kuehne + Nagel Real Estate Inc., USA	100	USD	–	August 1, 2007
Kuehne + Nagel Logistics S.A., Uruguay	100	UYU	360	August 1, 2007
KN Subic Logistics Inc., Philippines	100	PHP	1,875	November 1, 2007
Kuehne + Nagel Drinkflow Asset Control Ltd., Great Britain	50	GBP	–	December 1, 2007

* For capital share as per December 31, 2007, please refer to the list of the Group's significant subsidiaries and joint ventures on pages 147 to 153. There were no significant divestments in the year 2007.

1 The Group previously owned 50 per cent of the share capital and applied the equity accounting method. The main activities are Seafreight and Airfreight.

2 G.L. Kayser is a medium-sized family business headquartered in Mainz, Germany. The company ranks among the leading logistics providers in the Rhine-Main region with an annual turnover of CHF 200 million and around 700 employees. Its business focus is on international and national overland activities and on the provision of state-of-the-art logistics solutions. In contract logistics, G.L. Kayser offers customers a comprehensive portfolio of services and has 120.000 sqm of warehouse space under management at four locations in the region.

3 Cordes & Simon was founded in 1934 and has developed into one of the leading logistics providers in North-Rhine Westphalia, Germany. The company's business focus is on national and international groupage services. It employs 550 staff and reported a turnover of CHF 165 million in 2006. In addition to the headquarters in Hagen and a branch in Wilnsdorf, Cordes & Simon operates in the Berlin-Brandenburg region, as well as in Freiberg near Stuttgart and Villingen-Schwenningen.

4 The Group previously owned 30 per cent of the share capital of European Brokers. European Brokers acts as an insurance broker.

5 The Group previously owned 70 per cent of the share capital of Nakufreight and applied the full consolidation method. The main activity of Nakufreight is seafreight.

6 The Group previously owned 60 per cent of the share capital of Pact Benelux and applied the full consolidation method. The main activity is road logistics.

Significant changes in the scope of consolidation for the year 2006 related to the following companies:

	Capital share* acquired in per cent equals voting rights	Currency	Share capital in 1,000	Acquisition/ Incorporation date
Acquisitions				
ACR Group, France [1]	100	EUR	9,723	January 1, 2006
Transport Invest AG, Liechtenstein [2]	100	CHF	930	January 1, 2006
Arion Real Estate & Commercial S.A., Greece [3]	50	EUR	411	January 1, 2006
Flete Caribe SA, Costa Rica [4]	100	CRC	9	November 7, 2006
Incorporation				
Nacora S.A., Argentina	100	ARS	20	February 1, 2006
Nacora Brokers, Australia	100	AUD	300	March 1, 2006
Logistique Distribution de Gascogne SASU, France	100	EUR	37	May 1, 2006
SLGE SASU, France	100	EUR	37	May 1, 2006
Kuehne + Nagel, Bosnia	100	BAM	98	June 1, 2006
Kuehne + Nagel WLL, Kuwait	100	KWD	50	June 1, 2006
Kuehne + Nagel Drinklogistics Ltd., Great Britain	100	GBP	–	July 1, 2006
Societe Logistique du Nord Parisien, France	100	EUR	37	December 1, 2006
Kuehne + Nagel Information Center Ltd., China	100	CNY	1,008	December 1, 2006

* For capital share as per December 31, 2006, please refer to the list of the Group's significant subsidiaries and joint ventures on pages 147 to 153. There were no significant divestments in the year 2006.

1 The main activity of the ACR Group is contract logistics. ACR Logistics Holdings B.V. (ACR) is headquartered in Paris, France. ACR ranks among the leading contract logistics providers in Europe with a leading market position in Great Britain, France, Italy and the Benelux. ACR operates at 140 locations in 11 countries, where it manages 2.2 million sqm of warehouse space. ACR has a strong presence in the retail, telecommunication, industrial and fast moving consumer goods markets. ACR employed about 15,000 staff in 2005.

2 The company is holding an investment in a logistics company in Greece.

3 The Group previously owned 50 per cent of the share capital of Arion and applied the equity accounting method. The main activity is contract logistics.

4 The Group acquired 100 per cent of the share capital of Flete Caribe S.A., Costa Rica. The main activity is seafreight.

5 PRINCIPLES OF CONSOLIDATION

The subsidiaries are companies controlled, directly or indirectly, by Kuehne + Nagel International AG, where control is defined as the power to govern the financial and operating policies of a company so as to obtain benefits from its activities. This control is normally evidenced when Kuehne + Nagel International AG owns, either directly or indirectly, more than 50 per cent of the voting rights or potential voting rights of a company. Subsidiaries are included in the consolidated financial statements by the full consolidation method as from the date on which control is transferred to the Group until the date control ceases. The minority interest in equity as well as earnings for the period is reported separately in the consolidated financial statements.

Associates and joint ventures

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

Transactions eliminated on consolidation

Intra-group balances, transactions, income, and expenses are eliminated in preparing the consolidated financial statements.

Foreign exchange translation

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

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

The major foreign currency conversion rates applied are as follows:

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

	2007 CHF	Variance per cent	2006 CHF
EUR 1.–	1.6420	4.2	1.5752
USD 1.–	1.1987	–4.6	1.2570
GBP 1.–	2.3965	3.8	2.3091

Balance Sheet (year end rates)

	2007 CHF	Variance per cent	2006 CHF
EUR 1.–	1.6673	3.7	1.6078
USD 1.–	1.1551	–5.6	1.2239
GBP 1.–	2.2878	–4.6	2.3979

6 FINANCIAL ASSETS AND LIABILITIES

The accounting policy applied to financial instruments depends on how they are classified. Financial assets and liabilities are classified into the following categories:

– The category **financial assets or liabilities at fair value through profit or loss** only includes financial assets or liabilities held for trading. There are no financial assets or liabilities that, upon initial recognition, have been designated at fair value through profit or loss. As of December 31, 2007 and 2006 the Group did not have any financial assets or liabilities held for trading with the exception of a few derivative instruments (see below).
– **Loans and receivables** are carried at amortised cost calculated using the effective interest rate method, less allowances for impairment (see below).
– **Financial assets/investments available for sale** include all financial assets/investments not assigned to one of the abovementioned categories. These include investments in affiliates that are not associates or joint ventures and investments in bonds and notes. Financial assets/investments available for sale are recognised at fair value, changes in value (after tax) are recognised directly in equity until the assets are sold, at which time the amount reported in equity is transferred to the income statement.
– **Financial liabilities** that are not at fair value through profit or loss are carried at amortised cost calculated using the effective interest rate method.

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

Derivatives and hedge accounting

Derivative financial instruments (foreign exchange contracts) are used to hedge the foreign exchange exposures on outstanding balances in the Group's internal clearing system, centralized 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, 2007 and 2006.

Impairment of financial assets

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

Trade receivables are reported at their anticipated recoverable amounts. The allowance for bad debts is determined based on individual basis, or on a portfolio basis, where there is objective evidence that impairment losses have been incurred. The allowance account is used to record impairment losses unless the Group is satisfied that no recovery of the amount owning 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 (available for sale equity securities, reversing previous revaluations recognised in equity) are recognised in the income statement.

An impairment loss in respect of a financial asset is reversed if there is a subsequent increase in recoverable amount that can be related objectively to an event occurring after the impairment loss was recognised. Reversals of impairment losses are recognized in the income statement, with the exception for reversals of impairment losses on available for sale equity securities.

7 SEGMENT REPORTING

The segment reporting reflects the structure of the Group. A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment) which is subject to risks and rewards that are different from those of other segments.

The **primary segmentation** covers the business units **Seafreight**, **Airfreight**, **Road & Rail Logistics**, **Contract Logistics**, **Real Estate** and **Insurance Broker**. The **secondary segmentation** represents the main **geographical areas**.

Segment assets and liabilities cover all operating balance sheet positions which are directly, or on a reasonable basis, attributable to a segment.

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 following depreciation rates are applicable for the major categories:

	Per cent
Buildings	2 $^1/_2$
Vehicles	20 – 25
Leasehold improvements	33 $^1/_3$
Office machines	25
IT hardware	33 $^1/_3$
Office furniture	20

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 lives. 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.

10 INTANGIBLES

Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill arising on an acquisition represents the excess of the cost of the acquisition over the fair value of the net identifiable assets acquired, and is allocated to cash generating units. Goodwill is stated at cost less accumulated impairment losses. Goodwill is tested annually for impairment. The impairment test may be performed at any time during an annual period, provided it is performed at the same time every year. The Group will test its goodwill for impairment at year-end. However, if there is an indication that goodwill would be impaired at any other point in time, an impairment test will be performed.

Negative goodwill arising on an acquisition is recognised directly in the income statement.

Other intangibles

Other identifiable intangibles (i.e. software, customer lists, customer contracts, etc.) purchased from third parties or acquired in a business combination are separately recognised as intangibles, and are stated at cost less accumulated amortisation and accumulated impairment losses. Intangibles acquired in a business combination are recognised separately from goodwill if they are subject to contractual or legal rights or are separately transferable and their fair value can be reliably estimated. Software is amortised over its estimated useful life, 3 years maximum. Other intangibles are amortised on a straight line basis over their estimated useful life (up to 10 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 from the date of acquisition. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash at banks and in hand and short-term deposits less bank overdrafts.

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 PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

14 PENSION PLANS, SEVERANCE PAYMENTS AND SHARE PARTICIPATION PLANS

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

Defined benefit plans

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. The calculation is performed by an independent, qualified actuary using the projected unit credit method.

In calculating the Group's obligation in respect of a plan, to the extent that any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in the income statement over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised.

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised in the income statement as an expense when incurred.

Severance payments

The Group provides severance benefits to employees as legally required in certain countries which are accounted for as defined benefit plans if material.

Share based compensation

The Group has a share purchase and option plan that allows Group employees to acquire shares of the Company. The employees can buy shares with a small reduction of the actual share price. In addition, for each share purchased under this plan, the Company grants two options to the participants. Each option entitles the participant to purchase one share of Kuehne + Nagel International AG at a specified price. For further details about the programs, refer to note 34.

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.

15 REVENUE RECOGNITION

The income statement presentation reflects the unique nature of the income generated by an entity operating in the logistics and forwarding business. Turnover from services rendered is recognised in the income statement when the related services are performed and invoiced. In case the order has not yet been completed and not invoiced, the incurred costs are deferred and included under work in progress.

The gross profit which represents the difference between the turnover and the services rendered by third parties provides a better indication of performance in the logistics industry than turnover.

16 INTEREST EXPENSES AND INCOME

Interest expense and income is recognized as it accrues using the effective interest method.

17 TAXES

All taxes on income, profit, capital, and real estate are provided for. The level of the provision is calculated based on the tax rates enacted or substantially enacted at the balance sheet date.

Both current and deferred tax is recognised in the income statement, except to the extent that the tax relates to items recognized directly in equity, in which case it is recognised in equity.

The provision for deferred tax is recognised following the comprehensive balance sheet liability method. As a consequence, all temporary differences between the consolidated and fiscal balance sheets are considered in the preparation of the year end accounts.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset in respect of temporary differences or tax losses is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

18 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than from continuing use. The asset (or disposal group) must be available for immediate sale in its present condition and the sale must be highly probable. Immediately before classification as held for sale, the measurement of the assets (and all assets and liabilities in a disposal group) is updated in accordance with applicable IFRS. Then, on initial classification as held for sale, non-current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale are included in the income statement.

On December 31, 2007 the Group has classified properties of CHF 250 million, other intangibles of CHF 35.1 million and goodwill of CHF 45.5 million as non-current assets held for sale (for further information refer to note 25/26/49).

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations, or is a company acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier.

As of the year end 2007 and 2006 the Group did not have any discontinued operations.

NOTES TO THE INCOME STATEMENT

19 PERSONNEL EXPENSES

CHF million	2007	2006
Salaries and wages	2,765.4	2,367.6
Social expenses and employee benefits	529.2	493.8
Expenses for employee share purchase and option plan	14.2	8.7
Pension plan expenses		
– Defined benefit plans	37.7	22.6
– Defined contribution plans	40.5	33.6
Other	16.9	34.6
Total	**3,403.9**	**2,960.9**

20 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

CHF million	2007	2006
Administrative expenses	226.8	199.9
Communication expenses	103.0	102.2
Travel and promotion expenses	101.2	87.7
Vehicle expenses	316.3	270.2
Operating expenses	190.5	190.0
Facility expenses	660.3	589.7
Bad debt and collection expenses	10.4	16.1
Total	**1,608.5**	**1,455.8**

21 OTHER OPERATING INCOME, NET

CHF million	2007	2006
Gain on disposal of property, plant and equipment	12.3	21.3
Loss on disposal of property, plant and equipment	–1.9	–1.8
Total	**10.4**	**19.5**

22 FINANCIAL INCOME AND EXPENSES

CHF million	2007	2006
Interest income on bank deposits	26.6	15.3
Exchange differences, net	–	3.2
Financial income	**26.6**	**18.5**
Interest expenses	–15.2	–22.9
Exchange differences, net	–2.8	–
Financial expenses	**–18.0**	**–22.9**
Net financing result	**8.6**	**–4.4**

23 INCOME TAX

CHF million	2007	2006
Current tax expense		
– in current year	207.5	169.1
– under/(over) provided in prior years	–8.8	0.6
	198.7	**169.7**
Deferred tax expense from:		
– changes in temporary differences	–22.4	–28.6
– impact of deferred tax assets not recognised	–9.7	1.1
	–32.1	**–27.5**
Income tax	**166.6**	**142.2**

No current or deferred income tax was recognised in equity in 2007 or 2006.

Reconciliation of the effective tax rate

CHF million	2007	per cent	2006	per cent
Earnings before tax according to the income statement	700.1		601.4	
Income tax/Expected tax rate	**193.8**	**27.7**	**163.1**	**27.1**
Tax effect on:				
– tax exempted income/expenses	0.7	0.1	–0.9	–0.1
– tax losses utilised	–14.1	–2.0	–15.7	–2.7
– impact of deferred tax assets not recognised	–9.7	–1.4	1.1	0.2
– changes in tax rate for previously recognised deferred tax assets	–2.4	–0,3	–	–
– under/(over) provision in prior years	–8.8	–1.3	0.6	0.1
– other	7.1	1.0	–6.0	–1.0
Income tax/Effective tax rate	**166.6**	**23.8**	**142.2**	**23.6**

Deferred tax assets and liabilities

	Assets		**Liabilities**		**Net**	
CHF million	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2007	Dec. 31, 2006
Property, plant and equipment	46.1	41.8	–60.5	–68.9	–14.4	–27.1
Goodwill and other intangibles	14.0	17.6	–85.2	–94.4	–71.2	–76.8
Trade receivables	18.4	20.6	–2.1	–1.6	16.3	19.0
Other receivables	6.8	9.0	–9.7	–7.9	–2.9	1.1
Finance lease obligation	17.2	22.6	–0.5	–	16.7	22.6
Provisions for pension plans and severance payments	11.5	13.1	–	–	11.5	13.1
Other liabilities	39.8	16.2	–4.3	–	35.5	16.2
Tax value of loss carry-forwards recognised	7.0	7.0	–	–	7.0	7.0
Tax assets/(liabilities)	**160.8***	**147.9***	**–162.3***	**–172.8***	**–1.5**	**–24.9**
* of which acquired in business combinations (opening balance sheet)	5.0	26.0	–13.1	–132.5	–8.1	–106.5

The recognised deferred tax assets relating to tax losses carried forward are expected to be used by the end of 2009 at the latest.

Unrecognised deferred tax assets

CHF million	Dec. 31, 2007	Dec. 31, 2006
On tax losses	50.4	40.4*
Deductible temporary differences	78.7	98.5
Total	**129.1**	**138.9**

* of which acquired in business combinations (mainly ACR) CHF 19.6 million

It is not probable that future taxable profits will be available against which the unrecognised deferred tax assets can be used. The unrecognised deferred tax assets relating to tax losses expire by the end of the following years:

Year	2007 CHF million	2006 CHF million
2007	–	0.7
2008	–	0.3
2009	–	0.2
2010	0.4	0.2
2011	0.2	39.0
2012 and later	49.8	–
Total	**50.4**	**40.4**

24 EARNINGS PER SHARE

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

	2007	2006
Earnings for the year attributable to the equity holders of the parent company in CHF million	**531.2**	**458.3**
Weighted average number of ordinary shares outstanding during the year	117,982,126	117,420,616
Effect of dilutive shares:		
Share options	714,253	818,478
Adjusted weighted number of ordinary shares applicable to diluted earnings per share	118,696,378	118,235,094
Basic earnings per share in CHF	**4.50**	**3.90**
Diluted earnings per share in CHF	**4.48**	**3.88**

NOTES TO THE BALANCE SHEET

25 PROPERTY, PLANT AND EQUIPMENT

2007

CHF million	Properties, including buildings on third parties' land	Properties, buildings under finance leases	Other operating and office equipment	Total
Cost				
Balance as of January 1, 2007	900.8	154.1	653.3	1,708.2
Additions through business combinations	0.3	–	5.9	6.2
Other additions	58.1	–	172.7	230.8
Disposals	–1.4	–0.2	–97.6	–99.2
Adjustments/transfers	46.4	–49.4	3.0	–
Transfer to assets held for sale*	–316.2	–	–	–316.2
Effect of movements in foreign exchange	35.8	6.0	10.4	52.2
Balance as of December 31, 2007	**723.8**	**110.5**	**747.7**	**1,582.0**
Accumulated depreciation and impairment losses				
Balance as of January 1, 2007	128.0	3.5	387.3	518.8
Depreciation charge for the year	25.5	3.4	151.0	179.9
Disposals	–	–0.2	–87.6	–87.8
Adjustments/transfers	4.9	–4.2	–0.7	–
Transfer to assets held for sale*	–66.2	–	–	–66.2
Effect of movements in foreign exchange	7.3	0.4	8.8	16.5
Balance as of December 31, 2007	**99.5**	**2.9**	**458.8**	**561.2**
Carrying amount				
As of January 1, 2007	**772.8**	**150.6**	**266.0**	**1,189.4**
As of December 31, 2007	**624.3**	**107.6**	**288.9**	**1,020.8**

* The Group has entered into an agreement to sell 22 warehouse assets. The transaction will be completed in the first half year of 2008. As a consequence, the Group has reclassified the properties as held for sale according to the criteria as outlined in note 18 (for further information refer to note 26/49). The assets are part of the real estate segment.

Fire insurance value as of December 31, 2007: CHF 2,434 million. No property, plant and equipment were pledged and no restriction on title exists as of December 31, 2007.

2006

CHF million	Properties, including buildings on third parties' land	Properties, buildings under finance leases	Other operating and office equipment	Total
Cost				
Balance as of January 1, 2006	673.3	11.4	442.5	1,127.2
Additions through business combinations	145.1	143.2	128.4	416.7
Other additions	108.3	3.4	134.5	246.2
Disposals	–28.1	–10.8	–66.1	–105.0
Adjustments/transfers	–12.9	0.2	12.7	–
Effect of movements in foreign exchange	15.1	6.7	1.3	23.1
Balance as of December 31, 2006	**900.8**	**154.1**	**653.3**	**1,708.2**
Accumulated depreciation and impairment losses				
Balance as of January 1, 2006	110.0	0.5	318.1	428.6
Depreciation charge for the year	24.6	2.5	123.9	151.0
Disposals	–7.1	0.4	–58.0	–64.7
Adjustments/transfers	–0.6	–	0.6	–
Effect of movements in foreign exchange	1.1	0.1	2.7	3.9
Balance as of December 31, 2006	**128.0**	**3.5**	**387.3**	**518.8**
Carrying amount				
As of January 1, 2006	**563.3**	**10.9**	**124.4**	**698.6**
As of December 31, 2006	**772.8**	**150.6**	**266.0**	**1,189.4**

Fire insurance value as of December 31, 2006: CHF 1,833 million. No property, plant and equipment were pledged and no restriction on title exists as of December 31, 2006.

26 GOODWILL AND OTHER INTANGIBLES

2007

CHF million	Goodwill	Other intangibles [1]
Cost		
Balance as of January 1, 2007	649.0	486.0
Addition through business combinations [2]	112.9	76.5
Other additions	–	27.0
Disposals	–	–16.2
Transfer to assets held for sale [4]	–45.5	–45.7
Effects of movements in foreign exchange	–12.9	8.1
Balance as of December 31, 2007	**703.5**	**535.7**
Accumulated amortisation and impairment losses		
Balance as of January 1, 2007	44.7	156.5
Amortisation charge for the year	–	89.0
Impairment losses [3]	31.0	26.3
Disposals	–	–16.2
Transfer to assets held for sale [4]	–	–10.6
Effect of movements in foreign exchange	–11.1	2.6
Balance as of December 31, 2007	**64.6**	**247.6**
Carrying amount		
As of January 1, 2007	**604.3**	**329.5**
As of December 31, 2007	**638.9**	**288.1**

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

2 Goodwill arose upon acquisitions of 100 per cent of the shares of the G.L. Kayser Group, Germany (CHF 50.5 million) and the Cordes & Simon Group, Germany (CHF 50.5 million) and some other small acquisitions (CHF 11.9 million) because certain intangible assets did not meet the IFRS 3 criteria for recognition as intangible assets at the date of acquisition (see further note 41). These assets are mainly represented by management expertise, work force and geographic presence.

3 An impairment charge of CHF 57.3 million was recorded relating to goodwill and other intangible assets recognised upon the acquisition of the Mönkemöller Group, Germany (acquired in June 2005) and the acquisition of 50 per cent of the shares of companies in Greece (acquired in January 2006). The anticipated level of profitability for both activities at the date of acquisition has not been achieved. The future expected cash flows were also worse than originally anticipated; this led the Group to assess the recoverable amount of the Mönkemöller and the Greece operations. Based on the impairment tests performed the carrying amount of goodwill of CHF 31.0 million and the carrying amount of intangible assets of CHF 23.7 million were written off. The estimate of the recoverable amount was based on value in use (see also page 109). Furthermore, the termination of a customer contract at an ex ACR company in Portugal led to an impairment of the carrying amount of intangible assets of CHF 2.6 million.

4 In relation to the planned disposal of properties (see note 25/26/49) the respective carrying amount of goodwill and the intangibles has been transfered to assets held for sale.

2006

CHF million	Goodwill	Other intangibles [1]
Cost		
Balance as of January 1, 2006	195.2	122.8
Addition through business combinations [2]	462.3	336.3
Other additions	–	18.5
Disposals	–	–6.3
Effects of movements in foreign exchange	–8.5	14.7
Balance as of December 31, 2006	**649.0**	**486.0**
Accumulated amortisation and impairment losses		
Balance as of January 1, 2006	61.6	52.8
Amortisation charge for the year	–	97.2
Impairment losses [3]	–	6.4
Disposals	–	–3.2
Effect of movements in foreign exchange	–16.9	3.3
Balance as of December 31, 2006	**44.7**	**156.5**
Carrying amount		
As of January 1, 2006	**133.6**	**70.0**
As of December 31, 2006	**604.3**	**329.5**

1 Other intangibles mainly comprise customer contracts/lists and logistic networks based on contractual agreements as well as software.
2 Goodwill arose upon acquisition of the ACR Group (CHF 448.3 million) and the other companies (CHF 14.0 million) 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 represented by management expertise, work force, distribution channels and geographic presence.
3 An impairment charge of CHF 6.4 million was recorded, relating to an impairment of a customer list recognised upon the acquisition of Deus, Oldenburg, Germany. The anticipated level of profitability at the date of acquisition has not been achieved. Based on the impairment test performed, the total carrying amount of the intangible asset of CHF 6.4 million was fully written off. The estimate of the recoverable amount was based on value in use, determined using a pre-tax discount rate of 12.8 per cent.

Impairment testing of goodwill

The Group has performed impairment tests of goodwill at the end of the financial year 2007. For the purpose of impairment testing, goodwill is allocated to cash-generating units which are expected to benefit from the synergies of the corresponding business combination. The allocation of goodwill to the respective business units/geographical regions is illustrated in note 40.

For the goodwill allocated to the cash-generating units, the impairment tests are based on calculations of value in use. Cash flow projections are based on actual operating results and three-year business plans. Cash flows beyond the three-year period are extrapolated using estimated long-term growth rates. The growth rates do not exceed the long-term average growth rate for the logistic industry in which the cash-generating units operate. Future cash flows are discounted based on the Weighted Average Cost of Capital (WACC), taking into account risks that are specific to cash-generating units tested for impairment.

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

Business acquired	ACR Group Europe	Kuehne + Nagel Inc., USA (USCO)	Multiple units without significant goodwill	Total
Year acquired	2006	2001	2004–2007	
Carrying amount of goodwill in CHF million	**422.2**	**101.9**	**114.8**	**638.9**
Cash-generating unit within segment	Contract Logistics	Contract Logistics	All Segments	
Basis for recoverable amount	Value in use	Value in use	Value in use	
Discount rate* in per cent	9.7–12.0	12.7	9.9–11.5	
Projection period	3 years	3 years	3 years	
Terminal growth rate in per cent	1.5	1.5	1.5	

* The discount rates applied are pre-tax rates.

Key assumptions have not changed from previous year. With the exception of the Mönkemöller Group and the Greece operations as described above, all other recoverable amounts significantly exceed its carrying amounts and consequently, there was no need for the recognition of further impairment of goodwill in the financial year 2007.

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 two major acquisitions – USCO Group and ACR Group – has been prepared with the following outcome:

Sensitivity analysis of goodwill USCO Group
Amount of excess (+)/necessary impairment (–) in CHF million depending on:

	Discount rate			
CHF million	12.7 per cent	13.0 per cent	14.0 per cent	15.0 per cent
Growth rate				
0.0 per cent	24	20	10	1
0.5 per cent	29	25	14	5
1.0 per cent	35	31	19	9
1.5 per cent	41	37	24	13

Sensitivity analysis of goodwill ACR Group

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

CHF million	Discount rate 12.0 per cent	13.0 per cent	14.0 per cent	15.0 per cent
Growth rate				
0.0 per cent	530	420	327	246
0.5 per cent	555	441	343	259
1.0 per cent	583	463	361	274
1.5 per cent	614	487	380	289

27 INVESTMENTS IN JOINT VENTURES

As of December 31, 2007 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
– Kuehne + Nagel Drinkflow Asset Control Ltd., Great Britain
– Sindos Railcontainer Services S.A., Greece

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

CHF million	Dec 31, 2007	Dec 31, 2006
Total assets/liabilities	226.3	173.0
Net invoiced turnover	682.4	386.5
Earnings for the year	2.3	1.8

No investments in associates were held at December 31, 2007 and December 31, 2006.

28 WORK IN PROGRESS

This position increased from CHF 283.0 million in 2006 to CHF 321.8 million in 2007 which represents a billing delay of 5.4 working days against the previous year's 5.5 days.

29 TRADE RECEIVABLES

CHF million	2007	2006
Trade Recceivables	2,605.8	2,228.1
Impairment allowance	–68.5	–65.8
Total trade receivables	**2,537.3**	**2,162.3**

The majority of all billing is done in the respective Group companies' own functional currencies and is mainly in EUR (47.8 per cent – 2006: 47.5 per cent), USD (10.8 per cent – 2006: 11.8 per cent) and GBP (11.3 per cent – 2006: 11.0 per cent).

Trade receivables of CHF 43.5 million (2006: CHF 120.1 million) are pledged as security for own bank liabilities mainly in the United States (2006 only) and South Africa (2006 and 2007).

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 68.5 million (2006: CHF 65.8 million) are:

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

Trade receivables with credit insurance cover are not included in the impairment allowance. The individual impairment allowance relates to specifically identified customers representing extremely high risk of being declared bankrupt, Chapter 11 companies in USA and customers operating with significant financial difficulties (such as negative equity). The impairment allowance for individually significant exposures is CHF 38.9 million (2006: CHF 32.5 million) at year end 2007.

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 29.6 million (2006: CHF 33.3 million) which represents 2.1 per cent (2006: 2.0 per cent) of total outstanding trade receivables, excluding trade receivables with insurance cover (see above) and trade receivables included in the individual impairment allowance.

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

	2007			2006		
	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	1,047.2	–	–	1,056.7	–	–
Past due 1–30 days	251.7	–	–	437.8	–	–
Past due 31–90 days	46.8	2.3	5	82.6	4.1	5
Past due 91–180 days	42.6	4.3	10	73.7	7.4	10
Past due 181–360 days	16.6	16.6	100	16.8	16.8	100
More than 1 year	6.4	6.4	100	5.0	5.0	100
Total	**1,411.3**	**29.6**	**2.1**	**1,672.6**	**33.3**	**2.0**

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

	2007			2006		
CHF million	Individual allowance	Collective allowance	Total allowance	Individual allowance	Collective allowance	Total allowance
Balance as of January 1	32.5	33.3	65.8	28.0	20.3	48.3
Additions through business combinations	–	4.2	4.2	–	15.8	15.8
Additional impairment losses recognised	12.8	3.2	16.0	5.7	7.0	12.7
Reversal of impairment losses	–6.4	–11.1	–17.5	–1.2	–9.8	–11.0
Balance as of December 31	**38.9**	**29.6**	**68.5**	**32.5**	**33.3**	**65.8**

Trade receivables outstanding as of the year-end averaged 41.9 days (2006: 41.4 days). 94.4 per cent (2006: 94.2 per cent) of the total trade receivables were outstanding between 1 and 90 days.

30 OTHER RECEIVABLES

CHF million	Dec. 31, 2007	Dec. 31, 2006
Receivables from tax authorities	71.6	53.3
Deposits	36.0	24.0
Other	57.1	45.9
Total	**164.7**	**123.2**

The majority of the other receivables are held in the respective Group companies' own functional currencies which would be EUR 60.4 per cent (2006: 47.9 per cent) USD 6.6 per cent (2006: 5.8 per cent) and GBP 0.1 per cent (2006: 0.9 per cent).

31 CASH AND CASH EQUIVALENTS

CHF million	Dec. 31, 2007	Dec. 31, 2006
Cash and cash equivalents	865.4	771.3
Bank overdraft	–53.8	–171.1
Cash and cash equivalents in the cash flow statement, net	**811.6**	**600.2**

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

32 EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY

2007	**Balance Dec. 31, 2007**				**Jan. 1, 2007**
Main shareholders	Registered shares of nominal CHF 1 each number	CHF million	Capital share per cent	Voting share per cent	Registered shares of nominal CHF 1 each number
Kuehne Holding AG, Schindellegi	66,900,000	66.9	55.75	56.69	66,900,000
Public shareholders	51,105,736	51.1	42.59	43.31	50,812,892
Entitled to voting rights and dividend	**118,005,736**	**118.0**	**98.34**	**100.00**	**117,712,892**
Treasury shares	1,994,264	2.0	1.66		2,287,108
Total	**120,000,000**	**120.0**	**100.00**		**120,000,000**

In 2007 the Group sold 775,315 (2006: 579,027) treasury shares for CHF 44.9 million (2006: CHF 28.5 million) under the Employee Share Option and Purchase Plan. 482.471 treasury shares for CHF 54.5 million (2006: none) have been purchased.

On December 31, 2007 the Company had 1,994,264 treasury shares, of which 1,855,054 are blocked under the Employee Share Purchase and Option Plan; refer to note 34 for more information.

2006			**Balance Dec. 31, 2006**		**Share split May 2, 2006**	**Jan. 1, 2006**
Main shareholders	Registered shares of nominal CHF 1 each number	CHF million	Capital share per cent	Voting share per cent	Registered shares of nominal CHF 1 each number	Registered shares of nominal CHF 5 each number
Kuehne Holding AG, Schindellegi	66,900,000	66.9	55.75	56.83	66,900,000	13,380,000
Public shareholders	50,812,892	50.8	42.34	43.17	50,233,865	10,046,773
Entitled to voting rights and dividend	**117,712,892**	**117.7**	**98.09**	**100.00**	**117,133,865**	**23,426,773**
Treasury shares	2,287,108	2.3	1.91		2,866,135	573,227
Total	**120,000,000**	**120.0**	**100.00**		**120,000,000**	**24,000,000**

During 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.

In 2006 the Group sold 579,027 treasury shares for CHF 28.5 million under the Employee Share Option and Purchase Plan.

On December 31, 2006 the Company had 2,287,108 treasury shares, of which 1,726,604 are blocked under the Employee Share Purchase and Option Plan.

Furthermore, the Annual General Meeting extended its authorisation of approved share capital up to a maximum of CHF 20 million by a further two years until May 2008.

The Annual General Meeting held on May 2, 2005 approved the Board of Directors' proposal to realise a conditional share capital increase of 2.4 million registered shares up to a maximum of CHF 12 million and to add section 3.4 in the article of incorporation.

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

Capital Management

The Group defines the capital that it manages as the Group's total equity, including minority interest. 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	2007	2006	2005	2004	2003
Total equity	2,365.1	1,975.3	1,601.0	802.3	1,018.1
Total assets	6,438.7	5,714.9	4,221.4	2,843.1	2,719.9
Equity ratio in per cent	**36.7**	**34.6**	**37.9**	**28.2**	**37.4**

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

33 PROVISIONS FOR PENSION PLANS AND SEVERANCE PAYMENTS

The Group maintains defined benefit pension plans predominantly in Germany, Benelux, USA and Switzerland as well as defined contribution plans in some other countries. Retirements 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, 2006	200.9	18.8	219.7
Addition through business combinations	3.2	23.5	26.7
Provisions made	22.6	9.0	31.6
Provisions used	–5.6	–9.9	–15.5
Effect of movements in foreign exchange	2.3	0.1	2.4
Balance as of December 31, 2006	**223.4**	**41.5**	**264.9**
Addition through business combinations	3.8	0.7	4.5
Provisions made	37.7	15.6	53.3
Provisions used	–17.9	–7.8	–25.7
Effect of movements in foreign exchange	7.6	1.1	8.7
Balance as of December 31, 2007	**254.6**	**51.1**	**305.7**

		2007			2006	
CHF million	Funded plans	Un-funded plans	Total	Funded plans	Un-funded plans	Total
Present value of obligations	110.1	235.4	345.5	108.1	219.9	328.0
Fair value of plan assets	–93.8	–	–93.8	–88.0	–	–88.0
Present value of net obligations	**16.3**	**235.4**	**251.7**	**20.1**	**219.9**	**240.0**
Unrecognised actuarial gains and losses	1.9	1.0	2.9	–3.6	–13.0	–16.6
Recognised liability for defined benefit obligations	**18.2**	**236.4**	**254.6**	**16.5**	**206.9**	**223.4**

	2007			2006		
CHF million	Funded plans	Un-funded plans	Total	Funded plans	Un-funded plans	Total
Pension plan assets						
Debt securities	42.5	–	42.5	34.6	–	34.6
Equity securities	26.8	–	26.8	24.4	–	24.4
Property	2.9	–	2.9	2.3	–	2.3
Others	21.6	–	21.6	26.7	–	26.7
Total	**93.8**	**–**	**93.8**	**88.0**	**–**	**88.0**
Movements of fair value of plan assets						
Opening fair value of plan assets	88.0	–	88.0	38.4	–	38.4
Contributions paid in to the plan	8.6	–	8.6	5.3	–	5.3
Actuarial gains/(losses)	–4.8	–	–4.8	–0.6	–	–0.6
Benefits paid by the plan	–0.8	–	–0.8	–1.4	–	–1.4
Expected return on plan assets	4.2	–	4.2	3.5	–	3.5
Cash inflow due to plan changes	0.1	–	0.1	45.6	–	45.6
Exchange differences	–1.5	–	–1.5	–2.8	–	–2.8
Closing fair value of plan assets	**93.8**	**–**	**93.8**	**88.0**	**–**	**88.0**
Expected payments to defined benefit plan in next year:	9.9	14.0	23.9	6.2	9.0	15.2
Movements of present value of defined benefit obligations						
Opening liability for defined benefit obligations	108.1	219.9	328.0	51.8	221.9	273.7
Liabilities assumed through business combinations	–	3.8	3.8	–	3.2	3.2
Current service costs	7.2	3.7	10.9	2.6	3.9	6.5
Interest costs	4.5	10.1	14.6	3.8	9.2	13.0
Benefits paid by the plan	–0.8	–9.2	–10.0	–2.1	–8.5	–10.6
Actuarial (gains)/losses	–7.3	–9.1	–16.4	–2.3	–9.7	–12.0
Amendments of plan at end of period	–	8.2	8.2	51.1	–	51.1
Exchange differences	–1.6	8.0	6.4	3.2	–0.1	3.1
Closing liability for defined benefit obligations	**110.1**	**235.4**	**345.5**	**108.1**	**219.9**	**328.0**

	2007			2006		
CHF million	Funded plans	Unfunded plans	Total	Funded plans	Unfunded plans	Total
Expense recognised in the income statement						
Current service costs	7.2	3.7	10.9	2.6	3.9	6.5
Interest costs	4.5	10.1	14.6	3.8	9.2	13.0
Expected return on plan assets	–4.2	–	–4.2	–3.5	–	–3.5
Past service cost	–	8.8	8.8	5.0	–	5.0
Actuarial (gains)/losses	2.7	4.9	7.6	1.4	0.2	1.6
Expense recognised in Personnel expenses (refer note 19)	**10.2**	**27.5**	**37.7**	**9.3**	**13.3**	**22.6**

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.

Principal actuarial assumptions at the balance sheet date:						
Discount rate in per cent	2.5–6.0	3.0–5.0	2.5–6.0	2.9–5.5	4.5–5.5	2.9–5.5
Expected rate of return on plan assets in per cent	2.0–5.0	2.0–5.1	2.0–5.2	2.0–4.0	2.0–4.0	2.0–4.0
Future salary increases in per cent	1.0–4.0	1.0–4.1	1.0–4.2	1.0–4.5	1.0–4.5	1.0–4.5
Future pension increases in per cent	1.0–3.0	1.0–3.1	1.0–3.2	1.0–3.0	1.0–3.0	1.0–3.0
Fluctuation rate in per cent	1.5–2.0	1.5–2.1	1.5–2.2	1.5–2.0	1.5–2.0	1.5–2.0

CHF million	2007 Funded plans	2007 Unfunded plans	2007 Total	2006 Funded plans	2006 Unfunded plans	2006 Total plans
Historical information						
Present value of the defined benefit plan obligation	110.1	235.4	345.5	108.1	219.9	328.0
Fair value of plan assets	93.8	–	93.8	88.0	–	88.0
Surplus (deficit) in the plan	–16.3	–235.4	–251.7	–20.1	–219.9	–240.0
Experience adjustment arising on plan liabilites	4.1	–2.3	1.8	5.9	–0.5	5.4
Experience adjustment arising on plan assets	3.3	–	3.3	–1.0	–	–1.0

34 EMPLOYEE SHARE PURCHASE AND OPTION PLAN

In 2001 Kuehne + Nagel International AG implemented an employee share purchase and option plan. This plan allows Group employees to acquire shares of the Company. The employees can buy shares with a small reduction of the actual share price. The price of the shares is 90–96.5 per cent of the share price corresponding to the average closing price of one share at the SWX Swiss Exchange during the months April to June. There are no vesting conditions. The shares are restricted for a period of three years before being released to the employees.

In addition, for each share purchased under this plan, the Company grants two options to the participants. Each option entitles the participant to purchase one share of Kuehne + Nagel International AG at a specified price. The exercise price is 100 per cent of the share price corresponding to the average closing price of one share at the SWX 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 upon which the shares will be granted, such as blocking periods. 302,995 number of shares were granted in 2007 (2006: 269,077).

in CHF per share	2007	2006
Fair value of shares granted at measurement date	**112.80**	**89.00**

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 (2007: CHF 2.4 million, 2006 CHF 1.7 million) with a corresponding increase in equity.

Options

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

Grant date	Exercise period	Number issued	Exercise price CHF	Number outstanding as of Dec. 31, 2007	Number outstanding as of Dec. 31, 2006
June 30, 2001	July 1, 2004–June 30, 2007	439,000	18.52	–	–
June 30, 2002	July 1, 2005–June 30, 2008	388,250	22.20	59,000	71,800
June 30, 2003	July 1, 2006–June 30, 2009	462,900	18.90	69,000	272,150
June 30, 2004	July 1, 2007–June 30, 2010	413,260	35.00	143,890	400,010
June 30, 2005	July 1, 2008–June 30, 2011	451,230	51.80	443,980	445,230
June 30, 2006	July 1, 2009–June 30, 2012	538,154	87.14	533,194	537,414
June 30, 2007	July 1, 2010–June 30, 2013	605,990	110.71	605,990	–
Total		**3,298,784**		**1,855,054**	**1,726,604**

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

	2007		2006	
	Weighted average exercise price (CHF)	Number of options	Weighted average exercise price (CHF)	Number of options
Options outstanding as of January 1,	**52.49**	**1,726,604**	**33.44**	**1,519,890**
Options granted during the year	110.71	605,990	87.14	538,154
Options cancelled during the year	66.19	–5,220	41.97	–19,990
Options exercised during the year	27.68	–472,320	20.06	–311,450
Options outstanding as of December 31,	**77.73**	**1,855,054**	**52.49**	**1,726,604**
Options exercisable as of December 31,		271,890		343,950

The weighted average contractual life of the options outstanding at December 31, 2007 is 4.2 years (2006: 4.1 years). The options outstanding at December 31, 2007 have an exercise price in the range of CHF 18.90 to CHF 110.71 (2006: CHF 18.52 to CHF 87.14).

CHF	2007	2006
Fair value of options granted at measurement date	35.92	28.22
Share price	112.80	89.00
Exercise price	110.71	87.14
Expected volatility in per cent	32.28	32.28
Option life	6 years	6 years
Dividend yield in per cent	1.37	1.37
Risk-free interest rate (based on Swiss government bonds) in per cent	3.07	2.93

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	2007	2006
Employee expenses		
Expense arising from employee share purchase	2.4	1.7
Expense arising from employee option plan	11.8	7.0
Total expense for employee share purchase and option plan	**14.2**	**8.7**

35 BANK LIABILITIES AND OTHER INTEREST BEARING LIABILITIES

CHF million	Dec. 31, 2007	Dec. 31, 2006
– Less than 1 year	84.6	291.1
– Between 1–5 years	71.2	54.8
– After 5 years	9.1	9.2
Total	**164.9**	**355.1**

The current bank and other interest bearing liabilities include the short-term portion of non-current loans of CHF 1.6 million (2006: CHF 7.8 million) and finance lease liabilities due for payment within one year of CHF 9.7 million (2006: CHF 11.1 million). Current bank and other interest bearing liabilities less than 1 year in the amount of CHF 84.6 million also include bank overdrafts, of which CHF 53.8 million (2006: CHF 171.1 million) is included in cash and cash equivalents for the purpose of the consolidated cash flow statement.

The majority of the loans and bank overdrafts are in the respective Group companies' own functional currencies which is in USD 28.5 per cent (2006: 62.0 per cent) and EUR 57.7 per cent (2006: 25.0 per cent) and are on the terms of prevailing market conditions. The majority of bank overdraft facilities are repayable on notice or within one year of contractual term. The applicable interest rates are at prime interest rates of the respective country. Long-term bank liabilities are repayable within the next 5 years with applicable fixed interest rates ranging from 3.6. to 7.0 per cent.

The non-current portion of finance lease liabilities amounts to CHF 42.0 million (2006: CHF 55.0 million) and is presented separately on the face of the balance sheet.

36 FINANCE LEASE OBLIGATIONS

	2007			2006		
CHF million	Payments	Interest	Principal	Payments	Interest	Principal
Between 2 and 5 years	46.4	4.4	42.0	60.6	12.4	48.2
After 5 years	–	–	–	7.2	0.4	6.8
Total	**46.4**	**4.4**	**42.0**	**67.8**	**12.8**	**55.0**

37 TRADE PAYABLES/ACCRUED TRADE EXPENSES/DEFERRED INCOME

	Dec. 31, 2007	Dec. 31, 2006
– Trade payables	1,328.6	1,110.7
– Accrued trade expenses	980.6	852.7
– Deferred income	143.4	98.4
Total	**2,452.6**	**2,061.8**

The majority of all trade payables are in the respective Group companies' own functional currencies of which is in USD 6.6 per cent (2006: 6.4 per cent), GBP 11.4 per cent (2006: 13.4 per cent) and EUR 57.0 per cent (2006: 55.4 per cent).

38 PROVISIONS

The movements for provisions were as follows:

CHF million	Claim provision [1]	Provision for deductible of transport liability insurance [2]	Other [3]	Total provision
Balance as of January 1, 2006	23.9	19.8	16.3	60.0
Additions through business combination	14.1	–	24.2	38.3
Provisions used	–14.4	–	–17.2	–31.6
Provisions reversed	–6.4	–2.8	–14.2	–23.4
Provisions made	12.5	6.3	33.8	52.6
Effect of movements in foreign exchange	0.5	–	–0.1	0.4
Balance as of December 31, 2006	**30.2**	**23.3**	**42.8**	**96.3**
Balance as of January 1, 2007	30.2	23.3	42.8	96.3
Additions through business combination	2.4	–	0.4	2.8
Provisions used	–10.8	–11.5	–8.7	–31.0
Provisions reversed	–8.1	–	–15.8	–23.9
Provisions made	20.8	16.8	15.6	53.2
Effect of movements in foreign exchange	0.2	–	1.0	1.2
Balance as of December 31, 2007	**34.7**	**28.6**	**35.3**	**98.6**

1 Some companies are involved in legal cases based on forwarding and logistic operations. Some legal cases have been settled in the reporting period, and corresponding payments have been made.

2 An additional provision for deductible transport liability has been recognised for the current year’s exposure.

3 Other provisions consist mainly of provisions for dilapidation costs amounting to CHF 14.3 million (2006: CHF 11.7 million) and of provisions for onerous contracts amounting to CHF 9.6 million (2006: CHF 10.5 million).

39 OTHER LIABILITIES

	Dec. 31, 2007	Dec. 31, 2006
– Personnel expenses (including social security)	373.1	318.4
– Other tax liabilities	72.7	71.2
– Other operating expenses	213.5	191.0
– Other	62.5	46.1
Total	**721.8**	**626.7**

40 SEGMENT REPORTING

Primary reporting

	Total		Seafreight		Airfreight	
CHF million	2007	2006	2007	2006	2007	2006
Invoiced turnover (external customers)	**20,975.0**	**18,194.1**	**9,641.5**	**8,305.8**	**3,719.2**	**3,386.4**
Invoiced inter-segment turnover	–	–	1,707.6	1,472.0	2,086.4	1,838.2
Customs duties and taxes	–3,855.1	–3,307.4	–2,729.9	–2,291.9	–641,4	–638.0
Net invoiced turnover	**17,119.9**	**14,886.7**	**8,619.2**	**7,485.9**	**5,164.2**	**4,586.6**
Net expenses for services from third parties	–11,106.1	–9,634.2	–7,348.8	–6,347.5	–4,466.6	–3,987.7
Gross profit	**6,013.8**	**5,252.5**	**1,270.4**	**1,138.4**	**697.6**	**598.9**
Total expenses	–5,002.0	–4,397.2	–845.8	–765.1	–479.7	–433.3
EBITDA	**1,011.8**	**855.3**	**424.6**	**373.3**	**217.9**	**165.6**
Depreciation of property, plant and equipment	–179.9	–151.0	–22.7	–17.8	–14.0	–6.0
Amortisation of other intangibles	–89.0	–97.2	–15.6	–10.3	–8.3	–8.5
Impairment of other intangibles	–26.3	–6.4	–	–	–	–
Impairment of goodwill	–31.0	–	–	–	–	–
EBIT	**685.6**	**600.7**	**386.3**	**345.2**	**195.6**	**151.1**
Financial income	26.6	18.5				
Financial expenses	–18.0	–22.9				
Result from joint ventures and associates	5.9	5.1	2.1	2.6	0.3	0.7
Earnings before tax (EBT)	**700.1**	**601.4**				
Income tax	–166.6	–142.2				
Earnings for the year	**533.5**	**459.2**				
Attributable to:						
Equity holders of the parent company	**531.2**	**458.3**				
Minority interest	2.3	0.9				
Earnings for the year	**533.5**	**459.2**				
Additional information						
Segment assets	6,438.7	5,714.9	1,334.5	1,088.3	622.1	674.9
Segment liabilities	4,073.6	3,739.6	1,220.2	953.5	521.5	518.0
Allocation of goodwill	638.9	604.3	5.2	–	2.2	–
Allocation of other intangibles	288.1	329.5	10.2	7.0	5.5	6.2
Capital expenditure property, plant and equipment	230.8	246.2	23.7	13.4	13.5	5.0
Capital expenditure other intangibles	27.0	18.5	10.1	3.8	5.9	6.5
Property, plant and equipment, goodwill and intangibles through business combinations	195.6	1,215.3	17.1	8.2	3.8	–
Non-cash expenses	120.9	84.2	17.3	16.1	9.4	8.0

Road & Rail Logistics		Contract Logistics		Real Estate		Insurance Brokers		Eliminations		Unallocated	
2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
2,820.5	**2,474.0**	**4,666.0**	**3,916.1**	**5.3**	**4.3**	**122.5**	**107.5**	**–**	**–**	**–**	**–**
678.4	474.9	243.3	211.7	99.3	100.6	60.0	42.8	–4,875.0	–4,140.2	–	–
–297.8	–261.1	–186.0	–116.4	–	–	–	–	–	–	–	–
3.201.1	**2,687.8**	**4,723.3**	**4,011.4**	**104.6**	**104.9**	**182.5**	**150.3**	**–4,875.0**	**–4,140.2**	**–**	**–**
–2.685.7	–2,229.6	–1,233.5	–992.7	–0.3	–	–146.9	–116.3	4,775.7	4,039.6	–	–
515.4	**458.2**	**3,489.8**	**3,018.7**	**104.3**	**104.9**	**35.6**	**34.0**	**–99.3**	**–100.6**	**–**	**–**
–482.6	–421.3	–3,247.8	–2,830.3	–26.5	–30.2	–18.9	–17.6	99.3	100.6	–	–
32.8	**36.9**	**242.0**	**188.4**	**77.8**	**74.7**	**16.7**	**16.4**	**–**	**–**	**–**	**–**
–14.0	–12.1	–98.8	–84.4	–30.1	–30.4	–0.3	–0.3	–	–	–	–
–18.8	–33.7	–40.1	–40.0	–4.9	–4.7	–1.3	–	–	–	–	–
–23.7	–6.4	–2.6	–	–	–	–	–	–	–	–	–
–31.0	–	–	–	–	–	–	–	–	–	–	–
–54.7	**–15.3**	**100.5**	**64.0**	**42.8**	**39.6**	**15.1**	**16.1**	**–**	**–**	**–**	**–**
1.1	1.2	2.4	0.5				0.1				
652.9	414.2	1,710.3	1,623.2	1,067.2	921.0	14.1	60.0	–	–	1,037.6	933.3
590.8	437.8	1,178.5	1,025.8	14.8	69.9	52.9	44.7	–	–	494.9	689.9
79.6	32.5	551.9	527.9	–	43.9	–	–	–	–	–	–
52.1	43.1	220.3	234.2	–	39.0	–	–	–	–	–	–
20.0	24.0	115.4	91.5	58.1	111.7	0.1	0.6		–		–
3.5	2.4	7.5	5.8	–	–	–	–	–	–	–	–
106.3	48.5	66.8	798.7	0.3	359.9	1.3	–	–	–	–	–
16.9	6.6	77.1	46.8	–	0.3	0.2	6.4	–	–	–	–

Secondary reporting

	Total		Europe		Americas	
CHF million	2007	2006	2007	2006	2007	2006
Invoiced turnover (external customers)	**20,975.0**	**18,194.1**	**14,128.0**	**12,091.6**	**3,957.5**	**3,601.2**
Invoiced inter-region turnover	–	–	2,858.0	2,335.6	688.4	594.1
Customs duties and taxes	–3,855.1	–3,307.4	–2,497.9	–2,049.9	–720.9	–692.0
Net invoiced turnover	**17,119.9**	**14,886.7**	**14,488.1**	**12,377.3**	**3,925.0**	**3,503.3**
Net expenses for services from third parties	–11,106.1	–9,634.2	–9,956.3	–8,453.6	–3,040.3	–2,679.3
Gross profit	**6,013.8**	**5,252.5**	**4,531.8**	**3,923.7**	**884.7**	**824.0**
Total expenses	–5,002.0	–4,397.2	–3,898.9	–3,394.4	–714.9	–670.3
EBITDA	**1,011.8**	**855.3**	**632.9**	**529.3**	**169.8**	**153.7**
Depreciation of property, plant and equipment	–179.9	–151.0	–142.5	–124.3	–21.3	–14.6
Amortisation of other intangibles	–89.0	–97.2	–83.6	–92.4	–3.2	–3.9
Impairment of other intangibles	–26.3	–6.4	–26.3	–6.4	–	–
Impairment of goodwill	–31.0	–	–31.0	–	–	–
EBIT	**685.6**	**600.7**	**349.5**	**306.2**	**145.3**	**135.2**
Financial income	26.6	18.5				
Financial expenses	–18.0	–22.9				
Result from joint ventures and associates	5.9	5.1	5.2	4.0		
Earnings before tax (EBT)	**700.1**	**601.4**				
Income tax	–166.6	–142.2				
Earnings for the year	**533.5**	**459.2**				
Attributable to:						
Equity holders of the parent company	**531.2**	**458.3**				
Minority interest	2.3	0.9				
Earnings for the year	**533.5**	**459.2**				
Additional information						
Segment assets	6,438.7	5,714.9	4,123.9	3,695.4	730.0	688.8
Segment liabilities	4,073.6	3,739.6	2,824.7	2,396.8	360.5	321.7
Allocation of goodwill	638.9	604.3	529.6	496.3	101.9	108.0
Allocation of other intangibles	288.1	329.5	276.6	325.2	7.4	4.3
Capital expenditure property, plant and equipment	230.8	246.2	149.6	188.7	28.0	37.8
Capital expenditure other intangibles	27.0	18.5	24.8	17.2	1.1	0.5
Property, plant and equipment, goodwill and intangibles through business combinations	195.6	1,215.3	175.9	1,213.0	6.3	2.3
Non-cash expenses	120.9	84.2	110.2	72.3	8.2	9.4

Asia Pacific		Middle East, Central Asia and Africa		Eliminations		Unallocated	
2007	2006	2007	2006	2007	2006	2007	2006
1,767.2	**1,541.2**	**1,122.3**	**960.1**	**–**	**–**	–	–
1,088.2	987.4	141.1	122.5	–4,775.7	–4,039.6	–	–
–197.8	–169.2	–438.5	–396.3	–	–	–	–
2,657.6	**2,359.4**	**824.9**	**686.3**	**–4,775.7**	**–4,039.6**	**–**	**–**
–2,202.4	–1,973.1	–682.8	–567.8	4,775.7	4,039.6	–	–
455.2	**386.3**	**142.1**	**118.5**	**–**	**–**	–	–
–275.4	–231.4	–112.8	–101.1	–	–	–	–
179.8	**154.9**	**29.3**	**17.4**	**–**	**–**	–	–
–11.0	–7.4	–5.1	–4.7	–	–	–	–
–1.0	–0.8	–1.2	–0.1	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
167.8	**146.7**	**23.0**	**12.6**	**–**	**–**	**–**	**–**
		0.7	1.1				
327.5	251.6	219.7	145.8	–	–	1,037.6	933.3
277.0	240.9	116.5	90.3	–	–	494.9	689.9
–	–	7.4	–	–	–	–	–
–	–	4.1	–	–	–	–	–
32.8	14.7	20.4	5.0	–	–	–	–
1.0	0.8	0.1	–	–	–	–	–
–	–	13.4	–	–	–	–	–
1.3	1.4	1.2	1.1	–	–	–	–

NOTES TO THE CASH FLOW STATEMENT

41 ACQUISITION OF BUSINESS

2007

During the year a number of subsidiaries were acquired (each individually not material, see note 4) which had the following effect on the Group's assets and liabilities:

	Acquisitions		
CHF million	Carrying amounts	Fair value adjustments	Recognised values
Property, plant and equipment	8.7	–2.5	6.2
Other intangibles	4.7	71.8	76.5
Other non-current assets	1.5	3.5	5.0
Trade receivables	44.3	–0.4	43.9
Other current assets	18.8	6.3	25.1
Acquired cash and cash equivalents, net	10.9	–	10.9
Subtotal assets	**88.9**	**78.7**	**167.6**
Trade payables	–31.6	–	–31.6
Other current liabilities	–17.0	–13.1	–30.1
Non-current liabilities	–9.4	–10.0	–19.4
Subtotal net identifiable assets and liabilities	**30.9**	**55.6**	**86.5**
Proportionate fair value of investment			–6.6
Goodwill			112.9
Total consideration			**192.8**
Contingent consideration			**–17.2**
Purchase price, paid in cash			**175.6**
Acquired cash and cash equivalents, net			–10.9
Net cash outflow			**164.7**

Effective January 1, 2007 Kuehne + Nagel International AG, Switzerland acquired the remaining 50 per cent of Orient Transport Comp. Ltd. (OTC), Saudi Arabia. The purchase price of CHF 13.5 million for the shares of OTC was paid in cash. Until the end of financial year 2006, OTC was a Joint Venture and accounted for under the equity method. As of January 1, 2007 the shares of OTC are consolidated by the full consolidation method. Various book of businesses were acquired from seafreight forwarders in Slovenia, Norway and USA, and a warehouse operator in Colombia. The purchase price for all these acquisitions amounted to CHF 18.4 million of which CHF 7.0 million was paid in cash.

Effective December 13 and 27, 2007 respectively the G.L. Kayser Group and the Cordes & Simon Group have been acquired and both are consolidated. The purchase price for 100 per cent of the shares of G.L. Kayser amounts to CHF 75 million (paid in cash) and for Cordes & Simon to CHF 85.9 million (of which CHF 80.1 million paid in cash and CHF 5.8 million recognised as contingent consideration).

All acquisitions contributed CHF 3.3 million of loss to the consolidated earnings in 2007. If all the acquisitions had occurred on January 1, 2007 Group invoiced turnover would have been CHF 21,296.4 million and earnings for the year would have been CHF 529.2 million.

In 2007 goodwill of CHF 112.9 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.

The initial accounting of the acquisitions made in December 2007 were only determined provisionally.

In the 2007 interim condensed consolidated financial statements, the initial accounting for the acquisitions made in the first half of 2007 was only determined provisionally. No material adjustments to these values were deemed necessary after having finalized the purchase accounting in the second half of the year.

2006

In 2006 a number of subsidiaries were acquired (see note 4) which had the following effect on the Group's assets and liabilities:

	ACR			Other acquisitions			
CHF million	Carrying amounts	Fair value adjust-ments	Recognised values	Carrying amounts	Fair value adjust-ments	Recognised values	Total
Property, plant and equipment	435.8	–56.7	379.1	30.0	7.6	37.6	416.7
Other intangibles	4.9	295.1	300.0	8.8	27.5	36.3	336.3
Other non-current assets	3.4	21.4	24.8	3.8	–	3.8	28.6
Trade receivables	332.4	–19.7	312.7	38.5	–	38.5	351.2
Other current assets	89.8	5.4	95.2	6.5	–	6.5	101.7
Acquired cash and cash equivalents	86.7	–0.6	86.1	–8.3	–	–8.3	77.8
Subtotal assets	**953.0**	**244.9**	**1,197.9**	**79.3**	**35.1**	**114.4**	**1,312.3**
Trade payables	–289.9	6.4	–283.5	–22.8	–	–22.8	–306.3
Other current liabilities	–327.5	–32.5	–360.0	–4.9		–4.9	–364.9
Non-current liabilities	–206.6	–107.3	–313.9	–4.6	–9.9	–14.5	–328.4
Subtotal net identifiable assets and liabilities	**129.0**	**111.5**	**240.5**	**47.0**	**25.2**	**72.2**	**312.7**
Previous carrying amount of investment	–	–	–	–	–	–15.4	–15.4
Goodwill	–	–	448.3	–	–	14.0	462.3
Total consideration	**–**	**–**	**688.8**	**–**	**–**	**70.8**	**759.6**
Contingent consideration	**–**	**–**	**–**	**–**	**–**	**–26.4**	**–26.4**
Purchase price paid in cash	**–**	**–**	**688.8**	**–**	**–**	**44.4**	**733.2**
Acquired cash and cash equivalents	–	–	–86.1	–	–	8.3	–77.8
Net cash outflow	**–**	**–**	**602.7**	**–**	**–**	**52.7**	**655.4**

Effective as of January 1, 2006 Kuehne + Nagel International AG, Switzerland, acquired 100 per cent of the shares of ACR Logistics Holdings B.V. (ACR). ACR is consolidated as per January 1, 2006. The purchase price of CHF 688.8 million for the shares of ACR was paid in cash. ACR contributed CHF 37.8 million of profit to the consolidated earnings in 2006.

Effective as of January 1, 2006, the Group also acquired the remaining 50 per cent of the shares of Arion Real Estate & Commercial S.A. and 100 per cent of the shares of Transport Invest AG for the total amount of CHF 52.5 million, partly paid in cash and partly as contingent consideration (based on best estimate). Furthermore, the book of business was acquired of an overland operation in Estonia for the amount of CHF 4.1 million. In June 2006, the book of business and other assets of Deus, Oldenburg, Germany, was acquired for an amount of CHF 11.7 million in cash. Effective as of November 7, 2006, 100 per cent of the shares of a forwarder in Costa Rica was bought for the amount of CHF 2.5 million (of which contingent consideration CHF 1.4 million). These acquisitions contributed CHF 12.1 million of loss to the consolidated earnings in 2006.

If all the acquisitions had occurred on January 1, 2006 Group invoiced turnover would have been CHF 18,211.0 million and earnings for the year would have been CHF 458.3 million.

In 2006 goodwill arose on the acquisition of the ACR Group (CHF 448.3 million) and the other companies (CHF 14.0 million) because certain intangible assets did not meet the IFRS 3 criteria for recognition as intangible assets at the date of acquisition. For ACR, these assets are mainly management expertise, workforce and geographic presence. For the other companies, these assets are mainly management expertise, distribution channels and geographic presence.

In the 2006 interim condensed consolidated financial statements, the initial accounting for the acquisitions made in the first half of 2006 was only determined provisionally. No material adjustments to these values were deemed necessary after having finalized the purchase accounting in the second half of the year.

OTHER NOTES

42 PERSONNEL

Number	Dec. 31, 2007	Dec. 31, 2006
Europe	36,604	33,473
Americas	6,624	6,169
Asia Pacific	5,771	4,828
Middle East, Central Asia and Africa	2,076	1,820
Total personnel (unaudited)	**51,075**	**46,290**
Full time equivalent	**58,060**	**52,177**

43 CONTINGENT LIABILITIES

As of year end the following contingent liabilities existed:

CHF million	Dec. 31, 2007	Dec. 31, 2006
Guarantees in favour of clients and others	35.0	28.0
Contingency under unrecorded claims	2.8	1.8
Total	**37.8**	**29.8**

Some Kuehne + Nagel companies are defendants in various court cases. Based on respective legal advice, the management is of the opinion that the outcome of those proceedings will have no effect on the financial situation of the Kuehne + Nagel Group beyond the existing provision for pending claims (refer to note 38) of CHF 34.7 million (2006: CHF 30.2 million).

In October 2007 various competition authorities have carried out an inspection at a number of international freight forwarding companies. The inspection encompassed amongst others Kuehne + Nagel in Switzerland, in the USA, and in the UK. The investigation relates to alleged anti-competitive activities in the area of international freight forwarding. The company views any form of competition violation very seriously and ensures full cooperation with all involved authorities in this matter. The proceedings are still pending and no further information has been received by the respective authorities. No provisions were recognised in the consolidated financial statements 2007.

44 OTHER FINANCIAL COMMITMENTS

As of year end the following financial commitments existed in respect of non-cancellable long-term operating leases and rental contracts.

As of Dec 31, 2007

CHF million	Properties and buildings	Operation and office equipment	Total
2008	301.8	63.1	364.9
2009–2012	692.3	97.4	789.7
Later	236.2	0.5	236.7
Total	**1,230.3**	**161.0**	**1,391.3**

The Group leases a number of warehouse facilities under operating leases. The leases run for a fixed period and none of the leases includes contingent rentals.

As of Dec 31, 2006

CHF million	Properties and buildings	Operation and office equipment	Total
2007	275.7	155.2	430.9
2008–2011	580.3	175.9	756.2
Later	342.8	5.9	348.7
Total	**1,198.8**	**337.0**	**1,535.8**

45 CAPITAL COMMITMENTS

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

CHF million	Dec. 31, 2007	Dec. 31, 2006
Australia	–	11.7
Great Britain	0.9	2.1
UAE	11.5	–
Other	0.2	0.4
Total	**12.6**	**14.2**

46 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to various financial risks arising from its underlying operations and corporate finance activities. The Group is primarily exposed to market risk (i.e. interest rate and currency risk) and to credit and liquidity risk.

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

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

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates risk will affect the Group's income or the value of its holdings of financial instruments.

Interest rate risk

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

Exposure

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

The Group's exposure to interest rate risk relates primarily to the Group's bank loans and finance lease liabilities, and to a limited extent, to the Group's investments of its excess cash. The Group does not use derivative financial instruments to hedge its interest rate risk in respect of investments of excess cash or loans.

Profile

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

	Carrying amount	
CHF million	2007	2006
Fixed rate instruments		
Cash and cash equivalents	–	–
Current bank and other interest bearing liabilities	–10.4	–11.7
Non-current bank liabilities and finance lease obligations	–114.4	–103.8
Total	**–124.8**	**–115.5**
Variable rate instruments		
Cash and cash equivalents	865.4	771.3
Current bank and other interest bearing liabilities	–74.2	–279.4
Non-current bank liabilities	–7.9	–15.2
Total	**783.3**	**476.7**

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 7.8 million (2006: CHF 4.8 million) due to changed interest payments on variable rate interest bearing liabilities. The analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

The Group does not designate derivatives (interest rate swaps) as hedging instruments under the cash flow hedge accounting model or has any securities classified as available for sale. Therefore, a change in interest rates at the reporting date would not affect equity.

Fair value sensitivity analysis – fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under the fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss. A change would also not have an impact on equity as the Group does not have any securities classified as available for sale.

Currency risk

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

Exposure

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

Derivative financial instruments (foreign exchange contracts) are in use to hedge the foreign exchange exposure on outstanding balances in the Group's internal clearing system, centralized at the head office. Given that the Group's hedging activities are limited to hedges of recognized foreign currency monetary items, hedge accounting under IAS 39 is not applied. As of year-end, there were no material derivative instruments outstanding. Forecast transactions are not hedged. Likewise, investments in foreign subsidiaries are not hedged as those currency positions are considered to be long-term in nature.

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

	2007			2006		
CHF million	EUR	USD	GBP	EUR	USD	GBP
Cash and cash equivalents	141.7	67.3	1.0	108.0	53.0	0.8
Trade receivables	58.5	211.0	2.2	43.2	180.0	1.0
Interest bearing liabilities	–10.8	–0.2	–	–0.5	–0.6	–
Trade payables	–37.7	–66.0	–2.3	–32.0	–57.0	–0.2
Gross balance sheet exposure	**151.7**	**212.1**	**0.9**	**118.7**	**175.4**	**1.6**

The majority of all trade related billings and payments as well as payments of interest bearing liabilities are done in the respective functional currencies of the Group entities which would mainly be in EUR, USD and GBP.

Sensitivity analysis

A 10 per cent strengthening of the CHF against the following currencies on December 31 would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

2007

CHF million	1 CHF/£	1CHF/$	1 CHF/EUR	1 £/$	1 £/EUR	1 $/EUR
Reasonably possible change +/– in per cent	10.0	10.0	10.0	10.0	10.0	10.0
Positive effect on P/L	–	21.2	15.2	9.3	6.6	13.1
Negative effect on P/L	–	–21.2	–15.2	–9.3	–6.6	–13.1

A 10 per cent weakening of the CHF against the above currencies on December 31 would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

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 interest bearing liabilities in foreign currencies. There would not be an impact on equity as the Group does not have any securities classified as available for sale or applies cash flow hedge accounting.

2006

CHF million	1 CHF/£	1CHF/$	1 CHF/EUR	1 £/$	1 £/EUR	1 $/EUR
Reasonably possible change +/– in per cent	10.0	10.0	10.0	10.0	10.0	10.0
Positive effect on P/L	–	17.5	11.9	7.3	5.0	9.7
Negative effect on P/L	–	–17.5	–11.9	–7.3	–5.0	–9.7

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 of any collateral held or other credit enhancements was:

CHF million	2007	2006
Trade receivables	2,537.3	2,162.3
Other receivables	164.7	123.2
Cash and cash equivalents	865.4	771.3
Total	**3,567.4**	**3,056.8**

Trade receivables

Trade receivables are subject to a policy of active risk management which focuses on the assessment of country risk, credit availability, ongoing credit evaluation and account monitoring procedures. There are no significant concentrations of credit risk due to the Group's large number of customers and their wide geographical spread. For some credit exposures in critical countries, the Group has obtained credit insurance (for further details refer to note 29).

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

CHF million	2007	2006
Europe	1,762.3	1,493.3
Americas	412.7	384.6
Asia Pacific	228.2	185.3
Middle East, Central Asia and Africa	134.1	99.1
Total	**2,537.3**	**2,162.3**

It is considered that the credit insurance is sufficient to cover potential credit risk concentrations (for additional information refer to note 29).

Investments of excess cash

The Group considers its credit risk to be minimal in respect of investments made of excess cash as excess cash is invested in short-term deposits (with a maturity of less than 3 months) with first class financial institutions with the close coordination and management of Centralised Corporate Treasury function. The Group does not invest in equity securities.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

Group companies require sufficient availability of cash to meet their obligations. Individual companies are generally responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover cash deficits subject to guidance by the Group and, in certain cases, to approval at Group level. The Group maintains sufficient reserves of cash to meet is liquidity requirements at all times. In addition, the strong international creditworthiness of the Group provides the ability to efficiently use international capital markets for financing purposes.

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

2007

CHF million	Carrying amounts	Contractual cash flows	Up to 6 months	6–12 months	Over 1 year
Bank and other interest bearing liabilities	84.6	88.8	84.0	4.8	–
Trade payable	1,328.6	1,328.6	1,328.6	–	–
Other liabilites	721.8	721.8	721.8	–	–
Bank liabilities (non current)	80.3	84.3	–	–	84.3
Finance lease obligation	42.0	46.4	–	–	46.4
Exposure	**2,257.3**	**2,269.9**	**2,134.4**	**4.8**	**130.7**

2006

CHF million	Carrying amounts	Contractual cash flows	Up to 6 months	6–12 months	Over 1 year
Bank and other interest bearing liabilities	291.1	305.6	298.9	6.7	–
Trade payable	1,110.7	1,110.7	1,110.7	–	–
Other liabilites	626.7	626.7	626.7	–	–
Bank liabilities (non-current)	64.0	67.2	–	–	67.2
Finance lease obligation	55.0	67.8	–	–	67.8
Exposure	**2,147.5**	**2,178.0**	**2,036.3**	**6.7**	**135.0**

47 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 865.4 million (2006: CHF 771.3 million) as well as financial assets with a carrying amount of CHF 2,702.0 million (2006: CHF 2,285.5 million) classified as loans and receivables and carried at amortised cost, are all classified as current assets.

The Group has financial liabilities with a carrying amount of CHF 2,257.3 million (2006: CHF 2,147.5 million) carried at amortised cost. The majority of these financial liabilities are current liabilities.

The fair values of non-current fixed rate interest bearing loans and other liabilities are not materially different from their carrying amounts. The fair value of non-current fixed rate interest bearing loans and other liabilities is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases, the market rate of interest is determined by reference to similar agreements.

48 RELATED PARTY TRANSACTIONS

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

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

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

The total remuneration paid to and accrued for the members of the Board of Directors and the Management Board of Kuehne + Nagel International AG, Schindellegi, Switzerland amounted in 2007 to:
– Management Board, CHF 18.9 million
– Board of Directors, CHF 2.1 million

As of December 31, 2007 no loans or any other commitments were outstanding towards members of the Board of Directors nor of the Management Board. Members of the Board and the Management Board control 57.1 per cent (2006: 57.7 per cent) of the voting shares of the Company.

Following compensation has been paid to and accrued for key management personnel by category:

	Management Board		Board of Directors*	
CHF million	2007	2006	2007	2006
Wages, salaries and other short-term employee benefits	16.4	13.0	2.1	1.6
Post-employment benefits	0.6	0.4	–	–
Equity compensation benefits	1.9	1.3	–	–
Total key management compensation	**18.9**	**14.7**	**2.1**	**1.6**

* Includes payment of CHF 0.4 million (2006: CHF 0.3 million) for services provided by members of the Board of Directors.

Refer to pages 161 to 165, note 13 Remuneration Report of the financial statements of Kuehne + Nagel International AG for the new disclosure requirements according to Swiss law (OR 663 b/c). For other related parties refer to note 32 outlining shareholder's structure, and pages 147 to 153 listing the Group's significant subsidiaries and joint ventures.

49 POST BALANCE SHEET EVENTS

On March 1, 2008 the Group has entered into an agreement to sell 22 contract logistics assets. Under the terms and conditions it is foreseen to sell and lease back properties with an average operating lease period of approximately 5 years. The combined portfolio is spread over five European countries with ten assets in Germany and nine in France and one each in Spain, Belgium and Austria. The expected sale proceed is around EUR 220 million and will be received in the first half year of 2008.

There have been no other material events between December 31, 2007, and the date of authorisation that would require adjustments of the consolidated financial statements

50 ACCOUNTING ESTIMATES AND JUDGMENTS

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

Purchase accounting

Intangible assets acquired in a business combination are required to be recognised separately from goodwill and amortised over their useful life if they are subject to contractual or legal rights or are separately transferable and their fair value can be reliably estimated. The Group has separately identified from goodwill recognised customer lists, customer contracts and extended geographical logistic networks based on contractual agreements in the acquisitions made in 2006 and 2007 (see note 26).

The fair value of these acquired intangible assets is based on valuation techniques. The valuation models require input based on assumptions about the future. The management uses its best knowledge to estimate fair value of acquired intangible assets of acquisition date. The value of intangible assets is tested for impairment when there is an indication that they might be impaired (see below). The management must also make assumptions about the useful life of the acquired intangible assets which might be effected by factors such as increased competition.

Carrying amount of goodwill, other intangibles and property, plant and equipment

The Group tests its goodwill with a total carrying amount of CHF 638.9 million for impairment every year as disclosed in note 10. An impairment loss on goodwill of CHF 31.0 million was recognized in 2007 (2006: none). The Group also assesses annually whether there are any indicators that other intangible assets (as well as property, plant and equipment) are impaired. In such a case, the assets are tested for impairment. An impairment loss on other intangible assets of CHF 26.3 million was recognised in 2007 (2006: CHF 6.4 million). The carrying amount of other intangibles is CHF 288.1 million (2006: 329.5 million), and of property, plant and equipment CHF 1,020.8 million (2006: 1,189.4 million) excluding assets held for sale.

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

Accrued trade expenses and deferred income

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

Income tax

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

The Group has recognised a deferred net tax liability of CHF 1.5 million (2006: CHF 24.9 million). The Group also has unrecognised deferred tax assets relating to tax losses and deductible temporary differences of CHF 129.1 million (2006: CHF 138.9 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 criterias to recognise deferred tax assets are met (see note 23).

51 RESOLUTION OF THE BOARD OF DIRECTORS

The consolidated financial statements of the Kuehne + Nagel Group were authorised for issue by the Board of Directors on March 3, 2008. A resolution to approve the consolidated financial statements will be proposed at the Annual General Meeting of shareholders on April 30, 2008.

REPORT OF THE GROUP AUDITORS TO THE ANNUAL GENERAL MEETING OF KUEHNE + NAGEL INTERNATIONAL AG, SCHINDELLEGI, SWITZERLAND

As group auditors we have audited the consolidated financial statements (consisting of the consolidated income statement, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and the notes to the consolidated financial statements on pages 84 to 145) of Kuehne + Nagel International AG for the year ending December 31, 2007.

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards, and with the International Standards on Auditing (ISA) which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. On a test basis, we have examined, evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made, and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

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

KPMG Ltd

Günter Haag	**Roger Neininger**
	Auditor in Charge

Zurich, March 3, 2008

SIGNIFICANT SUBSIDIARIES AND JOINT VENTURES*

HOLDING AND MANAGEMENT COMPANIES

Country	Name of the company	Location		Share capital (in 1,000)	KN share (in per cent)
Switzerland	Kuehne + Nagel International AG	Schindellegi	CHF	120.000	100
	Kuehne + Nagel Management AG	Schindellegi	CHF	1.000	100
	Kuehne + Nagel Internationale Transporte AG	Schindellegi	CHF	750	100
	Kuehne + Nagel Liegenschaften AG	Schindellegi	CHF	500	100
	Kuehne + Nagel Treasury AG	Schindellegi	CHF	1.500	100
	Nacora Holding AG	Schindellegi	CHF	500	100
	Nacora Agencies AG	Schindellegi	CHF	400	100
	Kuehne + Nagel Asia Pacific Holding AG	Schindellegi	CHF	2.500	100
	Kuehne + Nagel Real Estate Holding AG	Schindellegi	CHF	100	100

OPERATING COMPANIES

SOUTH WEST EUROPE

Country	Name of the company	Location		Share capital (in 1,000)	KN share (in per cent)
Belgium	Kuehne + Nagel NV	Antwerp	EUR	6,337	100
	Kuehne + Nagel Logistics NV	Geel	EUR	5,206	100
	Nacora Insurance Brokers NV	Brussels	EUR	155	100
	Logistics Kontich BVBA	Kontich	EUR	50	100
	Logistics Ternat BVBA	Ternat	EUR	50	100
	Logistics Nivelles NV	Nivelles	EUR	1,521	100
France	Kuehne + Nagel Logistics SASU	Ferrières	EUR	17,380	100
	Kuehne + Nagel Immobilier SCI	Ferrières	EUR	4	100
	Villenave Tassigny SCI	Ferrières	EUR	2	100
	Kuehne + Nagel Parts SASU	Trappes	EUR	88	100
	Transp Distr Prod Frais SAS	Ferrières	EUR	46	100
	Log Distr Sous Froid SAS	Ferrières	EUR	153	100
	Log Sous Froid du Bordelais SASU	Ferrières	EUR	37	100
	Lion France Holdings SASU	Paris	EUR	37	100
	Kuehne + Nagel DSIA France SAS	Nantes	EUR	360	100
	Kuehne + Nagel Management SASU	Ferrières	EUR	570	100
	Nacora France SAS	Paris	EUR	40	100
	SLGO Sociète Logistique du Grand Ouest	Ferrières	EUR	37	100
	Logistique Distribution de Gasocogne SASU	Ferrières	EUR	37	100
	Societe Logistique du Nord Parisien	Paris	EUR	37	100
	Kuehne + Nagel Participations SARL	Paris	EUR	5,300	100
Italy	Kuehne + Nagel Srl	Milan	EUR	4,589	100
	European Brokers S.p.A.	Milan	EUR	73	70

Country	Name of the company	Location		Share capital (in 1,000)	KN share (in per cent)
Luxembourg	Kuehne + Nagel S.a.r.l.	Luxembourg	EUR	5,750	100
	Kuehne + Nagel AG	Luxembourg	EUR	31	100
	Kuehne + Nagel Investments S.a.r.l.	Luxembourg	EUR	200	100
Malta	Kuehne + Nagel Malta Ltd.	Hamrun	MTL	6	100
Portugal	Kuehne + Nagel Lda.	Porto	EUR	165	100
Spain	Kuehne + Nagel S.A.	Madrid	EUR	60	100
	Nacora Correduria de Seguros S.A.	Barcelona	EUR	150	100
	Kuehne + Nagel Investments SL	Madrid	EUR	3	100
	Lion Spanish Iberia SL	Madrid	EUR	3	100
	Kuehne + Nagel Network SL	Madrid	EUR	60	100

NORTH WEST EUROPE

Country	Name of the company	Location		Share capital (in 1,000)	KN share (in per cent)
Denmark	Kuehne + Nagel A/S	Copenhagen	DKK	5,200	100
	Kuehne + Nagel Holding A/S	Copenhagen	DKK	750	100
Finland	OY Kuehne + Nagel Ltd.	Helsinki	EUR	200	100
Ireland	Kuehne + Nagel (Ireland) Ltd.	Dublin	EUR	500	100
Norway	Kuehne + Nagel AS	Oslo	NOK	3,100	100
Sweden	Kuehne + Nagel A/B	Stockholm	SEK	500	100
	Kuehne + Nagel Investment A/B	Stockholm	EUR	112	100
	Nacora Assurans Finans Service AB	Stockholm	SEK	100	100
United Kingdom	Kuehne + Nagel (UK) Ltd.	London	EUR	8,000	100
	Kuehne + Nagel Ltd.	London	GBP	8,867	100
	Nacora Insurance Brokers Ltd.	London	GBP	150	100
	Lion UK Holdings Ltd.	London	GBP	–	100
	Kuehne + Nagel (2006) Ltd.	London	GBP	4,000	100
	Kuehne + Nagel Drinks Logistics Ltd.	London	GBP	–	100
	*Kuehne + Nagel Drinkflow Logistics Ltd.	London	GBP	877	50
	*Kuehne + Nagel Drinkflow Logistics (Holdings) Ltd.	London	GBP	6,123	50
	*Kuehne + Nagel Drinkflow Asset Control Ltd.	London	GBP	–	50

CENTRAL EUROPE

Country	Name of the company	Location		Share capital (in 1,000)	KN share (in per cent)
Germany	Kuehne + Nagel (AG & Co.) KG	Bremen	EUR	15,000	100
	G.L. Kayser GmbH & Co. KG	Mainz	EUR	1,600	100
	G.L. Kayser Airfreight Services GmbH	Frankfurt	EUR	103	100
	G.L. Kayser Verwaltungs GmbH	Mainz	EUR	26	100
	G.L. Kayser Contr. Logistics GmbH	Mainz	EUR	26	100
	European Distribution Services GmbH	Mainz	EUR	30	60
	Pracht Spedition + Logistik GmbH & Co. KG	Haiger	EUR	7,700	100
	Kuehne + Nagel Airlift GmbH	Frankfurt	EUR	256	100
	Stute Verkehrs GmbH	Bremen	EUR	1,023	100
	*CS Parts GmbH	Bremen	EUR	426	50
	Kuehne + Nagel Euroshipping GmbH	Regensburg	EUR	256	51
	Pact GmbH	Hamburg	EUR	50	100
	Sachsenwald Betilgungs- und Verwaltungskontor GmbH	Mainz	EUR	26	100
	SPS Zweite Vermögensverwaltungs GmbH	Hamburg	EUR	25	90
	Cargopack Verpackungsgesellschaft für Industrigüter GmbH	Bremen	EUR	307	100
	Gebr. Mönkemöller GmbH & Co. KG	Bielefeld	EUR	827	100
	Gebr. Mönkemöller GmbH	Bielefeld	EUR	26	100
	Gebr. Mönkemöller GmbH	Dietzenbach	EUR	26	100
	VR Leasing Mandor GmbH & Co.	Bocholt	EUR	3	94
	Cordes & Simon GmbH	Freiberg	EUR	51	100
	Deutscher Paketd. Cordes & Simon GmbH	Villingen-Schwenningen	EUR	41	100
	Cordes & Simon GmbH & Co. KG	Hagen	EUR	3,244	100
	Cordes & Simon Logistik GmbH & Co. KG	Hagen	EUR	46	100
	Cordes & Simon Verwaltungs GmbH	Hagen	EUR	26	100
	Cordes & Simon GmbH – EAST Germany	Mittenwalde	EUR	511	100
	Cordes & Simon Systemverkehre GmbH	Hagen	EUR	26	100
	Kuehne + Nagel Beteiligungs-AG	Bremen	EUR	10,277	100
	Nacora Versicherungsmakler GmbH	Hamburg	EUR	79	100
	Gustav F. Hübener GmbH	Hamburg	EUR	31	100
	Kuehne + Nagel Logistics Germany GmbH	Langenau	EUR	25	100
Liechtenstein	Transport Invest AG	Vaduz	CHF	930	100
The Netherlands	Kuehne + Nagel N.V.	Rotterdam	EUR	3,313	100
	Nether Cargo Services B.V.	Amsterdam	EUR	18	100
	Kuehne + Nagel Investments B.V.	Rotterdam	EUR	50	100
	Nacora Assurantiekantoor B.V.	Rotterdam	EUR	45	100
	Kuehne + Nagel Logistics B.V.	Rotterdam	EUR	25	100
Switzerland	Kuehne + Nagel AG	Embrach	CHF	3,000	100
	Nacora Insurance Brokers AG	Embrach	CHF	100	100

EASTERN EUROPE

Country	Name of the company	Location		Share capital (in 1,000)	KN share (in per cent)
Albania	Transalbania Ltd.	Tirana	ALL	9,300	51
Austria	Kuehne + Nagel Speditions AG	Vienna	EUR	1,090	100
	Kuehne + Nagel Ges.m.b.H.	Vienna	EUR	1,820	100
Bosnia and Herzegovina	Kuehne + Nagel doo	Sarajevo	BAM	97.8	100
Bulgaria	Kuehne + Nagel EOOD	Sofia	BGN	365	100
Croatia	Kuehne + Nagel d.o.o.	Zagreb	HRK	4,300	100
Cyprus	Nakufreight Ltd.	Nicosia	CYP	10	100
Czech Republic	Kuehne + Nagel spol. s.r.o.	Prague	CZK	21,000	100
Estonia	Kuehne + Nagel AS	Tallinn	EEK	808	100
Greece	Arion Real Estate & Commercial S.A	Athens	EUR	411	100
	Sindos S.A. Warehousing & Logistics	Thessaloniki	EUR	5,976	100
	*Sindos Railcontainer Services S.A.	Thessaloniki	EUR	6,075	50
	Kuehne + Nagel Hellas S.A.	Athens	EUR	611	100
	Nacora Brokins International S.A.	Athens	EUR	60	60
	Proodos S.A. Hellenic & International Transport Company	Athens	EUR	3,900	100
Hungary	Kuehne + Nagel Kft.	Budapest	HUF	134,600	100
Latvia	Kuehne + Nagel Latvia SIA	Riga	LVL	100	100
Lithuania	Kuehne & Nagel UAB	Vilnius	LTL	800	100
Macedonia	Kuehne + Nagel d.o.o.e.l.	Skopje	MKD	8,232	100
Poland	Kuehne + Nagel Poland sp.z.o.o.	Poznan	PLN	18,350	100
	Kuehne + Nagel sp.z.o.o.	Warsaw	PLN	65,925	100
Romania	Kuehne + Nagel SRL	Bucharest	RON	100	100
Russia	ZAO Kuehne + Nagel	Moscow	RUR	274	100
	OOO Kuehne + Nagel	Moscow	RUR	471,467	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	SKK	14,150	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		Share capital (in 1,000)	KN share (in per cent)
Canada	Kuehne + Nagel Canada Holding Inc.	Toronto	CAD	2,910	100
	Kuehne + Nagel Ltd.	Toronto	CAD	8,022	100
	Kuehne + Nagel Logistics Inc	Toronto	CAD	–	100
	Nacora Insurance Brokers Ltd.	Toronto	CAD	–	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
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
	KN Special Logistics Inc.	Dulles	USD	30	100
	Kuehne + Nagel Real Estate USA, Inc.	Jersey City	USD	–	100

SOUTH AMERICA

Country	Name of the company	Location		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
Bermuda	Kuehne + Nagel Ltd.	Hamilton	EUR	12	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	344	100
	Kuehne + Nagel Armazéns Gerais Ltda.	Sao Paulo	BRL	100	100
	Kuehne + Nagel Aduaneiras Ltda.	Sao Paulo	BRL	900	100
Chile	Kuehne + Nagel Ltda.	Santiago	CLP	575,000	100
Colombia	Kuehne + Nagel S.A.	Bogotá	COP	1,200,000	100
	KN Colombia Aduana Sia S.A	Bogotá	COP	595,000	100
Costa Rica	Flete Caribe S.A.	San Jose	CRC	25,400	100
	Kuehne + Nagel S.A.	San Jose	CRC	441,200	100
El Salvador	Kuehne + Nagel S.A. de C.V.	San Salvador	USD	69	100
Ecuador	Kuehne + Nagel S.A.	Quito	USD	7	100
Guatemala	Kuehne + Nagel S.A.	Guatemala	GTQ	291	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
Peru	Kuehne + Nagel S.A.	Lima	PEN	481	100
	KN Peru Aduanas S.A	Lima	PEN	173	100
Uruguay	Kuehne + Nagel S.A.	Montevideo	UYU	3,908	100
	Kuehne + Nagle Logistics S.A.	Montevideo	UYU	360	100
Venezuela	Kuehne + Nagel S.A.	Caracas	VEB	1,000,000	100
	KN Venezuela Aduanas C.A.	Caracas	VEB	2,000	100
Trinidad & Tabago	Kuehne + Nagel Ltd.	Port of Spain	TTD	31	100

ASIA PACIFIC

Country	Name of the company	Location		Share capital (in 1,000)	KN share (in per cent)
Australia	Kuehne + Nagel Pty Ltd.	Melbourne	AUD	2,900	100
	Nacora Insurance Brokers Pty Ltd	Melbourne	AUD	300	100
Bangladesh	Kuehne + Nagel Ltd.	Dhaka	BDT	10,000	100
Cambodia	Kuehne + Nagel Ltd.	Phnom Penh	USD	5	100
China	Kuehne + Nagel Ltd.	Shanghai	CNY	17,070	100
	Kuehne + Nagel Logistics Ltd.	Shanghai	CNY	1,654	100
	Kuehne + Nagel Information Center Ltd.	Guangzhou	CNY	1,008	100
	Kuehne + Nagel Ltd.	Hong Kong	HKD	1,560	100
	Kuehne + Nagel (Asia Pacific) Management Ltd.	Hong Kong	HKD	100	100
	Transpac Container System Ltd.	Hong Kong	HKD	100	100
	Nacora Insurance Brokers Ltd.	Hong Kong	HKD	500	70
India	Kuehne + Nagel Pvt. Ltd.	New Delhi	INR	40,000	100
Indonesia	PT. K + N – Sigma Trans	Jakarta	IDR	865,000	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
Malaysia	Kuehne + Nagel Sdn. Bhd.	Kuala Lumpur	MYR	1,521	100
	Nacora (Malaysia) Sdn. Bhd.	Kuala Lumpur	MYR	100	100
New Zealand	Kuehne + Nagel Ltd.	Auckland	NZD	202	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
	ST – KN PTE Ltd.	Singapore	SGD	102	51
	Nacora Insurance Agency Pte. Ltd.	Singapore	SGD	100	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	70
Thailand	Kuehne + Nagel Ltd.	Bangkok	THB	15,000	100
	Consolidation Transport Ltd	Bangkok	THB	100	100

MIDDLE EAST AND CENTRAL ASIA

Country	Name of the company	Location		Share capital (in 1,000)	KN share (in per cent)
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.	Teheran	IRR	1,200	60
	Caspian Terminal Services (Qhesm) Ltd.	Bandar Abbas	IRR	114,000	57
Jordan	Orient Transport Company WLL	Amman	JOD	300	100
Kazakhstan	K+N Ibrakom L.L.P..	Almaty	KZT	84,000	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	200	100
Saudi Arabia	Orient Transport Company Ltd.	Jeddah	SAR	1'000	100
Turkey	Kuehne + Nagel Nakliyat Ltd. 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
	KN Ibrakom FZCo., Jebel Ali Free Zone	Jebel Ali	USD	273	60
	Ibrakom Cargo L.L.C	Jebel Ali	USD	82	60
	Lloyds Maritime & Trading Ltd.	Jebel Ali	USD	–	60

AFRICA

Country	Name of the company	Location		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 Ltd..	Nairobi	KES	63,995	100
Mauritius	KN (Mauritius) Ltd.	Port Louis	MUR	4,000	61
Mozambique	Kuehne + Nagel Mocambique Lda.	Maputo	MZN	133	100
Namibia	Kuehne + Nagel (Pty) Ltd.	Windhoek	NAD	340	100
Nigeria	Kuehne + Nagel (Nigeria) Ltd	Lagos	NGN	–	100
South Africa	Kuehne + Nagel (Pty) Ltd.	Johannesburg	ZAR	3,625	100
	KN Tsepisa Logistics (Pty) Ltd.	Johannesburg	ZAR	100	92
	Nacora Insurance Brokers (Pty) Ltd.	Johannesburg	ZAR	35	100
Tanzania	Kuehne + Nagel Ltd	Dar es Salaam	TZS	525,000	100
Uganda	Kuehne + Nagel Ltd.	Kampala	UGX	418,000	100
Zambia	Kuehne + Nagel (Zambia) Ltd.	Lusaka	ZMK	85	100
Zimbabwe	Kuehne + Nagel (Zimbabwe) (Pvt) Ltd.	Harare	ZWD	–	100

FINANCIAL STATEMENTS 2007 OF KUEHNE + NAGEL INTERNATIONAL AG

INCOME STATEMENT

CHF million	Note	2007	2006
Income			
Income from investments in group companies	1	226.6	188.7
Income from investments in associates and joint ventures		–	0.9
Income on sale of investments		–	6.5
Income from marketable securities		1.9	4.0
Income from sale of treasury shares		18.7	9.2
Income from recovery of receivables from group companies previously written-down		1.9	–
Interest income on receivables from group companies		2.5	9.8
Other financial income		4.4	3.6
Exchange gains		5.6	1.2
Total income		**261.6**	**223.9**
Expenses			
Operating expenses		–2.6	–8.3
Other interest expenses		–	–3.6
Interest expenses on liabilities towards group companies		–2.2	–13.2
Exchange losses		–9.0	–11.3
Write-down of investments in group companies	2/3	–23.4	–10.2
Total expenses		**–37.2**	**–46.6**
Earnings before tax		**224.4**	**177.3**
Tax		–1.6	1.1
Earnings for the year		**222.8**	**178.4**

BALANCE SHEET

CHF million	Note	Dec. 31, 2007	Dec. 31, 2006
Assets			
Financial investments	3	703.0	689.9
Non-current assets		**703.0**	**689.9**
Receivables from group companies	4	172.1	195.5
Other receivables		1.5	0.5
Treasury shares	6	104.4	76.1
Cash and cash equivalents	7	20.7	64.3
Current assets		**298.7**	**336.4**
Total assets		**1,001.7**	**1,026.3**
Liabilities and Equity			
Share capital	8	120.0	120.0
Reserves	9	375.1	403.4
Reserve for treasury shares	10	104.4	76.1
Retained earnings	11	1.6	–
Earnings for the year	11	222.8	178.4
Equity		**823.9**	**777.9**
Provision for tax		0.5	1.2
Other provisions and accruals		3.8	4.7
Provisions		**4.3**	**5.9**
Liabilities towards bank		95.0	–
Liabilities towards group companies	5	78.5	242.5
Liabilities		**173.5**	**242.5**
Total liabilities and equity		**1,001.7**	**1,026.3**

Schindellegi, March 3, 2008

KUEHNE + NAGEL INTERNATIONAL AG

Klaus Herms — CEO

Gerard van Kesteren — CFO

NOTES TO FINANCIAL STATEMENTS 2007

GENERAL REMARKS

Kuehne + Nagel International AG (KNI) directly or indirectly controls all companies which are fully consolidated in the group financial statements. For financial and economic assessment purposes the group financial statements are of paramount importance.

FINANCIAL STATEMENT PRESENTATION AND PRINCIPLES OF VALUATION

Financial investments

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

Receivables

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

Treasury shares

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

Provision for tax

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

Liabilities

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

NOTES TO THE INCOME STATEMENT

1 INCOME FROM INVESTMENTS IN CONSOLIDATED COMPANIES

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

2 WRITE-DOWN OF INVESTMENTS IN CONSOLIDATED COMPANIES

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

NOTES TO THE BALANCE SHEET

3 DEVELOPMENT OF FINANCIAL INVESTMENTS

CHF million	Investments in consolidated companies	Investments in associates and joint ventures	Investments in affiliated companies	Total
Cost				
Balance as of January 1, 2007	1,921.2	–	1.3	1,922.5
Additions	56.1	0.1	–	56.2
Disposals	–41.1	–	–	–41.1
Balance as of December 31, 2007	**1,936.2**	**0.1**	**1.3**	**1,937.6**
Cumulative depreciation				
Balance as of January 1, 2007	1,231.3	–	1.3	1,232.6
Additions	23.4	0.1	–	23.5
Disposals	–21.5	–	–	–21.5
Balance as of December 31, 2007	**1,233.2**	**0.1**	**1.3**	**1,234.6**
Carrying amount				
as of January 1, 2007	**689.9**	**–**	**–**	**689.9**
as of December 31, 2007	**703.0**	**–**	**–**	**703.0**

A schedule of the Group's main subsidiaries and Kuehne + Nagel's share in the respective equity is shown on pages 147 to 153 of the consolidated financial statements.

4 RECEIVABLES FROM GROUP COMPANIES

CHF million	Dec. 31, 2007	Dec. 31, 2006
Kühne + Nagel Treasury AG, Schindellegi	74.9	141.2
Kuehne + Nagel Inc., New York	78.5	30.6
Hellas, Athen	–	5.3
Kühne + Nagel Services, Tortola	16.5	–
Kühne + Nagel Internationale Transporte AG, Schindellegi	0.2	–
Kühne + Nagel Liegenschaften AG, Schindellegi	0.1	18.4
Kühne + Nagel Management AG, Schindellegi	1.8	–
Nacora Holding AG, Schindellegi	0.1	–
Total	**172.1**	**195.5**

5 LIABILITIES TOWARDS GROUP COMPANIES

CHF million	Dec. 31, 2007	Dec. 31, 2006
Nacora Holding AG, Schindellegi	–	3.2
Kühne + Nagel Management AG, Schindellegi	–	61.6
Kühne + Nagel Asia Pacific Holding AG, Schindellegi	–	32.7
Kühne + Nagel Internationale Transporte AG, Schindellegi	–	83.4
Nacora Agencies AG, Schindellegi	–	31.0
Transpac Ltd., Hongkong	78.5	30.6
Total	**78.5**	**242.5**

6 TREASURY SHARES

CHF million	Dec. 31, 2007	Dec. 31, 2006
Treasury shares [1]	104.4	76.1
Total	**104.4**	**76.1**

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, 2007	Dec. 31, 2006
The bank deposits are in the following currencies:		
– Swiss francs	0.3	55.2
– Euro	16.9	4.0
– US dollar	3.5	5.1
Total	**20.7**	**64.3**

8 SHARE CAPITAL

	Registered shares at nominal CHF 1.0 each number	CHF million
Balance as of December 31, 2007	**120,000,000**	**120**

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

Approved and conditional share capital

The Annual General Meeting held on May 2, 2005 approved the Board of Directors proposal to realise a conditional share capital increase of 2.4 million (at a nominal value of CHF 5) registered shares up to a maximum of CHF 12 million and add section 3.4 in the article of incorporation.

The Annual General Meeting held on May 2, 2006 extended its authorisation of approved share capital up to a maximum of CHF 20 million by a further two years. This option will expire in May 2008.

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

9 RESERVES

CHF million	Reserve	Legal reserve	Total reserves and retained earnings brought forward
Balance as of January 1, 2007	343.4	60.0	403.4
Increase of reserve for treasury shares [1]	–28.3	–	–28.3
Balance as of December 31, 2007	**315.1**	**60.0**	**375.1**

1 See note 10.

10 RESERVE FOR TREASURY SHARES

	number of shares	CHF million
Balance as of January 1, 2007	2.287.108	76.1
Disposal of own shares	–775.315	–26.2
Buyback own shares	482.471	54.5
Balance as of December 31, 2007	**1.994.264**	**104.4**

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

11 RETAINED EARNINGS

CHF million	
Balance as of January 1, 2007 (before income for the year)	–
Earnings for the year 2006	178.4
Retained earnings as of January 1, 2007	**178.4**
Distribution to the shareholders (representing CHF 1.50 per share)	–176.8
Earnings for the year 2007	222.8
Balance as of December 31, 2007	**224.4**

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 changes in Swiss law (OR 663 b/c), additional disclosure of information related to remuneration paid to and accrued for members of the Board of Directors and Management Board is required. The Group has decided to transfer information previously disclosed in the Corporate Governance section of the annual report to the financial statements 2007 of the Kuehne + Nagel International AG.

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

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

CHF '000	Compensation Board of Directors	Compensation Committees	Additional fees for services provided	Social insurance	Total
K. M. Kühne (Chairman)	225	10	–	11	246
B. Wrede (Vice Chairman)	188	10	175	–	373
J. Hausser	150	10	–	9	169
W. Kissling	150	10	–	9	169
H. Lerch	150	10	–	9	169
G. Obermeier	150	25	–	–	175
W. Peiner	98	–	–	–	98
B. Salzmann	150	25	65	8	248
T. Staehelin	150	15	30	9	204
X. Urbain	98	–	113	–	211
Total	**1,509**	**115**	**383**	**55**	**2,062**

No termination allowance or remuneration were paid to any of the previous members of the Board of Directors in 2007.

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

CHF '000	Salary	Bonus	Social insurance	Pension	Options	Others *	Total
K. M. Kühne, Delegate of the Board of Directors	600	3.600	187	–	–	10	4,397
Remaining Management Board	4,747	6,704	537	553	1,930	79	14,550
Total	**5,347**	**10,304**	**724**	**553**	**1,930**	**89**	**18,947**

* Other compensation comprise of company car for all members of the Management Board.

No termination allowance or remunerations were paid to any of the previous members of the Board of Management in 2007.

Allocation of shares

As part of the share purchase and option plan shares/options were allocated (see page 164) to members of the Board of Management with the exception of K. M. Kühne. There has been no allocation of shares to members of the Board of Directors.

Shareholdings by members of the Board of Directors

As of December 31, 2007 the following numbers of KNI shares were held by members of the Board of Directors. Except for K. M. Kühne no shareholdings were reported from parties closely associated with the mentioned Board members.

	Number of KNI shares
K. M. Kühne (Chairman)	67,030,000
B. Wrede (Vice Chairman)	–
J. Hausser	1
W. Kissling	1,250
H. Lerch	5,000
G. Obermeier	500
W. Peiner	–
B. Salzmann	200
T. Staehelin	10,000
X. Urbain	–
Total	**67,046,951**

Shareholdings by members of the Management Board

As of December 31, 2007 the following numbers of KNI shares were held by members of the Management Board. No shareholdings were reported from parties closely associated with the mentioned Board members.

	Number of KNI shares
K. Herms, Chief Executive Officer	127,500
G. van Kesteren, Finance	124,375
M. Kolbe, Information Technology	3,000
R. Lange, Deputy Chief Executive Officer	30,170
K. D. Pietsch, Quality Management and Special Projects	30,625
D. Reich, Contract Logistics	20,000
A. Schmid-Lossberg, Human Resources and Legal	600
Total	**336,270**

Options

In 2001 KNI introduced an Employee Share Purchase and Option Plan for members of KNI Management Board, by which they have the option to purchase shares of KNI. As of December 31, 2007 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 and 7) of the average share closing price quoted on the SWX 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 options are quoted in note 34 to the Consolidated Financial Statements on page 120.

Name	Date of collation	Number of options	Year of expiry of locked period
K. Herms, Chief Executive Officer	2004	15,000	2007
	2005	20,000	2008
	2006	20,000	2009
	2007	20,000	2010
G. van Kesteren, Finance	2004	11,250	2007
	2005	15,000	2008
	2006	15,000	2009
	2007	15,000	2010
M. Kolbe, Information Technology	2006	2,000	2009
	2007	4,000	2010
R. Lange, Deputy Chief Executive Officer	2004	10,000	2007
	2005	7,500	2008
	2006	–	2009
	2007	10,000	2010
K. D. Pietsch, Quality Management and Special Projects	2005	15,000	2008
	2006	10,000	2009
	2007	15,000	2010
D. Reich, Contract Logistics	2005	10,000	2008
	2006	15,000	2009
	2007	15,000	2010
A. Schmid-Lossberg, Human Resources and Legal	2007	1,200	2010
Total		**245,950**	

Loans

In 2007 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, 2007.

14 CONTINGENT LIABILITIES

In October 2007 various competition authorities have carried out an inspection at a number of international freight forwarding companies. The inspection encompassed amongst others Kuehne + Nagel in Switzerland, in the USA, and in the UK. The investigation relates to alleged anti-competitive activities in the area of international freight forwarding. The company views any form of competition violation very seriously and ensures full cooperation with all involved authorities in this matter. The proceedings are still pending and no further information has been received by the respective authorities. No provisions were recognised in the financial statements 2007.

15 PROPOSAL OF THE BOARD OF DIRECTORS TO THE ANNUAL GENERAL MEETING APRIL 30, 2008 REGARDING APPROPRIATION OF THE AVAILABLE EARNINGS 2007

	CHF million
Balance as of January 1, 2007 (before income for the year)	1.6
Net income 2007	222.8
Available earnings as of December 31, 2007	**224.4**
Distribution to the shareholders (representing CHF 1.90 per share) [1]	–224.2
Balance as of December 31, 2007 (after appropriation of available earnings)	**0.2**

1 The total dividend amount covers all outstanding registered shares (as per December 31, 2007: 118,005,736 shares). However, registered shares still held in treasury on the date of the dividend declaration are not eligible for dividend payments. As a consequence, the reported total dividend amount may be adjusted correspondingly.

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

As statutory auditor, we have audited the accounting records and the financial statements (balance sheet, income statement and notes on pages 154 to 165) of Kuehne + Nagel International AG for the year ending 31 December 2007.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free of material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the accounting records and financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

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

KPMG Ltd

Guenter Haag

Roger Neininger
Auditor in Charge

Zurich, March 3, 2008

CORPORATE TIMETABLE 2008

March 10, 2008	Press Conference 2007 Result
	Analyst Conference 2007 Result
April 21, 2008	Announcement 1st Quarter 2008 Result
April 30, 2008	Annual General Meeting
May 5, 2008	Dividend Distribution
July 21, 2008	Announcement Half-Year 2008 Result
October 20, 2008	Announcement Nine-Months 2008 Result

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