

2014

ANNUAL
REPORT



*Global.
Customer-oriented.
Innovative.*



Global. Customer-oriented. Innovative.

FOR THE FUTURE
OF OUR COMPANY,
OUR EMPLOYEES,
AND TOMORROW'S
WORLD.

Kuehne + Nagel Profile

Business Units of the Kuehne + Nagel Group



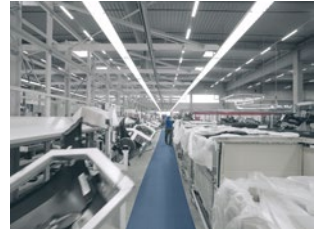
SEAFREIGHT



AIRFREIGHT



OVERLAND



CONTRACT LOGISTICS

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

Kuehne + Nagel Group Key Data

CHF million	2014	2013	2012*	2011*	2010*	2009*
Turnover	21,291	20,929	20,753	19,596	20,261	17,406
Net Turnover	17,501	17,178	17,120	16,218	16,858	14,336
Gross Profit	6,288	6,257	6,094	5,898	5,958	5,863
% net of turnover	35.9	36.4	35.6	36.4	35.3	40.9
EBITDA	1,005	962	855	977	1,003	884
% of net turnover	5.7	5.6	5.0	6.0	5.9	6.2
EBIT	819	761	633	749	764	593
% of net turnover	4.7	4.4	3.7	4.6	4.5	4.1
EBT	824	767	644	765	766	609
% of net turnover	4.7	4.5	3.8	4.7	4.5	4.2
Earnings for the year (Kuehne + Nagel share)	633	597	484	600	600	466
% of net turnover	3.6	3.5	2.8	3.7	3.6	3.3
Depreciation, amortisation and impairment of intangible assets and goodwill	186	201	222	228	239	291
% of net turnover	1.1	1.2	1.3	1.4	1.4	2.0
Operational cash flow	1,000	966	849	978	992	893
% of net turnover	5.7	5.6	5.0	6.0	5.9	6.2
Capital expenditures for fixed assets	186	181	163	207	134	264
% of operational cash flow	18.6	18.7	19.2	21.2	13.5	29.6
Total assets	6,603	6,374	6,279	6,141	5,941	5,933
Non-current assets	2,175	2,133	2,203	2,239	2,058	2,456
Equity	2,453	2,558	2,425	2,405	2,378	2,290
% of total assets	37.1	40.1	38.6	39.2	40.0	38.6
Total employees at year end	63,448	62,744	63,248	63,110	57,536	54,680
Total full-time equivalent at year end	74,497	72,036	72,399	71,884	66,045	60,538
Personnel expenses	3,764	3,735	3,606	3,387	3,392	3,342
% of net turnover	21.5	21.7	21.1	20.9	20.1	23.3
Gross Profit in CHF 1,000 per FTE	84	87	84	82	90	97
Personnel expenses in CHF 1,000 per FTE	51	52	50	47	51	55
Basic earnings per share (nominal CHF 1) in CHF						
Consolidated earnings for the year (Kuehne + Nagel share) ¹	5.28	4.98	4.05	5.03	5.05	3.94
Distribution in the following year	4.00 ³	3.85 ³	3.50	3.85	2.75 ²	2.30
in % of the consolidated net income for the year	75.8	77.4	86.6	76.7	54.7	58.6
Development of share price						
SIX Swiss Exchange (high/low in CHF)	136/115	122/99	125/95	139/92	137/92	104/53
Average trading volume per day	149,896	164,482	160,403	170,427	190,910	295,884

* Restated due to application of IAS 19R.

¹ Excluding treasury shares.

² Excluding payment of capital contribution reserves.

³ Excluding extraordinary dividend.

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KARL GERNANDT
Chairman of the Board of Directors

AIM OF CONTINUOUS IMPROVEMENT BROADLY ACHIEVED – NEW RECORD RESULT

In the 2014 business year the Kuehne + Nagel Group met its objective of efficient operation and profitable growth. Improvements were achieved at all levels of the income statement in relation to the previous year. Earnings for the year increased by 6.1 per cent to CHF 644 million, and the EBIT was up by 7.6 per cent to CHF 819 million. The operational result (EBITDA) rose by 4.5 per cent to CHF 1,005 million and net turnover increased by 1.9 per cent to CHF 17,501 million.

INTERVIEW WITH KARL GERNANDT,
CHAIRMAN OF THE BOARD OF DIRECTORS

Mr. Gernandt, is the annual result for 2014 in line with your expectations?

KARL GERNANDT: With an increase of earnings for the year by 6.1 per cent compared to 2013 and almost 10 per cent in constant currencies, I can answer this question with a definite yes. In our endeavour to achieve a continuous improvement in the services we offer to our customers, we have set ourselves ambitious targets. Some major efforts were needed before reaching the finish line, but our Group has again demonstrated its strengths, customer focus and process reliability and achieved a new milestone in earnings for the year.

With a growth of 2.6 per cent, the world economy was hardly the driving force for the positive development of the result.

KARL GERNANDT: Despite quite positive economic indicators based on the final quarter of 2013,

the world economy failed to meet the long-term trend forecasts of more than 3 per cent growth in 2014.

Geopolitical crises such as the conflict in and around the Ukraine or the military confrontations in the Middle East resulted in considerable uncertainty and adversely affected the economic development.

There were, however, some bright spots, not least when we think of the improvement in the economic climate in the USA. And despite a slowdown, China remained a powerhouse of growth in 2014. In Europe, particularly in the Euro zone, growth was sluggish and emerging countries did not return to their former dynamics. In most Latin American countries economic and structural problems slowed down growth.

In such a macroeconomic environment, flexible structures are needed. Our Group quickly adapted to new market situations and requirements, and maximised business opportunities in attractive segments or regions.

What were the decisive factors for Kuehne + Nagel's good performance in the 2014 business year?

KARL GERNANDT: First of all, the sustained turn-around in overland. With the right strategy, and above all its consistent implementation, it was possible to record profits over four consecutive quarters. The airfreight organisation continued its successful path in 2014. Due to the industry-specific solutions and innovative products such as "KN FreightNet", an online quoting and booking system, profitability was increased substantially in addition to solid growth in volume.

In seafreight we were able to maintain margins at a high level despite considerable rate volatility and negative currency effects. The volume growth of around 7 per cent was almost twice that of the market. And last but not least, in contract logistics the improvement in profitability continued in 2014.

How do you judge the macroeconomic environment in the year 2015?

KARL GERNANDT: We are still facing many uncertainties which was reflected in the downward revision of growth forecasts already at the beginning of the year. For me, the following are the crucial questions: Will the low oil prices and the currency policy in the Euro zone stimulate the world economy, or will they only result in a new increase in volatility? Will the investment behaviour gain momentum, or will it be dampened by geopolitical risks?

I expect this year to be another challenging one. Positive impulses for a moderate recovery will come from the economies in North America and China. We also see encouraging signs from some of our



Some major efforts were needed before reaching the finish line, but our Group has again demonstrated its strengths, customer focus and process reliability.

focus industries, and for these reasons we are cautiously optimistic. With regard to the further development of the Kuehne + Nagel Group, I am very confident. We are well positioned globally and our management team has a clear market focus and is highly customer-oriented. We have an efficient organisation and process structure, and will continue our efforts to optimise our performance.

How does the competitive environment influence the positioning of Kuehne + Nagel?

KARL GERNANDT: The key differentiator is Kuehne + Nagel's positioning as fully integrated logistics provider that efficiently manages complex supply chains for its customers. In addition, our quality leadership strengthens our market position. Our global and integrated approach meets the increasing demand of many large customers.

2015 is a very special year for Kuehne + Nagel. The company will celebrate the 125th anniversary of its foundation.

KARL GERNANDT: Yes, this anniversary is very important for us because only a few companies in the logistics industry can claim such a long tradition and extraordinary development. It is not by chance that Kuehne + Nagel has been in the market for 125 years, and not by chance that over the past decades it has grown into one of the world's leading logistics groups.

Kuehne + Nagel's enduring success is based on its specific strengths: an entrepreneurial spirit shaped through three generations of the Kuehne family, innovative power, efficiency, the ability to learn and

a strong corporate culture lived by all its employees. These are the values upon which we will continue to develop the company in future, a fact that is symbolised by our anniversary logo 125+.

What are your aims for the anniversary year, and where do you see potential for growth?

KARL GERNANDT: For the anniversary year in particular and also in general, we want to continue improving our results, the extent and scope of our product range, and above all the quality of our services. I see potential for growth in the further development and sales of our industry-specific solutions. We create innovative solutions and scale these worldwide across industry sectors.

Ultimately, our aim is to reduce the growing complexity for our customers. This calls for a forward-looking use of digital technologies. We are convinced that we can support our customers in optimising their business processes and create long-term value for them and for ourselves.

You pursue ambitious aims – what does this mean for your employees?

KARL GERNANDT: We are proud of our ambitious employees! What they achieve every day is remarkable, and they are also conscious that success – either personal or that of the company – cannot be taken for granted. We empower every individual to make optimum use of his or her personal abilities and continuously improve themselves. Through the intensive interaction in our matrix organisation, our employees support us in pursuing our objectives and make valuable contributions to the success of the company.



1 KLAUS-MICHAEL KUEHNE, *Honorary Chairman*

2 DR. JOERG WOLLE, *Vice Chairman*

3 BERND WREDE, *Vice Chairman*

4. DR. RENATO FASSBIND

Dividend for the business year 2014

In view of the good business performance, the Board of Directors will propose to the Annual General Meeting of May 5, 2015 a dividend of CHF 4.00 per share (previous year: CHF 3.85). This enables the shareholders to participate in the success of the company, and is also an expression by the Board of Directors of its confidence regarding the further development of the Group. In the anniversary year shareholders will benefit from an extraordinary dividend of CHF 3.00 per share funded by the solid liquidity position.

The Board of Directors would like to thank all members of the management and all employees for their highly committed efforts in the challenging year 2014. Finally, thanks are extended to all customers and partners for their confidence in Kuehne + Nagel and for their loyalty and the good business relations the Group enjoys with them. The company sees the confidence of its customers as a spur for the anniversary year 2015.

Members of the Board of Directors

Klaus-Michael Kuehne, Karl Gernandt, Dr. Joerg Wolle, Bernd Wrede, Dr. Renato Fassbind, Juergen Fitschen, Hans Lerch and Dr. Thomas Staehelin presented themselves for re-election on May 6, 2014 and were confirmed for a further period of one year.

Dr. Martin C. Wittig, German citizen, was newly elected to the Board of Directors. After completing his studies Dr. Wittig began his career with an international strategy consultant, where he held various managerial positions and was CEO and Global Managing Partner from 2010 until 2013.

The Annual General Meeting 2014 elected Karl Gernandt as Chairman of the Board of Directors for a further period of one year.

In the year under review the Board of Directors performed the duties assigned to it by the law, articles of association and organisational rules, and continuously supervised and consulted closely with the Management Board. After careful consideration it gave its agreement to many business transactions for which its approval is required. These included, among others, budget and personnel planning, investments and the conclusion of contracts that are of special importance for the company.

Board Committees

The Board of Directors' regular committees are the Audit, the Chairman's and the Nomination and Compensation Committee. The Chairman's Committee closely examined the position of Kuehne + Nagel in a dynamically developing economic and competitive environment.



5 JUERGEN FITSCHEN



6 HANS LERCH



7 DR. THOMAS STAEHELIN



8 DR. MARTIN C. WITTIG

The Nomination and Compensation Committee focused its attention on the implementation of changes in law in Switzerland, including the regulations governing remuneration at the level of the Management Board and the Board of Directors.

In 2014 the committees met periodically and as a rule at quarterly intervals, with the respective chairman reporting on the results of their meetings at subsequent meetings of the Board of Directors.

Risk Assessment

Together with the Management Board the Audit Committee makes a regular assessment of the Group's business risks. Among other issues, the assessment covers the antitrust investigations affecting Kuehne + Nagel which were carried out by various competition authorities. The legal dispute with the EU Commission over the antitrust fine imposed in 2012 is still pending with the European courts.

Management Board

Since July 1, 2014 Markus Blanka-Graff has been CFO of the Kuehne + Nagel Group and a member of the Management Board.

In October 2014 the Board of Directors of Kuehne + Nagel International AG appointed Gianfranco Sgro as a new member of the Management Board. Since February 1, 2015 he has been responsible for the business unit Contract Logistics, which until then was headed by Dr. Detlef Trefzger in addition to his function as CEO. Before joining Kuehne + Nagel, the experienced contract logistics manager Gianfranco Sgro was Chief Operating Officer with a well-known tyre manufacturer.

Shareholder structure

At the end of 2014 the shareholder structure of Kuehne + Nagel International AG was as follows:

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

*incl. Kuehne Foundation (4.4 per cent)

Karl Gernandt
Chairman of the Board of Directors

IMPROVED PROFITABILITY, INCREASED MARKET SHARES AND FURTHER STRENGTHENING OF THE COMPETITIVE POSITION

In 2014 the Kuehne + Nagel Group was able to simultaneously increase market shares and profitability. Quality initiatives and the launch of innovative products contributed to the improved performance. As a result, Kuehne + Nagel strengthened its position among the world's leading logistics providers.



Operating environment of the international logistics business

In 2014 the international logistics business was again affected by the sluggish growth of world trade, excess carrier capacity, volatile rates and pressure on margins. Furthermore, regional differences in demand and geopolitical conflicts led to changes in the flows of trade, obliging many companies from trade and industry to restructure their supply chains. For customers the cost-effective management

of regional or global supply chains end-to-end is getting more and more important. For Kuehne + Nagel the market dynamics opened up new business opportunities.

Consistent implementation of strategy leads to continuous improvement in results

In the scope of its organic growth strategy Kuehne + Nagel is concentrating on internationally operating customer groups, profit improvements and the

- 1 DR. DETLEF TREFZGER, *CEO/Contract Logistics*
- 2 MARKUS BLANKA-GRAFF, *Chief Financial Officer*
- 3 LOTHAR HARINGS, *Human Resources*
- 4 TIM SCHARWATH, *Airfreight*
- 5 STEFAN PAUL, *Overland*
- 6 MARTIN KOLBE, *Information Technology*
- 7 HORST JOACHIM SCHACHT, *Seafreight*



As per December 31, 2014

targeted expansion of market shares. Special importance is attached to productivity, cost management and the innovative improvement of the service portfolio. The "Focus + Excellence" programme, which was launched in the year 2014 and embraces more than 20 specific initiatives, aims at the further strengthening of global networks, the scaling of industry-specific solutions and a steady increase in productivity.

Due to the consistent implementation of its strategy, Kuehne + Nagel improved results each quarter throughout the year. Compared with 2013 the operational result (EBITDA) was up by 4.5 per cent (in constant currencies 7.8 per cent). EBIT rose by 7.6 per cent (in constant currencies 11.1 per cent) and the EBIT margin increased to 4.7 per cent from 4.4 per cent in the previous year.

Development of individual business units

With an increase in container volumes of 6.8 per cent, in 2014 Kuehne + Nagel grew almost twice as fast as the market. In particular, the seafreight organisation maximised business opportunities arising from the improved economic climate in the USA and achieved considerable volume increases in the transpacific and transatlantic trade lanes. In the Asia-Europe traffic Kuehne + Nagel concentrated on margin stability and did not participate in the intensive price competition. There was a solid level of demand for specialised services such as reefer container and LCL (Less-than-Container Load), with volumes in these segments increasing significantly compared to the previous year. Due to high rate volatility and negative currency effects, the EBIT of this business unit was slightly below the previous year, nevertheless, the conversion rate, the ratio of EBIT to gross profit, remained stable.

In airfreight, Kuehne + Nagel again achieved an impressive performance. Thus, the company further strengthened its position as the world's second largest airfreight forwarder. The increase in tonnage of 5.3 per cent to 1,194,000 tons went hand in hand with a further improvement in profitability: The conversion rate increased from 25.3 per cent in the previous year to 27.0 per cent, while the EBIT rose by 7.2 per cent. Key success factors in this business unit are industry-specific airfreight products, which led to new contracts with well-known customers from the pharmaceutical, automotive and industrial goods sectors. The level of demand for "KN EngineChain", which was launched in 2013, shows that these services for the maintenance and spare parts logistics of aircraft engines are in line with the needs of compa-

nies in the international aerospace industry. With the new online portal "KN FreightNet", Kuehne + Nagel demonstrates its innovative power and at the same time sets a new standard in the airfreight industry.

Through the consistent implementation of the "Road 2 Profit" strategy, the turnaround was achieved in overland in the year 2014. Factors that contributed to this success were the concentration on three clearly defined product segments, specific solutions for selected industries, capacity optimisation in the network and an intelligent pricing structure. While priority was given to the improvement of results, the development of innovative services remained in focus. With the product "I2M Overland", customers can plan and manage their inbound supply chain logistics more efficiently and reduce costs.

In contract logistics, the positive momentum of the previous year continued with qualitative growth and an increase in EBIT of 7.7 per cent. This was mainly a result of the concentration on solutions and services for internationally operating customer groups of specific industries. In 2014, complex and innovative projects with major customers from the pharmaceutical, automotive and e-commerce sectors were gained all over the world. At the same time the growth of business with existing customers substantially exceeded that of the market.

The continuous improvement of the quality of services remains a high priority. The global application of the enhanced Kuehne + Nagel production system "KNPS 2.0" enables further potential for process optimisation, higher productivity and quality assurance to be realised.

Development of business in the regions

In South Asia-Pacific there was an increased demand for contract logistics services. Here too, the focus on specific customer groups and product quality supported the favourable development of business. A new logistics centre was brought into operation in Sydney, and work began on the construction of a large facility in Singapore. In North Asia-Pacific Kuehne + Nagel achieved volume increases in seafreight and airfreight, primarily in the transpacific trades. New logistics projects with a number of major Asian customers developed well.

In Western Europe an improvement of results was achieved in all business units. Kuehne + Nagel Germany reinforced its strong market position, while the national companies in France and Spain notably defied the difficult economic situation and achieved increases in both volume and results in relation to the previous year. Although the Ukraine conflict influenced the performance, the Eastern European Kuehne + Nagel organisation achieved its objectives and was able to win new business and extend existing contracts with large, globally operating customers.

Supported by growing consumer confidence, business in North America was strong in terms of both growth and results. Market shares were gained in seafreight and airfreight, particularly in the transpacific and transatlantic trades. Business also performed satisfactorily in contract logistics and overland, not least due to the healthy development of the Mexican national organisation. The economic situation in a number of Latin American countries presented the local Kuehne + Nagel companies with

a number of challenges, whereas results developed better than expected in Chile, Colombia and Panama.

In the Middle East/Africa region, the performance of the national organisations in the United Arab Emirates, Saudi Arabia, Kenya and Turkey have to be highlighted. Industry-specific solutions were the main driving force behind the positive achievements in these countries.

Summary and outlook

In 2014 the Kuehne + Nagel Group substantially improved results. By combining industry knowledge, innovative power, active cost management and entrepreneurial initiative, it was possible to strengthen the global market position and increase profitability.

Above all, this development is a result of the strong commitment, dedication and customer-orientation of all employees. The Group will build on this momentum to realise sustainable, profitable growth in the current business year. The aim is to achieve a further increase in the shareholder value in the 125th anniversary year of the Kuehne + Nagel Group.



Dr. Detlef Trefzger
CEO and Chairman of the Management Board

INCOME STATEMENT

Turnover

In 2014 Kuehne + Nagel's turnover amounted to CHF 21,291 million representing an increase of 1.7 per cent or CHF 362 million compared to the previous year. Organic business growth resulted in an increase in turnover of CHF 1,045 million (5.0 per cent). The exchange rate fluctuation had a negative impact of CHF 683 million (3.3 per cent).

At a regional level, Asia-Pacific (3.6 per cent), Europe (2.0 per cent) and Americas (0.8 per cent) reported increases in turnover. The Middle East, Central Asia and Africa region experienced a reduced turnover of 0.1 per cent.

Exchange rate fluctuations between 2013 and 2014, based on average yearly exchange rates, led to a decreased valuation of the Euro and the US Dollar as well as dependent currencies of 1.2 and 0.9 per cent

respectively and an increased valuation of the British Pound of 4.0 per cent against the Swiss Franc.

Net turnover

In 2014 Kuehne + Nagel's Net turnover amounted to CHF 17,501 million representing an increase of 1.9 per cent or CHF 323 million compared to the previous year. Organic business growth resulted in an increase in net turnover of CHF 869 million (5.1 per cent). The exchange rate fluctuation had a negative impact of CHF 546 million (3.2 per cent).

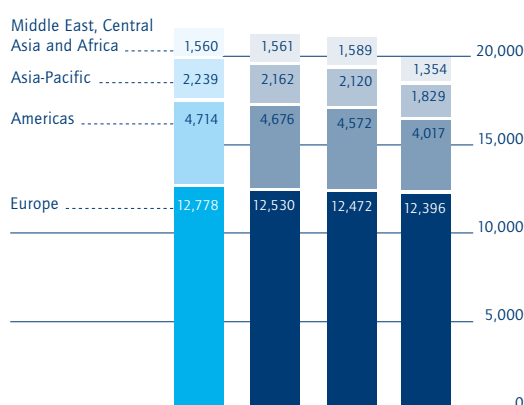
At a regional level, the Middle East, Central Asia and Africa (3.5 per cent), Asia-Pacific (2.1 per cent), the Americas (1.9 per cent) and Europe (1.7 per cent) reported increases in net turnover.

Gross profit

Gross profit, a better indicator of performance than net turnover in the logistics and forwarding industry, reached CHF 6,288 million in 2014, which represents

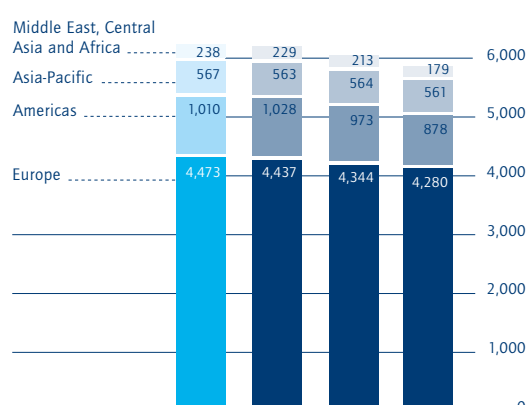
Regional turnover

CHF million	2014	2013	2012	2011
	21,291	20,929	20,753	19,596



Regional gross profit

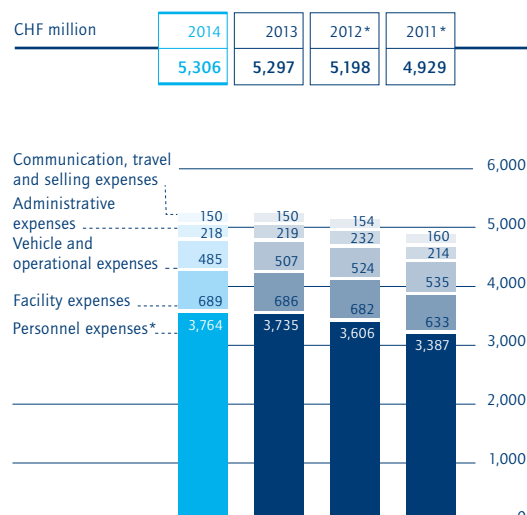
CHF million	2014	2013	2012	2011
	6,288	6,257	6,094	5,898



an increase of 0.5 per cent or CHF 31 million compared to the previous year. Organic business growth resulted in an increase in gross profit of CHF 182 million (2.9 per cent) and a negative currency impact of CHF 151 million (2.4 per cent).

At a regional level, Middle East, Central Asia and Africa (3.9 per cent), Europe (0.8 per cent), Asia-Pacific (0.7 per cent) reported an increase in gross profit, whilst the Americas reported a reduction in gross profit of 1.8 per cent.

Operational expenses



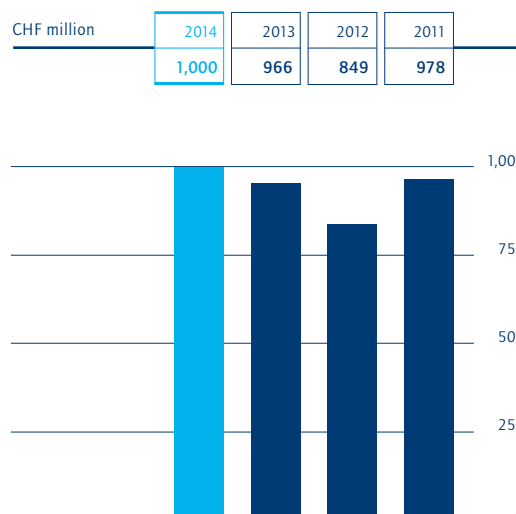
* Restated for IAS 19R by CHF 1 million for each year.

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 34 million to

CHF 1,000 million (for further information, please refer to the cash flow statement on page 78).

Operational cash flow

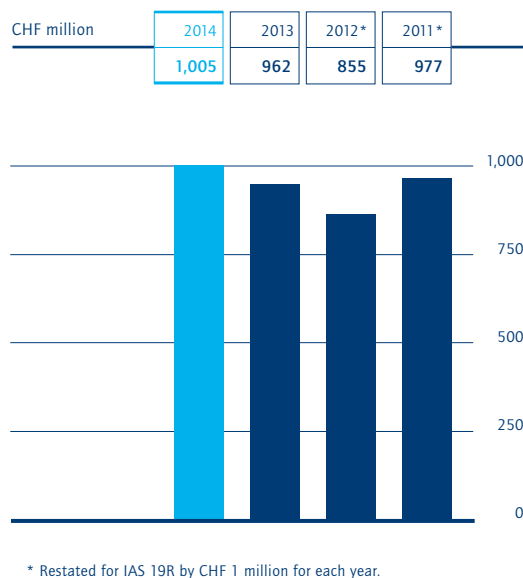


EBITDA

Earnings before interest, tax, depreciation, amortisation and impairment of property, plant and equipment, goodwill and other intangible assets increased by CHF 43 million or 4.5 per cent compared to the previous year; the EBITDA of organic business increased by CHF 75 million, and the negative exchange rate development accounted for a decrease of CHF 32 million. Europe generated the largest EBITDA contribution with CHF 555 million (55.2 per cent) followed by Asia-Pacific with CHF 201 million (20.0 per cent), the Americas with 182 million (18.1 per cent) and the Middle East, Central Asia and Africa with CHF 67 million (6.7 per cent).

The EBITDA margin to net turnover increased to 5.7 per cent compared to 5.6 per cent in 2013 due to constant cost control measures. Personnel expenses increased in line with business growth by CHF 29 million or 0.8 per cent.

EBITDA

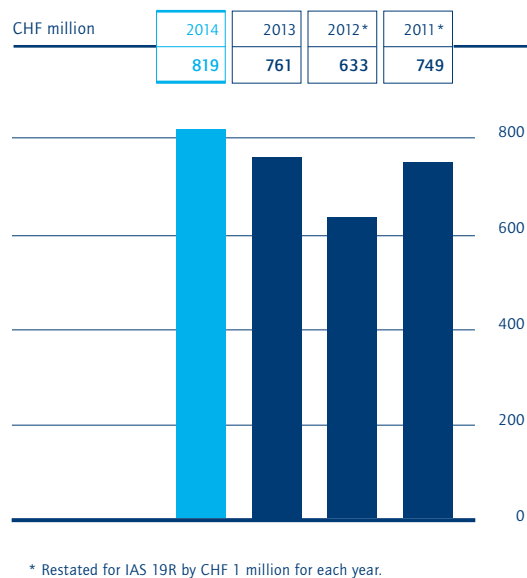


EBIT/ Earnings for the year

In 2014, earnings before interest and tax (EBIT) increased by CHF 58 million to CHF 819 million (2013: CHF 761 million). The increase was mainly due to an increase in profitability of the organic business by CHF 85 million, whereas the exchange rate development impacted negatively by CHF 27 million.

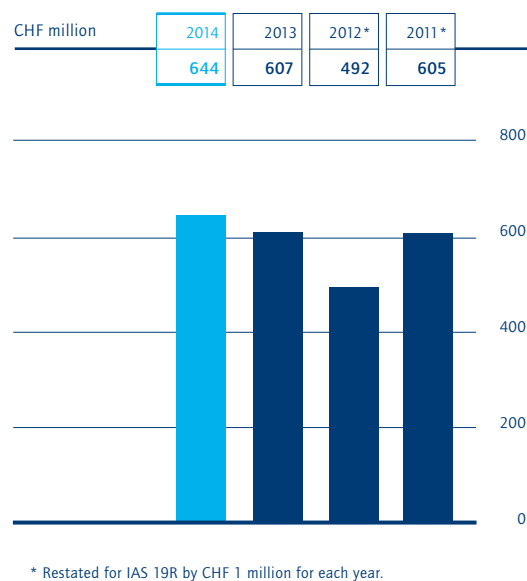
EBIT in Europe increased by CHF 52 million (14.2 per cent), in the Middle East, Central Asia and Africa by CHF 12 million (25.0 per cent), whereas EBIT reduced in Asia-Pacific by CHF 3 million (1.6 per cent) and in the Americas by CHF 3 million (1.9 per cent). EBIT margin to net turnover for the Group has increased to 4.7 per cent compared to 4.4 per cent in 2013.

EBIT



The earnings for the year increased by CHF 37 million to CHF 644 million compared to the previous year of CHF 607 million, whereby the margin increased to 3.7 per cent (in per cent of the net turnover) compared to the previous year's 3.5 per cent.

Earnings for the year



FINANCIAL POSITION

Total assets and liabilities of the Group increased by CHF 229 million to CHF 6,603 million compared to 2013. For details of changes in the balance sheet, please refer to the Consolidated Financial Statements. Cash and cash equivalents decreased by CHF 79 million, mainly on account of the CHF 282 million higher dividend payment made in 2014 compared to 2013; for further information, please refer to the cash flow statement on page 78.

Trade receivables amounting to CHF 2,600 million represent the most significant asset of the Kuehne + Nagel Group. The days outstanding increased from 43.2 days as of December 31, 2013, to 44.4 days as of December 31, 2014.

The equity of the Group decreased by CHF 105 million to CHF 2,453 million; this represents an equity ratio of 37.1 per cent (2013: 40.1 per cent). Developments of other key financial indicators on capital structure are shown in the following table:

Kuehne + Nagel Group key figures on capital structure

Key figures on capital structure	2014	2013	2012*	2011*
¹ Equity ratio (in per cent)	37.1	40.1	38.6	39.2
² Return on equity (in per cent) *	24.9	23.9	19.9	24.8
³ Debt ratio (in per cent)	62.9	59.9	61.4	60.8
⁴ Short-term ratio of indebtedness (in per cent)	52.7	51.0	51.7	51.2
⁵ Intensity of long-term indebtedness (in per cent)	10.2	8.8	9.7	9.6
⁶ Fixed assets coverage ratio (in per cent)	143.6	146.3	137.7	133.9
⁷ Working capital (in CHF million)	949	988	831	758
⁸ Receivables terms (in days)	44.4	43.2	42.6	42.2
⁹ Vendor terms (in days)	54.9	52.6	50.4	51.2
¹⁰ Intensity of capital expenditure (in per cent)	32.9	33.5	35.1	36.5

¹ Total equity in relation to total assets at the end of the year.

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

³ Total liabilities – equity in relation to total assets.

⁴ Short-term liabilities in relation to total assets.

⁵ Long-term liabilities in relation to total assets.

⁶ Total equity (including non-controlling interests) + long-term liabilities in relation to non-current assets.

⁷ Total current assets less current liabilities.

⁸ Turnover in relation to receivables outstanding at the end of the current year.

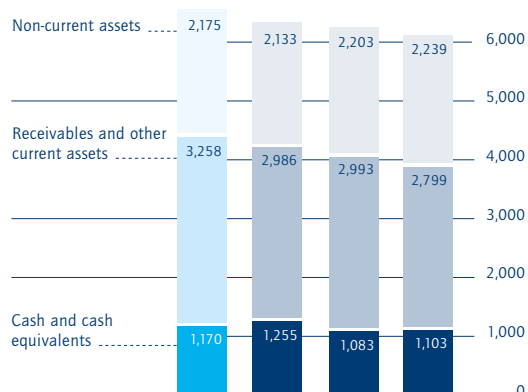
⁹ Expenses for services from third parties in relation to trade liabilities/accrued trade expenses at the end of the current year.

¹⁰ Non-current assets in relation to total assets.

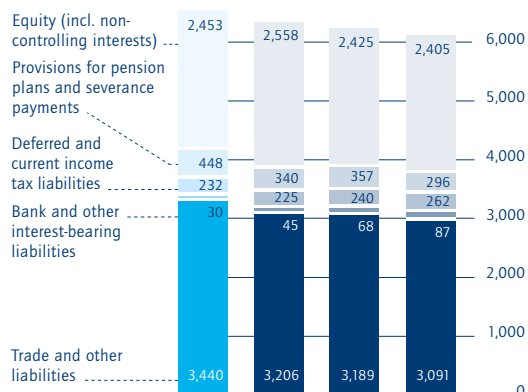
* Restated for IAS 19R by CHF 1 million for each year.

Assets

CHF million	2014	2013	2012	2011
	6,603	6,374	6,279	6,141

**Liabilities**

CHF million	2014	2013	2012	2011
	6,603	6,374	6,279	6,141

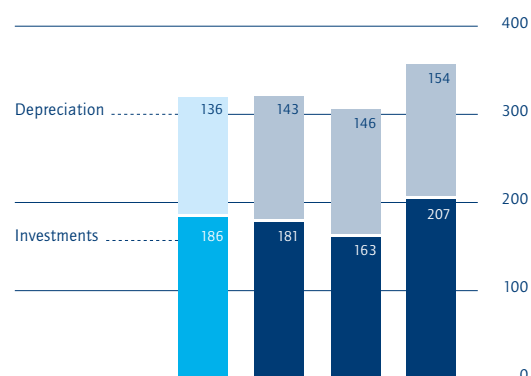
**INVESTMENTS, DEPRECIATION AND AMORTISATION**

In 2014, the Kuehne + Nagel Group invested a total of CHF 186 million (2013: CHF 181 million) in fixed assets. Investments in properties and buildings amounted to CHF 49 million (2013: CHF 46 million), and CHF 137 million (2013: CHF 135 million) were invested in other fixed assets, operating and office equipment.

All capital expenditure in 2014 was financed by the operational cash flow of CHF 1,000 million generated during 2014.

Investments in fixed assets/depreciation

CHF million	2014	2013	2012	2011
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In 2014 the following major investments were made in properties and buildings:

Location	CHF million	Centres
Sydney, Australia	22	New logistics and distribution centre
Singapore	13	Under construction built-to-suit (BTS) logistics centre
Leipzig, Germany	6	Completion of new logistics centre
Geel, Belgium	2	Completion of new logistics centre
Mombasa, Kenya	1	New logistics and distribution centre
Various locations	5	Improvement of existing logistics and distribution centres
Total	49	

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

CHF million	2014
Operating equipment	54
Vehicles	35
Leasehold improvements	18
IT hardware	22
Office furniture and equipment	8
Total	137

The allocation by region is as follows:

CHF million	2014
Europe	95
Americas	27
Asia-Pacific	10
Middle East, Central Asia and Africa	5
Total	137

Depreciation and amortisation in 2014 amounted to CHF 186 million and was allocated in the profit and loss statement as indicated in notes 27 and 28 to the Consolidated Financial Statements.

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

CHF million	2014	2013	2012	2011
Capital expenditure				
Fixed Assets				
Properties and buildings	49	46	28	72
Operating and office equipment	137	135	135	135
Intangible assets				
Goodwill in consolidated companies	-	-	4	121
Other intangibles through acquisitions	-	-	9	88
IT software	10	7	12	11
Total	196	188	188	427
Depreciation and amortisation				
Fixed assets				
Buildings	23	23	23	27
Operating and office equipment	113	120	123	127
Intangible assets				
Amortisation/impairment of other intangible assets	50	58	76	74
Total	186	201	222	228

SHAREHOLDER RETURN

From 2010 to 2014 the Kuehne + Nagel share outperformed the BEUTRAN-Index, whereas SMI and SPI performed better.

Share price and market capitalisation (at December 31)

Share price and market capitalisation	2014	2013	per cent change
Share price (CHF)	135.30	117.10	15.5
Market capitalisation (in CHF million)	16,236	14,052	15.5

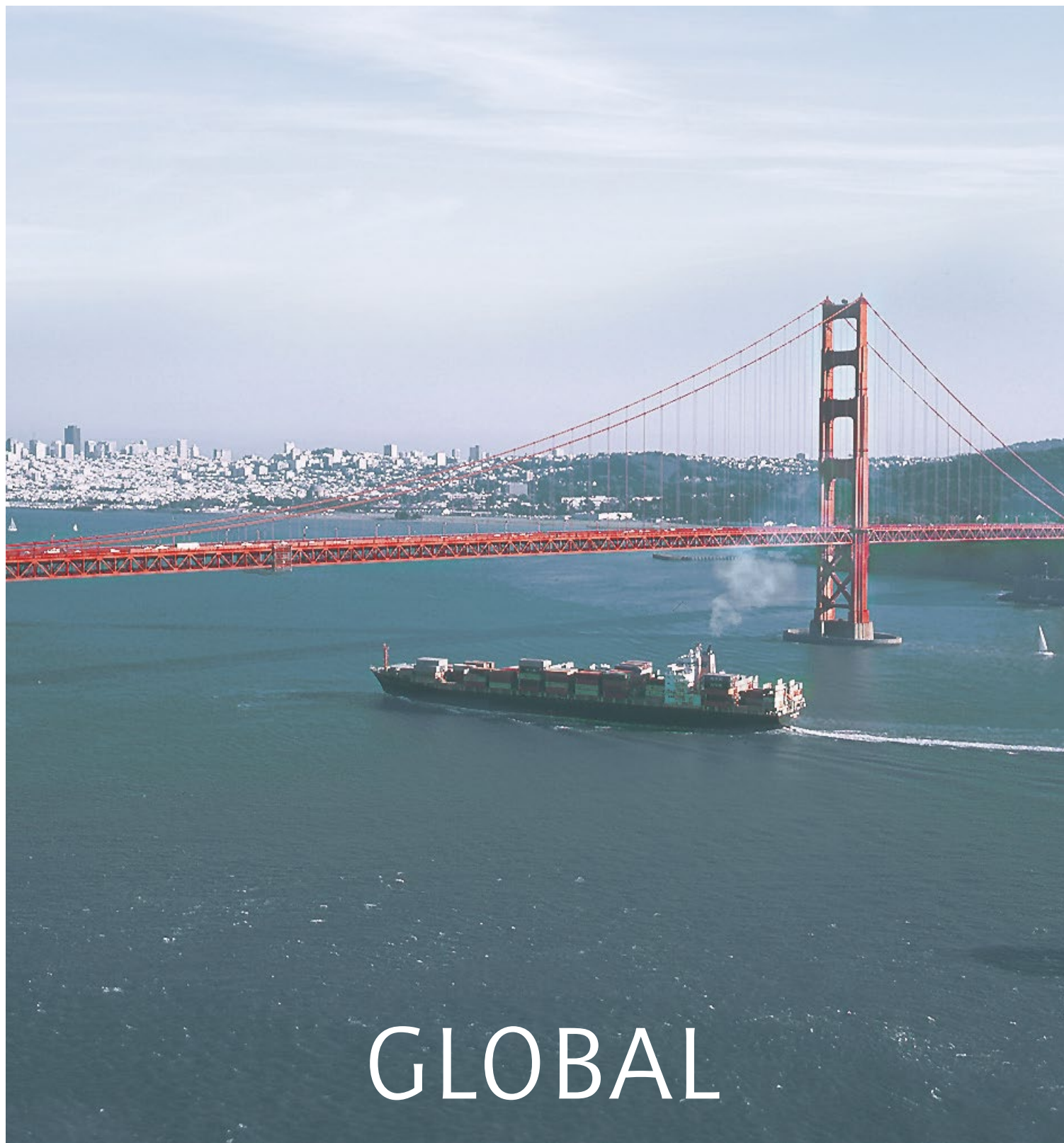
Total shareholder return development

in CHF	2014	2013
Increase/(decrease) of share price year over year	18.20	7.10
Dividend per share	5.85	3.50
Total return	24.05	10.60

Dividend

For 2014 the Board of Directors is proposing a regular dividend amounting to CHF 4.00 per share and an extraordinary dividend of CHF 3.00 per share for approval at the Annual General Meeting. If the dividend proposal is approved by the shareholders, dividend payments on the shares will amount to CHF 480 million (2013: CHF 461 million)

towards regular dividend resulting in a payout ratio of 75.8 per cent (2013: 77.2 per cent) of the earnings for the year attributable to the equity holders of the Company. In addition, the extraordinary dividend payment will amount to CHF 360 million. Based on the share price at year-end 2014 the dividend yield on the Kuehne + Nagel share is 4.3 per cent (2013: 3.0 per cent).



GLOBAL

As the leading seafreight forwarder we not only operate globally but are also the number one when it comes to providing innovative seafreight solutions for our customers.



SOLUTION-ORIENTED

Our customer proximity and extensive experience enable us to offer value-creating services. Like "KN FreshChain": an innovative end-to-end solution for temperature-controlled goods.

SEAFREIGHT

GROWTH AND STABLE RESULTS IN A VOLATILE MARKET
AND CURRENCY ENVIRONMENT

By managing the transport of over 3.8 million TEU, 242,000 containers more than in the previous year, Kuehne + Nagel increased its freight volume by 6.8 per cent and confirmed its leading position in the global seafreight business. As a result of the substantial rate volatility and the weakness of the US dollar in the first sixth months, EBIT was slightly below the previous year's figure, the conversion rate, however, remained at a high level.

Development of the market and freight rates

In 2014, the global seafreight market expanded by around 4 per cent and grew somewhat faster than in the two previous years. This development was primarily driven by transpacific and transatlantic import traffic to the USA, where consumer confidence was strengthened by the recovery of the economy. On the other hand the moderate growth that had been seen in previous years in the Latin American trades came to a standstill. The largest market, intra-Asian transport, expanded by roughly 6 per cent. Volume growth in the traffic from Asia to Europe almost reached double digits in the first half of the year, but slowed down in the second half. In the opposite direction the volume of freight increased by more than 6 per cent.

Global freight capacity expanded by around 8 per cent in 2014. Available shipping space, particularly in the trades between Asia and Europe and to and from Latin America, again grew much faster than demand. This imbalance resulted in significant rate fluctuations. On the USA-related trades, rates increased as a result of rising freight volumes and as an indirect

consequence of the slow-moving negotiations between American port operators and labour unions.

Development of Kuehne + Nagel's seafreight business

In 2014 the growth in Kuehne + Nagel's container volume was almost double that of the market. More than half of its increase of 242,000 TEU was generated in the North American trades. High growth rates were also achieved in transpacific traffic and European export trades. On the other hand, the business development to and from Latin America was weaker than expected. Volumes in the important trade between Asia and Europe stagnated because Kuehne + Nagel focused on margin stability. In the other non Europe-related trades, Kuehne + Nagel was able to achieve double-digit growth thanks to its global network.

LCL

The LCL (Less-than-Container-Load) business performed well in 2014 as a result of the newly created gateways in Asia, North and South America and Europe. The expansion of routes increased



the density of the network and led to a more efficient cost structure, shorter transit times and better utilisation of container capacity. The transported volume rose by 6 per cent to more than 1.7 million cubic metres, resulting in a further strengthening of Kuehne + Nagel's leading position in LCL business.

River shipping

In 2014 Kuehne + Nagel's river shipping organisation again made a valuable contribution to the environmentally-friendly transport of freight. In this field of activity the focus remained on the further expansion of operations on the Rhine-Main-Danube

routes as far as the Black Sea, the training of young river boat personnel and the increased use of the company's own equipment.

Industry-specific solutions

Sales activities for industry-specific solutions continued to be successful in 2014. Growth rates which occasionally reached double digits were achieved in the reefer segment, the transport of paper and wood as well as drinks logistics.

Emergency and relief logistics

Kuehne + Nagel supports many international aid organisations on the basis of long-term contracts. In all regions that depend on aid supplies, structures have been created that meet the special needs of the aid organisations and local administrations. Kuehne + Nagel will continue to assign a high priority to emergency and relief logistics.

Oil, gas and project business

Already in 2013 the activities of the oil & gas, project and marine logistics businesses were combined into a comprehensive solution for the needs of these

globalised industries. Kuehne + Nagel is also one of the global market leaders in these demanding and complex fields of logistics. With a focused strengthening of its team of experts on a global, regional and national level, the company made a big step towards achieving its ambitious growth targets.

Transport insurance business

The Nacora Group, providing global insurance broking activities, is being reported as a segment of the seafreight business unit as from the year under review. This field of activity showed solid growth, with particularly pleasing developments in Singapore, Hong Kong, France, Germany and the Netherlands. In addition to cargo insurance, growth was generated by newly developed special transport and product liability insurances. For example, Kuehne + Nagel can offer its customers an exclusive consolidated container service with increased compensation in the event of damage to the cargo by the carrier. In 2014, selective investments in new markets and newly established companies in Japan, Luxembourg and Canada created the basis for the further growth of the Nacora Group.



Information systems –

an important factor for success in seafreight

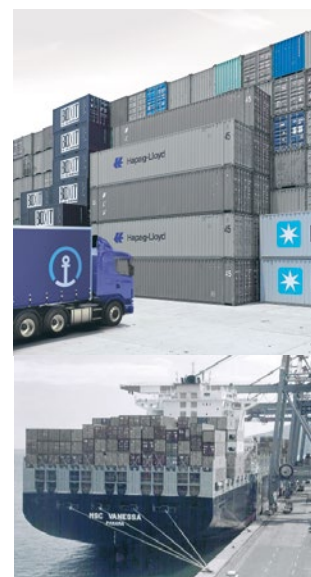
Kuehne + Nagel maintains its leading position in seafreight not only by constantly gaining new market shares but also by keeping ahead of its competitors in terms of productivity. This requires the adaptation of its operational system to meet current process demands and consequently taking advantage of new technical opportunities. Further potential was leveraged in the integration of industry- and customer-specific processes and in the automation of processes with shipping companies.

The most important developments in information logistics were on the one hand in the field of Inbound Supply Chain Management, where a fully integrated booking platform for order management was implemented. This permits the automation of all order management activity at article level. On the

other hand, Kuehne + Nagel achieved substantial gains in added value and productivity for its customers by the realisation of industry-specific e-commerce solutions.

Outlook for 2015

The current business year will primarily be influenced by a favourable economic development in the USA and the good state of the domestic economies in Asia and in particular China. The highest growth rates can again be expected in the trans-pacific and transatlantic trades. Freight rates will show a further increase in these areas, but will probably remain volatile in all other trades. A stable oil price at a moderate level will have a marked impact on trade and shipping. Kuehne + Nagel expects the growth of the market to be roughly in line with that of 2014, and again aims for an increase in volume substantially in excess of this.



Performance Seafreight

CHF million	2014*	Margin per cent	2013*	Margin per cent	Variance 2014/2013 per cent
Turnover	9,240		9,118		1.3
Net turnover	6,741	100.0	6,639	100.0	1.5
Gross Profit	1,313	19.5	1,319	19.9	-0.5
EBITDA	423	6.3	429	6.5	-1.4
EBIT	398	5.9	405	6.1	-1.7
Number of operating staff	8,447		8,223		2.7
TEU '000	3,820		3,578		6.8

* Includes the former Business Unit Insurance Broker which is included in Seafreight since January 1, 2014.



INNOVATIVE

In airfreight solutions, speed and quality are what counts. With our web application "KN FreightNet", customers can obtain binding quotes for their shipments and make direct bookings in a matter of seconds.



As the world's number two in airfreight we focus on industry-specific products and services thus offering our customers supply chain robustness, planning reliability, and added value.

AIRFREIGHT

EXPANSION OF MARKET SHARE AND FURTHER INCREASE IN PROFITABILITY

In a market that grew overall for the first time in three years Kuehne + Nagel further increased its market share and impressively confirmed its position as the world's second largest airfreight provider. The rise in tonnage of 5.3 per cent to 1,194,000 tons went hand in hand with a further improvement in profitability: the ratio of EBIT to gross profit (conversion rate) increased to 27.0 per cent, and EBIT was up by 7.2 per cent.

Development of market and rates

After three years of declining or stagnating demand, in 2014 the global airfreight market returned to a path of growth. The positive trend that began in the final quarter of 2013 continued throughout the year under review and resulted in an overall increase of 3 to 4 per cent in global tonnage.

The main driver for this development was China, where the demand for airfreight activities increased, especially from the high-tech sector. Volume growth was also seen in the trade lanes to and from Germany and Japan.

However, the growing airfreight volumes brought no relief in rate levels in 2014 due to a further increase in the capacities of the airlines. In response to the rising number of passengers, many airlines have modernised their fleets over the past few years, a

side effect of which has been an increase in the co-loaded freight or bellyhold capacity of their aircraft. In the year under review this was roughly 6 per cent higher than the growth of global airfreight tonnage, resulting in a reduced load factor with consequent pressure on rates.

Development of Kuehne + Nagel's airfreight business

With an increase in volume of 5.3 per cent, Kuehne + Nagel again grew faster than the global market. While expansion was recorded in all regions, airfreight activities developed particularly well in Europe and in the growth markets of Asia and South and Central America. Kuehne + Nagel maximised new business opportunities in the trade lanes from North America to Europe.

Systematic strategy implementation pays off

A decisive factor for Kuehne + Nagel's good performance in airfreight is the consistent implementation of its strategy: To concentrate on airfreight products tailored for specific industries and increase tonnage in selected markets.

Industry-specific solutions

Many new customers were gained during the year, particularly in the pharmaceutical, automotive and industrial goods industries. A substantial part of the overall tonnage growth in the year under



review was generated with specialised services for the perishables sector, in most cases through the expansion of business with existing customers. With the product "KN EngineChain" which was introduced in 2013, Kuehne + Nagel offers companies in the international aerospace industry a tailor-made service package for spare parts logistics and the maintenance of aircraft engines. This product was successfully established in the market in 2014, resulting in attractive new business. In addition, Kuehne + Nagel was also able to renew existing contracts with major customers or widen the scope of services.

Kuehne + Nagel is also one of the leading logistics providers in the hotel logistics segment, and develops integrated solutions for the construction, renovation and operation of hotel chains and casinos all over the world. Sales activities of this service were again highly successful in 2014. In addition to the renewal of existing contracts, the company gained attractive new projects, the largest of which, as in the two previous years, are located in the Arabian Peninsula.

New quoting and booking portal

With the launch of the online portal "KN FreightNet" in 2014, Kuehne + Nagel was the first airfreight forwarder to introduce an innovative application that enables customers all over the world to receive

instant quotes for airfreight shipments. A booking can then be placed immediately for the offer that meets the customer's needs, and the shipment can be tracked via the information logistics system "KN Login". The innovative tool already generated new business during the initial phase of its introduction.

Process optimisation through new operating system

Kuehne + Nagel implemented the new software "AirLOG Import" in its global airfreight organisation in 2014 and has already achieved improvements in quality as a result of this in-house development.

Outlook for 2015

Compared with the past few years, there is a more optimistic note in the forecasts for the growth of global airfreight market in the current business year. However, the increase in demand is unlikely to exceed growth in the capacity of the airlines, therefore pressure on rates and margins can be expected to persist in 2015.

Against this background Kuehne + Nagel will concentrate on its own strengths and continue to pursue its strategy in the airfreight business unit. The policy of focusing on profitable growth in specific industries and selective markets will be accompanied by further improvements in operational efficiency.



Performance Airfreight

CHF million	2014	Margin per cent	2013	Margin per cent	Variance 2014/2013 per cent
Turnover	4,207		4,143		1.5
Net turnover	3,557	100.0	3,481	100.0	2.2
Gross Profit	880	24.7	877	25.2	0.3
EBITDA	257	7.2	247	7.1	4.0
EBIT	238	6.7	222	6.4	7.2
Number of operating staff	5,317		5,211		2.0
Tons '000	1,194		1,134		5.3



Our overland solutions meet the highest quality standards with delivery accuracy and data integrity. Advanced tracking and tracing systems allow constant shipment visibility.



Our well-developed overland transport network, combined with intelligent IT applications, makes individual transport solutions at fair prices a reality.

OVERLAND

IMPRESSIVE TURNAROUND DUE TO SUCCESSFUL STRATEGY

With a significant improvement in EBIT, Kuehne + Nagel's overland business unit achieved a turnaround into the profit zone. This was due to the new strategy "Road 2 Profit", which was introduced in 2013 and led quickly and sustainably to the targeted results. The optimisation of the product portfolio, the intense focus on selected customer segments and the centralised purchasing of cargo capacity have proved to be effective measures.

**Market development**

Following two preceding years in which demand stagnated or even declined, in 2014 there was modest growth of 1 per cent in the overland market in the Euro zone, the most important geographical region for Kuehne + Nagel in this business unit. With 2 per cent each, growth was somewhat higher in the United Kingdom, Norway, Switzerland and the Eastern European countries as well as in North America and the Middle East. In Brazil, the most important overland market within South and Central America for Kuehne + Nagel, the level of demand stagnated.

Development of Kuehne + Nagel's overland business**Groupage segment**

In the year under review the European groupage market was again impacted by rising local transport costs and fierce competition. In this environment Kuehne + Nagel improved its market position through the implementation of selective strategic measures. On the one hand a new pricing process that had already been successfully introduced in France was extended to Germany, Switzerland and Austria. On the other hand the IT landscape is being further simplified with the aim of progressively replacing the various systems with a uniform system that is currently under development.

Full and part loads

The positive performance in the full and part load business, which has been maintained without inter-

ruption since 2010, continued in 2014 and brought the number of consignments handled in the segment to a new record level. The improved networking of European dispatchers increased the load factor of the vehicles and reduced the number of empty runs. This development brings an improvement in both cost effectiveness and pollutant emissions.

Industry-specific solutions

The launch of the product "KN PharmaChain" for customers from the pharmaceutical and health-care industry was successful and led to the largest amount of new business in 2014. The product "KN SecureChain", which was originally designed for the high-tech sector, is meeting with increasing demand from other industries with high security standards such as the luxury goods, tobacco and precious metal segments. Activities in the event and trade fair logistics business also expanded in 2014. The big sporting events in Russia and Brazil were among the year's highlights.

Development outside Europe

Business in North America developed very favourably and showed particularly strong growth in Canada and in cross-border traffic between the USA and Mexico. In South America Kuehne + Nagel was able to outsource additional service segments and concentrate more strongly on core products so as to further optimise its cost structure. In Argentina and Brazil, however, the situation remained difficult as a result of weak economic development. In Southeast Asia, in 2014 Kuehne + Nagel offered stand-alone



overland services for the first time and is thus combining its operational and technical experience from Europe with its knowledge of Asian markets. During 2015 it is planned to expand this business, which at present is still on a relatively small scale.

Strategy

The turnaround achieved in 2014 demonstrates the success of the "Road 2 Profit" strategy, which has been systematically implemented since mid-2013. It defines the segments groupage, full and part loads, special solutions for pharmaceutical and high-value goods, and event and trade fair logistics as core products. Attention is also focused on the industrial goods, automotive and oil & gas sectors. In the summer of 2014 the new product "KN I2M Overland" was added to the portfolio. Designed to support customer-specific procurement logistics, this supply chain management tool allows individual

and flexible transport planning and transparent cost reporting.

Outlook for 2015

Following the achievement of an important interim goal with the successful turnaround in the year under review, it is aimed to make 2015 a year of profitable growth.

Kuehne + Nagel also plans to further optimise the purchasing of transport services by collaborating more closely with best-in-class partners and planning more efficient routings. In this respect greater advantage will particularly be taken of the liberalisation of cabotage within the EU. The overland business is likely to receive momentum from the forecasted slight improvement in the development of the economy and the recent drop in the price of oil.

Performance Overland

CHF million	2014	Margin per cent	2013	Margin per cent	Variance 2014/2013 per cent
Turnover	3,019		3,059		-1.3
Net turnover	2,762	100.0	2,806	100.0	-1.6
Gross Profit	898	32.5	902	32.1	-0.4
EBITDA	69	2.5	33	1.2	109.1
EBIT	30	1.1	-8	-0.3	475.0
Number of operating staff	7,627		8,115		-6.0



INTEGRATED

Our global network and extensive industrial knowledge are the platform on which we develop and operate integrated concepts for the outsourcing and management of complex supply chains.



Our scalable solutions provide our customers with fast and secure market access.

CONTRACT LOGISTICS

SOLID GROWTH AND FURTHER IMPROVEMENT IN PROFITABILITY

Turnover growth which exceeded the market average and a further improvement in EBIT of 7.7 per cent, prove the success of Kuehne + Nagel's strategy in contract logistics. The intended effect has been achieved through restructuring measures and the optimisation of the project portfolio to include more complex operations with major customers from key industries.

Development of the market

As in the previous year, the global contract logistics market grew by approximately 2 per cent. This figure, however, was subject to regional variations. Demand grew by a solid 4 per cent in North America and certain Asian countries, but stagnated in the European markets.

The demand for supply chain solutions showed a clear upward trend. Complex elements of the pre-production process or the entire distribution of

finished products are outsourced to a single logistics partner, who then provides transport logistics and added value services across the entire supply chain.

Development of Kuehne + Nagel's contract logistics business

As a result of the consistent implementation of the defined contract logistics strategy and successful management of the product portfolio, the proportion of complex solutions offered to internationally operating customers increased.



Strategic initiatives

The transformation of the contract logistics business unit, which was initiated in 2013, was pursued in the year under review with improved results across all three strategic initiatives.

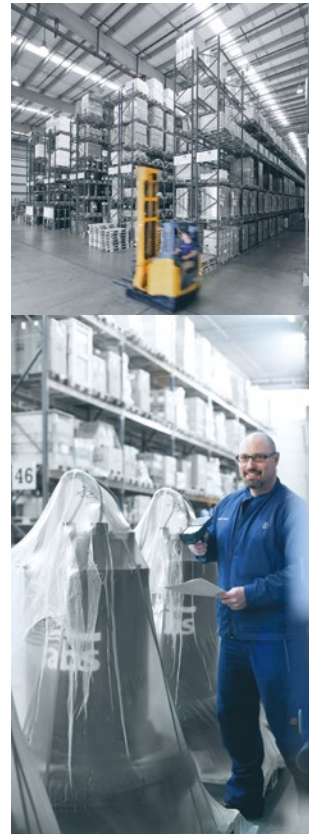
Master Location Plan: In the scope of this initiative all contract logistics facilities worldwide underwent a profitability review. As a result, structural reorganisation measures have been defined and initiated in a large number of locations. In the year under review Kuehne + Nagel continued this process and completed it in most countries. A total of 65 unprofitable warehouses were closed. In 2014 worldwide idle space was reduced from 5 to 4 per cent.

Focused Growth: This initiative is aimed at the consolidation, optimisation and further development of Kuehne + Nagel's global customer project portfolio in accordance with the company's strategy in contract logistics. It is focused on high-quality services that are strongly integrated into the production and trading processes of the customers as well as on end-to-end solutions in the field of integrated logistics for internationally operating customer groups. This qualitative growth in the customer portfolio made good progress in 2014; contracts for complex and innovative projects were concluded with major customers from the pharmaceutical, automotive and e-commerce sectors all over the world.

Operational Excellence: High efficiency and the permanent improvement of processes are at the centre of this initiative, which is being implemented as part of an ambitious global quality programme. In 2014 Kuehne + Nagel further developed its production system and relaunched it in a process-oriented version under the name "KNPS 2.0". Thanks to the new system the same high standards are applied in every contract logistics warehouse all over the world in order to continuously identify and realise further potential for process optimisation, increased productivity and quality assurance.

Integrated Logistics

For more than ten years Kuehne + Nagel has been one of the world's market leaders in the demanding field of lead logistics. In 2014 the company further pursued the strategy of creating integrated logistics solutions by bundling highly complex logistics projects that include order fulfilment, contract logistics services and multi-modal transport. New business was gained in North America, Europe and Asia, thereby increasing the number of global contracts. Interesting new growth opportunities are also presented by a number of pilot projects in promising markets such as South America and the Middle East. In order to gain further market share, the focus was placed on six strategic industries including high-tech, pharma and medical technology.





Real Estate

The real estate business field coordinates the portfolio optimisation and the facility management of Kuehne + Nagel's global real estate. Kuehne + Nagel owns 121 logistics facilities and office buildings in 23 countries. In 2014 the company managed 8.7 million square metres of warehousing and logistics space, including rented facilities and those provided by customers. A new facility was brought into service in Sydney, Australia. In 2015 it is planned to develop or expand the company owned facilities in Leipzig, Chemnitz and Singapore. The focus will continue to be placed on a forward-

looking real estate procurement policy to meet anticipated requirements together with an optimisation of the property portfolio, increased cost effectiveness and a balanced mix of owned and rented properties.

Outlook for 2015

The initial forecasts for the contract logistics market in 2015 are cautiously optimistic. In the medium term it should be possible to attain growth rates substantially higher than those of global gross domestic product. These forecasts take into consideration the dynamic character of the global economy,



the continuing trend towards outsourcing logistics functions and changes in industrial structures as a result of developments such as e-commerce.

The development of business will continue to vary widely between individual regions and industries. While growth will continue in China and other emerging markets, many commercial and industrial companies in Europe and North America will concentrate on restructuring their supply chains. This means that new business opportunities for experienced logistics providers will also be created in industrial countries. Key factors for success in an intensely competitive environment will be the ability of contract logistics providers to adapt to different market dynamics and changes in industrial structures, as well as their integration capability into new production and commercial processes.

In 2015 the continued execution of the three strategic initiatives will again lead to profitable growth. Besides investments in infrastructure, IT and human resources, the concentration on selected growth markets will support a sustained positive development.

Performance Contract Logistics

CHF million	2014*	Margin per cent	2013*	Margin per cent	Variance 2014/2013 per cent
Turnover	4,825		4,609		4.7
Net turnover	4,441	100.0	4,252	100.0	4.4
Gross Profit	3,197	72.0	3,159	74.3	1.2
EBITDA	256	5.8	253	6.0	1.2
EBIT	153	3.4	142	3.3	7.7
Number of operating staff	31,634		30,725		3.0

* Includes the former Business Unit Real Estate which is included in Contract Logistics since January 1, 2014.

HUMAN RESOURCES

Recruiting, challenging and developing staff

To a large extent Kuehne + Nagel owes its success to the commitment and expertise of its staff. For that reason the human resources department focuses its attention on recruiting the best employees, providing them with an inspiring working environment and challenging tasks, selectively developing their careers and retaining high performers on a long-term basis.

Kuehne + Nagel operates worldwide. The requirements of customers and markets are demanding and constantly increasing. This calls for a high degree of flexibility, willingness to learn as well as intercultural and responsible behaviour from the employees. Top priority is therefore assigned to the sustained and systematic further development and qualification of the staff and management.

Identification and development of talent

The cross-border identification and development of talents from apprenticeship up to top management level was successfully continued in 2014. Under the "local abroad" programme, young employees from Asia were able to gain experience in North America, and talented junior staff from North and South America as well as Eastern Europe passed through a development programme tailored for this target group in Western Europe.

Apprentices

Kuehne + Nagel has a highly effective apprenticeship programme for which it has already received

a number of awards. At the end of 2014, 915 young people were in training across twelve areas of specialisation worldwide. 80 per cent of those completing their apprenticeship were recruited as permanent employees in 2014.

Multimedia training programmes

The training programme "Forwarder Training" was developed together with external specialists. It delivers the theoretical content of the German qualification for freight forwarders in a virtual classroom. In this way a comprehensive knowledge of logistics from the German-speaking countries serves as a basis for the standardised, sustained qualification of staff in regions where no comparable education is available. The pilot implementation began in the year under review in Eastern Europe, Asia and South Africa.

High Potentials

In 2014, almost 70 employees from 28 countries successfully completed the most recent 18-month high-potential programme of Kuehne + Nagel. Besides playing an active part in various strategic business initiatives, the participants implemented a number of social projects which they themselves had initiated and coordinated all over the world. The coaching of alumni of the high-potential programme by experienced members of the company management, which began in 2013, was continued in the year under review.

Development of managerial staff

In collaboration with the Cranfield School of Management, London, the range of globally standardised and sequential training programmes for

managerial staff was further expanded in 2014. The top and senior management courses, which were attended by more than 80 participants, centred primarily on the implementation of the "Focus + Excellence" programme.

Kuehne + Nagel's human resources policy is firmly aligned with the Group's strategy and its value-based corporate culture. For example, the human resources department was closely involved in the introduction and implementation of the "Focus + Excellence" programme. In addition to personnel and organisational issues, a survey was carried out in which the worldwide management was asked for its views on strategy implementation and leadership behaviour. As this was done online, it was possible to quickly produce transparent results, providing the participants with detailed, topic-related feedback. Many of the suggestions received were implemented.

The values of the company are communicated to employees worldwide through specific behavioural examples in the relevant cultural environments.

Social responsibility

On a regional and national level, a large number of initiatives were again offered in 2014 to ensure compatibility between work and family life, as well as the sustained promotion of employees' health.

HR systems and processes

The IT support for efficient succession planning showed clear improvements in 2014. In addition, a programme was started in close collaboration with the individual business units, to harmonise and optimise manpower and time planning in the operational logistics departments. From 2015 this system will be progressively introduced throughout the world and is expected to bring a substantial reduction in administrative costs.

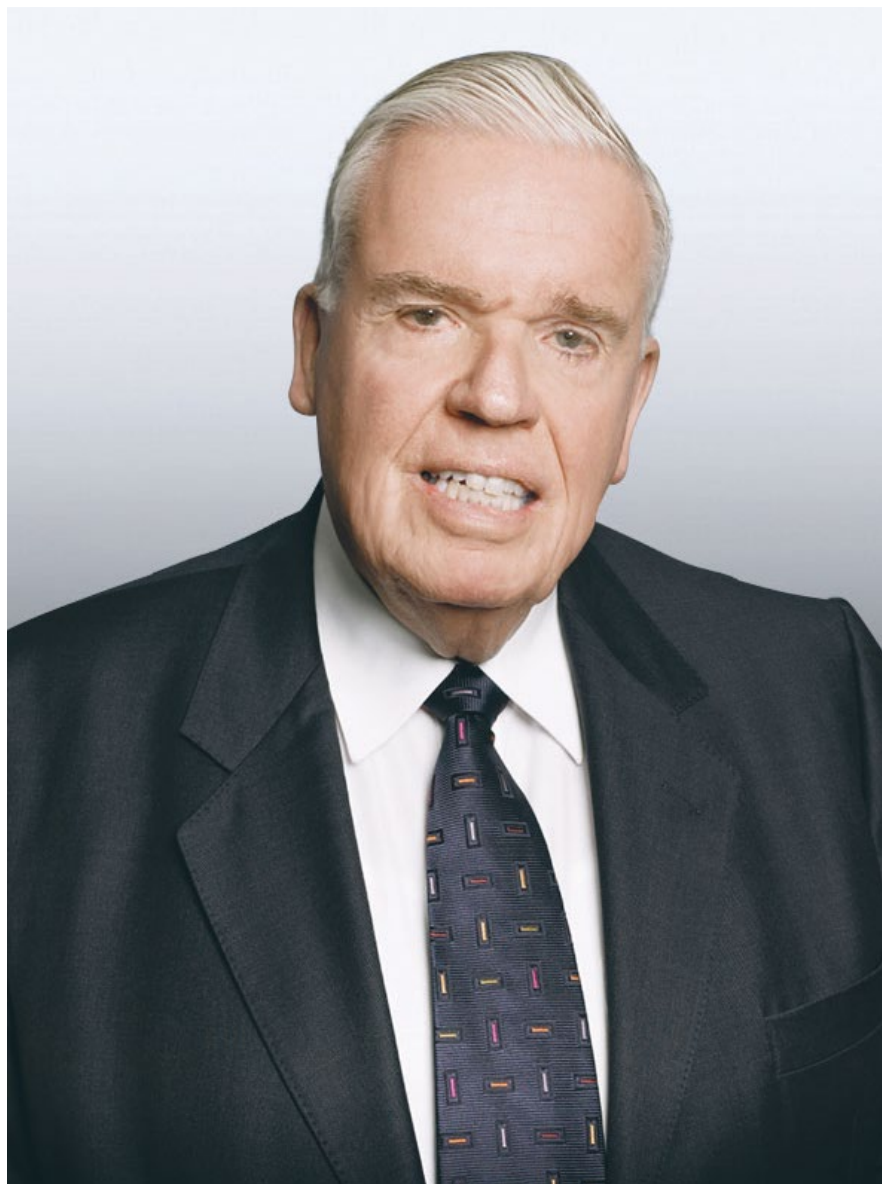
Knowledge management

The number of virtual working meetings held using the online platform Centra increased in 2014 to around 10,000, representing an increase of 15 per cent in comparison to the previous year. The number of completed computer-based training units (CBT) grew by 27 per cent to 127,000. The benefits of this positive development include lower travelling costs as well as shorter absences and project times.

Kuehne + Nagel's internal Wiki platforms, which were modernised in 2014, also led to a more efficient exchange of knowledge. In 2015 all these elements will bring a further improvement in internal knowledge management.

Number of employees

In the year under review the number of employees showed a slight increase of 1.1 per cent from 62,744 to 63,448.



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

KUEHNE FOUNDATIONS

AN ENDURING COMMITMENT TO EDUCATION AND FURTHER TRAINING

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

Support in the field of logistics

In addition to the financing of the Kühne Logistics University (KLU), Hamburg, in 2014 the Kuehne Foundation gave support to the following logistics institutes, professorships and projects:

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

Kühne Logistics University (KLU), Hamburg

The Kühne Logistics University, founded in 2010, covers the full spectrum of university education: It offers a Bachelor in Management, a Master in Global Logistics as a specialised programme for students with a clear professional orientation in supply chain

management, a Master in General Management and a structured doctorate programme. In part-time education, KLU offers an Executive MBA in Leadership & Logistics, as well as open and company-specific further training programmes for specialist and managerial staff. The 17 international professors are distinguished by the practical orientation of their teaching and the excellence of their research in the fields of logistics and general management. In 2014, KLU demonstrated the high quality of its teaching and research by obtaining top positions in two of the most important university rankings in German-speaking countries.

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

The Professorship of Logistics Management at the ETH Zurich has received support from the Kuehne Foundation since 2008. In the year under review this was extended by two more years until the end of 2016. The attractiveness of logistics and supply chain management training at the ETH again increased in 2014: a growing number of master theses were written in the department of logistics manage-

ment, and in September 2014 the 12th Executive MBA in Supply Management started.

The team of the Professorship for Logistics Management headed by Prof. Stephan Wagner continued the successful work of previous years in research and the transfer of knowledge. In 2014 attention focused on the study of operations and supply chain management in young start-up companies. In relation to this a survey was carried out among a large number of start-ups in Europe and China in order to categorise the challenges they encounter in establishing their operations and supply chain management. It was also investigated, both empirically and experimentally, if and how established firms collaborate with start-ups as suppliers. These projects recognise the growing importance of young, innovative companies in the economy.

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

The Kuehne Centre for Logistics Management, under the direction of Professors Stefan Spinler and Carl Marcus Wallenburg, is responsible for all logistics-related training and further education activities of WHU and for the coordination of logistics research.

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

The annual "WHU Campus for Supply Chain Management", another event that is supported by the Kuehne Foundation, took place for the 11th time in January 2014 with the theme "Velocity – Accelerating Supply Chains at any Price?". In lectures and workshops held by company representatives and academics, it was discussed whether global supply chains will experience further acceleration.

Professorship for Logistics Management at the Chinese-German University College of the Tongji University, Shanghai

For the past six years, the Kuehne Foundation has supported the professorship "International Logistics Networks and Services" at the Chinese-German University College of the Tongji University in Shanghai under the direction of Prof. Sidong Zhang. The professorship has developed into a central hub for lecturers, students and academics in China, and cooperates with all institutions that receive support from the Kuehne Foundation through joint research, dual master and doctorate programmes. Stays in China for doctoral candidates and exchange programmes for students are also supported.

The China Logistics Day of the Kuehne Foundation, which took place for the second time in 2014 at the Tongji University, was held under the motto "Sustainability and City Logistics" and was a great success with 200 participants.

Professorship for Logistics Management at the "Hochschule für Internationale Wirtschaft und Logistik" (HIWL), Bremen

At the "Hochschule für Internationale Wirtschaft und Logistik" the Kuehne Foundation supports teaching activities, in particular, by funding the professorship for systems and processes in logistics. Due to their practical orientation, all courses to bachelor level are increasingly in demand. Since HIWL offers dual study programmes, students benefit from a constant alternation between theory and practice. Another important feature of the courses is their international focus, with 50 per cent of the students spending periods of study or serving internships abroad.

Centre of Excellence for International Logistics Networks at the Technical University, Berlin

Since 2005 the Kuehne Foundation has supported the Centre of Excellence for International Logistics

Networks in the department of logistics at the Technical University Berlin under the direction of Professor Frank Straube. An extension of the support has been agreed until the end of 2016.

In addition to seminars on the subjects Global Logistics Management and International Procurement as part of the master course for industrial engineers, the Centre of Excellence also holds workshops and conducts project research on German-Chinese logistics topics.

In 2014, in collaboration with the Tongji University, the Centre of Excellence organised three workshops in Berlin and Shanghai, each of which were attended by 20 participants. They served the purposes of exchanging best practice and designing a navigator for the systematic planning of German-Chinese logistics networks.

The 13th Logistics Day of the Kuehne Foundation was held jointly with the Logistics Department of the TU under the motto "The Future of International Logistics Networks", and attracted more than 160 participants.

Humanitarian Logistics

The H.E.L.P. (Humanitarian and Emergency Logistics Project) programme, which was initiated by the Kuehne Foundation in October 2010, is dedicated to the provision of consultancy services to humanitarian organisations and the training and further education of their staff. Its goal is to improve professional standards, efficiency and transparency in the logistics processes of international emergency aid. Its principal function is to offer training courses in logistics and supply chain management in countries that receive humanitarian assistance, while it gives instruction to aid organisations and public authorities in donor countries. In the field of research the H.E.L.P. team cooperates closely with KLU in Hamburg, WHU in Vallendar, TU Berlin and ETH Zurich,

as well as with universities in countries that receive humanitarian assistance.

In 2014 the regionalisation of activities was systematically continued in order to enable the provision of consultancy services and training in the following regions:

Middle East

One area of focus was the Middle East, where the H.E.L.P. office in Amman educated aid organisations from Jordan, Syria and Iraq and carried out various simulations for optimised supply chain management in collaboration with the German-Jordanian University (GJU).

An 18-months logistics consultancy project conducted jointly with the Swiss Red Cross for the Egyptian Red Crescent was successfully concluded in 2014. Some 400 persons received instruction in a series of training courses, workshops and simulations. In mid-2014 the project partners agreed on a second phase in which instruction will be given to the 27 operational branches of the Red Crescent in Egypt. The concept involves a series of 20 training events in which a further 500 persons will be prepared for the particular challenges of logistics.

Africa

The crisis region around the Horn of Africa (South Sudan, Ethiopia, Djibouti, Somalia) is supported by a H.E.L.P. office with the Ethiopian Red Cross. This provides training for local, foreign and UN aid organisations on site, and in 2014 it conducted a train-the-trainer programme in order to promote the sustainability of logistics education.

In Southern and Eastern Africa various training and further education courses were held in 2014 on subjects such as procurement, handling and forwarding as well as collaboration and communication in humanitarian organisations. In cooperation with the

University of Stellenbosch, South Africa, a plan was drawn up for the establishment of a new training centre for the east and south of the continent. It will train logistics teachers for the neighbouring countries and provide consultancy services and instruction for local aid organisations.

Asia

Cooperation with the American University of Central Asia in Bishkek, Kyrgyzstan, was initiated during the year under review. The first course in logistics at the university met with a very strong response, as there is a very high demand for trained specialists in the region from both aid organisations and industry. The course was organised in close cooperation with the World Food Programme of the United Nations (UN-WFP), which maintains extensive school meal projects in the area.

From Singapore, the network for the Asia-Pacific region was further developed. Due to the need for reconstruction following the once-in-a-century typhoon of November 2013, the Philippines were in focus. At the same time, in 2014, consultancy and training projects were realised in Nepal, Myanmar and India. In Malaysia these took place in collaboration with the local logistics centre of the United Nations, the United Nations Humanitarian Response Depot (UNHRD). One of the highlights was the Humanitarian Logistics Conference of the Kuehne Foundation and the National University of Singapore, which was held in Singapore and attended by more than 120 experts from the humanitarian, commercial and academic sectors of the Asia-Pacific region.

Medicine

CK-CARE – Christine Kuehne Centre for Allergy Research and Education, Davos, Switzerland

In industrialised countries all over the world, roughly one person in three is affected by allergies and this number is on the increase. The spectrum ranges from food allergies through allergic asthma and hay fever

to allergic skin diseases such as neurodermatitis. These can result in extremely severe health limitations, and the costs to the economy are immense. Progress has now been made on a number of lines of investigation towards explaining the constant increase in the frequency of allergies and some good, if by no means comprehensive, insights into the disease mechanisms have been obtained. However, many providers of medical care still have an inadequate knowledge of the subject and the availability of possible therapies is not yet satisfactory.

This was the situation which the Kuehne Foundation addressed when it established the Christine Kuehne Centre for Allergy Research and Education (CK-CARE) in 2009. Its aim is to support research, education and prevention in the field of allergy and to achieve the greatest possible benefit for the health of the affected patients. CK-CARE is designed as an association of leading international working groups which cooperate closely on important research topics relating to allergic diseases. It regularly communicates the most recent findings to interested specialists by various education programmes.

In a number of respects, 2014 was a landmark year for the further development of CK-CARE. After a satisfactory assessment by an independent international body of experts, the Kuehne Foundation decided to continue its support for the project on a sustained basis after the end of the initial five-year period. At the same time the Board of Directors of Kuehne Holding AG decided to acquire, through Kuehne Real Estate AG, the real estates of the bankruptcy-threatened "Hochgebirgsklinik Davos".

Together with the reorganised clinic and the long-standing research partner SIAF (Swiss Institute for Allergy and Asthma Research), CK-CARE now has an opportunity to set up a worldwide unique campus in which treatment, research and education in the field of allergy can benefit from each other, draw synergies and interact in an optimal way. Thanks to the

commitment of Christine and Klaus-Michael Kuehne, this campus can be developed into a lighthouse project with international reach, which brings the greatest possible benefit for allergy patients.

Cultural projects

In the field of culture, the Kuehne Foundations give support mainly to music and literature. In 2014 many concerts, operas and festivals in Switzerland, Germany and Austria were supported.

Salzburg Festival

For the Salzburg Festival it is very important to work for and with the younger generation. It aims on the one hand to instil young people with enthusiasm for the world of the theatre, opera and classical music, and on the other hand it actively promotes the development of young artists.

The Young Singers are part of a development programme for young talent through which a high-calibre platform promoting young soloists has been established. 21 selected young singers receive a scholarship which enables them to work together with renowned festival artists. Their courses embrace not only musical aspects, but also scenic rehearsals, language coaching and the expansion of their repertoire.

With its original combination of direct contact with artists and hands-on experience, this initiative of the Kuehne Foundation is a cultural sponsorship programme with international character.

1. Hamburg International Music Festival

For the first time, the orchestras and concert promoters of the city of Hamburg jointly presented an international music festival.

In May and June 2014, more than 50 concerts could be heard under the motto "Seduction". To make the music festival accessible to people outside the concert halls, an extensive framework programme took

place. One highlight of the festival was the "Day at the Elbphilharmonie", in which 13 open-air concerts with free admission were presented on the square in front of the building.

The response from the public, artists and organisers was very positive throughout. In addition to their artistic quality, the concerts covered a particularly wide stylistic range. The Klaus-Michael Kuehne Foundation was the principal sponsor of the 1. Hamburg International Music Festival.

Lucerne Festival

In 2014 the Kuehne Foundation again supported the Lucerne Festival, one of the most prestigious festivals in the field of classical music. The stars of the international classical music scene gathered for the 76th time at the Lake Lucerne. More than 120,000 music enthusiasts took the opportunity to attend the top-class concerts.

Harbour Front Literature Festival in Hamburg

Creativity and diversity are required not only in logistics but also in literature. It were these parallels that provided the motivation for the Klaus-Michael Kuehne Foundation, together with the Hamburg Senate, to create the Harbour Front Literature Festival in 2009 and to support it for five years.

In 2014 the opening event of the popular festival again took place at the Kühne Logistics University. In addition to the Klaus-Michael Kuehne prize for the best debutante author, the "Hamburger Tüdelband" was awarded for the second time. Christine Kuehne presented the prize to the author Finn-Ole Heinrich at the award ceremony in the Hamburg Speicherstadt.

The Kuehne Foundations also gave their support to the music summer on the lake of Zurich, the Festspielhaus Baden-Baden, the Hamburg state opera, St. Catherine's church Hamburg and many other cultural events.

QUALITY, SAFETY, HEALTH AND ENVIRONMENT

Integrated management approach

The Kuehne + Nagel Group pursues the principles of economic, ecological and social sustainability through an integrated management approach towards quality, safety, health and environment issues.

External certification

It is a key customer demand to maintain high quality and safety standards in accordance with international standard across the entire supply chain. For this reason, the Kuehne + Nagel Group annually undergoes extensive audits by external certification organisations. In 2014 all certifications throughout the company were newly issued by Bureau Veritas or reviewed and renewed according to schedule.

Certified quality

At the end of the year under review, 707 branches in 86 countries were certified in accordance with quality standard ISO 9001:2008. In addition, Kuehne + Nagel meets the special quality standards of a number of different industries including the high-tech, aerospace, chemical and pharmaceutical sectors.

With "KN PharmaChain", Kuehne + Nagel offers a product that meets the highest quality standards of the pharmaceutical industry. In 2014 its dedicated network was extended to comprise more than 100 certified locations which provide a comprehensive handling, transport and warehousing service for temperature-sensitive goods in the most important centres for the pharmaceutical industry. The number of Kuehne + Nagel pharma auditors also increased to nearly 60. On the basis of the World Health Organisation (WHO) guidelines, they carry out inspections on the company's own facilities as well as those of its suppliers. 150 audits carried out by customers demonstrate that the high operational and qualitative standards are fulfilled by the Kuehne + Nagel network throughout the world.

For the product "KN EngineChain", binding regulations have been created on the basis of international industry guidelines and internal quality standards. They ensure the safe conveyance of aircraft engines by multiple transport modes. As an initial step, in the year under review, the locations of Singapore and Hong Kong were certified. Further branches all over the world are now in the process of certification.

In 2014 Kuehne + Nagel's services were again recognised for high standards by customers, business partners and independent bodies. In Korea, for instance, the Certificate of Excellent International Freight Forwarder was awarded to the company by the Minister for Land, Infrastructure, Transport and Tourism.

Customer surveys

For Kuehne + Nagel, regular surveys are an important tool for measuring and improving customer satisfaction and for the quick identification of problems. In 2014 the company asked customers from 33 countries about their degree of satisfaction regarding service, communication, invoicing and order processing. The response with respect to service quality was generally favourable and improvements in the areas of proactive customer information and complaints procedures have been initiated.

Staff training

Kuehne + Nagel's high quality standards require corresponding professional qualification of its staff at all levels. Comprehensive training and further education programmes are therefore of high importance. Worldwide, regular courses in the fields of quality, safety, health and the environment take place either in special training centres or directly at the workplace in computer-based form. The number of participants increased by more than half in relation to the previous year: in 2014 more than 28,000 employees from over 100 countries successfully attended a total of 3,500 training units on 14 topics from the field of QSHE.

Security along the supply chain

In global trade, security within the supply chain has become an important competitive factor. It is also of great importance in minimising business risks.

With "KN SecureChain", Kuehne + Nagel offers a transport solution for high-value products from the high-tech and luxury goods industry in which the complete supply chain conforms to the requirements of standard ISO 28001. Furthermore, in line with special customer requirements, 22 logistics centres have been certified in accordance with the TAPA (Transported Asset Protection Association) security criteria.

To ensure a smooth flow of both imported and exported goods in accordance with uniform standards, 32 Kuehne + Nagel locations in 22 countries now have AEO (Authorized Economic Operator) status in accordance with the World Customs Organisation (WCO) standard. In the year under review, the certification according to C-TPAT (Customs-Trade Partnership Against Terrorism) was renewed by the US customs authorities.

Business continuity and emergency plans

Kuehne + Nagel attaches the highest priority to the protection of its staff and the assurance of business continuity in times of crisis.

The company continuously reviews and further develops its emergency plans, and supplements them with measures for various event scenarios.

Health and Safety management

In this important area, Kuehne + Nagel concentrates primarily on systematic risk prevention. Seminars and training courses on health and safety management at work are regularly held in all national organisations. In 2014 the company trained more than 12,500 employees, representing an increase of 20 per cent over the previous year. The training set a particular focus on safety aspects in the fields of cargo handling, the oil & gas business and contract

logistics. In terms of work safety, 307 Kuehne + Nagel branches in 54 countries conformed to the international standard OHSAS 18001.

Environmental management

With regard to the environment Kuehne + Nagel is committed to sustainability. Its strategy in this field concentrates on the following objectives:

- a continuous reduction in CO₂ emissions from operational activities,
- the utilisation of renewable energy sources such as wind, solar and water power,
- the responsible use of water,
- a reduction in the consumption of natural resources by recycling or a lower material input, and
- the provision of environmentally-friendly solutions in transport and warehousing which enable customers to improve their own sustainability.

Certifications and awards

In the year under review a total of 412 Kuehne + Nagel locations in 64 countries were certified in accordance with environmental standard ISO 14001. In Europe the renowned environment portal Carbon Disclosure Project ranked Kuehne + Nagel among the top five in the transport and logistics industry. The Dutch national company was honoured by Connexx Nederland for its 20 per cent reduction in CO₂ emissions. The professional journal Supply Chain Asia again presented the Green Supply Chain Award to Kuehne + Nagel China for its sustained reduction in emissions.

Global Seafreight Carbon Calculator (GSCC)

With the Global Seafreight Carbon Calculator, introduced in mid-2014, Kuehne + Nagel is the first logistics provider to offer its customers a fast and user-friendly means of calculating CO₂ emissions in seafreight. The system is based on standard EN 16258 and the methods of the Clean Cargo Working Group (CCWG). It was developed on the basis of real data from FCL and LCL container transport. The results of the GSCC allow customers to analyse and

optimise their transport operations at any time on a mode-specific basis in order to achieve a long-term reduction in the CO₂, SO_x and NO_x emissions of their supply chain.

Global Facility Carbon Calculator (GFCC)

This database, which has been developed over a period of years, enables Kuehne + Nagel to obtain the pollutant levels of more than 650 of its facilities.

On the basis of the data from the GFCC, appropriate measures to reduce the emissions of individual facilities can be adopted. The following targets were met:

- CO₂ emissions were reduced by 3 per cent or 8,000 tonnes.
- Energy consumption fell by 7 per cent to 31 million kilowatt hours.
- Water consumption fell by 22 per cent (0.8 million cubic metres).
- Compared with the previous year, waste recycling increased by 83 per cent or 24.7 tonnes.

Global Transport Carbon Calculator (GTCC)

In 2014 a growing number of customers were again interested in detailed information on the CO₂ emissions resulting from their transport activities, and requested reports from Kuehne + Nagel's Global Transport Carbon Calculator. The system is based on standardised data taken directly from operational IT systems, and not only shows carbon dioxide emissions but also suggests possible options for reducing them.

International Collaboration

Kuehne + Nagel is involved in the continuous evaluation of industry-specific environmental standards, and therefore it cooperates with many environmental platforms and associations. Among others, it

maintains a close partnership with the following groups: Clean Cargo Working Group (CCWG), Green Freight Europe and Green Freight Asia, SmartWay, ADAME, COFRET, Air Carbon Industry (ACI) and Laboratory for Climatology and Remote Sensing (LCRS).

In the field of research, support was given in 2014 to various projects and studies in collaboration with the Zurich University of Applied Science and the Kühne Logistics University, Hamburg. One project addressed new possibilities for the re-use of packing material, while another project – conducted jointly with a renowned major customer – identified potentials for the reduction of emissions in supply chains.

In collaboration with the climate protection organisation Carbon Trust, Kuehne + Nagel has offered an emission compensation programme to small and medium-sized companies among its customers since the beginning of 2014. Even without their own infrastructure the companies are able to compensate emissions from their business activity through sustainable environmental projects. The programme has met with a very good response in the market.

Outlook for 2015

In the current business year Kuehne + Nagel will develop further software applications for process optimisation, focusing its attention on the analysis of supplier management processes and improved integration of in-house and external management and reporting systems.

The extension and further tightening of many external certification requirements have been announced for 2015. Kuehne + Nagel will adapt its reporting structures for ISO standards 9001:2015, 14001:2015 and 45001:2016 accordingly.

INFORMATION TECHNOLOGY

Development focus in the year under review

With regard to its IT systems and solutions, Kuehne + Nagel is considered to be a leading innovator in the logistics industry. In 2014 the company placed emphasis on various projects for process automation, the improvement of application efficiency, increased service convenience and the further development of infrastructure in line with demand.

Process automation

With the aim of further enhancing the efficiency of business processes and continuously increasing productivity, the automation of central work processes was advanced in 2014. Paper-free processing is becoming increasingly important. It will not only shorten process times but also allows all parties involved to access documents at the push of a button and transmit them all over the world at any time. Advances in automation also enable Kuehne + Nagel to transfer individual processes to nearshore centres.

Customer Relationship Management (CRM)

To professionally support sales operations, the existing in-house software for customer relationship management will be replaced with a new CRM. The new, powerful system is based on Microsoft applications and is closely integrated into the sales-specific processes of Kuehne + Nagel.

Imports by sea, air and overland transport

After the introduction of the airfreight application "AirLOG Import", the corresponding seafreight module "SeaLOG" followed in the year under review. Clear straightforward guidance simplifies the handling of import formalities, enabling employees to efficiently start many standard processes even before containers reach their port of destination. Thanks to the experience gained in airfreight, the development of the seafreight application proceeded quickly. By the end of the year, a smooth implementation at the first branch, Dublin, was done. In the year under review the planning and development of

the overland transport module advanced so far that the rollout of "RoadLOG" can be expected to take place at the end of 2015.

New online quoting and booking portal

Kuehne + Nagel was the world's first airfreight forwarder to introduce a completely internet-based portal: "KN FreightNet". This application enables users to easily obtain binding quotes, to book and track their shipments online. After the first few months in operation it has gained high market acceptance, therefore the development of corresponding applications for seafreight and overland transport are planned during the current business year.

E-commerce industry solution

Kuehne + Nagel's broad spectrum of customers also includes operators of e-commerce platforms and online shops, whose special warehousing and distribution requirements are met with a scalable solution offered by the company. With the development of a highly available and robust IT infrastructure, Kuehne + Nagel is responding to the dynamic development of this business, and has offered its customers substantially increased capacity for handling high volumes and peaks in demand since 2014.

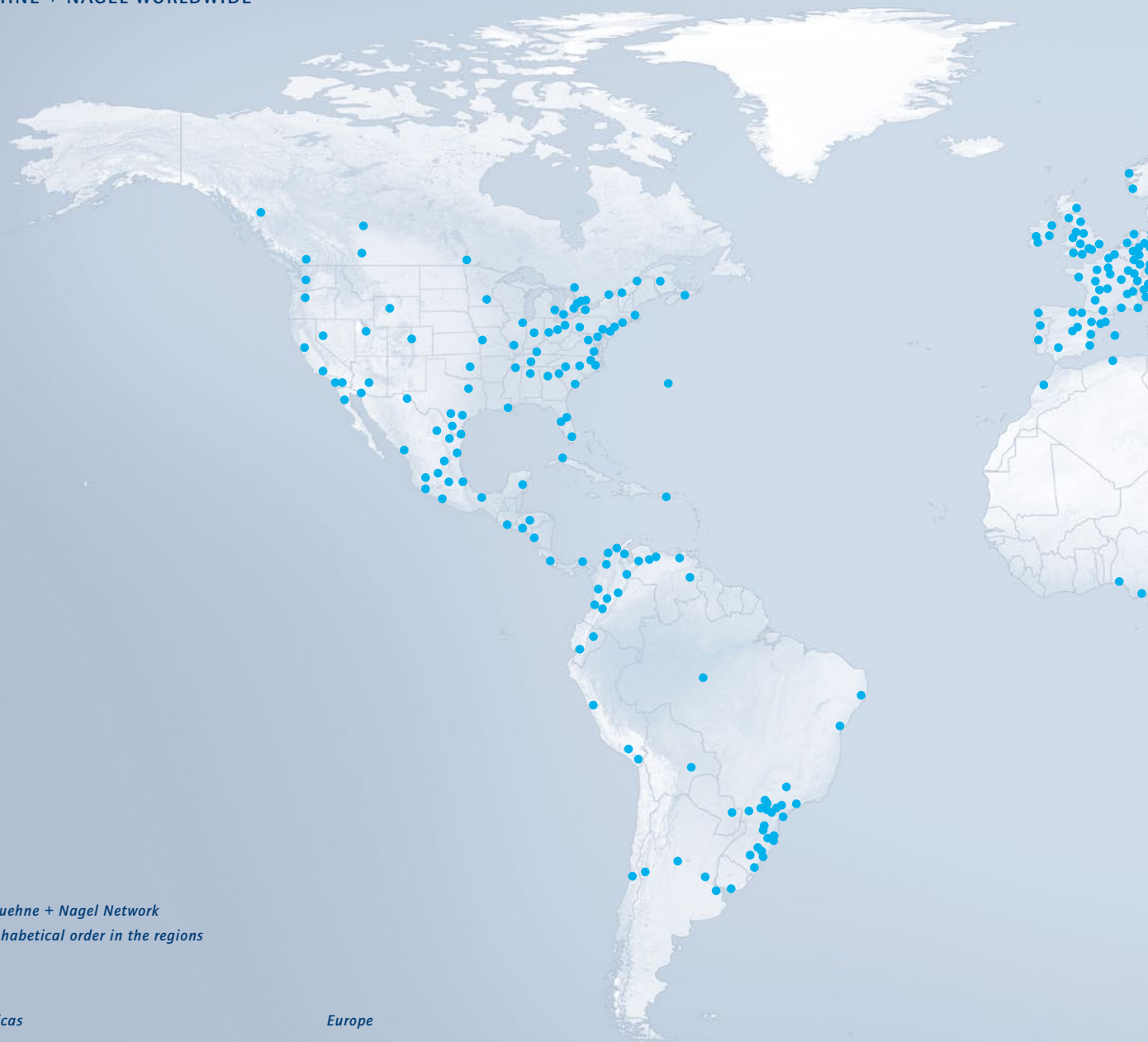
IT infrastructure

In terms of infrastructure, important system components were augmented for the central storage of electronic documents, in order to adapt the capacity and security of the IT network to the rapidly growing volume of data. In 2014 further progress was made with the expansion of the IT Service Centre in Tallinn, Estonia, which provides professional user support for a wide range of programming projects.

Outlook for 2015

Kuehne + Nagel is determined to further develop its position as a leader in the digitisation of logistics. In 2015 the company plans further investments to modernise automatic processes and thereby make the handling of logistics activities as simple and convenient as possible for customers and as efficient as possible for its employees.

KUEHNE + NAGEL WORLDWIDE



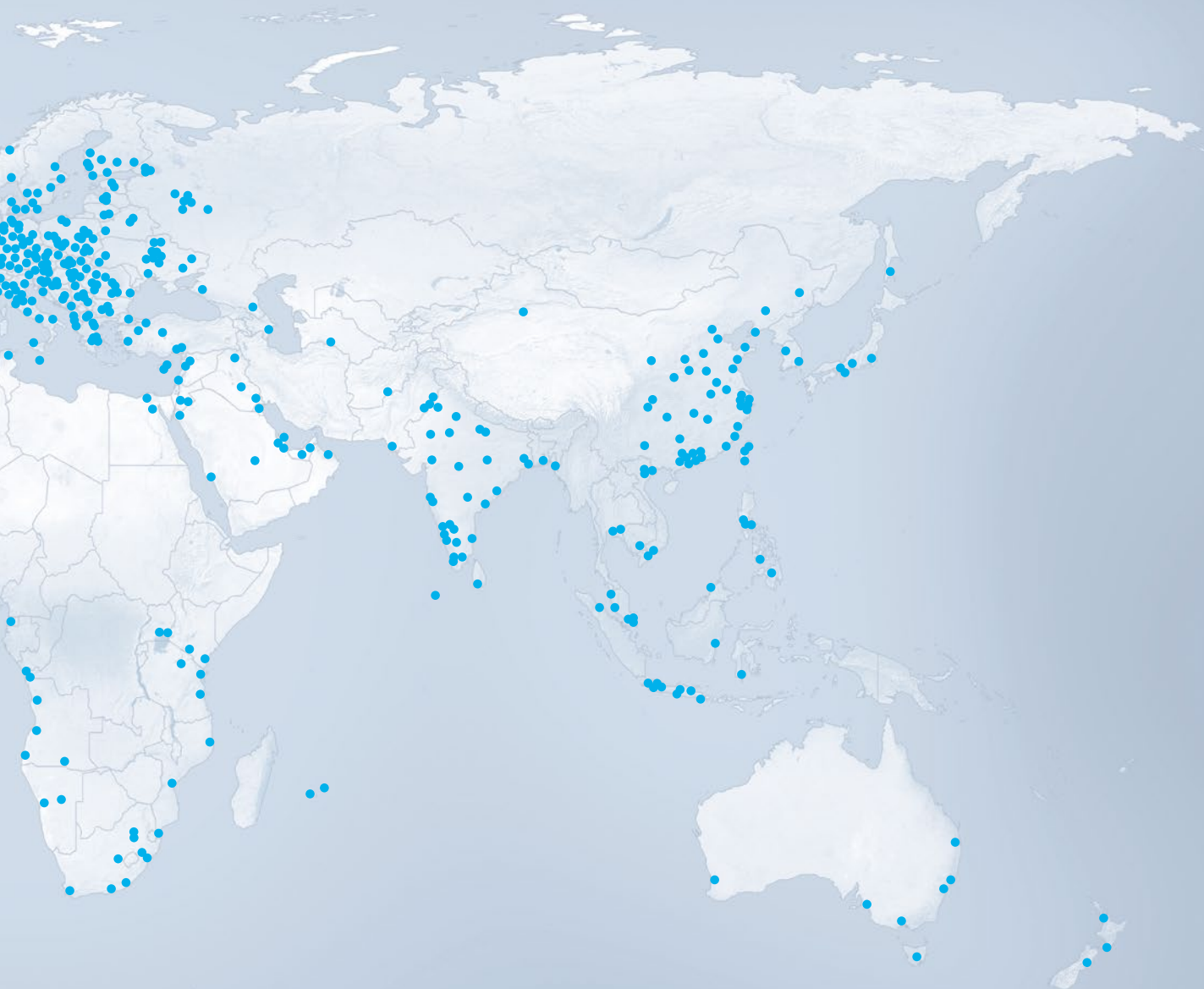
*The Kuehne + Nagel Network
in alphabetical order in the regions*

Americas

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

Europe

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



Middle East, Central Asia and Africa

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

Asia-Pacific

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

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

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

PRINCIPLES

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

GROUP STRUCTURE AND SHAREHOLDERS

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

Operational group structure

Kuehne + Nagel's operating businesses are organised into the following four business units:

- Seafreight
- Airfreight
- Overland
- Contract Logistics

Additionally, operating performance is presented in the following geographical regions:

- Europe
- Americas
- Asia-Pacific
- Middle East, Central Asia and Africa

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

Listed companies of the Group

Kuehne + Nagel International AG, the ultimate holding company, is the only company listed on the Stock Exchange within the scope of the Group's consolidation. Kuehne + Nagel International AG has its registered office in Schindellegi (Feusisberg), Switzerland, and its shares are listed on the SIX Swiss Exchange, Zurich. The company's market capitalisation amounted to CHF 16,236 million (120 million registered shares at CHF 135.30 per share) on the closing date December 31, 2014.

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

- the free float consisted of 56,050,936 shares
= 46.7 per cent, and
- treasury shares consisted of 49,064 shares
= < 0.1 per cent

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

Non-listed companies in the Group's consolidation

The main subsidiaries and associated companies of the Group are disclosed in the appendix "Significant consolidated subsidiaries and joint ventures" to the Consolidated Financial Statements (pages 144 to 151), including particulars as to the

country, name of the company, location, share capital, and the Group's stake in per cent.

Main shareholders

According to the share register as of December 31, 2014, the following registered shareholders held more than 3 per cent of the total share capital of Kuehne + Nagel International AG:

- Kuehne Holding AG, Schindellegi (Feusisberg), Switzerland, held 53.3 per cent; the Kuehne Holding AG is wholly owned by Klaus-Michael Kuehne.
- Kuehne Foundation, Schindellegi (Feusisberg), Switzerland, held 4.4 per cent.

On December 31, 2014, shares of unregistered owners amounted to 23.0 per cent of the issued shares.

Cross-shareholdings

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

CAPITAL STRUCTURE

Ordinary share capital on the closing date

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

Authorised and conditional share capital

The Annual General Meeting held on May 6, 2014, extended its approval of authorised share capital up to a maximum of CHF 20 million by a further two years until May 6, 2016.

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

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

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

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

Change in capital over the past three years

During the years 2012 through 2014 no changes in capital occurred other than related to authorised and conditional share capital as outlined above.

Shares and participating certificates

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

Profit sharing certificates

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

Limitations on transferability and nominee registrations

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

Convertible bonds and warrants/options

No convertible bonds, warrants or options were outstanding as at the closing date other than related to the Group's Employee Share Purchase and Option Plan (SPOP). For details of the Group's Employee SPOP, please refer to note 37 of the Consolidated Financial Statements on pages 124 to 126.

BOARD OF DIRECTORS

At the Annual General Meeting of May 6, 2014, Klaus-Michael Kuehne, Karl Gernandt, Dr. Joerg Wolle, Bernd Wrede, Dr. Renato Fassbind, Juergen Fitschen, Hans Lerch and Dr. Thomas Staehelin were re-elected. Dr. Martin C. Wittig was newly elected to the Board of Directors for a one-year term. Karl Gernandt was elected Chairman of the Board of Directors.

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

Klaus-Michael Kuehne, Honorary Chairman, German, 1937

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

Positions within the Kuehne + Nagel Group:

1958	Entrance into the family business followed by various management positions
1966–1975	Chief Executive Officer of the Group
1975–1992	Delegate and member of the Board of Directors
1992–2009	Executive Chairman of the Board of Directors Chairman of the Nomination and Compensation Committee
2009–2011	Chairman of the Board of Directors Chairman of the Nomination and Compensation Committee
2010–2011	Chairman of the Chairman's Committee
2011–today	Honorary Chairman of Kuehne + Nagel International AG Member of the Board of Directors elected until the Annual General Meeting 2015 Member of the Nomination and Compensation Committee Member of the Chairman's Committee

Karl Gernandt, Chairman, German, 1960

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

Other significant activities: Vice Chairman of the Board of Directors of Hapag-Lloyd AG, Hamburg.

Positions within the Kuehne + Nagel Group:

2008–2011	Member of the Board of Directors
2009–2011	Executive Vice Chairman and Delegate of the Board of Directors
2010–2011	Member of the Chairman's Committee
2011–today	Chairman of the Board of Directors elected until the Annual General Meeting 2015 Chairman of the Chairman's Committee Member of the Nomination and Compensation Committee Member of the Audit Committee
08.05.2013–	
14.08.2013	Chief Executive Officer (CEO) of the Group

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

Holds a PhD in engineering sciences. Since June 2002 President and CEO of DKSH Group. Previously he worked in the same function at SiberHegner since

2000. From 1991 to 1995 Dr. Joerg Wolle worked as Director of Marketing and Sales at SiberHegner in Hong Kong and in 1995 became a member of the Management Board in Zurich. From 1988 to 1990 he was Project Manager at SKF.

Other significant activities: Honorary Professor for "Intercultural Communication" at the University of Applied Sciences, Zwickau, Germany. Member of the Board of Directors of Diethelm Keller Holding Ltd., Switzerland, and member of the Board of Directors of Louis Dreyfus Commodities Holding B.V., Netherlands.

Positions within the Kuehne + Nagel Group:

2010–2012 — Member of the Board of Directors

2011–today — Chairman of the Nomination and Compensation Committee

2013–today — Vice Chairman of the Board of Directors elected until the Annual General Meeting 2015

Bernd Wrede, Vice Chairman, German, 1943

Graduated in business administration from the University of Wuerzburg. From 1982 to 2001 Bernd Wrede was member of the Board of Hapag-Lloyd AG, Hamburg, and its Chairman as of 1993. Currently he works as an independent management consultant.

Other significant activities: Member of the 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 2015

2008–2009 — Member of the Investment Committee
Chairman of the Economic Council

2003–2006/

2008–today — Member of the Audit Committee

2003–today — Member of the Nomination and Compensation Committee

2010–today — Member of the Chairman's Committee

Dr. Renato Fassbind, Swiss, 1955

After graduating from his studies in economics at the University of Zurich, Dr. Renato Fassbind worked as an assistant in the "Institut für Schweizerisches Bankwesen" at the University of Zurich between 1979 and 1982. In 1984 he joined Hoffmann-La Roche AG in Basel and advanced to the Head of Internal Audit. In 1990 he joined ABB AG being the Chief Financial Officer from 1997 until 2002; from 2002 until 2004 he was the Chief Executive Officer of Diethelm Keller Group, Zurich. In 2004 Dr. Renato Fassbind joined the Credit Suisse Group as the Chief Financial Officer of Credit Suisse Group AG and Credit Suisse AG until October 2010. In this function he was member of the Executive Boards of Credit Suisse Group AG and of Credit Suisse AG since 2004.

Other significant activities: Vice Chairman of the Board of Directors of Swiss Re. Ltd., Zurich; Member of the Board of Directors of the Swiss Federal Audit Oversight Authority (FAOA), Bern.

Positions within the Kuehne + Nagel Group:

2011–today — Member of the Board of Directors elected until the Annual General Meeting 2015

2011–today — Member of the Audit Committee

Juergen Fitschen, German, 1948

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

Other significant activities: Member of the Supervisory Board of Metro AG; President of the Association of German Banks.

Positions within the Kuehne + Nagel Group:
 2008–today — Member of the Board of Directors elected until the Annual General Meeting 2015
 2008–2009 — Member of the Economic Council

Hans Lerch, Swiss, 1950

Commercial apprenticeship in the travel and tourism industry with a 35 years career at Kuoni Travel Holding Ltd. Assignments in the Far East from 1975–1985, President and CEO from 1999–2005. Chairman and CEO of SR Technics in Zurich from 2005–2008.

Other significant activities: Executive Vice Chairman of Abercrombie & Kent Group of companies, London; Vice Chairman of Hotelplan Holding Ltd., Zurich; Vice Chairman of the Board of Directors of New Venturetec Ltd., Zug; Chairman of the International School of Tourism Management, Zurich; Member of the Board of Directors of Best of Switzerland Tours, Zurich; Chairman of the Board of Trustees of the move>med Foundation, Zurich.

Positions within the Kuehne + Nagel Group:
 2005–today — Member of the Board of Directors elected until the Annual General Meeting 2015
 2006–today — Member of the Nomination and Compensation Committee

Dr. Thomas Staehelin, Swiss, 1947

Holds a PhD in law from the University of Basel; Lawyer. Dr. Thomas Staehelin is a Swiss corporate and tax attorney and Partner in the Basel based law firm "Fromer Advokatur und Notariat".

Other significant activities (among others): Chairman of the Board of Directors of Kuehne Holding AG, Schindellegi (Feusisberg); Vice Chairman of the Kuehne Foundation; Member of the Board of Directors and Chairman of the Audit Committee of Inficon Holding AG, Bad Ragaz; Chairman of the Board of Directors of Swissport International SA, Opfikon, and of Scobag Privatbank AG, Basel;

Chairman of the Board of Directors of Lantal Textiles, Langenthal and of Stamm Bau AG, Arlesheim; Member of the Board of Directors of economie-suisse (Swiss Business Federation); Chairman of the Basel Chamber of Commerce; Member of the Swiss Foundation for Accounting and Reporting Recommendations (SWISS GAAP FER).

Positions within the Kuehne + Nagel Group:
 1978–today — Member of the Board of Directors elected until the Annual General Meeting 2015
 2006–today — Chairman of the Audit Committee

Dr. Martin C. Wittig, German, 1964

Studies in mining engineering and business administration at RWTH Aachen followed by a PhD in engineering at the Technical University of Berlin. After his studies he worked as lecturer at the Technical University of Berlin and in project finance for the mining industry. In 1995 he joined Roland Berger Strategy Consultants and was elected Partner in 1999. In 2001 he became Managing Partner and Head of Roland Berger's office in Zurich and was elected to the global Executive Committee in 2003, where he holds the position as CFO. From 2010 to 2013 he was Global Managing Partner and CEO of Roland Berger Strategy Consultants. Currently he advises CEOs of leading international companies. Other significant activities: Adjunct lecturer at the University of St. Gallen and was elected to its International and Alumni Advisory Board in 2011. Honorary Consul of Germany in Switzerland.

Position within the Kuehne + Nagel Group:
 2014–today — Member of the Board of Directors elected until the Annual General Meeting 2015

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

Election and duration of tenure

The General Meeting elects the members of the Board of Directors individually. The General Meeting elects one of the members of the Board of Directors as Chairman of the Board of Directors. The duration of tenure ends at the conclusion of the next ordinary General Meeting. Re-election is possible.

Internal organisation, Board committees and meetings in 2014

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

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

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

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

Audit Committee

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

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

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

The Audit Committee holds at least four meetings annually. The Honorary Chairman can take part in the meetings as an advisor. Unless otherwise determined by the Audit Committee, the CEO, the CFO and the auditor in charge take part in all meetings, whilst the head of internal audit is invited as an advisor whenever needed. In 2014 the auditor in charge attended four meetings of the Audit Committee. The Committee's Chairman informs the other members of the Board of Directors about the topics discussed in detail and decisions taken and/or to be submitted to the entire Board of Directors for approval.

Nomination and Compensation Committee

For information on the Nomination and Compensation Committee, refer to the section "Remuneration Report" on pages 66 to 67.

Chairman's Committee

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

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

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

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

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

The Board of Directors executes the non-transferable and inalienable duties of the ultimate management of the Group. As far as the non-transferable and inalienable duties of the Board of Directors are not concerned, the management responsibility of the Kuehne + Nagel Group is an obligation of the Chairman of the Board of Directors. He is entitled to transfer responsibilities and competences relating to the operational management to the Management Board. The Management Board is responsible for the development, execution, and supervision of the day-to-day operations of the Group and the Group companies to the extent they are not allocated to the Annual General Meeting, the Statutory Auditor, the

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

Information and control system of the Management Board

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

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

Risk Management

Risk management is a fundamental element of the Group's business practice at all levels and encompasses different types of risks. At Group level, risk management is an integral part of the business planning and controlling processes. Material risks are monitored and regularly discussed with the Risk and Compliance Committee consisting of the Chairman of the Board of Directors, the Management Board, the Corporate Head of Internal Audit and the Risk and Compliance Manager. The risk management system within the Group covers both financial and operational risks.

Furthermore, risk management is part of the Internal Control System (ICS). Preventive and risk-reducing measures to control risks are proactively taken on

different levels and are a fundamental part of the management responsibility. The finance and accounting department conducts, in collaboration with regional management and the Management Board, a risk assessment at least once a year. Details on risk management, including identified risks, are provided in the Consolidated Financial Statements, note 48 on pages 131 to 138.

Compliance

Integrity as key element of business behaviour creates trust amongst business partners. Therewith the Group is able to carry the responsibility as a reliable and successful business partner. The Chairman of the Board of Directors and the Chief Executive Officer issued a most updated release of the KN Ethics & Compliance Programme in November 2014.

The Group's initiatives include clear and consistent guidance by publishing relevant constitutional documents and procedures, guidelines which lay down and explain legal and regulatory requirements, global communication and training initiatives. In order to ensure that all levels of the Group's members have the knowledge and skills to implement the Group's Ethics & Compliance Programme an ongoing personal and computer based compliance training is

implemented. This includes live Code of Conduct top-down trainings as well as a comprehensive live anti-bribery and anti-corruption training initiative that was kicked off in 2014. The Group encourages employees to raise concerns of potential violations of the Code of Conduct to a global 24/7 Confidential Reporting Line enabling reports in a safe, confident and, if desired, anonymous manner. The Kuehne + Nagel Group applies a robust Integrity Due Diligence ("IDD") process for business partners that are involved in the Group's business transactions.

The Kuehne + Nagel Group is a member of various interest groups and associations that promote integrity and good corporate governance together with other multinationals.

Internal Audit

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

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

Board and committees	Board of Directors	Audit Committee	Chairman's Committee
Number of meetings in 2014	4	5	4
Approximate duration of each meeting	10 hours	5 hours	5 hours
Klaus-Michael Kuehne	4	-	4
Karl Gernandt	4	4	4
Dr. Joerg Wolle	4	-	4
Bernd Wrede	4	4	4
Dr. Renato Fassbind	4	5	-
Juergen Fitschen	3	-	-
Hans Lerch	4	-	-
Dr. Thomas Staehelin	4	5	-
Dr. Martin C. Wittig	2	-	-

MANAGEMENT BOARD

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

The Board of Directors of Kuehne + Nagel International AG has appointed Gianfranco Sgro as a new member of the Management Board effective February 1, 2015. He will assume global responsibility for the business unit Contract Logistics.

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

Dr. Detlef Trefzger, German, 1962

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

Positions within the Kuehne + Nagel Group:

2013–31.01.2015 Executive Vice President
Contract Logistics of the Group
15.08.2013–today Chief Executive Officer (CEO) of
the Group
Chief Executive and Chairman of
the Management Board of
Kuehne + Nagel International AG

Markus Blanka-Graff, Austrian, 1967

Graduated as Master in Economics from Vienna University of Business and Economics.

Positions within the Kuehne + Nagel Group:

1996–2006 Various Management positions
in Finance
2006–2009 Regional CFO North West Europe
2009–2014 Director of Corporate Finance &
Investor Relations
01.07.2014–today Chief Financial Officer (CFO) of
the Group

Lothar Harings, German, 1960

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

Positions within the Kuehne + Nagel Group:

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

Martin Kolbe, German, 1961

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

Position within the Kuehne + Nagel Group:

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

Stefan Paul, German, 1969

After completing an apprenticeship as a freight forwarder he started his career with Kuehne + Nagel in 1990 where he held various positions in Sales and Operations. In 1997 he joined Deutsche Post DHL, Germany, as General Manager for Key Accounts and Industry Sectors, and worked in various management positions until he became CEO of DHL Freight, Germany, in February 2010. In 2013 Stefan Paul joined Kuehne + Nagel as Member of the Management Board, responsible for the Business Unit Road & Rail which is renamed to Overland.

Position within the Kuehne + Nagel Group:
01.02.2013–today Executive Vice President
Overland of the Group

Horst-Joachim (Otto) Schacht, German, 1959

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

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

Tim Scharwath, German, 1965

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

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

Compensation, shareholdings and loans

All details regarding compensation, shareholdings and loans are set forth in the separate Remuneration Report on pages 66 to 70 and in the Consolidated Financial Statements, note 50, on pages 138 to 139 and are listed in note 12 to the Financial Statements of Kuehne + Nagel International AG on pages 159 to 163.

SHAREHOLDERS' PARTICIPATION**Restrictions and delegation of voting rights**

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

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

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

Statutory quorums

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

- The introduction or removal of restrictions on the transferability of registered shares;
- The conversion of registered shares into bearer shares or of bearer shares into registered shares;

- The dismissal of more than one quarter of the members of the Board of Directors.

Calling of an Annual General Meeting

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

Agenda of the Annual General Meeting

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

Registration of shareholders into the share registers

Registered shares can only be represented at the Annual General Meetings by either shareholders or beneficiary owners whose personal particulars and size of shareholdings have been entered in the 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 six calendar days preceding and including the date of the Annual General Meeting.

CHANGES OF CONTROL AND DEFENCE MEASURES

Duty to make an offer

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

Clauses on changes of control

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

STATUTORY AUDITORS

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

Ernst & Young Ltd (EY), Zurich, as Kuehne + Nagel's auditor started in 2013, with Mr. Alessandro Miolo as the auditor in charge. The re-election for the financial year 2014 was confirmed at the Annual General Meeting held on May 6, 2014, and with the letter of acceptance signed on November 7, 2014.

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

Audit fees

According to the Group's financial records the fees charged for auditing services for the year 2014 amounted to CHF 3.3 million (2013: CHF 3.1 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 annual audit mandate. In 2014 an amount of CHF 0.3 million was incurred related to consulting services (2013: CHF 0.3 million).

Supervisory and controlling instruments towards the statutory auditors

The work performed by the external statutory auditors is supervised, controlled, and duly monitored by the Board of Directors' Audit Committee. The statutory auditors report to the Audit Committee regularly and in 2014 the auditor in charge attended four Audit Committee meetings in person. In 2014 the auditor in charge also attended one meeting of the Board of Directors. The main criteria for the selection of the external audit company are its worldwide network, its reputation, and its competitive pricing.

INFORMATION POLICY

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

To this end, Kuehne + Nagel uses print media and, in particular, its corporate website, www.kuehne-nagel.com, where up-to-date information is available. This information contains an overall presentation of the Group, detailed financial data as well as information

on environmental and safety matters, which are the main elements of the corporate sustainability efforts. The Group aims for an integral approach to economic, ecologic and social responsibility. Furthermore, Kuehne + Nagel provides up-to-date information on significant, business-related occurrences and organisational changes, and updates all general information regarding the Company on a continuous basis.

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

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

The contact address for Investor Relations is:

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

KUEHNE + NAGEL'S PERFORMANCE-ORIENTED REMUNERATION SYSTEM AIMS TO CREATE LONG-TERM INCENTIVES FOR ITS EMPLOYEES IN ORDER TO ENSURE SUSTAINABLE SUCCESS OF THE COMPANY AND ADD VALUE FOR ITS SHAREHOLDERS.

This remuneration report describes the principles and elements of the remuneration of Kuehne + Nagel's Board of Directors and Management Board. In addition, it discloses information about the amount of remuneration paid and accrued for to the Board of Directors and the Management Board.

Introduction

The remuneration report complies with the Ordinance against Excessive Compensation in Listed Stock Companies (OaEC) that came into force in Switzerland on January 1, 2014. The implementation of the OaEC has led to a number of changes. At the Annual General Meeting 2014 the shareholders of Kuehne + Nagel International AG have, in addition to the individual election of the members of the Board of Directors, also elected the Chairman, the members of the Nomination and Compensation Committee as well as the independent proxy. Other key changes including the compensation-related votes and the amendment of the Articles of Association will be implemented in 2015.

Remuneration principles

To maintain Kuehne + Nagel's position as one of the world's leading logistics providers and to ensure the Company's sustained success it is critical to attract and retain best-in-class executives. The remuneration policy of the Company aims to ensure the generation of sustainable earnings and enterprise value for the Group and consists of the following key principles:

- Balance between short-term and long-term incentive components

- Pay for performance
- Align management's interests with those of the shareholders

Determination of remuneration

The Nomination and Compensation Committee defines the principles of remuneration for the members of the Board of Directors and the Management Board. The Committee recommends the amounts of compensation for each member of the Board of Directors, evaluates the individual performance of each member of the Management Board and proposes their remuneration in amount and composition to be approved by the Board of Directors. The principles of remuneration, post employment benefits and share-based compensations are reviewed annually or when management contract tenures expire.

The Nomination and Compensation Committee consists of three to five members of the Board of Directors elected at the Annual General Meeting for a period of one year, whereby the majority consists of non-executive and independent members.

The Committee is responsible for nominating and securing the competent staffing of the Management Board. For this purpose the Committee, on

the one hand, develops guidelines and criteria for the selection of candidates and, on the other hand, provides initial gathering of information as well as reviews potential new candidates according to the guidelines mentioned above. The Committee prepares a resolution to be resolved by the Board of Directors.

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

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

The following table gives an overview of the composition of the Committee, the Committee meetings in 2014 as well as the participation of the individual members:

Nomination and Compensation Committee	Meetings
Number of meetings in 2014	6
Approximate duration of each meeting	2 hours
Klaus-Michael Kuehne	6
Karl Gernandt	6
Dr. Joerg Wolle	6
Bernd Wrede	6
Hans Lerch	5

The Board of Directors is informed by the Chairman of the Nomination and Compensation Committee

about all issues discussed, in particular, about all decisions to be taken within the competence of the Board of Directors.

REMUNERATION COMPONENTS

Board of Directors

The members of the Board of Directors receive a fixed compensation as well as a compensation for their participation in the respective committees.

The Chairman of the Board of Directors receives a cash compensation with a fixed component and a component linked to the Group's net earnings. He is eligible to participate in the Group's share-based compensation plans as referred to below.

He participates in an employee pension fund that covers the fixed cash compensation with age-related contribution rates, of which 25 per cent are borne by the employee and 75 per cent by the employer.

Management Board

The members of the Management Board receive a fixed salary which is paid in cash on a monthly basis according to the function, qualification and responsibilities of the individual member of the Management Board.

In addition, Management Board members receive an individually defined, performance-related variable remuneration based on the Group's net earnings. The variable part of remuneration is paid in cash in the month of May of the following year after the Annual General Meeting.

Management Board members have the possibility to participate in the Group's share-based compensation plans.

The goal of these plans is to focus on long-term value creation for the Company, alignment of Management Board's interests to those of shareholders as well as retention of members of the Management Board.

The Group's "Share Matching Plan" (SMP) allows participants to acquire shares of the Company with a discount compared to the actual share price at a specified date; such shares are blocked for three years, give its holder immediate voting rights and rights to receive dividends. For each share purchased, the Company will match additional shares upon completion of a three years' vesting period and service condition during the same period. The level of the share match (share match ratio) is defined based on the achieved performance of the Group over the three financial years in the vesting period against defined targets. The maximum matching ratio of one share for each share purchased (minimum investment is 75 shares), can be obtained by exceeding the defined target by more than 15 per cent. A guaranteed minimum matching of 0.2 shares per share purchased is granted after the vesting period. Should the number of allocated shares be a fraction of shares, then the number of shares is rounded up to the next whole number.

The Group's previous "Share Purchase and Option Plan" (SPOP) was discontinued as of July 1, 2012. It allowed selected employees of the Group to acquire shares of the Company at a reduced price at a spe-

cified date; such shares are blocked for three years, give its holder immediate voting rights and rights to receive dividends. For each share purchased under this plan the Company granted two options to the participants. Each option entitled the participant to purchase one share of the Company at a pre-defined price upon completion of the three years' vesting period and service condition during the same period.

The members of the Management Board participate in an employee pension fund that covers the fixed salary with age-related contribution rates equally shared by the employee and the employer.

Each member of the Management Board is entitled to a company car or a car allowance. Out-of-pocket expenses are reimbursed at actual costs incurred.

The members of the Management Board have employment contracts with notice periods of a maximum of one year.

BOARD OF DIRECTORS REMUNERATION

The total remuneration accrued for and paid to the Board of Directors in the financial year 2014 amounted to CHF 6.6 million (2013: CHF 5.9 million).

The following tables show details of the remuneration of the members of the Board of Directors for 2014 and 2013:

2014

Remuneration to the members of the Board of Directors TCHF	Compensation for Board of Directors	Compensation for Committees	Social insurance	Salary	Variable part of remuneration	Pension ³	Share Plan	Total
Klaus-Michael Kuehne (Honorary Chairman)	750	10	38	-	-	-	-	798
Karl Gernandt (Chairman)	- ²	- ²	215	900	2,220	193	747	4,275
Dr. Joerg Wolle (Vice Chairman)	250	50	18	-	-	-	-	318
Bernd Wrede (Vice Chairman)	250	25	-	-	-	-	-	275
Dr. Renato Fassbind	180	15	12	-	-	-	-	207
Juergen Fitschen	180	-	8	-	-	-	-	188
Hans Lerch	180	10	9	-	-	-	-	199
Dr. Thomas Staehelin	180	15	9	-	-	-	-	204
Dr. Martin C. Wittig ¹	118	-	7	-	-	-	-	125
Total	2,088	125	316	900	2,220	193	747	6,589

¹ Member of the Board of Directors as of May 6, 2014.

² Compensation included in the salary.

³ Including risk premium and savings contributions.

2013

Remuneration to the members of the Board of Directors TCHF	Compensation for Board of Directors	Compensation for Committees	Social insurance	Salary	Variable part of remuneration	Pension ³	Share Plan	Total
Klaus-Michael Kuehne (Honorary Chairman)	750	10	38	-	-	-	-	798
Karl Gernandt (Chairman)	- ²	- ²	148	800	1,813	196	783	3,740
Dr. Joerg Wolle (Vice Chairman)	216	50	16	-	-	-	-	282
Bernd Wrede (Vice Chairman)	242	25	-	-	-	-	-	267
Dr. Renato Fassbind	170	15	11	-	-	-	-	196
Juergen Fitschen	170	-	10	-	-	-	-	180
Hans-Joerg Hager ¹	53	-	-	-	-	-	-	53
Hans Lerch	170	10	11	-	-	-	-	191
Dr. Thomas Staehelin	170	15	9	-	-	-	-	194
Total	1,941	125	243	800	1,813	196	783	5,901

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

² Compensation included in the salary.

³ Including risk premium and savings contributions.

MANAGEMENT BOARD REMUNERATION

The total remuneration accrued for and paid to the Chief Executive Officer and to the members of the Management Board in the financial year 2014 amount-

ed to CHF 13.0 million (2013: CHF 14.5 million).

Refer to the following tables for details pertaining to the Chief Executive Officer and the other members of the Management Board for 2014 and 2013:

TCHF	2014						Total
	Salary	Variable part of remuneration	Social Insurance	Pension ²	Share Plan	Others ³	
Dr. Detlef Trefzger, Chief Executive Officer ¹	800	1,388	149	100	494	33	2,964
Members of the Management Board	3,627	3,718	479	441	1,680	129	10,074
Total	4,427	5,106	628	541	2,174	162	13,038

¹ Chief Executive Officer since August 15, 2013.

² Including risk premium and savings contributions.

³ Others include company car or car allowances respectively.

TCHF	2013						Total
	Salary	Variable part of remuneration	Social Insurance	Pension ²	Share Plan	Others ³	
Reinhard Lange, Chief Executive Officer ¹	754	1,930	152	65	214	28	3,143
Members of the Management Board	3,971	4,344	376	468	2,094	137	11,390
Total	4,725	6,274	528	533	2,308	165	14,533

¹ Chief Executive Officer until May 7, 2013.

² Including risk premium and savings contributions.

³ Others include company car or car allowances respectively.

OTHER REMUNERATION

Remuneration for former members of the Board of Directors or Management Board and related parties

During the reporting years 2014 and 2013 remuneration was paid and accrued for a former member of the Management Board in connection with his previous activities in the Company (2014: CHF 0.9 million; 2013: CHF 0.6 million). Furthermore, no payments which are not at arm's length were made during 2014 and 2013 to former members of the

Board of Directors, Management Board and to individuals who are closely related to them.

Loans and credits granted

In the reporting years 2014 and 2013 Kuehne + Nagel International AG or one of its subsidiaries did not provide any guarantees, loans, advances, credit facilities or similar either to former or current members of the Board of Directors or Management Board or to related parties nor are there any receivables of any kind outstanding.

REPORT OF THE STATUTORY AUDITOR ON THE REMUNERATION REPORT OF KUEHNE + NAGEL INTERNATIONAL AG, SCHINDELLEGI, SWITZERLAND

We have audited the remuneration report dated February 24, 2015 of Kuehne + Nagel International AG on the pages 66 to 70 for the year ended December 31, 2014.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility

Our responsibility is to express an opinion on the remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the remuneration report for the year ended December 31, 2014 of Kuehne + Nagel International AG complies with Swiss law and articles 14–16 of the Ordinance.

Ernst & Young Ltd

Alessandro Miolo
Licensed Audit Expert
(Auditor in Charge)

Christian Krämer
Licensed Audit Expert

Zurich, February 24, 2015

Income Statement

CHF million	Note	2014	2013	Variance per cent
Net turnover ¹	20	17,501	17,178	1.9
Net expenses for services from third parties		-11,213	-10,921	
Gross profit	20	6,288	6,257	0.5
Personnel expenses	21	-3,764	-3,735	
Selling, general and administrative expenses	22	-1,542	-1,562	
Other operating income/expenses, net	23	23	2	
EBITDA		1,005	962	4.5
Depreciation of property, plant and equipment	27	-136	-143	
Amortisation of other intangibles	28	-50	-57	
Impairment of other intangibles	28	-	-1	
EBIT		819	761	7.6
Financial income	24	3	5	
Financial expenses	24	-4	-6	
Result from joint ventures and associates	20	6	7	
Earnings before tax (EBT)		824	767	7.4
Income tax	25	-180	-160	
Earnings for the year		644	607	6.1
Attributable to:				
Equity holders of the parent company		633	597	6.0
Non-controlling interests		11	10	
Earnings for the year		644	607	6.1
Basic earnings per share in CHF	26	5.28	4.98	6.0
Diluted earnings per share in CHF	26	5.28	4.98	6.0

¹ Refer to Note 3 for details to the change in presentation of turnover.

Statement of Comprehensive Income

CHF million	Note	2014	2013
Earnings for the year		644	607
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange differences		14	-66
Items that will not be reclassified to profit or loss:			
Actuarial gains/(losses) on defined benefit plans	36/25	-105	27
Income tax on actuarial gains/(losses) on defined benefit plans		52	-19
Total other comprehensive income, net of tax		-39	-58
Total comprehensive income for the year		605	549
Attributable to:			
Equity holders of the parent company		594	540
Non-controlling interests		11	9

Balance Sheet

CHF million	Note	Dec. 31, 2014	Dec. 31, 2013
Assets			
Property, plant and equipment	27	1,175	1,151
Goodwill	28	695	688
Other intangibles	28	49	89
Investments in joint ventures	29	32	33
Deferred tax assets	25	224	172
Non-current assets		2,175	2,133
Prepayments		108	105
Work in progress	30	307	296
Trade receivables	31	2,600	2,426
Other receivables	32	157	107
Income tax receivables	32	86	52
Cash and cash equivalents	33/34	1,170	1,255
Current assets		4,428	4,241
Total assets		6,603	6,374

CHF million	Note	Dec. 31, 2014	Dec. 31, 2013
Liabilities and equity			
Share capital		120	120
Reserves and retained earnings		1,695	1,820
Earnings for the year		633	597
Equity attributable to the equity holders of the parent company		2,448	2,537
Non-controlling interests		5	21
Equity	35	2,453	2,558
Provisions for pension plans and severance payments	36	448	340
Deferred tax liabilities	25	135	136
Finance lease obligations	39	17	24
Non-current provisions	41	71	63
Non-current liabilities		671	563
Bank and other interest-bearing liabilities	38/39	13	21
Trade payables	40	1,485	1,362
Accrued trade expenses/deferred income	40	1,032	936
Income tax liabilities		97	89
Current provisions	41	59	78
Other liabilities	42	793	767
Current liabilities		3,479	3,253
Total liabilities and equity		6,603	6,374

Schindellegi, February 24, 2015

KUEHNE + NAGEL INTERNATIONAL AG

Dr. Detlef Trefzger
CEO

Markus Blanka-Graff
CFO

Statement of Changes in Equity

CHF million	Note	Share capital	Share premium	Treasury shares	Cumulative translation adjustment	Actuarial gains & losses	Retained earnings	Total equity attributable to the equity holders of parent company	Non-controlling interests	Total equity
Balance as of January 1, 2014		120	551	-7	-801	-73	2,747	2,537	21	2,558
Earnings for the year		-	-	-	-	-	633	633	11	644
Other comprehensive income										
Foreign exchange differences		-	-	-	14	-	-	14	-	14
Actuarial gains/(losses) on defined benefit plans, net of tax	36/25	-	-	-	-	-53	-	-53	-	-53
Total other comprehensive income, net of tax		-	-	-	14	-53	-	-39	-	-39
Total comprehensive income for the year		-	-	-	14	-53	633	594	11	605
Purchase of treasury shares	35	-	-	-53	-	-	-	-53	-	-53
Disposal of treasury shares	35	-	-4	53	-	-	-	49	-	49
Dividend paid	35	-	-	-	-	-	-701	-701	-5	-706
Expenses for share-based compensation plans	37	-	-	-	-	-	13	13	-	13
Total contributions by and distributions to owners		-	-4	-	-	-	-688	-692	-5	-697
Acquisition of non-controlling interests ¹		-	-	-	-	-	9	9	-9	-
Transaction with non-controlling interests ²		-	-	-	-	-	-	-	-13	-13
Total transactions with owners		-	-	-	-	-	9	9	-22	-13
Balance as of December 31, 2014		120	547	-7	-787	-126	2,701	2,448	5	2,453

¹ The movement in retained earnings includes the exercise of a put option for an acquisition of non-controlling interests in one of the Group's subsidiaries, see Note 43 for details.

² For details to the deconsolidation of subsidiaries with non-controlling interests refer to Note 4.

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

Cash Flow Statement

CHF million	Note	2014	2013
Cash flow from operating activities			
Earnings for the year		644	607
Reversal of non-cash items:			
Income tax	25	180	160
Financial income	24	-3	-5
Financial expenses	24	4	6
Result from joint ventures and associates	29	-6	-7
Depreciation of property, plant and equipment	27	136	143
Amortisation of other intangibles	28	50	57
Impairment of other intangibles	28	-	1
Expenses for share-based compensation plans	21	13	5
Gain on disposal of subsidiaries	23	-16	-
Gain on disposal of property, plant and equipment and associate	23	-10	-11
Loss on disposal of property, plant and equipment	23	1	2
Net addition to provisions for pension plans and severance payments	36	7	8
Subtotal operational cash flow		1,000	966
(Increase)/decrease work in progress		-10	-6
(Increase)/decrease trade and other receivables, prepayments		-184	-59
Increase/(decrease) other liabilities		29	-7
Increase/(decrease) provisions		-11	7
Increase/(decrease) trade payables, accrued trade expenses/deferred income		198	82
Income taxes paid		-212	-190
Total cash flow from operating activities		810	793

CHF million	Note	2014	2013
Cash flow from investing activities			
Capital expenditure			
– Property, plant and equipment	27	-186	-181
– Other intangibles	28	-10	-7
Disposal of property, plant and equipment		25	24
Interest received		3	4
(Increase)/decrease of share capital in joint ventures	29	3	6
Disposal of subsidiaries	4	3	-
Disposal of associate	23	-	1
Dividend received from associates		6	7
Total cash flow from investing activities		-156	-146
Cash flow from financing activities			
Repayment of interest-bearing liabilities		-8	-12
Interest paid		-4	-6
Purchase of treasury shares	35	-53	-24
Disposal of treasury shares	35	49	39
Dividend paid to equity holders of parent company	35	-701	-419
Dividend paid to non-controlling interests	35	-5	-17
Acquisition of non-controlling interests	43	-16	-
Total cash flow from financing activities		-738	-439
Exchange difference on cash and cash equivalents		5	-24
Increase/(decrease) in cash and cash equivalents		-79	184
Cash and cash equivalents at the beginning of the year, net	34	1,242	1,058
Cash and cash equivalents at the end of the year, net	34	1,163	1,242

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ACCOUNTING POLICIES

1 ORGANISATION

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

The Consolidated Financial Statements of the Company for the year ended December 31, 2014, comprise the Company, its subsidiaries (the Group) and its interests in joint ventures.

2 STATEMENT OF COMPLIANCE

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

3 BASIS OF PREPARATION

The Consolidated Financial Statements are presented in Swiss Francs (CHF) million and are based on the individual financial statements of the consolidated companies as of December 31, 2014. Those financial statements have been prepared in accordance with uniform accounting policies issued by the Group, which comply with the requirements of the International Financial Reporting Standards (IFRS) and Swiss law (Swiss Code of Obligation). The Consolidated Financial Statements are prepared on a historical cost basis except for certain financial instruments, which are stated at fair value. Non-current assets and disposal groups held for sale are stated at the lower of the carrying amount and fair value less costs to sell.

The preparation of financial statements in accordance with IFRS requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The actual result may differ from these estimates. Judgements made by the management in the application of IFRS that have a significant effect on the Consolidated Financial Statements and estimates with a significant risk of material adjustment in the future are shown in note 51.

The accounting policies are the same as those applied in the Consolidated Financial Statements for the year ended December 31, 2013, with the exception of the change in the income statement by correcting an error and not presenting anymore gross "turnover" in addition to "net turnover". Therefore, the income statement for the period from January 1, 2014, to December 31, 2014, does not present gross "turnover" and deductions from "customs duties and taxes", but begins with "net turnover". In line with IAS 8, comparative figures

for 2013 have been adjusted accordingly. This change has no effect on any other line items presented in the financial statements. However, the Group considers gross "turnover" to be an important key performance indicator, especially in order to properly disclose the total credit risk it is exposed to. As such, gross "turnover" per reportable segment is regularly reported to the Management Board and therefore, continues to be included in the Group's Segment Reporting as shown in Note 20.

New, revised and amended standards that are effective for the 2014 reporting year are not applicable to the Group or do not have a significant impact on the Consolidated Financial Statements.

Adoption of new and revised standards and interpretations in 2015 and later

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

Standard/interpretation	Effective date	Planned application
Defined Benefit Plans: Employee Contributions – Amendments to IAS 19 ¹	1 July 2014	Reporting year 2015
Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 ¹	1 January 2016	Reporting year 2016
Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 ¹	1 January 2016	Reporting year 2016
Sale or Contribution of Assets between an Investor and its Associate of Joint Venture – Amendments to IFRS 10 and IAS 28 ¹	1 January 2016	Reporting year 2016
Annual Improvements 2012–2014 Cycle ¹	1 January 2016	Reporting year 2016
Disclosure Initiative – Amendments to IAS 1 ¹	1 January 2016	Reporting year 2016
IFRS 15 – Revenue from Contracts with Customers ¹	1 January 2017	Reporting year 2017
IFRS 9 – Financial Instruments ¹	1 January 2018	Reporting year 2018

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

4 SCOPE OF CONSOLIDATION

The Group's significant consolidated subsidiaries and joint ventures are listed on pages 144 to 151.

Significant changes in the scope of consolidation in 2014 relate to the following companies (for further information on the financial impact of the acquisitions refer to note 43):

Changes in the scope of consolidation 2014	Capital share acquired/disposed in per cent equals voting rights	Currency	Share capital in 1,000	Acquisition/ incorporation/ divestment date
Acquisition				
Cooltainer Holdings Ltd., New Zealand ¹	25	NZD	1,200	May 1, 2014
Incorporations				
Nacora Japan Insurance Solutions Ltd., Japan	100	JPY	9,900	Feb. 1, 2014
Kuehne & Nagel Information Center Ltd., China	100	CNY	1,000	March 1, 2014
Kuehne + Nagel Real Estate Pte. Ltd., Singapore	100	SGD	< 1	June 1, 2014
GFH Underwriting Agency Ltd., Canada	100	CAD	< 1	July 1, 2014
Kuehne + Nagel Company Ltd., Vietnam	100	VND	7,280,000	Aug. 1, 2014
Kuehne + Nagel Nevada, Inc., USA	100	USD	< 1	Sep. 1, 2014
Divestments				
Ibrakom group of companies ²	60	USD	273	Nov. 6, 2014

¹ The Group previously owned 75 per cent of the share capital and applied the full consolidation method.

² Effective November 6, 2014, the Group has signed a share sale and purchase agreement with the minority shareholder Biskom International DMCC, Dubai, to sell its 60 per cent share in the Ibrakom group of companies for a total sales price of CHF 34.8 million. The profit recorded on the sale amounts to CHF 15.7 million.

The Ibrakom group of companies was operating in all Business Units of the Group but its main business was in Overland. External turnover until the date of transaction in 2014 amounted to CHF 173 million (2013: CHF 144 million) and EBIT was CHF 22 million (2013: CHF 13 million).

Significant changes in the scope of consolidation for the year 2013 are related to the following companies (for further information on the financial impact of the acquisitions refer to note 43):

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

There were no significant divestments in 2013.

5 PRINCIPLES OF CONSOLIDATION

Business Combinations

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

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

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

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

Written put options held by non-controlling shareholders

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

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

Acquisitions and disposals of non-controlling interests

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

Subsidiaries

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

Disposal of subsidiaries

When the Group ceases to have control over a subsidiary, it derecognises the assets and liabilities of the respective subsidiary as well as any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in the income statement. Amounts previously recognised in other comprehensive income are reclassified to the income statement. Any retained interest in the former subsidiary is remeasured to its fair value at the date when the control is lost.

Associates and joint ventures

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

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

Transactions eliminated on consolidation

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

Foreign exchange translation

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

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

The major foreign currency conversion rates applied are as follows:

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

Currency	2014 CHF	Variance per cent	2013 CHF
EUR 1.-	1.2146	-1.2	1.2296
USD 1.-	0.9158	-0.9	0.9237
GBP 1.-	1.5071	4.0	1.4492

Balance sheet (year-end rates)

Currency	Dec. 2014 CHF	Variance per cent	Dec. 2013 CHF
EUR 1.-	1.2028	-1.8	1.2252
USD 1.-	0.9877	10.8	0.8916
GBP 1.-	1.5375	4.6	1.4697

6 FINANCIAL ASSETS AND LIABILITIES

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

- The category **financial assets or liabilities at fair value through profit or loss** includes financial assets or liabilities held for trading and financial assets designated as such upon initial recognition. There are no financial liabilities that, upon initial recognition, have been designated at fair value through profit or loss.
- **Loans and receivables** are carried at amortised cost, calculated by using the effective interest rate method, less allowances for impairment.
- **Financial assets/investments available for sale** include all financial assets/investments not assigned to one of the above mentioned categories. These might include investments in affiliates that are not associates or joint ventures and investments in bonds and notes. Financial assets/investments available for sale are recognised at fair value, changes in value (after tax) are recognised directly in other comprehensive income until the assets are sold, at which time the amount reported in other comprehensive income is transferred to the income statement. As of December 31, 2014 and 2013, the Group did not have any financial assets/investments available for sale.
- **Financial liabilities** that are not at fair value through profit or loss, are carried at amortised cost calculated by using the effective interest rate method.

Derivatives and hedge accounting

Derivative financial instruments (foreign exchange contracts) are used to hedge the foreign exchange exposures on outstanding balances in the Group's internal clearing system, centralised at the head office. Given that the Group's hedging activities are limited to hedges of recognised foreign currency monetary items, the Group does not apply hedge accounting under IAS 39. Derivatives are carried at fair value, and all changes in fair value are recognised immediately in the income statement as part of financial income or expenses. All derivatives with a positive fair value would be disclosed as derivative assets and included in the line "financial investments" on the balance sheet, while all derivatives with a negative fair value would be disclosed as derivative liabilities and included in the line current "other liabilities".

Impairment of financial assets

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

Trade receivables are reported at their anticipated recoverable amounts. The allowance for bad debts is determined based on an individual basis or on a portfolio basis, where there is objective evidence that impairment losses have been incurred. The allowance account is used to record impairment losses unless the Group is satisfied that no recovery of the amount due is possible; at that point the amount considered irrecoverable is written off against the financial assets directly.

If an asset's recoverable amount is less than its carrying amount, the asset is written down to its recoverable amount. All resultant impairment losses (after reversing previous revaluations recognised in other comprehensive income of available for sale equity securities) are recognised in the income statement.

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

7 SEGMENT REPORTING

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

8 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are included in the Consolidated Financial Statements at cost less accumulated depreciation and accumulated impairment losses. The depreciation is calculated on a straight line basis considering the expected useful life of the individual assets. The estimated useful lives for the major categories are:

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

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

9 LEASES

Leases that transfer substantially all the risks and rewards of ownership of the leased asset to the Group are classified as finance leases. Other leases are classified as operating leases.

Assets leased under finance leases are included at the present value of the future minimum lease payments or their fair value if lower, less accumulated depreciation and accumulated impairment losses. If there is a reasonable certainty that the Group will obtain ownership by the end of the lease term, leased assets are depreciated over their useful life. Otherwise, leased assets are depreciated over the shorter of the lease term and their useful life. The interest portion of the lease payments is expensed through the income statement based on the effective interest rate inherent in the lease.

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

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

10 INTANGIBLES

Goodwill

All business combinations are accounted for by applying the acquisition method. Goodwill arising from an acquisition represents the fair value of the consideration transferred (including the fair value of any previously held equity interest in the acquiree) and the recognised amount of any non-controlling interests

in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Goodwill is allocated to cash-generating units.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is tested annually for impairment at year-end. However, if there is an indication that goodwill would be impaired at any other point in time, an impairment test is performed.

Other intangibles

Other identifiable intangibles (i.e. software, customer lists, customer contracts, etc.) purchased from third parties or acquired in a business combination are separately recognised as intangibles, and are stated at cost less accumulated amortisation and accumulated impairment losses. Intangibles acquired in a business combination are recognised separately from goodwill if they are subject to contractual or legal rights or are separately transferable. Software is amortised over its estimated useful life, three years maximum. Other intangibles are amortised on a straight line basis over their estimated useful life (up to ten years maximum). There are no intangibles with indefinite useful life recognised in the Group's balance sheet.

11 CASH AND CASH EQUIVALENTS

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

12 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

Calculation of a recoverable amount

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

Reversals of impairment losses

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

13 SHARE CAPITAL**Shares**

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

Treasury shares

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

14 PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event if it is probable that an outflow of resources will be required to settle the obligation and the amount of the obligation can be estimated reliably. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The provision is classified in non-current liabilities in case the expected timing of the payment of the amounts provided for is more than one year.

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

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

Defined benefit plans

The aggregate of the present value of the defined benefit obligation and the fair value of plan assets for each plan is recorded in the Balance Sheet as net defined benefit liability or net defined benefit asset. The discount rate is the yield at the reporting date on "AA" credit-rated bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which benefits are expected to be paid. The calculation is performed by an independent, qualified actuary using the projected unit credit method.

All actuarial gains and losses arising from defined benefit plans are recognised immediately in other comprehensive income.

Defined contribution plans

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

Severance payments

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

Share-based compensation plans*Share Matching Plan (SMP)*

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

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

When employees purchase shares at a discounted price, the difference between the fair value of the shares at purchase date and the purchase price of the shares is recognised as a personnel expense with a corresponding increase in equity. The fair value of the shares granted is measured at the market price of the Company's shares.

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

For further details about the SMP refer to note 37.

Share Purchase and Option Plan (SPOP)

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

When employees purchase shares at a discounted price, the difference between the fair value of the shares at purchase date and the purchase price of the shares is recognised as a personnel expense with a corresponding increase in equity. The fair value of the shares granted is measured at the market price of the Company's shares.

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

For further details about the SPOP, refer to note 37.

16 REVENUE RECOGNITION

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

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

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

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

17 INTEREST EXPENSES AND INCOME

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

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

18 INCOME TAXES

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the balance sheet date and any adjustment to tax payable for previous years.

Deferred tax is recognised based on the balance sheet liability method, on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. The following temporary differences are not accounted for: initial recognition of goodwill, initial recognition of assets or liabilities that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax recognised is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

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

19 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than from continuing use. The asset (or disposal group) must be available for immediate sale in its present condition and the sale must be highly probable. Immediately before classification as held for sale, the measurement of the assets (and all assets and liabilities in a disposal group) is updated in accordance with applicable IFRS. Then, on initial classification as held for sale, non-current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale are included in the income statement. Intangible assets and property, plant and equipment once classified as held for sale are not amortised or depreciated.

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

OTHER NOTES

20 SEGMENT REPORTING

a) Reportable segments

The Group provides integrated logistics solutions across customers' supply chains using its global logistics network. Until December 31, 2013, the business was divided into six reportable segments namely Seafreight, Airfreight, Road & Rail Logistics, Contract Logistics, Real Estate and Insurance Brokers. As of January 1, 2014, the Kuehne + Nagel Group has amended the internal management and reporting structure. The activities of the former segment Insurance Brokers are now included in the segment Seafreight due to insurance activities being mainly related to brokerage of insurance coverage for marine liability provided for the segment Seafreight. The activities of the former segment Real Estate have been included into the segment Contract Logistics as these activities mainly being related to internal rent of facilities for the segment Contract Logistics. To facilitate comparability between the years, 2013 segment reporting data have been restated. The segment Road & Rail Logistics has been renamed to Overland.

The four reportable segments, **Seafreight, Airfreight, Overland and Contract Logistics**, reflect the internal management and reporting structure to the Management Board (the chief operating decision maker, CODM) and are managed through specific organisational structures. The CODM reviews internal management reports on a monthly basis. Each segment is a distinguishable business unit and is engaged in providing and selling discrete products and services.

The discrete distinction between Seafreight, Airfreight and Overland is the usage of a single transportation mode within a reportable segment. In addition to common business processes and management routines, an identical main transportation mode is used within a reportable segment. For the reportable segment Contract Logistics the services performed are related to customer contracts for warehousing and distribution activities, whereby services performed are storage, handling and distribution.

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

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

b) Geographical information

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

c) Major customers

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

a) Reportable segments

CHF million	Total Group		Seafreight ¹		Airfreight		Overland		
	2014	2013	2014	2013	2014	2013	2014	2013	
Turnover (external customers)	21,291	20,929	9,240	9,118	4,207	4,143	3,019	3,059	
Inter-segment turnover	-	-	1,701	1,694	2,313	2,299	1,349	1,375	
Customs duties and taxes	-3,790	-3,751	-2,499	-2,479	-650	-662	-257	-253	
Net turnover	17,501	17,178	8,442	8,333	5,870	5,780	4,111	4,181	
Net expenses for services	-11,213	-10,921	-7,129	-7,014	-4,990	-4,903	-3,213	-3,279	
Gross profit	6,288	6,257	1,313	1,319	880	877	898	902	
Total expenses	-5,283	-5,295	-890	-890	-623	-630	-829	-869	
EBITDA	1,005	962	423	429	257	247	69	33	
Depreciation of property, plant and equipment	-136	-143	-15	-15	-12	-13	-17	-20	
Amortisation of other intangibles	-50	-57	-10	-9	-7	-12	-22	-21	
Impairment of other intangibles	-	-1	-	-	-	-	-	-	
EBIT (segment profit/(loss))	819	761	398	405	238	222	30	-8	
Financial income	3	5							
Financial expenses	-4	-6							
Result from joint ventures and associates	6	7	5	3	-	-	-	3	
Earnings before tax (EBT)	824	767							
Income tax	-180	-160							
Earnings for the year	644	607							
Attributable to:									
Equity holders of the parent company	633	597							
Non-controlling interests	11	10							
Earnings for the year	644	607							
Additional information not regularly reported to the CODM									
Reportable non-current segment assets	1,919	1,928	86	90	65	71	293	298	
Segment assets	6,603	6,374	1,298	1,198	734	652	715	764	
Segment liabilities	4,150	3,816	1,290	1,176	701	616	673	669	
Allocation of goodwill	695	688	43	43	37	39	214	214	
Allocation of other intangibles	49	89	5	12	7	13	29	48	
Capital expenditure property, plant and equipment	186	181	18	15	12	14	22	20	
Capital expenditure other intangibles	10	7	3	2	2	1	2	1	
Non-cash expenses	190	66	39	14	24	4	48	10	

¹ 2013 segment reporting of Seafreight and Contract Logistics is restated due to the change in reportable segments as explained on page 95.

b) Geographical information

CHF million	Total Group		Europe		Americas		
	2014	2013	2014	2013	2014	2013	
Turnover (external customers)	21,291	20,929	12,778	12,530	4,714	4,676	
Inter-regional turnover	-	-	3,392	3,398	808	757	
Customs duties and taxes	-3,790	-3,751	-2,042	-1,973	-822	-856	
Net turnover	17,501	17,178	14,128	13,955	4,700	4,577	
Net expenses for services	-11,213	-10,921	-9,655	-9,518	-3,690	-3,549	
Gross profit	6,288	6,257	4,473	4,437	1,010	1,028	
Total expenses	-5,283	-5,295	-3,918	-3,915	-828	-844	
EBITDA	1,005	962	555	522	182	184	
Depreciation of property, plant and equipment	-136	-143	-96	-107	-20	-20	
Amortisation of other intangibles	-50	-57	-41	-48	-6	-5	
Impairment of other intangibles	-	-1	-	-1	-	-	
EBIT	819	761	418	366	156	159	
Financial income	3	5					
Financial expenses	-4	-6					
Result from joint ventures and associates	6	7	6	7	-	-	
Earnings before tax (EBT)	824	767					
Income tax	-180	-160					
Earnings for the year	644	607					
Attributable to:							
Equity holders of the parent company	633	597					
Non-controlling interests	11	10					
Earnings for the year	644	607					
Reportable non-current assets	1,919	1,928	1,545	1,592	205	195	
Additional information not regularly reported to the CODM							
Segment assets	6,603	6,374	3,420	3,339	984	865	
Segment liabilities	4,150	3,816	2,699	2,478	626	531	
Allocation of goodwill	695	688	553	555	111	104	
Allocation of other intangibles	49	89	41	74	5	9	
Capital expenditure property, plant and equipment	186	181	107	128	26	20	
Capital expenditure other intangibles	10	7	8	7	2	-	
Non-cash expenses	190	66	157	61	25	-4	

b) Geographical information
Country information

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

Countries CHF million	2014		2013	
	Reportable non-current assets	Net turnover	Reportable non-current assets	Net turnover
France ¹	522	1,500	550	1,458
Germany ¹	452	3,155	443	3,165
Great Britain ¹	229	1,615	230	1,508
Switzerland ¹	5	281	6	258
USA ²	109	2,080	96	1,852
Others	602	8,870	603	8,937
Total	1,919	17,501	1,928	17,178

¹ Part of region Europe.

² Part of region Americas.

21 PERSONNEL EXPENSES

CHF million	2014	2013
Salaries and wages	3,019	2,947
Social expenses and benefits	630	667
Expenses for share-based compensation plans	13	5
Expenses for pension plans		
– defined benefit plans	23	23
– defined contribution plans	58	57
Other	21	36
Total	3,764	3,735

22 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

CHF million	2014	2013
Administration	211	205
Communication	71	75
Travel and promotion	79	75
Vehicles	249	271
Operating expenses	236	236
Facilities	689	686
Bad debt and collection expenses	7	14
Total	1,542	1,562

23 OTHER OPERATING INCOME/EXPENSES, NET

CHF million	2014	2013
Gain on disposal of property, plant and equipment	10	10
Gain on disposal of an associate	-	1
Gain on disposal of subsidiaries	16	-
Loss on disposal of property, plant and equipment	-1	-2
Other operating expenses	-2	-7
Total	23	2

24 FINANCIAL INCOME AND EXPENSES

CHF million	2014	2013
Interest income	3	4
Exchange differences, net	-	1
Financial income	3	5
Interest expenses	-4	-6
Financial expenses	-4	-6
Net financial result	-1	-1

25 INCOME TAX

CHF million	2014	2013
Current tax expense		
– in current year	182	175
– under/(over)-provided in previous years	5	2
	187	177
Deferred tax expense from		
– changes in temporary differences	-7	-17
Income tax	180	160

Income tax of CHF 52 million (2013: CHF 19 million) relating to actuarial gains and losses of CHF 105 million before tax (2013: CHF 27 million) arising from defined benefit plans is recognised in other comprehensive income.

Reconciliation of the effective tax rate

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

CHF million	2014	per cent	2013	per cent
Earnings before tax according to the income statement	824		767	
Income tax/expected tax rate	156	19.0	144	18.8
Tax effect on				
– tax exempt (income)/non-deductible expenses	5	0.6	2	0.3
– tax losses (utilised)/expired	–4	–0.5	–4	–0.5
– under/(over)-provided in previous years	5	0.6	2	0.3
– unrecoverable withholding taxes	18	2.1	16	2.1
Income tax/effective tax rate	180	21.8	160	21.0

Deferred tax assets and liabilities

CHF million	Assets		Liabilities		Net	
	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
Property, plant and equipment	27	29	–60	–64	–33	–35
Goodwill and other intangibles	23	25	–39	–41	–16	–16
Trade receivables	21	19	–2	–1	19	18
Other receivables	4	3	–27	–23	–23	–20
Finance lease obligations	8	11	–	–	8	11
Provisions for pension plans and severance payments	74	21	–	–1	74	20
Other liabilities	61	56	–7	–6	54	50
Tax value of loss carry-forwards recognised	6	8	–	–	6	8
Tax assets/(liabilities)	224	172	–135	–136	89	36

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

Unrecognised deferred tax assets

CHF million	2014		2013	
	Unused tax losses	Unrecognised deferred tax asset on unused tax losses	Unused tax losses	Unrecognised deferred tax asset on unused tax losses
Balance as of December 31	193	55	186	48

It is not probable that future taxable profits will be available against which the unrecognised deferred tax assets can be used. CHF 51 million (2013: CHF 43 million) of unrecognised deferred tax assets is relating to tax losses that do not expire.

26 EARNINGS PER SHARE

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

Earnings per share	2014	2013
Earnings for the year attributable to the equity holders of the parent company in CHF million	633	597
Weighted average number of ordinary shares outstanding during the year	119,880,480	119,813,251
Dilutive effect on number of shares outstanding:		
Share-based compensation plans	119,520	130,040
Adjusted weighted number of ordinary shares applicable to diluted earnings per share	120,000,000	119,943,291
Basic earnings per share in CHF	5.28	4.98
Diluted earnings per share in CHF	5.28	4.98

27 PROPERTY, PLANT AND EQUIPMENT

2014

CHF million	Properties including buildings on third parties' land	Other operating and office equipment	Properties, buildings under finance leases	Other operating and office equipment under finance leases	Total
Cost					
Balance as of January 1, 2014	902	741	147	39	1,829
Additions	49	137	-	-	186
Disposals	-11	-72	-	-3	-86
Adjustments/transfers	1	-1	-	-	-
Effect of movements in foreign exchange	-10	-	-3	-	-13
Balance as of December 31, 2014	931	805	144	36	1,916
Accumulated depreciation and impairment losses					
Balance as of January 1, 2014	153	486	6	33	678
Depreciation charge for the year	21	111	2	2	136
Disposals	-4	-62	-	-3	-69
Effect of movements in foreign exchange	-2	-2	-	-	-4
Balance as of December 31, 2014	168	533	8	32	741
Carrying amount					
As of January 1, 2014	749	255	141	6	1,151
As of December 31, 2014	763	272	136	4	1,175

Fire insurance value as of December 31, 2014: CHF 2,095 million. No restriction on the title exists except for items under finance leases as of December 31, 2014.

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

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

28 GOODWILL AND OTHER INTANGIBLES

2014		
CHF million	Goodwill	Other intangibles ¹
Cost		
Balance as of January 1, 2014	701	648
Additions	-	10
Deletions	-	-5
Effect of movements in foreign exchange	8	-5
Balance as of December 31, 2014	709	648
Accumulated amortisation and impairment losses		
Balance as of January 1, 2014	13	559
Amortisation charge for the year	-	50
Deletions	-	-5
Effect of movements in foreign exchange	1	-5
Balance as of December 31, 2014	14	599
Carrying amount		
As of January 1, 2014	688	89
As of December 31, 2014	695	49

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

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

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

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

Impairment testing of goodwill

The Group has performed impairment tests of goodwill at the end of the financial years 2014 and 2013. For the purpose of impairment testing, goodwill is allocated to cash-generating units which are expected to benefit from the synergies of the corresponding business combination. The goodwill impairment test is performed at the level of a cash-generating unit or a group of cash-generating units represented by a business unit in the respective country. The allocation of goodwill to reportable segments (business units) and geographical regions is further illustrated in note 20.

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

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

Business acquired	USCO Group	ACR Group, Europe ¹	Alloin Group, France	Multiple units ²	Total
Year of acquisition	2001	2006	2009	2004–2012	
Carrying amount of goodwill in CHF million 2014	87	293	87	228	695
Carrying amount of goodwill in CHF million 2013	79	292	88	229	688
Cash-generating unit within segment	Contract Logistics	Contract Logistics	Overland	All Segments	
Basis for recoverable amount	Value in use	Value in use	Value in use	Value in use	
Pre-tax discount rate in per cent 2014	12.7	11.0–16.5	14.0	11.0–17.7	
Pre-tax discount rate in per cent 2013	13.1	11.6–17.4	13.4	11.5–18.1	
Projection period	3 years	3 years	3 years	3 years	
Terminal growth rate in per cent 2014	1.5	1.5	1.5	1.5	
Terminal growth rate in per cent 2013	1.5	1.5	1.5	1.5	

¹ ACR Group, Europe, goodwill relates to Great Britain (2014: CHF 103 million; 2013: CHF 98 million), France (2014: CHF 68 million; 2013: CHF 69 million), Netherlands (2014: CHF 56 million; 2013: CHF 57 million) and other various countries (2014: CHF 66 million; 2013: CHF 68 million).

² Including cash-generating units without significant goodwill Cordes & Simon Group, Germany (2014: CHF 38 million; 2013: CHF 38 million), G.L. Kayser Group, Germany (2014: CHF 36 million; 2013: CHF 36 million) and J. Martens Group, Norway (2014: CHF 25 million; 2013: CHF 28 million), RH Group, United Kingdom (2014: CHF 56 million; 2013: CHF 53 million), Cooltainer, New Zealand (2014: CHF 22 million; 2013: CHF 21 million), Eichenberg Group, Brazil (2014: CHF 17 million; 2013: CHF 17 million), J. Van de Put, Netherlands (2014: CHF 12 million; 2013: CHF 12 million).

Key assumptions have not changed compared with the previous year with the exception of discount rates used. For both 2014 and 2013, all recoverable amounts exceeded their carrying amounts and consequently no impairment of goodwill was recognised for the years 2014 and 2013.

Management considers that it is not likely for the assumptions used to change so significantly, as to eliminate the excess of recoverable amounts. A sensitivity analysis for the three major acquisitions – USCO Group, ACR Group and Alloin Group – has been prepared with the following outcome:

Sensitivity analysis of goodwill USCO Group

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

CHF million	Discount rate			
	13.0 per cent	14.0 per cent	15.0 per cent	16.0 per cent
Growth rate				
0.0 per cent	36	28	20	14
0.5 per cent	40	31	23	16
1.0 per cent	44	34	25	18
1.5 per cent	48	37	28	21

Sensitivity analysis of goodwill ACR Group

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

CHF million	Discount rate			
	14.0 per cent	15.0 per cent	16.0 per cent	17.0 per cent
Growth rate				
0.0 per cent	527	478	436	398
0.5 per cent	546	495	450	411
1.0 per cent	567	513	465	424
1.5 per cent	590	532	481	438

Sensitivity analysis of goodwill Alloin Group

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

CHF million	Discount rate			
	15.0 per cent	16.0 per cent	17.0 per cent	18.0 per cent
Growth rate				
0.0 per cent	24	16	9	3
0.5 per cent	27	19	11	5
1.0 per cent	31	22	14	7
1.5 per cent	35	25	17	9

29 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

As of December 31, 2014, the following investments in joint ventures are held (all with 50 per cent voting rights/Kuehne + Nagel share):

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

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

CHF million	Dec. 31, 2014	Dec. 31, 2013
Non-current assets	51	51
Current assets	57	53
Total assets	108	104
Current liabilities	-44	-38
Equity	64	66
Kuehne + Nagel's share of equity (50%)	32	33
Net turnover	306	291
Earnings for the year	-	-

No significant investments in associates were held at December 31, 2014 and 2013.

30 WORK IN PROGRESS

This position increased from CHF 296 million in 2013 to CHF 307 million in 2014, which represents the same billing delay of 5.2 working days as in the previous year.

31 TRADE RECEIVABLES

CHF million	2014	2013
Trade receivables	2,686	2,510
Impairment allowance	-86	-84
Total trade receivables	2,600	2,426

The majority of all billing is done in the respective Group companies' own functional currencies and is mainly in EUR 43.0 per cent (2013: 43.6 per cent), USD 15.0 per cent (2013: 13.6 per cent) and GBP 8.8 per cent (2013: 9.0 per cent).

Trade receivables outstanding at year-end averaged 44.4 days (2013: 43.2 days). 93.8 per cent (2013: 94.2 per cent) of the total trade receivables were outstanding between 1 and 90 days.

No trade receivables are pledged in 2014 and 2013.

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

The Group establishes an impairment allowance that represents its estimate of incurred losses in respect of trade receivables. The two components of this impairment allowance of CHF 86 million (2013: CHF 84 million) are:

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

Trade receivables with credit insurance cover are not included in the impairment allowance. The individual impairment allowance relates to specifically identified customers representing extremely high risk of being declared bankrupt, Chapter 11 customers in the USA and customers operating with significant financial difficulties (such as negative equity). The impairment allowance for individually significant exposures is CHF 55 million at year-end 2014 (2013: CHF 47 million).

The collective impairment allowance based on overdue trade receivables is estimated considering statistical information of past payment experience. The Group has established a collective impairment allowance of CHF 31 million (2013: CHF 37 million) which represents 2.5 per cent (2013: 3.4 per cent) of total outstanding trade receivables, excluding trade receivables with insurance cover (see above) and trade receivables included in the individual impairment allowance.

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

CHF million	2014			2013		
	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	941	–	–	773	–	–
Past due 1–30 days	192	–	–	191	–	–
Past due 31–90 days	65	3	5	72	4	5
Past due 91–180 days	27	3	10	18	2	10
Past due 181–360 days	21	21	100	23	23	100
More than 1 year	4	4	100	8	8	100
Total	1,250	31	2.5	1,085	37	3.4

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

CHF million	2014			2013		
	Individual allowance	Collective allowance	Total allowance	Individual allowance	Collective allowance	Total allowance
Balance as of January 1	47	37	84	44	31	75
Additional impairment losses recognised	20	10	30	20	12	32
Reversal of impairment losses and write-offs	-12	-16	-28	-17	-6	-23
Balance as of December 31	55	31	86	47	37	84

32 OTHER RECEIVABLES

CHF million	Dec. 31, 2014	Dec. 31, 2013
Receivables from tax authorities	25	26
Deposits	52	45
Sundry	80	36
Total other receivables	157	107
Income tax receivables	86	52
Total	243	159

Most of the other receivables are held in the respective Group companies' own functional currencies, which represents EUR 46.3 per cent (2013: 52.4 per cent), USD 4.8 per cent (2013: 6.0 per cent) and GBP 0.8 per cent (2013: 0.8 per cent).

33 FINANCIAL INVESTMENTS AND DERIVATIVE INSTRUMENTS

As of December 31, 2014 and 2013, no material financial investments and derivative instruments were held.

34 CASH AND CASH EQUIVALENTS

CHF million	Dec. 31, 2014	Dec. 31, 2013
Cash in hand	1	2
Cash at banks	466	1,095
Short-term deposits	703	158
Cash and cash equivalents	1,170	1,255
Bank overdraft	-7	-13
Cash and cash equivalents in the cash flow statement, net	1,163	1,242

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

35 EQUITY

Share capital and treasury shares 2014

2014	Balance Dec. 31				Jan. 1
Main shareholders	Registered shares of nominal CHF 1 per share	CHF million	Capital share per cent	Voting share per cent	Registered shares of nominal CHF 1 per share
Kuehne Holding AG, Schindellegi (Feusisberg)	63,900,000	64	53.3	53.3	63,900,000
Public shareholders	56,050,936	56	46.7	46.7	56,038,474
Entitled to voting rights and dividends	119,950,936	120	100.0	100.0	119,938,474
Treasury shares	49,064	-	-	-	61,526
Total	120,000,000	120	100.0		120,000,000

In 2014 the Company sold 446,715 (2013: 403,865) treasury shares for CHF 49 million (2013: CHF 39 million) under the share-based compensation plans. The Company also purchased 434,253 (2013: 200,000) treasury shares for CHF 53 million (2013: CHF 24 million).

On December 31, 2014, the Company had 49,064 treasury shares (2013: 61,526), of which 49,064 (2013: 61,526) are reserved under the share-based compensation plans; refer to note 37 for more information.

Dividends

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

Year	per share	CHF million	Dividend
2015	CHF 4.00	480	dividend
2015	CHF 3.00	360	extraordinary dividend

The dividend payment 2014 to owners amounted to CHF 3.85 per share and CHF 2.00 extraordinary dividend per share or CHF 701 million (2013: CHF 3.50 per share or CHF 419 million).

Share capital and treasury shares 2013

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

Authorised and conditional share capital

The Annual General Meeting held on May 6, 2014, extended its approval of authorised share capital up to a maximum of CHF 20 million by another two years until May 6, 2016.

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

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

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

Capital Management

The Group defines the capital managed as the Group's total equity including non-controlling interests. The Group's main objectives when managing capital are:

- To safeguard the Group's ability to continue as a going concern, so that it can continue to provide services to its customers;
- To provide an adequate return to investors based on the level of risk undertaken;
- To have the necessary financial resources available to allow the Group to invest in areas that may deliver future benefits for customers and investors.

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

CHF million	2014	2013	2012	2011	2010
Total equity	2,453	2,558	2,425	2,405	2,378
Total assets	6,603	6,374	6,279	6,141	5,941
Equity ratio in per cent	37.1	40.1	38.6	39.2	40.0

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

36 PROVISIONS FOR PENSION PLANS AND SEVERANCE PAYMENTS

The Group maintains defined benefit pension plans as well as defined contribution plans. Retirement benefits vary from plan to plan reflecting applicable local practices and legal requirements. Retirement benefits are based on years of credited service and compensation as defined in the respective plan.

Overview of provisions for pension plans and severance payments

CHF million	Pension plans	Severance payments	Total
Balance as of January 1, 2013	320	37	357
Provisions made	24	5	29
Provisions used	-16	-5	-21
Actuarial (gains)/losses recognised in other comprehensive income	-27	-	-27
Effect of movements in foreign exchange	3	-1	2
Balance as of December 31, 2013	304	36	340
Provisions made	23	7	30
Provisions used	-18	-5	-23
Actuarial (gains)/losses recognised in other comprehensive income	105	-	105
Effect of movements in foreign exchange	-5	1	-4
Balance as of December 31, 2014	409	39	448

a) Defined benefit plans

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

CHF million	2014			2013		
	Funded plans	Unfunded plans	Total	Funded plans	Unfunded plans	Total
Net liability for defined benefit obligations						
Present value of obligations	238	334	572	174	269	443
Fair value of plan assets	-163	-	-163	-139	-	-139
Present value of net obligations	75	334	409	35	269	304
Recognised net liability for defined benefit obligations	75	334	409	35	269	304

CHF million	2014	2013
Allocation of plan assets		
Debt securities	90	78
Equity securities	41	36
Property	10	10
Others	22	15
Total	163	139

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

	2014	2013
CHF million	Funded plans	Funded plans
Movements of fair value of plan assets		
Opening fair value of plan assets	139	132
Employer contribution	8	6
Employee contribution	4	4
Return on plan assets, excluding interest	6	2
Interest on plan assets	5	3
Benefits paid by the plan	-5	-7
Plan amendments	1	-
Effect of movements in foreign exchange	5	-1
Closing fair value of plan assets	163	139
Expected payments to defined benefit plan in next year	7	6
Actual return on plan assets for the year	11	6

CHF million	2014			2013		
	Funded plans	Unfunded plans	Total	Funded plans	Unfunded plans	Total
Movements of present value of defined benefit obligations						
Opening liability for defined benefit obligations	174	269	443	181	271	452
Current service costs	5	5	10	6	5	11
Interest costs	6	9	15	5	9	14
Employee contribution	4	-	4	4	-	4
Actuarial (gains)/losses recognised in other comprehensive income:						
– due to changes in demographic assumptions	5	-	5	-	-	-
– due to changes in financial assumptions	41	68	109	-13	-11	-24
– due to experience (gains)/losses	-2	-1	-3	-3	2	-1
Benefits paid by the plan	-6	-10	-16	-6	-10	-16
Past service costs – amendments	2	-	2	1	-	1
Plan amendments	3	-1	2	-	-	-
Effect of movements in foreign exchange	6	-5	1	-1	3	2
Closing liability for defined benefit obligations	238	334	572	174	269	443
Expense recognised in the income statement						
Service costs	8	5	13	7	5	12
Net interest on the net defined benefit liability	1	9	10	2	9	11
Expense recognised in personnel expenses (refer to note 21)	9	14	23	9	14	23
Actuarial gains/(losses) recognised in other comprehensive income						
Cumulative amount as of January 1	-22	-49	-71	-41	-57	-98
Recognised during the year	-38	-67	-105	18	9	27
Effect of movements in foreign exchange	-1	1	-	1	-1	-
Cumulative amount as of December 31	-61	-115	-176	-22	-49	-71

Plan participants	Active		Deferred		Retired		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Number of plan participants	13,900	14,572	1,914	1,933	2,075	1,994	17,889	18,499
Present value of defined benefit obligations								
In CHF million	314	241	76	57	182	145	572	443
Share in per cent	54.9	54.3	13.3	12.9	31.8	32.8	100.0	100.0
Duration in years	20.2	18.5	16.3	13.4	9.5	10.0	16.3	15.0

The duration in years corresponds to the average weighted period.

Weighted actuarial assumptions at the balance sheet date

Per cent	2014			2013		
	Funded plans	Unfunded plans	Total	Funded plans	Unfunded plans	Total
Discount rate	2.3	1.9	2.0	3.3	3.6	3.5
Future salary increases	1.1	2.0	1.8	1.2	2.0	1.9
Future pension increases	-	1.3	1.3	0.2	1.8	1.6

Sensitivities of significant actuarial assumptions

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

CHF million	2014			2013		
	Funded plans	Unfunded plans	Total	Funded plans	Unfunded plans	Total
Reasonably possible change +/- in per cent	0.25	0.25	0.25	0.25	0.25	0.25
Discount Rate						
Increase of defined benefit obligation	7	13	20	7	8	15
Decrease of defined benefit obligation	-7	-13	-20	-7	-8	-15
Future salary increases						
Increase of defined benefit obligation	2	2	4	1	1	2
Decrease of defined benefit obligation	-2	-2	-4	-1	-1	-2

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

b) Major defined benefit plans

The Group maintains significant defined benefit pension plans in Germany, the USA and in Switzerland constituting 88.5 per cent (2013: 86 per cent) of the defined benefit obligations and 75.5 per cent (2013: 80 per cent) of the plan assets.

Germany

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

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

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

CHF million	2014	2013
Net liability for defined benefit obligations		
Present value of obligations	306	245
Fair value of plan assets	-	-
Present value of net obligations	306	245
Recognised net liability for defined benefit obligations	306	245

CHF million	2014	2013
Expense recognised in the income statement		
Service costs	4	4
Net interest on the net defined benefit liability	8	8
Expense recognised in personnel expenses	12	12

Plan participants	2014	2013
Number of plan participants	3,805	3,882
Present value of defined benefit obligations		
In CHF million	306	245
Duration in years	16.1	15.3

The duration in years corresponds to the average weighted period.

Weighted actuarial assumptions at the balance sheet date

Per cent	2014	2013
Discount rate	1.85	3.50
Future salary increases	2.00	2.00
Future pension increases	1.75	2.00
Mortality table	Dr. K. Heubeck 2005 G	Dr. K. Heubeck 2005 G

USA

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

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

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

CHF million	2014	2013
Net liability for defined benefit obligations		
Present value of obligations	70	49
Fair value of plan assets	-49	-41
Present value of net obligations	21	8
Recognised net liability for defined benefit obligations	21	8

CHF million	2014	2013
Allocation of plan assets		
Debt securities	16	14
Equity securities	30	25
Property	3	2
Total	49	41

CHF million	2014	2013
Actual return on plan assets for the year	4	5
Expected payments to defined benefit plan in next year	2	1

CHF million	2014	2013
Expense recognised in the income statement		
Service costs	–	–
Net interest on the net defined benefit liability	1	1
Expense recognised in personnel expenses	1	1

Plan participants	2014	2013
Number of plan participants	1,874	1,896
Present value of defined benefit obligations		
In CHF million	70	49
Duration in years	16.9	14.4

The duration in years corresponds to the average weighted period.

Weighted actuarial assumptions at the balance sheet date

Per cent	2014	2013
Discount rate	4.00	4.90
Future salary increases	–	–
Future pension increases	–	–
Mortality table	IRS PPA 2014 Non-Annuitant (pre retirement) and Annuitant (post retirement)	IRS PPA 2013 Non-Annuitant (pre retirement) and Annuitant (post retirement)

Switzerland

The Swiss pension plans are defined benefit plans that provide retirement and disability benefits to employees and their dependents. Swiss pension plans are governed by the Swiss Federal Law on Occupational

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

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

CHF million	2014	2013
Net liability for defined benefit obligations		
Present value of obligations	109	87
Fair value of plan assets	-74	-70
Present value of net obligations	35	17
Recognised net liability for defined benefit obligations	35	17

CHF million	2014	2013
Allocation of plan assets		
Debt securities	64	56
Equity securities	3	3
Property	7	8
Others	-	3
Total	74	70

CHF million	2014	2013
Actual return on plan assets for the year	-	-
Expected payments to defined benefit plan in next year	4	4

CHF million	2014	2013
Expense recognised in the income statement		
Service costs	7	7
Net interest on the net defined benefit liability	-	-
Expense recognised in personnel expenses	7	7

Plan participants	2014	2013
Number of plan participants	573	551
Present value of defined benefit obligations		
In CHF million	109	87
Duration in years	18.9	18.2

The duration in years corresponds to the average weighted period.

Weighted actuarial assumptions at the balance sheet date

Per cent	2014	2013
Discount rate	1.25	2.20
Future salary increases	1.50	1.50
Future pension increases	-	-
Mortality table	BVG 2010 Generational	BVG 2010 Generational

37 EMPLOYEE SHARE-BASED COMPENSATION PLANS

Share Matching Plan (SMP)

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

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

Share matching plan	2014	2013	2012
Grant date	06.08.2014	03.08.2013	07.08.2012
Performance period	Jan 2014– Dec 2016	Jan 2013– Dec 2015	Jan 2012– Dec 2014
Vesting, service and blocking period	06.08.2014– 30.06.2017	03.08.2013– 30.06.2016	07.08.2012– 30.06.2015
Fair value of shares at grant date in CHF per share	120.00	115.40	111.50
Purchase price of shares in CHF per share	113.40	94.60	100.00
Number of shares granted at grant date	185,206	252,894	232,077
Number of shares to be matched	183,106	244,124	203,779
Expected share match ratio	0.7	0.7	0.5
Fair value of shares to be matched at grant date in CHF per share	107.35	103.20	98.60

Share Purchase and Option Plan (SPOP)

In 2001 the Company implemented an employee "Share Purchase and Option Plan" (SPOP). The plan allowed selected employees of the Group to acquire shares of the Company. The employees were able to buy shares at a reduced price compared to the actual share price at a specified date. The price of the shares offered was 90 to 96.5 per cent of the share price corresponding to the average closing price of one share at the SIX Swiss Exchange during the months April to June. There are no vesting conditions. The shares are restricted for a period of three years before being released to the employees.

For each share purchased under this plan, the Company granted two options to the participants. Each option entitles the participant to purchase one share of the Company at a specified price. The exercise price is 100 per cent of the share price corresponding to the average closing price of one share at the SIX Swiss Exchange during the months April to June. The options vest three years after the grant date and can be exercised during the three-year period starting on the vesting date. The options cannot be settled in cash. The options granted under this plan continue until they vest and until the exercise period for the options issued in 2012 will expire on June 30, 2018.

The fair value of the shares granted is measured at the market price of the Company's shares, adjusted to take into consideration the conditions upon which the shares will be granted, such as blocking periods. Since the SPOP was discontinued as of July 1, 2012, no shares were granted in 2014 and in 2013.

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

Grant date	Exercise period	Number issued	Exercise price CHF	Number outstanding as of Dec. 31, 2014	Number outstanding as of Dec. 31, 2013
June 30, 2008	July 1, 2011–June 30, 2014	25,756	107.27	–	7,626
June 30, 2009	July 1, 2012–June 30, 2015	307,802	82.12	15,872	68,783
June 30, 2010	July 1, 2013–June 30, 2016	447,398	111.37	110,891	311,365
June 30, 2011	July 1, 2014–June 30, 2017	37,374	131.15	22,260	31,374
June 30, 2012	July 1, 2015–June 30, 2018	3,290	113.40	948	3,290
Total		821,620		149,971	422,438

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

Options	2014		2013	
	Weighted average exercise price (CHF)	Number of options	Weighted average exercise price (CHF)	Number of options
Options outstanding as of January 1	108.01	422,438	107.31	869,897
Options granted during the year	n/a	n/a	n/a	n/a
Options cancelled during the year	124.19	-6,658	114.99	-32,150
Options expired during the year	107.27	-800	110.71	-268,720
Options exercised during the year	105.81	-265,009	97.38	-146,589
Options outstanding as of December 31	111.17	149,971	108.01	422,438
Options exercisable as of December 31		149,023		387,774

The weighted average life of the options outstanding at December 31, 2014, is 1.6 years (2013: 2.4 years). The options outstanding at December 31, 2014, have an exercise price in the range of CHF 82.12 to CHF 131.15 (2013: CHF 82.12 to CHF 131.15).

CHF million	2014	2013
Total personnel expense for employee share-based compensation plans	13	5

38 BANK LIABILITIES AND OTHER INTEREST-BEARING LIABILITIES

CHF million	Dec. 31, 2014	Dec. 31, 2013
Liabilities part of cash and cash equivalents	7	13
Short-term portion of long-term liabilities	6	8
Total	13	21

The current bank and other interest-bearing liabilities include finance lease liabilities due for payment within one year of CHF 6 million (2013: CHF 8 million). Current bank and other interest-bearing liabilities

also include bank overdrafts of CHF 7 million (2013: CHF 13 million), which are included in cash and cash equivalents for the purpose of the consolidated cash flow statement.

All loans and bank overdrafts are held in the respective Group companies' own functional currencies, which mainly is in EUR 43.7 per cent (2013: 40.7 per cent), GBP 1.4 per cent (2013: 2.6 per cent) and USD < 0.1 per cent (2013: 1.7 per cent) on terms of the prevailing market conditions. The majority of bank overdraft facilities are repayable upon notice or within one year of the contractual term. The applicable interest rates are at prime interest rates of the respective country.

The non-current portion of finance lease liabilities amounts to CHF 17 million (2013: CHF 24 million) and is presented separately on the face of the balance sheet.

39 FINANCE LEASE OBLIGATIONS

CHF million	2014			2013		
	Payments	Interest	Present value	Payments	Interest	Present value
Less than 1 year	6	–	6	9	1	8
Between 1–5 years	17	1	16	21	1	20
After 5 years	1	–	1	5	1	4
Total	24	1	23	35	3	32

40 TRADE PAYABLES/ACCRUED TRADE EXPENSES/DEFERRED INCOME

CHF million	Dec. 31, 2014	Dec. 31, 2013
Trade payables	1,485	1,362
Accrued trade expenses	866	786
Deferred income	166	150
Total	2,517	2,298

The majority of all trade payables is in the respective Group companies' own functional currencies, which is in EUR 43.6 per cent (2013: 46.9 per cent), USD 11.7 per cent (2013: 9.7 per cent) and GBP 12.2 per cent (2013: 10.2 per cent).

41 PROVISIONS

The movements in provisions were as follows:

CHF million	Claim provisions ¹	Provision for deductible of transport liability insurance ²	Others ³	Total provision
Balance as of January 1, 2013	55	26	56	137
Provisions used	-14	-9	-21	-44
Provisions reversed	-6	-	-9	-15
Provisions made	23	8	33	64
Effect of movements in foreign exchange	-1	-	-	-1
Balance as of December 31, 2013	57	25	59	141
of which				
– Current portion	28	9	41	78
– Non-current portion	29	16	18	63
Total provisions	57	25	59	141
Balance as of January 1, 2014	57	25	59	141
Provisions used	-21	-9	-21	-51
Provisions reversed	-8	-	-7	-15
Provisions made	31	10	14	55
Effect of movements in foreign exchange	-	-	-	-
Balance as of December 31, 2014	59	26	45	130
of which				
– Current portion	28	9	22	59
– Non-current portion	31	17	23	71
Total provisions	59	26	45	130

1 Some Group companies are involved in legal proceedings on various issues (disputes about logistics services, antitrust etc.). Some legal proceedings have been settled in the reporting period, and corresponding payments have been made.

Since October 2007 various competition authorities have investigated certain antitrust allegations against international freight forwarding companies, inter alia against Kuehne + Nagel. A number of these investigations have been concluded meanwhile. The Group has appealed the decision of the EU Commission according to which Kuehne + Nagel had to pay a fine of CHF 65 million (EUR 53.7 million) at the European Court of Justice in 2012. An oral hearing took place in November 2014. The case is still pending (see also note 45).

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

3 Other provisions mainly consist of provisions for dilapidation costs amounting to CHF 25 million (2013: CHF 23 million) and of provisions for onerous contracts amounting to CHF 3 million (2013: CHF 12 million).

42 OTHER LIABILITIES

CHF million	Dec. 31, 2014	Dec. 31, 2013
Personnel expenses (including social security)	485	456
Other tax liabilities	78	72
Other operating expenses	187	185
Sundry	43	54
Total	793	767

43 ACQUISITION OF BUSINESSES/SUBSIDIARIES

2014 Acquisitions

There were no acquisitions of subsidiaries in 2014.

The minority shareholders of Cooltainer Holdings Ltd., New Zealand, have exercised their put option and effective May 1, 2014, the Group acquired the non-controlling interest of 25 per cent of the shares for a purchase price of CHF 15.8 million, which has been paid in cash. The Group previously owned 75 per cent of Cooltainer Holdings Ltd. which has been acquired on April 1, 2011.

2013 Acquisitions

There were no significant acquisitions of subsidiaries in 2013.

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

The accounting for the acquisition made in 2013 was initially determined provisionally only. No material adjustments to the values previously reported were deemed necessary after having finalised the acquisition accounting.

44 PERSONNEL

Number	Dec. 31, 2014	Dec. 31, 2013
Europe	44,960	43,887
Americas	9,146	9,214
Asia-Pacific	6,998	6,809
Middle East, Central Asia and Africa	2,344	2,834
Total employees (unaudited)	63,448	62,744
Full-time equivalent	74,497	72,036

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

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

45 CONTINGENT LIABILITIES

As of year-end the following contingent liabilities existed:

CHF million	Dec. 31, 2014	Dec. 31, 2013
Guarantees in favour of customers and others	9	21
Contingency under unrecorded claims	7	3
Total	16	24

Some Group companies are defendants in various legal proceedings. Based on respective legal advice, the management is of the opinion that the outcome of those proceedings will have no effect on the financial situation of the Group beyond the existing provision for pending claims (refer to note 41) of CHF 59 million (2013: CHF 57 million).

Antitrust cases in various jurisdictions, amongst them proceedings in Brazil and France are still ongoing. It is currently not possible to reliably estimate a potential financial impact of these cases. Consequently, no provision or quantification of the contingent liability for these cases were made in the Consolidated Financial Statements 2014.

46 OTHER FINANCIAL COMMITMENTS

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

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

As of December 31, 2014			
CHF million	Properties and buildings	Operating and office equipment	Total
2015	356	81	437
2016–2019	620	105	725
Later	232	1	233
Total	1,208	187	1,395

As of December 31, 2013

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

The expense for operating leases recognised in the income statement amounts to CHF 557 million (2013: CHF 579 million).

47 CAPITAL COMMITMENTS

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

CHF million	Dec. 31, 2014	Dec. 31, 2013
Singapore	42	–
Australia	–	19
Great Britain	9	–
Italy	1	1
Total	52	20

48 RISK MANAGEMENT, OBJECTIVES AND POLICIES**Group risk management**

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

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

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

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

Risk management as an integral part of the Internal Control System (ICS) for financial reporting

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

Risk assessment in 2014

An independent risk assessment procedure was adopted for operational risks. The Regional Management was interviewed in order to assess the risks for each country in their respective region. In addition, Management Board members assessed the overall strategical risk exposure of the Group. The outcome of the risk assessment and respective countermeasures were discussed with Management Board members. Within the framework of the corporate governance process, the updated risk assessment was then presented to the Audit Committee of the Board of Directors. Financial risks analysis and assessment was carried out by the finance and accounting department.

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

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

Organisation of risk management

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

Summarised assessment of the risk situation

In the 2014 business year no significant risks were identified that would have the potential to substantially negatively impact the Group and its future development.

The uncertainty of the global economic development and the financial markets continue to be the most material risks, thus being in the constant focus of management.

Financial risk management

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

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

In accordance with its financial risk policies, the Group manages its market risk exposures by using financial instruments when deemed appropriate. It is the Group's policy and practice neither to enter into derivative transactions for trading or speculative purposes, nor for any purpose unrelated to the underlying business.

Market risk

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

Interest rate risk

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

Exposure

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

Profile

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

Fair value sensitivity analysis – fixed rate instruments

As of December 31, 2014 and 2013, the Group does not hold significant investments in fixed rate instruments. A change of 100 basis points in interest rates would not have increased or decreased profit or loss significantly.

Cash flow sensitivity analysis – variable rate instruments

A change of 100 basis points in interest rates on December 31, 2014, would have increased or decreased profit or loss by CHF 11 million (2013: CHF 12 million) due to changed interest payments on variable rate interest-bearing liabilities and assets. The analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

CHF million	Carrying amount	
	2014	2013
Variable rate instruments		
Cash and cash equivalents	1,169	1,253
Current bank and other interest-bearing liabilities	-13	-21
Non-current finance lease obligations	-17	-24
Total	1,139	1,208

Currency risk

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

Exposure

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

Derivative financial instruments (foreign exchange contracts) are, to a limited extent, in use to hedge the foreign exchange exposure on outstanding balances in the Group's internal clearing system centralised at the head office. Given that the Group's hedging activities are limited to hedges of recognised foreign currency monetary items, hedge accounting under IAS 39 is not applied. As of the 2014 and 2013 year-end there were no material derivative instruments outstanding. Investments in foreign subsidiaries are not hedged as those currency positions are considered to be long-term in nature.

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

CHF million	2014			2013		
	EUR	USD	GBP	EUR	USD	GBP
Cash and cash equivalents ¹	112	136	1	117	90	1
Trade receivables	37	269	1	34	228	1
Interest-bearing liabilities	-	-1	-	-	-2	-
Trade payables	-39	-102	-1	-32	-78	-1
Gross balance sheet exposure	110	302	1	119	238	1

¹ Mainly represents cash pool balances in CHF with subsidiaries with functional currency EUR and USD.

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

Sensitivity analysis

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

2014					
CHF million	1 CHF/EUR	1 CHF/USD	1 GBP/EUR	1 GBP/USD	1 USD/EUR
Reasonably possible change +/- in per cent	10.0	10.0	10.0	10.0	10.0
Negative effect on P/L	-11.0	-30.2	-7.2	-19.6	-11.2
Positive effect on P/L	11.0	30.2	7.2	19.6	11.2

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

2013					
CHF million	1 CHF/EUR	1 CHF/USD	1 GBP/EUR	1 GBP/USD	1 USD/EUR
Reasonably possible change +/- in per cent	10.0	10.0	10.0	10.0	10.0
Negative effect on P/L	-11.9	-23.8	-8.1	-16.2	-13.4
Positive effect on P/L	11.9	23.8	8.1	16.2	13.4

Foreign currency exchange rates applied

The major foreign currency exchange rates applied during the year are as explained in note 5 (principles of consolidation).

Credit risk

Credit risk arises from the possibility that the counterparty to a transaction may be unable or unwilling to meet its obligations, causing a financial loss to the Group. Credit risk arises primarily from the Group's trade receivables.

Exposure

At the balance sheet date the maximum exposure to credit risk from financial assets, without taking into account any collateral held, credit insurance or similar, was:

CHF million	2014	2013
Trade receivables	2,600	2,426
Other receivables	102	60
Cash and cash equivalents	1,169	1,253
Total	3,871	3,739

Trade receivables

Trade receivables are subject to a policy of active risk management which focusses on the assessment of country risk, credit availability, ongoing credit evaluation, and account monitoring procedures. There are no significant concentrations of credit risk due to the Group's large number of customers and their wide geographical spread. For a large part of credit exposures in critical countries, the Group has obtained credit insurance from first-class insurance companies (for further details refer to note 31).

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

CHF million	2014	2013
Europe	1,546	1,474
Americas	640	548
Asia-Pacific	248	224
Middle East, Central Asia & Africa	166	180
Total	2,600	2,426

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

Investments of excess funds

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

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties to meet obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Group companies require sufficient availability of cash to meet their obligations. Individual companies are generally responsible for their own cash management, including the short-term investment of cash surplus and the raising of loans to cover cash deficits subject to guidance by the Group and, in certain cases, to approval at Group level. The Group maintains sufficient reserves of cash to meet its liquidity requirements at all times.

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

2014

CHF million	Carrying amounts	Contractual cash flow	Up to 6 months	6–12 months	Over 1 year
Bank and other interest-bearing liabilities	13	14	11	3	–
Trade payables	1,485	1,485	1,485	–	–
Accrued trade expenses	866	866	866	–	–
Other liabilities	225	225	225	–	–
Finance lease obligations (non-current)	17	18	–	–	18
Total	2,606	2,608	2,587	3	18

2013

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

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

49 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

Cash and cash equivalents with a carrying amount of CHF 1,170 million (2013: CHF 1,255 million) as well as financial assets with a carrying amount of CHF 2,702 million (2013: CHF 2,486 million) classified as loans and receivables carried at amortised cost, are all classified as current assets.

The Group has financial liabilities with a carrying amount of CHF 2,606 million (2013: CHF 2,424 million) carried at amortised cost. The majority of these financial liabilities are current liabilities. At year-end 2014 and 2013 there were no non-current fixed rate interest-bearing loans and other liabilities.

As of December 31, 2014 and 2013, the Group holds no debt instruments designated as financial assets at fair value through profit or loss and no significant derivative instruments.

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

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

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

50 RELATED PARTIES AND TRANSACTIONS

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

Subsidiaries and Joint Ventures

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

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

Board of Directors and Management Board

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

- Board of Directors: CHF 6.6 million (2013: CHF 5.9 million)
- Management Board: CHF 13.0 million (2013: CHF 14.5 million)

As of December 31, 2014, no loans or any other commitments were outstanding towards members neither of the Board of Directors nor of the Management Board. Members of the Board of Directors and the Management Board control 53.5 per cent (2013: 53.6 per cent) of the voting shares of the Company.

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

CHF million	Management Board		Board of Directors	
	2014	2013	2014	2013
Wages, salaries and other short-term employee benefits	10.3	11.7	5.6	4.9
Post-employment benefits	0.5	0.5	0.2	0.2
Share-based compensation	2.2	2.3	0.8	0.8
Total compensation	13.0	14.5	6.6	5.9

For other related parties refer to note 35 outlining the shareholder's structure, and pages 144 to 151 listing the Group's significant subsidiaries and joint ventures.

51 ACCOUNTING ESTIMATES AND JUDGMENTS

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

Acquisition accounting

Intangible assets acquired in a business combination are required to be recognised separately from goodwill and amortised over their useful life if they are subject to contractual or legal rights or are separately transferable. The Group has separately recognised customer lists and customer contracts based on contractual agreements in acquisitions made (see note 28).

The fair value of these acquired intangible assets is based on valuation techniques, which require input based on assumptions about the future. The management uses its best knowledge to estimate fair value of

acquired intangible assets as of the acquisition date. The value of intangible assets is tested for impairment when there is an indication that they might be impaired (see below). The management must also make assumptions about the useful life of the acquired intangible assets which might be affected by external factors such as increased competition.

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

The Group tests its goodwill with a total carrying amount of CHF 695 million (2013: CHF 688 million) for impairment every year as disclosed in note 12. No impairment loss on goodwill was recognised in 2014 and 2013. The Group also assesses annually whether there is any indication that other intangible assets or property, plant and equipment may be impaired. In such a case, the assets are tested for impairment. No impairment loss on other intangible assets was recognised in 2014 (2013: CHF 1 million). The carrying amount of other intangibles is CHF 49 million (2013: CHF 89 million), and that of property, plant and equipment CHF 1,175 million (2013: CHF 1,151 million).

Impairment tests are based on value-in-use calculations, which involve a variety of assumptions such as estimates of future cash inflows and outflows and choice of a discount rate. Actual cash flows might, for example, differ significantly from management's current best estimate. Changes in market environment, evolution of technologies, etc. might have an impact on future cash flows and result in recognition of impairment losses.

Defined benefit pension plans

The Group has recognised a liability for defined benefit pension plans in the amount of CHF 409 million (2013: CHF 304 million). A number of assumptions are made in order to calculate the liability, including discount rate and future salary increases. A relatively minor change in any of these assumptions can have a significant impact on the carrying amount of the defined benefit obligation.

Share-based compensation plans

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

Accrued trade expenses and deferred income

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

Income tax

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

The Group has recognised a net deferred tax asset of CHF 89 million (2013: CHF 36 million). Furthermore, the Group has unrecognised deferred tax assets relating to unused tax losses of CHF 55 million (2013: CHF 48 million). Based on estimates of the probability of realising these tax benefits, available taxable temporary differences, periods of reversals of such differences etc., the management does not believe that the criteria to recognise deferred tax assets are met (see note 25).

Provisions and contingent liabilities

The Group has recognised provisions for an amount of CHF 130 million (2013: CHF 141 million) related to legal claims and other exposures in the freight forwarding and logistics operations (see note 41). The provisions represent the best estimate of the risks, but the final amount required is subject to uncertainty.

52 POST BALANCE SHEET EVENTS

There have been no material events between December 31, 2014, and the date of authorisation of the Consolidated Financial Statements other than the effects of the announcement of the Swiss National Bank (SNB) on January 15, 2015, that it was discontinuing the minimum exchange rate of 1.20 Swiss Francs per Euro. Changes in foreign exchange after December 31, 2014, are not reflected in these Consolidated Financial Statements. However, a weakening of foreign currencies against the Swiss Franc will have a negative currency translation impact on the Group's consolidated results since these are reported in Swiss Francs.

The currency translation sensitivity of the Group's results to movements in foreign currency exchange rates in 2015 is estimated, calculated based on 2014 earnings for the year, to have the following effects on the earnings of the year:

Income Statement (average rates)	Estimate 2015	YTD Dec. 2014	Variance per cent	Impact on earnings for the year in CHF million
Euro	1.0500	1.2146	-13.6	-39
US Dollar	0.9000	0.9158	-1.7	-4
British Pound	1.3600	1.5071	-9.8	-4

The currency impact on the net assets of the Group as of December 31, 2014, based on the estimated 2015 exchange rates amounts to CHF 204 million. Furthermore, no significant changes to the accounting estimates and judgements are expected.

53 RESOLUTION OF THE BOARD OF DIRECTORS

The Consolidated Financial Statements of the Group were authorised for issue by the Board of Directors on February 24, 2015. A resolution to approve the Consolidated Financial Statements will be proposed at the Annual General Meeting on May 5, 2015.

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

As statutory auditor, we have audited the consolidated financial statements of Kuehne + Nagel International AG, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes on the pages 72 to 141 for the year ended December 31, 2014.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the

accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended December 31, 2014, give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on Other Legal Requirements

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

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

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

Ernst & Young Ltd

Alessandro Miolo
Licensed Audit Expert
(Auditor in Charge)

Christian Krämer
Licensed Audit Expert

Zurich, February 24, 2015

Holding and Management Companies

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

Operating Companies

Western Europe

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

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

Western Europe

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
Norway	Kuehne + Nagel AS	Oslo	NOK	3,100	100
Portugal	Kuehne + Nagel Lda	Porto	EUR	200	100
Spain	Kuehne & Nagel S.A.U.	Madrid	EUR	60	100
	Kuehne Nagel Investments S.L.U.	Madrid	EUR	3	100
	Nacora Correduria de Seguros S.A	Madrid	EUR	150	100
Sweden	Kuehne & Nagel AB	Stockholm	SEK	500	100
	Kuehne & Nagel Investment AB	Stockholm	EUR	112	100
	Nacora International Insurance Brokers AB	Stockholm	SEK	100	100
Switzerland	Kuehne + Nagel AG	Opfikon	CHF	3,000	100
	Nacora Insurance Brokers AG	Opfikon	CHF	100	100

Eastern Europe

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
Albania	Transalbania Sh.p.k	Tirana	ALL	41,725	51
Austria	Kuehne + Nagel Eastern Europe AG	Vienna	EUR	1,090	100
	Kuehne + Nagel GmbH	Vienna	EUR	1,820	100
	Nacora Insurance Brokers GmbH	Vienna	EUR	35	100
Belarus	Kuehne + Nagel FPE	Minsk	BYR	3,001,600	100
Bosnia and Herzegovina	Kuehne + Nagel doo	Sarajevo	BAM	95	100
Bulgaria	Kuehne + Nagel EOOD	Sofia	BGN	365	100
Croatia	Kuehne + Nagel d.o.o.	Zagreb	HRK	4,300	100
Cyprus	Nakufreight Limited	Nicosia	EUR	17	100
Czech Republic	Kuehne + Nagel spol. s r.o.	Prague	CZK	21,000	100
Estonia	Kuehne + Nagel AS	Tallinn	EUR	465	100
Greece	Kuehne + Nagel AE	Athens	EUR	6,798	100
	Arion SA	Athens	EUR	411	100
	Nacora Brokins International AE	Athens	EUR	60	60
	Sindos Railcontainer Services AE (Joint Venture)	Thessaloniki	EUR	3,038	50
Hungary	Kuehne + Nagel Kft	Budapest	HUF	134,600	100

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
Latvia	Kuehne + Nagel SIA	Riga	LVL	142	100
Lithuania	Kuehne & Nagel UAB	Vilnius	LTL	800	100
Macedonia	Kuehne + Nagel d.o.o.e.l.	Skopje	MKD	3,216	100
Poland	Kuehne + Nagel Poland sp.z o.o.	Poznan	PLN	94,214	100
Romania	Kuehne + Nagel SRL	Bucharest	RON	2,543	100
Russia	OOO Kuehne + Nagel	Moscow	RUR	1,228,036	100
	OOO Kuehne & Nagel Sakhalin	Sakhalin	RUR	500	100
	OOO Nakutrans	Moscow	RUR	278	100
Serbia	Kuehne + Nagel d.o.o.	Belgrade	RSD	3,039	100
Slovakia	Kuehne + Nagel s r.o.	Bratislava	EUR	470	100
Slovenia	Kuehne + Nagel d.o.o.	Ljubljana	EUR	10	100
Ukraine	Kuehne + Nagel Ltd.	Kiev	UAH	7,104	100

North America

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
Bermuda	Kuehne + Nagel Ltd.	Hamilton	EUR	12	100
Canada	Kuehne + Nagel Ltd.	Toronto	CAD	2,910	100
	Nacora Insurance Brokers Ltd.	Toronto	CAD	-	100
	Kuehne + Nagel Real Estate Ltd.	Toronto	CAD	-	100
	Kuehne + Nagel Services Ltd.	Vancouver	USD	87,085	100
	GFH Underwriting Agency Ltd.	Toronto	CAD	-	100
Mexico	Kuehne + Nagel S.A. de C.V.	México' D.F.	MXN	24,447	100
	Kuehne + Nagel Servicios Administrativos S.A. de C.V.	México' D.F.	MXN	50	100
	Agente de Seguros S.A. de C.V.	México' D.F.	MXN	50	100
USA	Kuehne + Nagel Investment Inc.	Jersey City	USD	1,400	100
	Kuehne + Nagel Inc.	Jersey City	USD	1,861	100
	Nacora Insurance Brokers Inc.	Jersey City	USD	25	100
	Kuehne + Nagel Special Logistics Inc.	Dulles	USD	30	100
	Kuehne + Nagel Real Estate USA Inc.	Jersey City	USD	-	100
	Kuehne + Nagel Nevada, Inc.	McCarran	USD	2	100

South America

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
Argentina		Buenos Aires			
	Kuehne + Nagel S.A.	Aires	ARS	3,208	100
		Buenos Aires			
	Nacora S.A.	Aires	ARS	20	100
Barbados	Kuehne + Nagel Logistics Services Limited	Bridgetown	BBD	195	100
Bolivia	Kuehne + Nagel Ltda.	Santa Cruz	BOB	260	100
Brazil	Kuehne + Nagel Serviços Logísticos Ltda.	Sao Paulo	BRL	162,189	100
	Nacora Corretagens de Seguros Ltda.	Sao Paulo	BRL	1,094	100
	Transeich Armazens Gerais S.A.	Porto Alegre	BRL	2,479	100
	Transeich Assessoria e Transportes S.A.	Porto Alegre	BRL	17,918	100
Chile	Kuehne + Nagel Ltda.	Santiago	CLP	575,000	100
Colombia	Kuehne + Nagel S.A.S.	Bogotá	COP	5,184,600	100
	Agencia De Aduanas				
	KN Colombia S.A.S. Nivel 2	Bogotá	COP	595,000	100
	Nacora Ltda. Agencia de Seguros	Bogotá	COP	20,000	100
Costa Rica	Kuehne + Nagel S.A.	San Jose	CRC	25,000	100
Cuba	Kuehne Nagel Logistic Services S.A.	Havana	CUC	-	100
Ecuador	Kuehne + Nagel S. A.	Quito	USD	7	100
	Kuehne + Nagel	San			
El Salvador	S.A. DE C.V.	Salvador	USD	69	100
Guatemala	Kuehne + Nagel S.A.	Guatemala	GTQ	4,245	100
		San Pedro			
Honduras	Kuehne + Nagel S.A.	Sula	HNL	25	100
Nicaragua	Kuehne + Nagel S.A.	Managua	NIO	10	100

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
Panama	Kuehne + Nagel S.A.	Colon	USD	1	100
	Kuehne + Nagel Management S.A.	Colon	USD	10	100
Peru	Kuehne + Nagel S.A.	Lima	PEN	10,638	100
Trinidad & Tobago	Kuehne + Nagel Ltd.	Port of Spain	TTD	31	100
Uruguay	Kuehne + Nagel S.A.	Montevideo	UYU	3,908	100
Venezuela	Kuehne + Nagel S.A.	Caracas	VEF	1,000	100
	KN Venezuela Aduanas C.A.	Caracas	VEF	2	100
	Nacora S.A.	Caracas	VEF	60	100

North Asia-Pacific

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
China	Kuehne & Nagel Ltd.	Shanghai	CNY	25,072	100
	Kuehne & Nagel Logistics Co Ltd.	Shanghai	CNY	5,515	100
	Kuehne & Nagel Information Company Ltd.	Guangzhou	CNY	1,008	100
	Kuehne & Nagel Information Center Ltd.	Foshan	CNY	1,000	100
	Kuehne & Nagel Ltd.	Hong Kong	HKD	1,560	100
	Transpac Container System Ltd.	Hong Kong	HKD	100	100
	Nacora Insurance Brokers Ltd.	Hong Kong	HKD	500	70
	Kuehne & Nagel Ltd.	Macao	HKD	971	100
	Nacora Insurance Brokers Ltd.	Macao	HKD	53	51
	Kuehne + Nagel Ltd.	Taipei	TWD	20,000	100
Taiwan	Nacora Insurance Brokers Ltd.	Taipei	TWD	6,000	100

South Asia-Pacific

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
Afghanistan	Kuehne + Nagel Ltd	Kabul	USD	6	100
Australia	Kuehne & Nagel Pty Ltd	Melbourne	AUD	2,900	100
	Nacora Insurance Services Pty Ltd	Melbourne	AUD	-	100
	Cooltainer Australia Pty Limited	Sydney	AUD	-	100
	Kuehne + Nagel Real Estate Pty Ltd	Melbourne	AUD	-	100
Bangladesh	Kuehne + Nagel Limited	Dhaka	BDT	10,000	100
Cambodia	Kuehne + Nagel Limited	Phnom Penh	USD	5	100
India	Kuehne + Nagel Pvt. Ltd.	New Delhi	INR	30,000	100
Indonesia	PT. KN Sigma Trans	Jakarta	IDR	1,730,100	95
Japan	Kuehne + Nagel Ltd.	Tokyo	JPY	80,000	100
	Nacora Japan Insurance Solutions Ltd.	Tokyo	JPY	9,900	100
Korea	Kuehne + Nagel Ltd.	Seoul	KRW	500,000	100
Malaysia	Kuehne + Nagel Sdn. Bhd.	Kuala Lumpur	MYR	1,000	100
	Nacora (Malaysia) Sdn. Bhd.	Kuala Lumpur	MYR	100	100
Maldives	Kuehne + Nagel Private Limited	Male	USD	1	100
Myanmar	Kuehne + Nagel Ltd.	Yangon	USD	50	100
New Zealand	Kuehne + Nagel Limited	Auckland	NZD	200	100
	Nacora Insurance Services Limited	Auckland	NZD	10	100
	Cooltainer New Zealand Limited	Christchurch	NZD	1,200	100
Pakistan	Kuehne + Nagel (Private) Limited.	Karachi	PKR	9,800	100
Philippines	Kuehne + Nagel Inc.	Manila	PHP	5,000	100
	KN Subic Logistics Inc.	Manila	PHP	1,875	100
Singapore	Kuehne + Nagel Pte. Ltd.	Singapore	SGD	500	100
	Nacora Insurance Agency Pte. Ltd.	Singapore	SGD	100	100
	Kuehne + Nagel (Asia-Pacific) Management Pte. Ltd.	Singapore	SGD	200	100
	Kuehne + Nagel Real Estate Pte Ltd	Singapore	SGD	250	100
Sri Lanka	Kuehne & Nagel (Pvt) Ltd.	Colombo	LKR	2,502	100
Thailand	Kuehne + Nagel Limited	Bangkok	THB	20,000	100
	Consolidation Transport Limited	Bangkok	THB	100	100
Vietnam	Kuehne + Nagel Company Limited	Ho Chi Minh	VND	15,502,200	100

Middle East and Africa

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
Angola	Kuehne & Nagel (Angola) Transitarios Lda	Luanda	AON	7,824	100
Bahrain	Kuehne + Nagel WLL	Manama	BHD	200	100
Egypt	Kuehne + Nagel Ltd.	Cairo	EGP	1,000	100
Iraq	Jawharat Al-Sharq Co. for General Transportation & Support Services Ltd	Baghdad	USD	85	100
	Kuehne + Nagel for General Transportation and Logistics Services L.L.C.	Erbil	USD	45	100
Israel	Amex Ltd.	Holon	ILS	2	87.5
Jordan	Kuehne and Nagel Jordan LLC	Amman	JOD	300	100
Kenya	Kuehne + Nagel Limited	Nairobi	KES	63,995	100
Kuwait	Kuehne + Nagel Company W.L.L.	Kuwait	KWD	150	100
Lebanon	KN-ITS SAL (Joint Venture)	Beirut	LBP	113,000	50
Mauritius	KN (Mauritius) Limited	Port Louis	MUR	4,000	100
Mozambique	Kuehne & Nagel Mocambique Lda.	Maputo	MZN	133	100
Namibia	Kuehne and Nagel (Pty) Ltd.	Windhoek	NAD	340	100
Nigeria	Kuehne & Nagel (Nigeria) Limited	Lagos	NGN	10,000	100
Oman	Universal Freight Services LLC	Muscat	OMR	250	70
Qatar	Kuehne + Nagel L.L.C.	Doha	QAR	1,900	100
Saudi Arabia	Kuehne and Nagel Limited	Jeddah	SAR	1,000	100
South Africa	Kuehne + Nagel (Proprietary) Limited	Johannesburg	ZAR	1,651	75
	Nacora Insurance Brokers (Proprietary) Limited	Johannesburg	ZAR	35	100
Tanzania	Kuehne + Nagel Limited	Dar Salaam	TZS	525,000	100
Turkey	Kuehne + Nagel Nakliyat Sti.	Istanbul	TRY	5,195	100
UAE	Kuehne + Nagel L.L.C.	Dubai	AED	1,000	100
	Kuehne + Nagel L.L.C.	Abu Dhabi	AED	1,000	100
	Kuehne + Nagel DWC L.L.C.	Dubai	AED	13,000	100
	Kuehne + Nagel Management ME FZE	Dubai	AED	1,000	100
Uganda	Kuehne + Nagel Limited	Kampala	UGX	827,500	100

Income Statement

CHF million	Note	2014	2013
Income			
Income from investments in Group companies	1	598	582
Sale of treasury shares		-	2
Income from sale of Group companies		35	-
Interest income on loan receivables from Group companies		4	4
Exchange gains		10	8
Total income		647	596
Expenses			
Operational		-9	-9
Loss on sale of treasury shares		-4	-
Interest expenses on liabilities towards Group companies		-3	-2
Exchange losses		-6	-6
Total expenses		-22	-17
Earnings before tax (EBT)		625	579
Income Taxes		-13	-14
Earnings for the year		612	565

Balance Sheet

CHF million	Note	Dec. 31, 2014	Dec. 31, 2013
Assets			
Investments	2	936	1,152
Non-current assets		936	1,152
Receivables from Group companies	3	322	187
Other receivables		32	1
Cash and cash equivalents	6	796	742
Treasury shares	5	7	7
Current assets		1,157	937
Total assets		2,093	2,089
Liabilities and Equity			
Share capital	7	120	120
Reserves	8	60	60
Capital contribution reserves	8	6	6
Free reserves	8	44	44
Reserve for treasury shares	9	7	7
Retained earnings	10	703	839
Earnings for the year		612	565
Equity		1,552	1,641
Tax provision		10	11
Other provisions and accruals		7	5
Liabilities towards Group companies	4	524	432
Current liabilities		541	448
Total liabilities		541	448
Total liabilities and equity		2,093	2,089

Schindellegi, February 24, 2015

KUEHNE + NAGEL INTERNATIONAL AG

Dr. Detlef Trefzger

CEO

Markus Blanka-Graff

CFO

NOTES TO THE FINANCIAL STATEMENTS 2014

GENERAL

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

BASIS OF PREPARATION/ACCOUNTING POLICIES

Investments

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

Receivables

– from Group companies

The balances outstanding are recorded at their nominal value less valuation allowance at year-end.

– other

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

Treasury shares

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

Tax provision

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

Liabilities

– towards Group companies

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

NOTE TO THE INCOME STATEMENT

1 INCOME FROM INVESTMENTS IN GROUP COMPANIES

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

CHF million	2014	2013
Income from investments and others	469	452
Trademark fee	129	130
Total	598	582

NOTES TO THE BALANCE SHEET

2 DEVELOPMENT OF INVESTMENTS

CHF million	Investments in consolidated companies	Investments in affiliated companies	Total
Cost			
Balance as of January 1, 2014	2,108	2	2,110
Additions	18	-	18
Repayment/disposals	-238	-	-238
Balance as of December 31, 2014	1,888	2	1,890
Cumulative amortisation			
Balance as of January 1, 2014	956	2	958
Additions	-	-	-
Disposals	-4	-	-4
Balance as of December 31, 2014	952	2	954
Carrying amount			
As of January 1, 2014	1,152	-	1,152
As of December 31, 2014	936	-	936

A schedule of the Group's main subsidiaries and Kuehne + Nagel's share in the respective equity is shown on pages 144 to 151 of the Consolidated Financial Statements.

3 RECEIVABLES FROM GROUP COMPANIES

CHF million	Dec. 31, 2014	Dec. 31, 2013
KN Ibrakom FZCO., Dubai	-	8
Kuehne + Nagel Ltd., Nairobi	4	5
Kuehne + Nagel Ltd., Bogota	6	-
Kuehne + Nagel Real Estate Holding AG, Schindellegi	56	16
Kuehne + Nagel Liegenschaften AG, Schindellegi	22	23
Kuehne + Nagel AG, Zurich	2	2
Kuehne + Nagel S.a.r.l., Luxembourg	5	-
Kuehne + Nagel Ltd., Johannesburg	-	3
Kuehne + Nagel (AG & Co.) KG, Hamburg	129	116
Kuehne + Nagel Services Ltd., Vancouver	70	-
Kuehne + Nagel Ltd., Toronto	20	-
Kuehne + Nagel Ltd., Kuwait	1	-
Other Group companies	7	14
Total	322	187

4 LIABILITIES TOWARDS GROUP COMPANIES

CHF million	Dec. 31, 2014	Dec. 31, 2013
Kuehne + Nagel Ltd., Dublin	3	5
OY Kuehne + Nagel Ltd., Helsinki	-	7
Kuehne + Nagel S.a.r.l., Luxembourg	-	6
Kuehne + Nagel S.A.S., Paris	8	33
Kuehne + Nagel N.V., Rotterdam	6	53
Kuehne + Nagel NV/SA, Antwerp	21	20
Kuehne + Nagel GmbH, Vienna	2	5
Kuehne + Nagel Poland Sp.z.o.o., Poznan	1	3
Kuehne + Nagel Ltd., Bermuda	4	-
Kuehne + Nagel Ltd., Mexico	2	5
Kuehne + Nagel Kft., Budapest	5	-
Kuehne + Nagel Ltd., Sydney	1	-
Kuehne + Nagel Ltd., Shanghai	16	-
Kuehne + Nagel Pte. Ltd., Singapore	-	3
Kuehne + Nagel spol.s.r.o., Prague	2	2
Kuehne + Nagel Investment S.a.r.l., Luxembourg	2	16
Kuehne + Nagel AG, Luxembourg	-	45
Kuehne + Nagel Investment SL, Madrid	57	38
Kuehne + Nagel Investment N.V., Rotterdam	101	-
Kuehne + Nagel Investment AB, Stockholm	13	1
Kuehne + Nagel AS, Oslo	-	4
Kuehne + Nagel Inc., New York	127	85
Kuehne + Nagel Management AG, Schindellegi	63	4
Kuehne + Nagel AG, Zurich	30	32
Nacora Holding AG, Schindellegi	18	16
Nacora Agencies AG, Schindellegi	42	49
Total	524	432

5 TREASURY SHARES

CHF million	Dec. 31, 2014	Dec. 31, 2013
Treasury shares ¹	7	7
Total	7	7

¹ See note 9.

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

6 CASH AND CASH EQUIVALENTS

CHF million	Dec. 31, 2014	Dec. 31, 2013
The bank deposits are in the following currencies:		
CHF	639	640
EUR	98	101
USD	59	1
Total	796	742

7 SHARE CAPITAL

Share capital	Registered shares at nominal CHF 1 each number	CHF million
Balance as of December 31, 2014	120,000,000	120

Authorised and conditional share capital

The Annual General Meeting held on May 6, 2014, extended its approval of authorised share capital up to a maximum of CHF 20 million by another two years until May 6, 2016.

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

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

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

8 RESERVES

CHF million	Legal reserves	Capital contribution reserves	Free reserves	Total reserves
Balance as of January 1, 2014	60	6	44	110
Addition from release of reserve for treasury shares ¹	–	–	–	–
Balance as of December 31, 2014	60	6	44	110

¹ See note 9.

9 RESERVE FOR TREASURY SHARES

Reserve for treasury shares	Number of shares	CHF million
Balance as of January 1, 2014	61,526	7
Disposal of treasury shares	-446,715	-53
Purchase of treasury shares	434,253	53
Balance as of December 31, 2014	49,064	7

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

10 RETAINED EARNINGS

Retained earnings	CHF million
Balance as of January 1, 2014 (before income for the year)	839
Earnings for the year 2013	565
Retained earnings as of January 1, 2014 (prior to appropriation of available earnings)	1,404
Distribution to the shareholders (representing CHF 3.85 per share) + Extraordinary dividend (CHF 2.00 per share)	-701
Subtotal (before income for the year)	703
Earnings for the year 2014	612
Balance as of December 31, 2014	1,315

Retained earnings	CHF million
Capital contribution reserves as of December 31, 2014	6
Balance capital contribution reserves as of December 31, 2014	6

OTHER NOTES

11 PERSONNEL

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

12 SHAREHOLDINGS BY MEMBERS OF THE BOARD OF DIRECTORS AND MANAGEMENT BOARD

Shareholdings by members of the Board of Directors

As of December 31, 2014, the following number of shares was held by members of the Board of Directors and/or parties closely associated with them.

Board of Directors

Total shareholdings as of December 31:

Name	2014	2013
Klaus-Michael Kuehne (Honorary Chairman)	64,049,940	64,068,600
Karl Gernandt (Chairman)	54,400	48,500
Dr. Joerg Wolle (Vice Chairman)	6,380	2,080
Bernd Wrede (Vice Chairman)	-	-
Juergen Fitschen	-	-
Hans Lerch	2,500	5,000
Dr. Renato Fassbind	1,700	1,700
Dr. Thomas Staehelin	10,000	10,000
Dr. Martin C. Wittig	-	n/a
Total	64,124,920	64,135,880

Management Board

Total shareholdings as of December 31:

Name	2014	2013
Dr. Detlef Trefzger, Chief Executive Officer ¹	19,902	11,902
Gerard van Kesteren, former Chief Financial Officer ²	n/a	137,497
Markus Blanka-Graff, Chief Financial Officer ³	6,350	n/a
Martin Kolbe, Chief Information Officer	15,176	14,176
Lothar Harings, Chief Human Resources Officer	13,289	9,289
Stefan Paul, Executive Vice President Overland	3,450	2,100
Tim Scharwath, Executive Vice President Airfreight	15,000	10,000
Horst Joachim Schacht, Executive Vice President Seafreight	18,767	13,517
Reinhard Lange, former Chief Executive Officer ⁴	n/a	36,633
Total	91,934	235,114

¹ As of March 1, 2013 member of the Management Board and as of August 15, 2013 Chief Executive Officer.² Member of the Management Board until June 30, 2014.³ As of July 1, 2014 member of the Management Board.⁴ Member of the Management Board until May 7, 2013.**Employee share-based compensation plans***Share matching plan (SMP)*

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

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

Further details of the Share Matching Plan can be found in note 37 to the Consolidated Financial Statements on pages 124 to 126.

Share Purchase and Option Plan (SPOP)

In 2001, the Company implemented an employee "Share Purchase and Option Plan" (SPOP). The plan allowed selected employees of the Group to acquire shares of the Company. The employees were able to buy shares at a reduced price compared to the actual share price at a specified date. The price of the shares offered was 90 to 96.5 per cent of the share price corresponding to the average closing price of one share at the SIX Swiss Exchange during the months April to June. The shares are restricted for a period of three years before being released to the employees.

For each share purchased under this plan, the Company granted two options to the participants. Each option entitles the participant to purchase one share of the Company at a specified price. The exercise price is 100 per cent of the share price corresponding to the average closing price of one share at the SIX Swiss Exchange during the months April to June. The options cannot be settled in cash. The options granted under this plan continue until they vest and until the exercise period for the options issued in 2012 will expire on June 30, 2018.

The fair value of the shares granted is measured at the market price of the Company's shares, adjusted to take into consideration the conditions upon which the shares will be granted, such as blocking periods. Since the SPOP was discontinued as of July 1, 2012, no shares were granted in 2014 and in 2013.

The prices to exercise the above mentioned options are listed in note 37 to the Consolidated Financial Statements on pages 124 to 126.

Options granted:

Name	Date of allocation	Number of options	Year of expiry of locked period
Karl Gernandt, Chairman of the Board of Directors	2009	17,120	2012
	2010	16,000	2013
	2011	6,376	2014
	2012	-	2015
Reinhard Lange, former Chief Executive Officer ¹	2009	14,836	2012
	2010	15,000	2013
	2011	4,202	2014
	2012	1,644	2015
Gerard van Kesteren, former Chief Financial Officer ²	2009	14,176	2012
	2010	15,000	2013
	2011	5,952	2014
	2012	-	2015
Lothar Harings, Chief Human Resources Officer	2009	9,963	2012
	2010	2,000	2013
	2011	-	2014
	2012	578	2015
Martin Kolbe, Chief Information Officer	2009	2,000	2012
	2010	6,000	2013
	2011	1,982	2014
	2012	370	2015
Horst Joachim Schacht, Executive Vice President Sea Logistics	2011	-	2014
	2012	-	2015
Tim Scharwath, Executive Vice President Air Logistics	2011	-	2014
	2012	-	2015
Total options granted		133,199	

¹ Chief Executive Officer until May 7, 2013.

² Chief Financial Officer until June 30, 2014.

Loans

In 2014 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, 2014.

13 CONTINGENT LIABILITIES

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

14 RISK MANAGEMENT/RISK ASSESSMENT

The detailed disclosures regarding risk management that are required by Swiss law (SCO 663b CO) are included in the Kuehne + Nagel Group Consolidated Financial Statements on pages 131 to 138.

15 PROPOSAL OF THE BOARD OF DIRECTORS TO THE ANNUAL GENERAL MEETING MAY 05, 2015, REGARDING APPROPRIATION OF THE AVAILABLE EARNINGS

For 2014 the Board of Directors is proposing a regular dividend amounting to CHF 4.00 per share and an extraordinary dividend of CHF 3.00 per share for approval at the Annual General Meeting. If the dividend proposal is approved by shareholders, dividend payments will amount to CHF 480 million (2013: CHF 462 million) towards regular dividend resulting in a payout ratio of 75.8 per cent (2013: 77.4 per cent) of the earnings for the year attributable to the equity holders of the Company. In addition, the extraordinary dividend payment will amount to CHF 360 million.

Available earnings	CHF million
Balance as of January 1, 2014 (before income for the year)	703
Earnings for the year 2014	612
Available earnings as of December 31, 2014	1,315
Distribution to the shareholders (representing CHF 4.00 per share) + Extraordinary dividend (CHF 3.00 per share) ¹	-840
Retained earnings as of December 31, 2014 (after appropriation of available earnings)	475

¹ The total dividend amount covers all outstanding shares (as per December 31, 2014: 119,950,936 shares). However, shares held in treasury on the date of the dividend declaration are not eligible for dividend payments. As a consequence, and if required, the reported total dividend amount is adjusted accordingly.

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

As statutory auditor, we have audited the financial statements of Kuehne + Nagel International AG, which comprise the income statement, balance sheet and notes on the pages 152 to 163 for the year ended December 31, 2014.

Board of Directors' responsibility

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

Auditor's responsibility

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

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

ments. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended December 31, 2014, comply with Swiss law and the company's articles of incorporation.

Report on Other Legal Requirements

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

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

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

Ernst & Young Ltd

Alessandro Miolo
Licensed Audit Expert
(Auditor in Charge)

Christian Krämer
Licensed Audit Expert

Zurich, February 24, 2015

CORPORATE TIMETABLE 2015

April 14, 2015	First quarter 2015 results
May 5, 2015	Annual General Meeting
May 12, 2015	Dividend Payment for 2014
July 14, 2015	Half-year 2015 results
October 13, 2015	Nine-months 2015 results

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