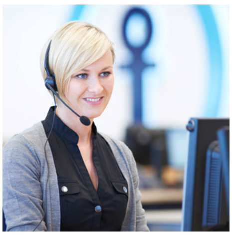
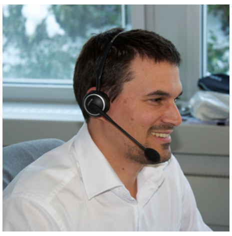
PEOPLE. NETWORK. OBJECTIVES.

ANNUAL REPORT 2012

KUEHNE+NAGEL



Dear Shareholders!

Success in business is determined by different factors, but there is always a key one that makes the difference. It might be the ability to recognise market trends at an early stage, the use of innovative technology or effective marketing.

For Kuehne + Nagel, success is based, above all, on its employees. We know that even the latest technology and most advanced logistics concepts can only develop their full potential if they are in the hands of skilled and motivated people,positioned in the right place, acting as the extension of our customers' business.

It is the knowledge and dedication of our employees that ensure Kuehne + Nagel enjoys a global reputation as reliable and capable logistics partner. For this reason we continuously invest in training and staff development, as well as reinforce another vital ingredient of success: teamwork, both within the company and in the daily interaction with our customers. Thanks to a collaboration that embraces 100 countries and transcends conventional borders, we inspire each other to innovative solutions that enable us to offer our customers best-in class logistics services – everywhere in the world.

Intelligent networking and a constructive dialogue at all levels lead us to our aim. By that we mean not only lasting customer satisfaction, but also the opportunity for every individual to make best use of his or her personal talents. This strengthens our focus on growth regions and specific industries, both of which are important ingredients for success. For each individual – and for the successful future of our company.

The pictures included in this year's annual report illustrate examples of the close relationship between our employees and their working environment. They were submitted in response to an internal photo contest. We would like to express our sincere thanks to all participants.

Best regards

Karl Gernandt

Karl Gernandt, Chairman of the Board of Directors

KUEHNE + NAGEL GROUP KEY DATA

↰ KEY DATA

CHF million	2012	2011	2010	2009	2008
Invoiced turnover	20,753	19,596	20,261	17,406	21,599
Gross Profit	6,094	5,898	5,958	5,863	6,253
% of turnover	29.4	30.1	29.4	33.7	29.0
EBITDA	856	978	1,004	885	1,020
% of gross profit	14.0	16.6	16.9	15.1	16.3
EBIT	634	750	765	594	736
% of gross profit	10.4	12.7	12.8	10.1	11.8
EBT	645	766	767	610	764
% of gross profit	10.6	13.0	12.9	10.4	12.2
Earnings for the year (Kuehne + Nagel share)	485	601	601	467	585
% of gross profit	8.0	10.2	10.1	8.0	9.4
Depreciation, amortisation and impairment of intangible assets and goodwill	222	228	239	291	284
% of gross profit	3.6	3.9	4.0	5.0	4.5
Operational cash flow	849	978	992	893	1,015
% of gross profit	13.9	16.6	16.6	15.2	16.2
Capital expenditures for fixed assets	163	207	134	264	245
% of operational cash flow	19.2	21.2	13.5	29.6	24.1
Total assets	6,279	6,141	5,941	5,933	5,555
Non-current assets	2,203	2,239	2,058	2,456	1,864
Equity	2,425	2,405	2,378	2,290	2,073
% of total assets	38.6	39.2	40.0	38.6	37.3
Total employees at year end	63,248	63,110	57,536	54,680	53,823
Total full-time equivalent (FTE) at year end	72,399	71,884	66,045	60,538	59,012
Personnel expenses	3,605	3,386	3,391	3,341	3,518
% of gross profit	59.2	57.4	56.9	57.0	56.3
Gross profit in CHF 1,000 per FTE	84	82	90	97	106
Personnel expenses in CHF 1,000 per FTE	50	47	51	55	60
Basic earnings per share (nominal CHF 1) in CHF					
Consolidated earnings for the year (Kuehne + Nagel share) [1]	4.06	5.04	5.06	3.95	4.96
Distribution in the following year	3.50	3.85	2.75 [2]	2.30	2.30 [3]
in % of the consolidated net income for the year	86.4	76.5	54.6	58.2	46.4
Development of share price					
SIX Swiss Exchange (high/low in CHF)	125/95	139/92	137/92	104/53	113/57
Average trading volume per day	160,403	170,427	190,910	295,884	331,536

1 Excluding treasury shares.
2 Excluding payment of capital contribution reserves.
3 Excluding extraordinary dividend.

CONTENTS

KARL GERNANDT Chairman of the Board of Directors

Economic slowdown dampens momentum

Ladies and Gentlemen,

After optimistic economic forecasts for 2012, the world political situation marked by sovereign debt crises and problems in the banking sector dampened the momentum of global trade activities. At only 2.5 per cent, the growth of world trade was less than half of the average for the past 20 years. The logistics industry felt the impact of the slowdown, particularly in the traffic from Asia to Europe and North America but also in a greater reduction of the pan-European logistics volume. Kuehne + Nagel was able to sustain its position in this demanding macroeconomic environment, but the results did not reach the company's internal expectations and were impaired by a high antitrust fine.

Due to an increased transport volume, turnover rose by 5.9 per cent to CHF 20,753 million and gross profit improved by 3.3 per cent to CHF 6,094 million compared to the previous year. The earnings for the year, however, decreased by 18.6 per cent to CHF 493 million including the one-off item for the antitrust fine.

Board of Directors

At the Annual General Meeting of May 8, 2012, Dr. Renato Fassbind, Juergen Fitschen, Karl Gernandt, Hans-Joerg Hager, Klaus-Michael Kuehne, Hans Lerch, Dr. Thomas Staehelin, Dr. Joerg Wolle and Bernd Wrede were re-elected for a further one-year term. The Chairman of the Board of Directors is Karl Gernandt.

Dr. Wolfgang Peiner, whose six years terms of office expired with the Annual General Meeting, retired from the Board.

Board Committees

The Board of Directors' regular committees are the Audit, the Chairman's and the Nomination and Compensation Committee. In 2012 the committees took place regularly with the respective chairmen reporting on issues at subsequent meetings of the Board of Directors.

Risk assessment

Together with the Management Board the Audit Committee makes a regular assessment of the Group's business risks.

This assessment also includes investigations by international competition authorities in which Kuehne + Nagel, amongst others, has been involved. On March 28, 2012, the EU Commission imposed fines against various logistics companies in antitrust proceedings pending since 2007, in the case of Kuehne + Nagel amounting to CHF 65 million (EUR 53.7 million). The companies were accused of having coordinated certain surcharges for airfreight forwarding services on specific trade lanes. As Kuehne + Nagel is of the opinion that the Commission has not correctly investigated the facts and the participation of Kuehne + Nagel and drawn significantly incorrect factual and legal conclusions, the company has appealed against the decision before the European Court of Justice. On September 14, 2012, Kuehne + Nagel reached an out-of-court settlement with plaintiffs in a US antitrust class action. This class action was also related to the investigation of surcharges in 2007. Under this agreement Kuehne + Nagel paid an amount of CHF 26 million (USD 28 million) and, in addition, assigned proceeds itself received from a pending antitrust class action in the USA against airlines. With the payment effected from a provision built for this purpose, Kuehne + Nagel was able to finally conclude the painful litigation in the USA.

Management Board

On February 29, 2012, the Board of Directors appointed Stefan Paul as a new member of the Management Board. With his entry on February 1, 2013, he assumed responsibility for the business unit Road & Rail Logistics. Stefan Paul had already worked for Kuehne + Nagel in various positions between 1990 and 1997; in his last function he was CEO of a competitor's German road freight business.

On November 30, 2012, Dr. Detlef Trefzger was appointed to the Management Board with effect from March 1, 2013. He has global responsibility for the business unit Contract Logistics. From 2004 until October 2012 Dr. Trefzger was a member of the Executive Board of a competing company with responsibility for contract logistics and supply chain management as well as being in charge of Global Airfreight and Global Oceanfreight.

The Board of Directors is confident that the two new members of the Management Board will provide a valuable stimulus for the further strategic and operational development of the respective business units.

At the end of 2012 the Management Board has consisted of six members including its chairman Reinhard Lange. On November 30, 2012, Dirk Reich stepped down from his responsibility for Contract Logistics. On an interim basis Reinhard Lange assumed responsibility for Contract Logistics and Road & Rail Logistics.

Shareholder structure

At the end of 2012 the shareholder structure of Kuehne + Nagel International AG was as follows:

– Kuehne Holding AG	53.3 per cent
– Free float	46.5 per cent
– Treasury shares	0.2 per cent
	100.0 per cent

Economic environment

The European sovereign debt crisis and the volatility of the financial markets undermined the hope for a global economic recovery. The eurozone showed increasingly recessive tendencies, particularly in countries such as France, Italy, Spain and Portugal. Notably, the German economy proved crisis-resistant – according to initial calculations the country's gross domestic product grew by 0.7 per cent in 2012. As a result of the persisting structural problems the performance of the US economy was initially weaker than expected. Japan's economy remained in a fragile state.

The euro crisis impacted the emerging countries as well and slowed their growth. However, China was spared the forecasted "hard landing" and the gross domestic product of the world's second largest economy rose by approximately 8 per cent. In Brazil and other South American countries the long-term growth prospects were supported by foreign investments, although in many cases their upward momentum was locked up in very high inflation rates.

Logistics industry

In 2012 the international logistics business was marked by regionally different demand, unusually volatile seafreight rates, margin and cost pressure as well as increased competition.

In this environment the logistics companies were obliged to adopt a policy of high internal and external flexibility. The partners of the logistics providers – in particular, the shipping lines and airlines – had to contend with substantial over capacity and a decline in demand resulting in falling prices and rising operating costs. Continued growth in cargo capacity despite the weak development of the market aggravated the situation in addition.

The trend towards consolidation, which is characteristic of the fragmented logistics industry, flattened in 2012 due to the economic situation and low equity ratios in parts of the industry. No large acquisitions were effected.

Performance and results

Already in the first quarter business volumes in the international seafreight and airfreight markets grew less than expected, while Kuehne + Nagel had adapted its structures in line with an anticipated increase in growth. This discrepancy resulted in substantial cost increases and reduced profit margins. Although the initiated cost reduction programmes already showed first positive effects in the second quarter, profitability fell short of the internal targets for the full business year despite a volume growth exceeding market average.

In the European overland business the optimisation strategy, which was implemented in the first two quarters including the opening of the Eurohub in Hauneck/Bad Hersfeld, Germany, was jeopardised by the economic deterioration, particularly in southern Europe. Therefore, the target of a break-even result was not yet achieved in 2012.

Due to the unsatisfactory performance in contract logistics, a top priority will be given to profitability in this business unit.

Dividend

The Board of Directors will propose to the Annual General Meeting of May 7, 2013, a dividend of CHF 3.50 per share for the year 2012 (previous year CHF 3.85 per share).

Summary and outlook

Kuehne + Nagel's strategy to focus on regional and industry-specific growth segments has proven its value in a difficult market environment. In airfreight, for instance, contrary to the general development of the market, volume growth was achieved as a result of increased activities in the perishables logistics segment. In a number of countries, however, the profitability of seafreight operations suffered setbacks and contract logistics proved disproportionately sensitive to changes in external developments.

In the industrial countries the economic environment is likely to remain difficult during the current business year, although there are encouraging signals from the emerging countries and the USA. Against a background of changing industrial and trade activities Kuehne + Nagel will adapt its management and organisational structures to react more quickly and efficiently to the demands of the market. Furthermore, strict cost and margin management are important as well as quality leadership in all business units. With all measures initiated to focus on customer groups and product qualities in combination with a lean management approach, Kuehne + Nagel is confident that it can balance out the setbacks it experienced in the operational and administrative fields in 2012 and continue its positive development.

The Board of Directors would like to thank all members of the management and all employees for their committed efforts in 2012, which was a challenging year both internally and externally. Finally, our thanks are extended to all customers and partners for their confidence in Kuehne + Nagel and the good business relations the Group enjoyed with them.

Yours sincerely

Karl Gernandt
Chairman of the Board of Directors

As of December 31, 2012

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

A challenging year

In a very difficult and volatile market environment the Kuehne + Nagel Group was able to increase business volume in all segments; the results, however, were adversely affected by pressure on margins, cost increases and a high antitrust fine.

Economic environment

Already in the first half of the year the slower growth in China and the European sovereign debt crisis had a much greater impact on the volume development in seafreight and airfreight than expected. The fall in import and export activities became more accentuated in the final two quarters of the year and influenced trade in the emerging countries in Latin America and Asia. This development resulted in overcapacities, an unprecedented degree of rate volatility and declining profit margins. At the same time the continuing planning uncertainties for trade and industry led to a substantial reduction in inventory turnovers and distribution activity.

Development of results

As part of the growth strategy, which was launched in 2010 – based on the assumption of a stable development of the global economy – Kuehne + Nagel invested in a number of initiatives and strengthened its service portfolio in selected regions and industry segments. In the year 2012 the effectiveness of this strategy was underlined by volume growth, primarily in the airfreight and seafreight business units but also in road & rail logistics.

However, volume growth achieved in 2012 did not reach the company's expectations due to the economic situation, and did not compensate for the increased costs that resulted from the initiatives and the pressure on margins. In contract logistics, investments in structural reorganisation and unexpected start-up costs in the implementation of projects negatively impacted results of the business unit. Despite an intensified cost management the Group's operational result (EBITDA) declined by 5.8 per cent (excluding the one-off item for the antitrust fine) compared to the previous year.

Development of business in the regions

In seafreight and airfreight, particularly in the second half of the year, Kuehne + Nagel's Asia-Pacific region felt the effects of the setback to growth that China experienced due to the weakness of world trade and especially in the export business to Europe. The national companies in Indonesia, Korea, Singapore, Taiwan and Thailand performed well and surpassed the results of the previous year.

The Europe region showed a very diverse picture. The recession in southern Europe affected the performance of the Kuehne + Nagel companies located there. Particularly in Greece, extensive structural readjustments were made to counter the impact on the result.

The German Kuehne + Nagel organisation performed at a satisfactory level in all business fields during the first half of the year, but in the last two quarters the economic downturn led to volume declines in road logistics and airfreight.

As of February 1, 2013

1	REINHARD LANGE	Chief Executive Officer
2	GERARD VAN KESTEREN	Chief Financial Officer
3	LOTHAR HARINGS	Human Resources
4	STEFAN PAUL	Road & Rail Logistics
5	TIM SCHARWATH	Airfreight
6	HORST JOACHIM SCHACHT	Seafreight
7	MARTIN KOLBE	Information Technology

In eastern Europe a number of Kuehne + Nagel national organisations improved their result in 2012 or maintained it at the preceding year's level. This was substantially due to the integrated service offering and the companies' strong customer orientation.

In North America the international forwarding business proved crisis-resistant, and better results were achieved in both seafreight and airfreight. Progress was also made in contract logistics in that region, where, apart from a further reduction in idle warehouse space, Kuehne + Nagel gained important new business from globally operating customers.

In the Middle East and Central Asia the development of business and results exceeded expectations, making the region one of the most successful in 2012. The oil & gas and project businesses were major driving forces for this favourable performance. In Africa, on the other hand, results did not develop satisfactorily.

Summary and outlook

Although in 2012 the Kuehne + Nagel Group fell short of its internal profitability objectives, its close customer orientation and industrial expertise enabled it to strengthen its global competitive position. In the current business year, efforts will concentrate on achieving higher profitability and continued growth in all business units. These will be supported by the measures that have already been taken in the past months, ranging from more stringent cost management to process optimisation and a measurable increase in productivity. With its comprehensive range of integrated logistics services, Kuehne + Nagel can respond in a fast and focused manner to the specific needs of customers and thus further strengthen its market position.

Reinhard Lange
Chairman of the Management Board

Turnover

In 2012 Kuehne + Nagel's turnover amounted to CHF 20,753 million representing an increase of 5.9 per cent or CHF 1,157 million compared to the previous year. Organic business growth resulted in an increase in turnover of CHF 895 million and acquisitions contributed CHF 287 million. The exchange rate fluctuation had a negative impact of CHF 25 million.

At regional level, the Middle East, Central Asia and Africa (17.4 per cent), Asia-Pacific (15.9 per cent) and the Americas (13.8 per cent) reported strong increases in turnover. Europe experienced comparatively the smallest increase in turnover with 0.6 per cent.

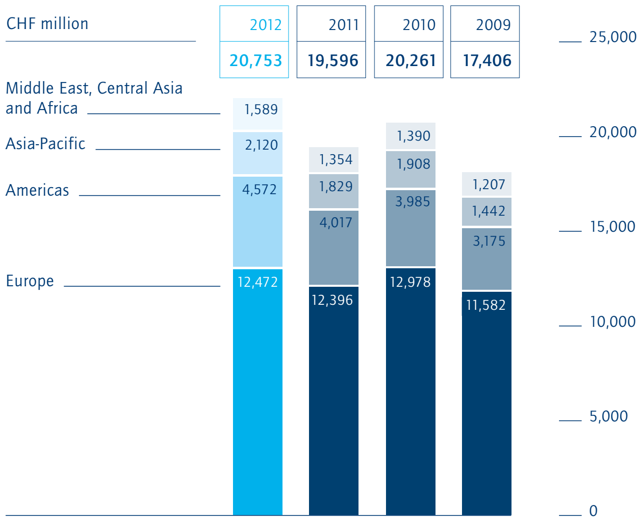
Exchange rate fluctuations between 2011 and 2012, based on average yearly exchange rates, led to a lower valuation of the Euro of 2.3 per cent, a higher valuation of the US dollar as well as depending currencies (e.g. a number of countries in Asia, South America and the Middle East) of 4.7 per cent as well as of the British pound of 4.2 per cent against the Swiss franc. When comparing the turnover in the income statement, a marginal negative currency impact of 0.1 per cent had to be taken into consideration in 2012.

Income

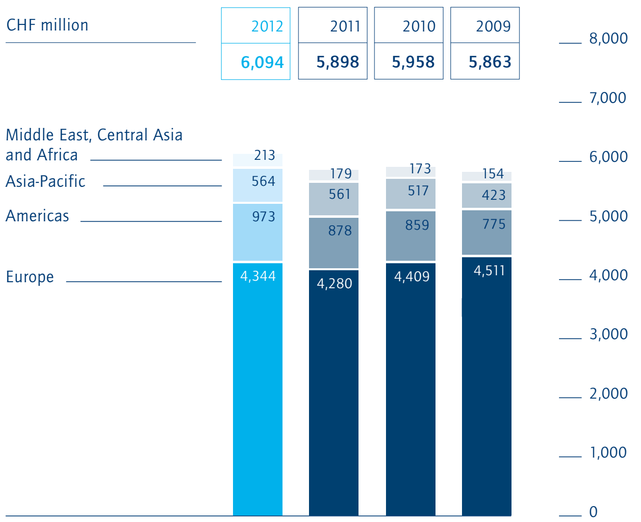
Gross profit

Gross profit, a better indicator of performance than turnover in the logistics and forwarding industry, reached CHF 6,094 million in 2012, which represents an increase of 3.3 per cent compared to the previous year. The organic business has developed positively by CHF 123 million (plus 2.1 per cent) and acquisitions contributed CHF 73 million.

Regional turnover



Regional gross profit



In the Middle East, Central Asia and Africa, gross profit increased by 19.0 per cent, in the Americas by 10.8 per cent, in Europe by 1.5 per cent and in Asia-Pacific by 0.5 per cent.

Operational cash flow

The operational cash flow, the sum of the net income for the year plus/minus non-cash-related transactions, decreased by CHF 129 million to CHF 849 million (for further information, please refer to the cash flow statement on page 68).

EBITDA

The earnings before interest, tax, depreciation, amortisation and impairment of property, plant and equipment, goodwill and other intangible assets decreased by CHF 122 million or 12.5 per cent compared to the previous year; the EBITDA of organic business decreased by CHF 131 million (including one-off expenses for EU antitrust fines of CHF 65 million) whereas acquisitions contributed positively with CHF 4 million, and the exchange rate development accounted for an increase of CHF 5 million. Europe generated the largest EBITDA contribution with CHF 474 million (55.4 per cent) followed by Asia-Pacific with CHF 181 million (21.1 per cent), the Americas with 161 million (18.8 per cent) and the Middle East, Central Asia and Africa with CHF 40 million (4.7 per cent).

The EBITDA margin decreased to 4.1 per cent compared to 5.0 per cent in 2011. Personnel expenses increased by CHF 219 million or 6.5 per cent mainly on account of additional staff hired in line with the "Go for Growth" strategy in anticipation of a positive economic development resulting in substantial volume growth in the first part of the year 2012. The continued adverse macroeconomic development especially in the Eurozone in the second quarter of the year 2012, required the launch of cost reduction programs to adapt the organisation towards a reduced growth or stagnation scenario in volumes.

EBIT/Earnings for the year

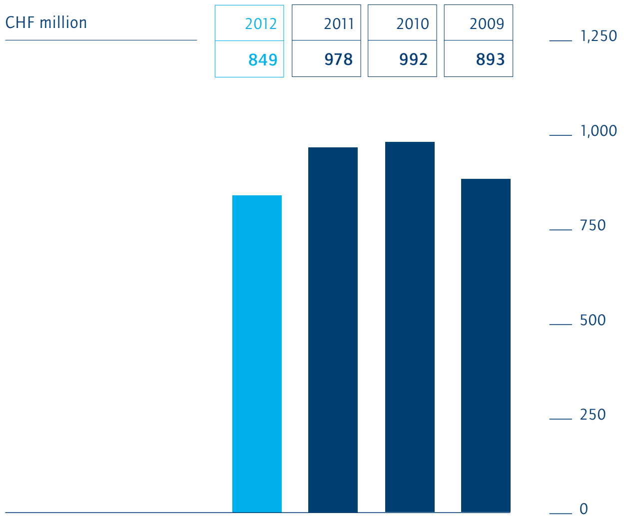
The decrease of earnings before interest and tax (EBIT) by CHF 116 million was mainly due to a decrease in profitability of the organic business by CHF 113 million (including one-off expenses for EU antitrust fines of CHF 65 million), but also acquisitions negatively impacted by CHF 9 million whereas the exchange rate development contributed positively by CHF 6 million.

EBIT in Europe decreased by CHF 78 million (20.6 per cent), in Asia-Pacific by CHF 47 million (21.9 per cent), whereas in the Americas EBIT increased by CHF 6 million (4.8 per cent) and in the Middle East, Central Asia and Africa it increased by CHF 3 million (9.7 per cent). EBIT margin for the Group has decreased to 3.1 per cent compared to 3.8 per cent in 2011.

The earnings for the year decreased by CHF 113 million to CHF 493 million compared to the previous year, whereby the margin decreased to 2.4 per cent (in per cent of the invoiced turnover) compared to the previous year's 3.1 per cent.

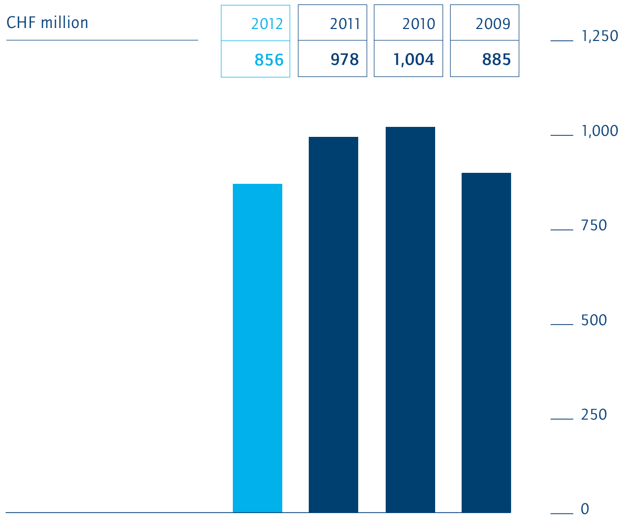
Operational cash flow

CHF million	2012	2011	2010	2009
	849	978	992	893



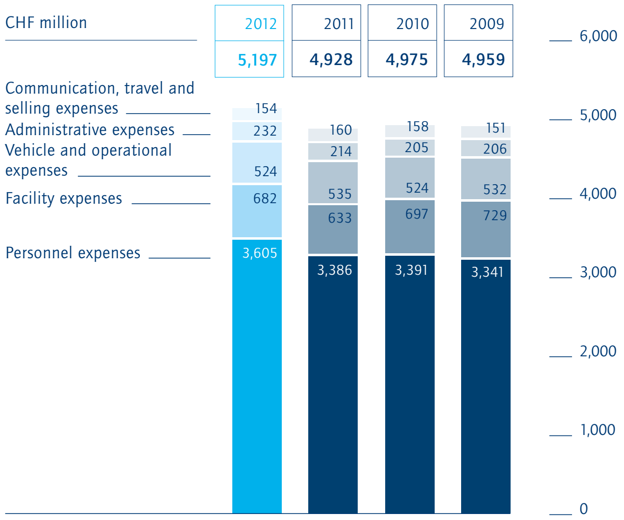
EBITDA

CHF million	2012	2011	2010	2009
	856	978	1,004	885



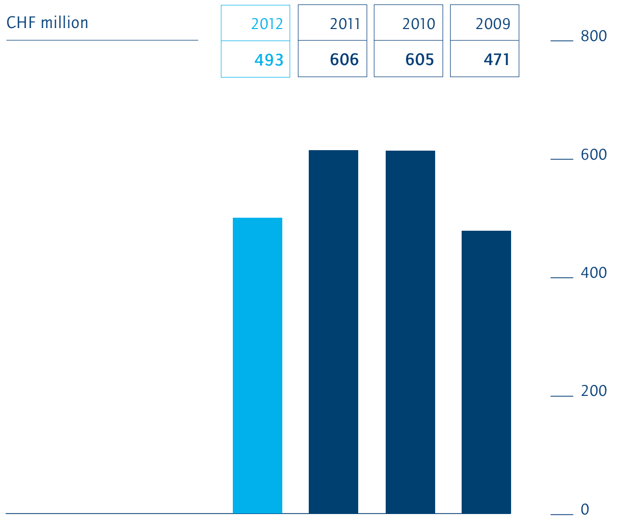
Operational expenses

CHF million	2012	2011	2010	2009
	5,197	4,928	4,975	4,959



Earnings for the year

CHF million	2012	2011	2010	2009
	493	606	605	471



Financial position

Total assets and liabilities of the Group increased by CHF 138 million to CHF 6,279 million compared to 2011. The changes are mainly on account of an increase in trade receivables, and work in progress of which details can be found in notes 30 and 31 to the Consolidated Financial Statements. Cash and cash equivalents increased by CHF 223 million as a result of the transfer from investments in Financial Instruments and reduced acquisition activities; for further information, please refer to the cash flow statement on page 68.

Trade receivables amounting to CHF 2,428 million represent the most significant asset of the Kuehne + Nagel Group. The days outstanding increased from 42.2 days as of December 31, 2011, to 42.6 days as of December 31, 2012.

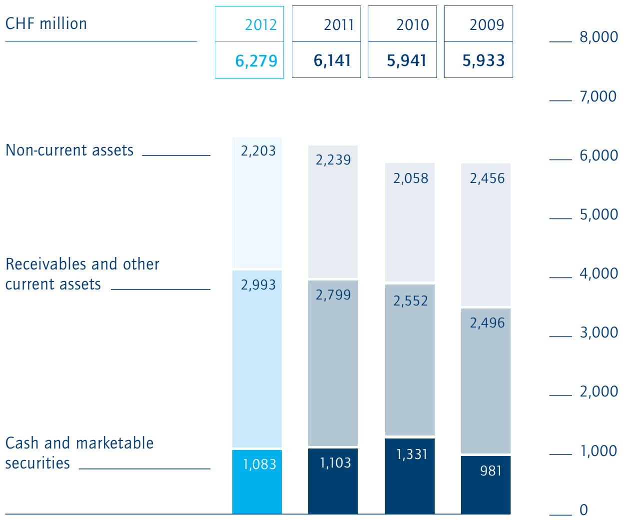
The equity of the Group has increased by CHF 20 million to CHF 2,425 million; this represents an equity ratio of 38.6 per cent (2011: 39.2 per cent). Developments of other key financial indicators on capital structure are shown in the following table:

Kuehne + Nagel Group key figures on capital structure

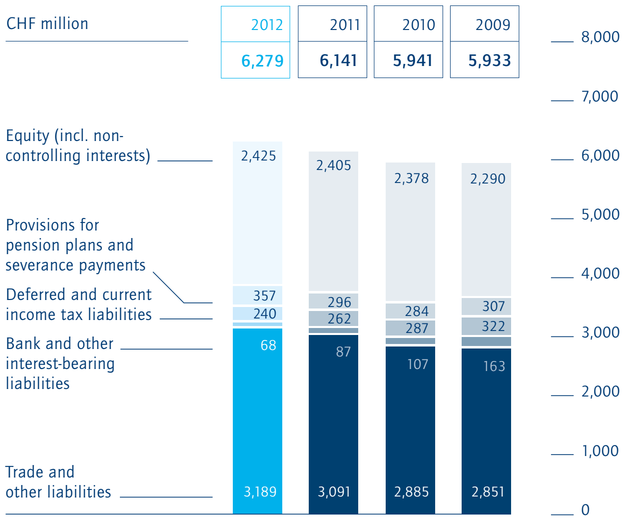
Key figures on capital structure	2012	2011	2010	2009
1 Equity ratio (in per cent)	38.6	39.2	40.0	38.6
2 Return on equity (in per cent)	20.0	24.9	25.5	21.2
3 Debt ratio (in per cent)	61.4	60.8	60.0	61.4
4 Short-term ratio of indebtedness (in per cent)	51.7	51.2	49.7	49.5
5 Intensity of long-term indebtedness (in per cent)	9.7	9.6	10.3	11.9
6 Fixed assets coverage ratio (in per cent)	137.7	133.9	145.1	122.0
7 Working capital (in CHF million)	831	758	929	540
8 Receivables terms (in days)	42.6	42.2	37.8	40.6
9 Vendor terms (in days)	50.4	51.2	48.0	53.9
10 Intensity of capital expenditure (in per cent)	35.1	36.5	34.6	41.4

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

Assets



Liabilities

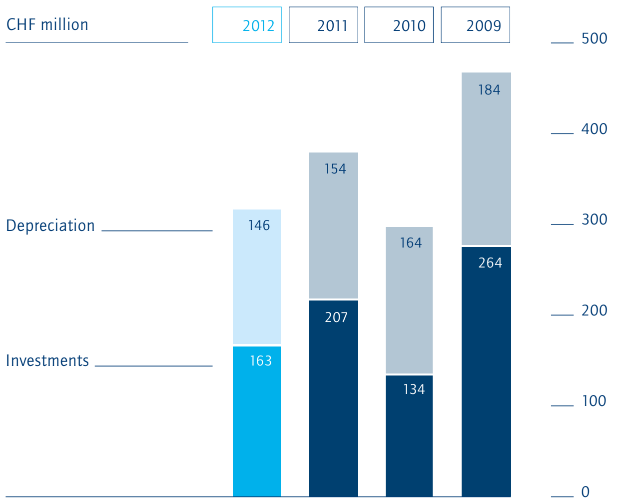


Investments, depreciation and amortisation

In 2012, the Kuehne + Nagel Group spent a total of CHF 163 million for fixed assets. Investments in properties and buildings amounted to CHF 28 million, and CHF 135 million were spent for other fixed assets, operating and office equipment.

All capital expenditures in 2012 were financed by the operational cash flow of CHF 849 million generated during 2012.

Investments in fixed assets/depreciation



In 2012 the following major investments were made in properties and buildings:

Region/Location	CHF million	Centres
Grenoble, France	3	New cross-docking facility
Duisburg, Germany	2	Completion costs of logistics and distribution centre
Leipzig, Germany	11	New logistics and distribution centre
Dubai, UAE	10	Extension of logistics and distribution centre
Various locations	2	New and improvement of existing logistics and distribution centres
	28	

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

CHF million	2012
Operating equipment	63
Vehicles	10
Leasehold improvements	36
IT hardware	18
Office furniture and equipment	8
Total	**135**

The allocation by region is as follows:

CHF million	2012
Europe	93
Americas	19
Asia-Pacific	15
Middle East, Central Asia and Africa	8
Total	**135**

Depreciation and amortisation in 2012 amounted to CHF 220 million and are allocated in the profit and loss statement as indicated in notes 27 and 28 to the Consolidated Financial Statements. Impairment of intangible assets amounted to CHF 2 million and is allocated in the income statement.

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

CHF million	2012	2011	2010	2009
Capital expenditure				
Fixed assets				
Properties and buildings	28	72	28	161
Operating and office equipment	135	135	106	103
Intangible assets				
Goodwill in consolidated companies	4	121	–	139
Other intangibles through acquisitions	9	88	2	151
IT software	12	11	17	22
Total	**188**	**427**	**153**	**576**
Depreciation and amortisation				
Fixed assets				
Buildings	23	27	24	24
Operating and office equipment	123	127	140	160
Intangible assets				
Impairment of goodwill	–	–	–	–
Amortisation/impairment of other intangible assets	76	74	75	107
Total	**222**	**228**	**239**	**291**

Planned investments in 2013

In 2013 the Kuehne + Nagel Group plans to invest about CHF 186 million in fixed assets compared to a spending of CHF 163 million in 2012.

Planned investment per category

CHF million	2013
Properties and buildings	52
Operating equipment	50
Vehicles	21
Leasehold improvements	20
IT hardware	28
Office furniture and equipment	15
Total	**186**

Planned allocation per business segment

CHF million	2013
Seafreight	20
Airfreight	15
Road & Rail Logistics	27
Contract Logistics	72
Real Estate	52
Total	**186**

In 2013 the depreciation of fixed assets is estimated at CHF 151 million and the amortisation of intangible assets at CHF 55 million (excluding the impact of potential acquisitions of companies in 2013).

Planned investments per region

CHF million	2013
Europe	133
Americas	28
Asia-Pacific	14
Middle East, Central Asia and Africa	11
Total	**186**

Planned acquisitions

In order to reach the strategic goals in the Road & Rail Logistics business unit, further acquisitions can be expected.

Shareholder return

Over the period from 2008 to 2012 the Kuehne + Nagel share outperformed the BEUTRAN-Index, the SMI and the SPI.

Share price and market capitalisation (as of December 31)

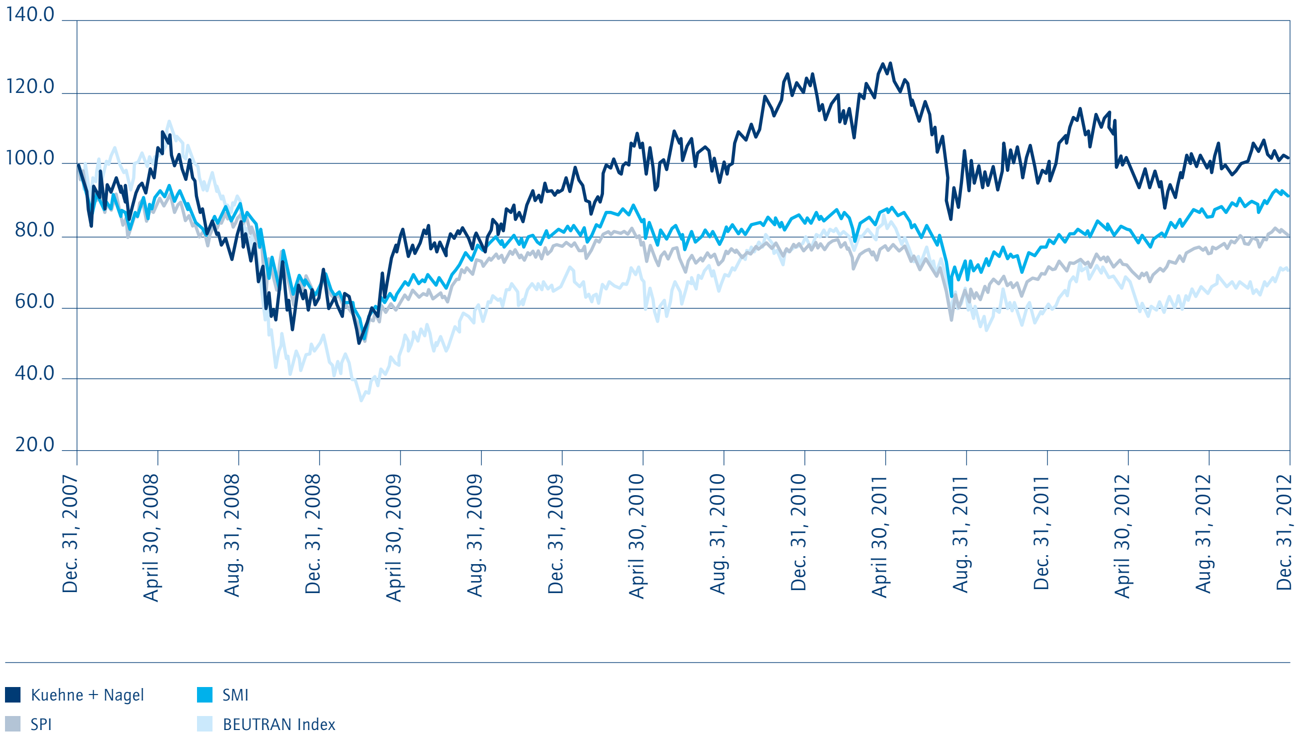
Share price and market capitalisation	2012	2011	per cent change
Share price (CHF)	110.0	105.5	4.3
Market capitalisation (in CHF million)	13,200	12,660	4.3

Total shareholder return development

in CHF	2012	2011
Increase/(decrease) of share price year over year	4.50	–24.50
Dividend per share including extraordinary dividend	3.85	4.25
Total return	8.35	–20.25

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

December 2007 – December 2012



Dividend

For 2012 the Board of Directors is proposing a dividend amounting to CHF 3.50 per share for approval at the Annual General Meeting. If the dividend proposal is approved by shareholders, dividend payments on the shares will amount to CHF 419 million (2011: CHF 460 million) resulting in a payout ratio of 86.4 per cent (2011: 76.5 per cent) of the earnings for the year attributable to the equity holders of the Company. Based on the share price at year-end 2012 the dividend yield on the Kuehne + Nagel share is 3.2 per cent (2011: 3.6 per cent).

Seafreight: Declining growth rates

In 2012 Kuehne + Nagel managed the transport of 3.5 million TEU, 6 per cent more than in the previous year. The seafreight business was marked by substantial rate volatility and strong pressure on margins. Despite high productivity, these factors resulted in an operational result which was 5.3 per cent lower than in 2011.

Weak world trade dampens growth of container traffic

In 2012 the international container market grew by just 2 per cent after an increase of 5 per cent in the preceding year. Particularly in the last two quarters demand clearly flattened out, and volume even decreased in some important trades.

The Asia-Europe trade was affected the worst. Whereas in the first quarter of the year a growth of 2 per cent was recorded on this route, in the third and fourth quarter cargo volumes showed a reduction of between 7 and 9 per cent. In the Mediterranean countries, which were badly hit by the euro crisis, maritime trade contracted by more than 20 per cent. Exports from Asia to North America also decreased by roughly 9 per cent in the fourth quarter after having grown slightly in the first nine months; even the intra-Asia market, the largest in terms of volume, had to content itself with a growth of less than 5 per cent. There was a slight increase in the numbers of TEU shipped from Europe to North America and Asia. The Latin American trades, which in past years grew strongly on both import and export side, were also held back by the weakness of world trade.

Shipping companies and freight rates

In 2012 transport capacities were expanded again by approximately 6 per cent; at the end of the year more than 160 vessels were capable of carrying in excess of 13,000 TEU. A number of shipping lines tried to offset the resultant overcapacity by laying up smaller vessels. Furthermore, as a result of the large rises in oil price and bunker costs, carriers expanded their "slow steaming" policy and reduced the speed of their ships.

Excess capacity and the decline in demand due to the economic downturn resulted in a significant fall in rates in many trades. Rates were particularly volatile in the Asia-Europe routes and climbed from March sometimes by more than 300 per cent, only to nearly fall back during the following months to their level at the beginning of the year.

Development of Kuehne + Nagel's business

Kuehne + Nagel maintained its position in a challenging market, although the company's growth momentum slowed down in the course of the year so that it did not fully attain its ambitious volume growth targets.

In the Asia-Europe trade lanes there was a slight decline in the number of containers handled by the company, while, contrary to the market trend, a substantial increase in traffic volumes in the export trades from Asia to North and Latin America and the Middle East was achieved. Business in the trades from North America and Europe to Latin America also developed very favourably, with volumes up by 15 per cent.

LCL

In the LCL (Less-than-Container-Load) business the goal was to increase the volumes carried in the company's own network. This objective was achieved with a growth in volume of 4 per cent. The consolidation of the goods in new gateways – including the important hub of Shanghai – was conducive to growth, as was the increased network density by adding 42 new direct routes.

River shipping

The activities of the river shipping organisation of Kuehne + Nagel developed satisfactory in the stagnating European market. Particularly on the Rhine-Main-Danube axis and as far as the Black Sea and the neighbouring countries tonnages increased and results improved.

Specialised services

Sales of seafreight services for special product groups was successful, so that business expanded in most areas. For instance, Kuehne + Nagel increased its market share in the drinks logistics segment in a number of countries. Growth exceeded expectations in the North American bulk wine business and intra-Europe wine logistics activities. Double-digit growth was achieved in the field of temperature controlled shipments. This confirmed the global strategy to focus on specific groups of goods (such as fruit, fish, meat and pharmaceutical products) and regions (primarily Latin America and Asia).

Oil, gas and project business

In 2012 large-scale projects in Belgium, Canada, Norway and Russia contributed substantially to the good performance. Kuehne + Nagel was thus able to strengthen its position as one of the leading providers in this business segment.

Emergency and relief logistics

With its special know-how Kuehne + Nagel supports numerous international aid organisations in crisis areas on the basis of long-term contracts. In 2012 additional resources were made available allowing the company to provide its services on all routes and with all transport modes.

Outlook for 2013

The seafreight market seems unlikely to recover substantially in the current business year. Experts forecast growth of around 2 to 3 per cent only. It also remains uncertain how carrier capacity will develop in relation to the level of economic activity and growth-dependent cargo volumes. The rates will continue to be highly volatile. Notwithstanding these uncertainties, Kuehne + Nagel aims to further strengthen its leading position in the seafreight market in 2013.

Performance Seafreight

CHF million	2012	Margin per cent	2011	Margin per cent	Variance 2012/2011 per cent
Turnover	9,059	100.0	8,330	100.0	8.8
Gross profit	1,275	14.1	1,254	15.1	1.7
EBITDA	415	4.6	438	5.3	–5.3
EBIT	391	4.3	411	4.9	–4.9
Number of operating staff	8,016		8,561		–6.4
TEU '000	3,473		3,274		6.1


97

SETTING GOALS.

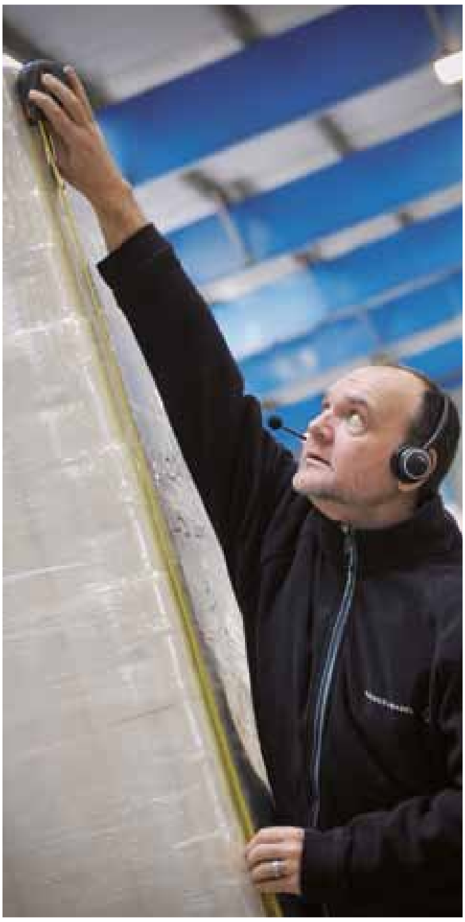

53


KUEHNE+NAGEL

SHOWING LEADERSHIP.

TAKING RESPONSIBILITY.


KUEHNE+NAGEL




KUEHNE+NAGEL

STRENGTHENING TRUST.


KUEHNE+NAGEL
KN SECURITY TAPE

Airfreight: On course despite headwinds

The sovereign debt crisis in Europe and the global economic downturn have impacted the global airfreight business. Despite a shrinking market Kuehne + Nagel achieved an increase of its tonnage by 2 per cent compared with the previous year. This positive development was largely due to the systematic expansion of the company's activities in specialised segments and the policy of offering industry-specific airfreight solutions.

Development of market and rates

Demand in the global airfreight market had been in decline since May 2011 – an unprecedented length of time. This situation presented new challenges for all involved in the global airfreight business.

The European airfreight activities were particularly affected by the world economic situation. The effects of the euro crisis led to a substantial fall in imports, whereas the export business was impaired by the global economic downturn.

China, the growth engine for airfreight transport in recent years, experienced setbacks, and the other Asian markets also suffered from a decrease of cargo volumes. In contrast to the North American airfreight business, which also tended on the weak side, the level of business in South America and the Middle East was satisfactory.

Freight rates fell on almost all routes. Although the airlines tried to counteract this trend by reducing their capacity, these measures proved insufficient. The scope for reductions in belly capacity was limited by the partly growing number of passengers. Furthermore, some airlines invested in new, cargo-friendly passenger planes, which further detoriated the situation.

Low rates, high oil price and rising operating costs were factors that placed a substantial burden on the balance sheets of the airlines. This development accelerated the move towards consolidation in this industry; as a final consequence, a number of cargo airlines disappeared from the market.

Development of Kuehne + Nagel's airfreight business

Although the difficult market situation also dampened the momentum of Kuehne + Nagel, the company nevertheless succeeded in strengthening its competitive position. Cargo volumes developed satisfactorily in important trade lanes such as from Asia to North and South America. The company also benefited from many business opportunities on intra-Asian routes. In Europe, Kuehne + Nagel could not counter the prevailing negative trend and suffered a volume decline.

Concentration on perishables logistics and industry-specific solutions pays off

Crucial factors for Kuehne + Nagel's clearly better performance compared with the overall airfreight market were the systematic development of industry-specific solutions and the expansion in the perishables logistics segment.

By acquiring two specialised service providers in Australia and Canada in 2012, Kuehne + Nagel extended its perishables network and ideally complemented its existing activities in Europe and South America. The increase of tonnage resulting from this strategy exceeded expectations. In developing new industry-specific services in 2012 a special focus was placed on the pharmaceutical and healthcare industry. Kuehne + Nagel has developed and introduced KN PharmaChain, an innovative service, which is leading in the industry and has been well received by customers. KN PharmaChain is characterised by its comprehensive fulfilment of the high quality standards for the transport and handling of pharmaceutical products. By using active, wireless sensors it is for the first time possible to monitor the temperature of the goods throughout the entire transport chain including all modes of transport, locations and interfaces. A control centre monitors the data round the clock, seven days per week and ensures that the products are handled and stored in an optimum manner. The new quality product KN Pharma-Chain has resulted in double-digit growth rates in this market segment.

Aviation/Aerospace Logistics

This field of activity offers companies in the aerospace industry tailor-made solutions for spare parts logistics and maintenance. It developed well in 2012 as a result of the cost pressure and the continuing trend towards outsourcing in this industry. In the current year it is planned to launch an innovative product for the transport and handling of aircraft engines which will further strengthen Kuehne + Nagel's market position.

Hotel Logistics

In the hotel logistics segment Kuehne + Nagel offers integrated logistics solutions to leading global hotel chains in association with hotel construction and renovation projects. In 2012 projects were completed and new ones were awarded to the company on the Arabian peninsula.

Marine Logistics

The experts in the marine logistics segment ensure a seamless operation of the spare parts supply chain for commercial vessels. In 2012 shipowners and ship management agencies again made use of Kuehne + Nagel's special know-how.

Process optimisation by new software

In 2012 Kuehne + Nagel began replacing its global operational airfreight system "CIEL" with the new, modern software "AirLOG". This in-house development will be rolled out in the global airfreight organisation by 2014 and bring substantial improvements in quality and productivity.

Outlook for 2013

The forecasts for the global airfreight market remain not encouraging in 2013 since there are no growth trends visible so far.

Kuehne + Nagel will continue to pursue its strategy aimed at specific markets and industry segments and concentrate on increasing operational efficiency.

Performance Airfreight

CHF million	2012	Margin per cent	2011	Margin per cent	Variance 2012/2011 per cent
Turnover	4,063	100.0	4,020	100.0	1.1
Gross profit	837	20.6	795	19.8	5.3
EBITDA*	164	4.0	252	6.3	–34.9
EBIT*	138	3.4	232	5.8	–40.5
Number of operating staff	5,281		5,073		4.1
Tons '000	1,093		1,073		1.9

* includes an expense for EU commission antitrust fines of CHF 65 million.

Road & Rail Logistics: Further development of the network

The growth trend in the European road logistics business continued with an increase of 7.4 per cent in net turnover, despite substantial falls in volume in the second half of the year as a result of the worsening sovereign debt crisis particularly in southern Europe. Together with investments in the infrastructure for the groupage network, this negatively affected the development of the result.

Development of European road transport

In 2012 growth in the European road transport market stagnated. Particularly the French and German markets, which are important for this business segment, suffered from the severe fall in demand in the second half of the year. At the same time, providers were exposed to fierce competition and heavy price pressure, which was due to high fuel costs, increased salary costs and the continuing shortage of transport capacity in the local delivery sector.

Kuehne + Nagel groupage network in Europe

Kuehne + Nagel increased the density of its European groupage network in 2012. A substantial contribution to this expansion came from the British company RH Freight, which was acquired by the Kuehne + Nagel Group in 2011. Its full integration into the Kuehne + Nagel organisation enabled the introduction of additional line-haul services between the United Kingdom and the Kuehne + Nagel organisations in northern and eastern Europe. The standardisation of processes and IT systems was continued, and customers can now also track their groupage shipments through the Kuehne + Nagel information system KN Login.

Eurohub in Bad Hersfeld goes into operation

The Eurohub at Hauneck/Bad Hersfeld in the German state of Hesse went into operation on June 1, 2012. This central hub is served by the 47 European Kuehne + Nagel locations every day. As backbone of the groupage network it enables the offering of a Europe-wide service with attractive transit times. The frequency of departures increases flexibility in European distribution and procurement logistics and supports shippers to even better adapt their logistics processes to the specific needs of their customers.

Full and part loads

The positive performance of Kuehne + Nagel's full and part load business continued in 2012 and the company handled some 1.8 million shipments. The close interlinking of the transportation control centres also resulted in a better utilisation of transport capacity and a reduction in the number of empty vehicle kilometres.

Industry-specific distribution services

Kuehne + Nagel constantly expanded its industry-specific distribution services for the pharmaceutical and healthcare sector. Following the opening of a new pharma hub in Luxembourg in the previous year, since 2012 an additional terminal has been made available in Mainz meeting the high quality standard of the pharmaceutical industry, a mandatory requirement for the temperature-controlled transport of its products. In the field of distribution systems for high-tech products, the company experienced a decline in volume related to the economic downturn.

Event & trade fair logistics

In view of the positive demand in event and sports logistics in 2012 new coordination offices were opened in Dubai, Hong Kong, Singapore, Sochi and São Paulo. After Düsseldorf, Cologne, Hanover, Munich and Nuremberg, Kuehne + Nagel was appointed as the accredited logistics partner for a sixth trade fair location in Hamburg. Kuehne + Nagel employs experts for fairs and events in a total of 22 countries, and cooperates closely with trade fair organisers and events agencies all over the world.

Rail transport

Lower volumes transported in conventional railway wagons presented challenges for Kuehne + Nagel's rail activities. Furthermore, lower road transport prices resulted in a partial shift of cargo from rail to road. The transport volumes stabilised in the second half of the year, and Kuehne + Nagel succeeded in bundling single-wagon traffics and organising them into round trips by using backload volumes. Kuehne + Nagel's activities developing intermodal rail transport solutions, have been centralised in the newly established Kuehne + Nagel intermodal centre in Duisburg. The development of these services is primarily intended to support Kuehne + Nagel's efforts in seafreight and full load transport to shift cargo from road to rail in port hinterland traffic and on continental routes.

With these services, Kuehne + Nagel also meets the growing demand of customers for environment-friendly rail transport solutions.

Outlook for 2013

In 2013 attention will be drawn to the improvement of profitability and the full utilisation of the European overland network capacity. The customer-specific development of distribution systems will continue. In rail transport and the full load business, the focus will be placed on the development and marketing of intermodal transport solutions.

Performance Road & Rail Logistics

CHF million	2012	Margin per cent	2011	Margin per cent	Variance 2012/2011 per cent
Turnover	3,155	100.0	2,967	100.0	6.3
Gross profit	887	28.1	857	28.9	3.5
EBITDA	36	1.1	42	1.4	–14.3
EBIT	–16	–0.5	–13	–0.4	–23.1
Number of operating staff	8,399		8,500		–1.2


16
KÜHNE+NAGEL
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ROAD & RAIL LOGISTICS

CREATING OPPORTUNITIES.


THIS PALLET
CONTAINS A
TEMPERATURE
DATA LOGGER

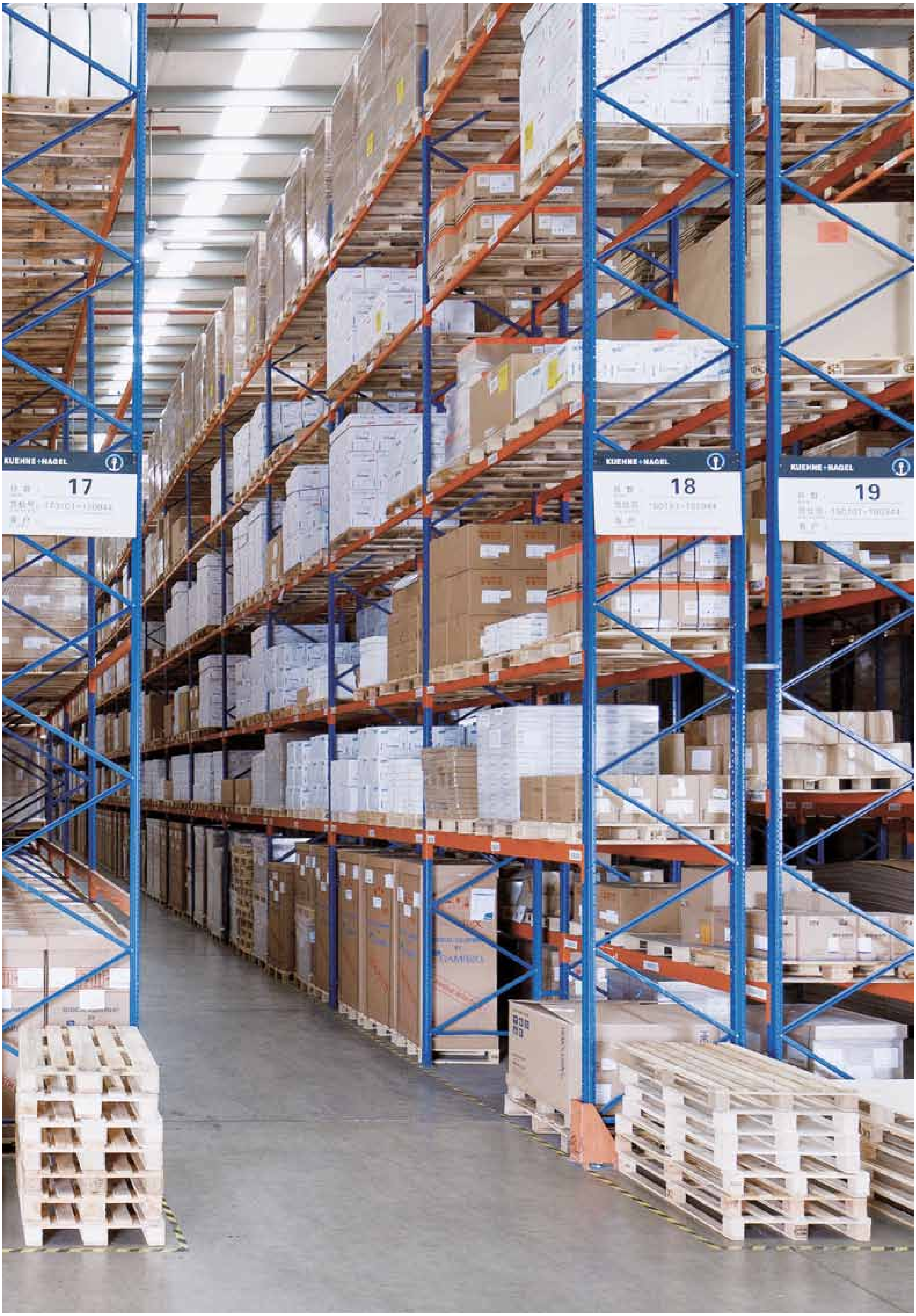
OPENING CHANNELS.

CONTRACT LOGISTICS

ACTING GLOBALLY.


07
06

OPERATING EFFICIENTLY.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Contract Logistics: Focus on improved profitability and controlled growth

The results in contract logistics were adversely affected by cyclical fluctuations in demand, regionally different warehouse capacity utilisation, pressure on margins and start-up costs. In response to this situation Kuehne + Nagel adjusted its strategy in order to place a greater emphasis on the improvement of profitability and controlled growth.

Global contract logistics market

In 2012 the global contract logistics market was characterised by regional differences in demand, increased competition and high pressure on prices. While business picked up moderately in Asia, Latin America and the Middle East, a substantial fall in trade resulted from the tense economic situation in Europe and particularly southern Europe, as well as from consumer restraint in North America.

Adjustment of strategy

In view of the volatile global contract logistics markets and the disappointing development of the results, Kuehne + Nagel adjusted its strategy in the contract logistics business unit and accelerated its implementation in the second half of the year. The company is focussing on customers with multinational operations who also use the services of Kuehne + Nagel in other business units and/or regions.

In the operational field the emphasis is placed on a continuous improvement of performance, the elimination of weak spots, higher efficiency and quality leadership. In order to improve profitability, in addition to strict cost management and price differentiation, all contract logistics locations are regularly reviewed with regard to their profitability. In accordance with this policy roughly 30 warehouse locations all over the world were closed in 2012.

Development of Kuehne + Nagel business in the regions

In North America, the successful restructuring of the contract logistics business unit and the further reduction of idle space led to an improved profitability. At the same time Kuehne + Nagel is focussing on highly specialised logistics concepts for various industries. In Mexico, for instance, the services specially tailored to the needs of the pharmaceutical industry resulted in attractive new business wins.

Contract logistics activities developed favourably in South America, and particularly in Colombia, Chile and Peru. Customers who use the services of Kuehne + Nagel in other regions already extended their contracts to include these countries.

In Europe the development of results was disappointing despite a number of new customer contracts. The implementation of large-scale projects resulted in substantial start-up costs, whereas the French Kuehne + Nagel organisation as well as the national companies in southern Europe experienced a decline in business due the economic downturn as well as being burdened by substantial idle warehouse space. An expansion of business was achieved in a number of countries in eastern Europe and the Asia-Pacific region. New contracts were gained primarily from customers in the automotive industry.

Integrated Logistics

In 2012 Kuehne + Nagel bundled its multi-modal supply chain logistics solutions under the name "Integrated Logistics". These also include end-to-end solutions in which Kuehne + Nagel organises and optimises all the logistics services needed by the customer along the supply chain. The key aims of the new structure are to create a uniform market presence and generate synergies by improved planning and process procedures within the Logistics Control Centres.

In 2012 primarily major European and North American customers contributed to the growth of this demanding business segment. Its development and expansion in South America and eastern Europe was successfully continued.

Outlook for 2013

In the current business year Kuehne + Nagel expects the consistent implementation of its adjusted strategy to lead to a substantial improvement in results and a positive further development of the contract logistics business unit.

Performance Contract Logistics

CHF million	2012	Margin per cent	2011	Margin per cent	Variance 2012/2011 per cent
Turnover	4,357	100.0	4,168	100.0	4.5
Gross profit	3,056	70.1	2,954	70.9	3.5
EBITDA	151	3.5	161	3.9	–6.2
EBIT	56	1.3	63	1.5	–11.1
Number of operating staff	30,658		30,238		1.4

Real Estate: Continued optimisation of the global real estate portfolio

In 2012 Kuehne + Nagel concentrated on the efficient management and optimisation of the global portfolio.

Corporate Real Estate Management

Worldwide, the real estate business unit provided active support in the development and leasing of new facilities and the sale of individual logistics properties. Its efforts focused on the selection of real estate developers and investors, the subsequent contract negotiations, contract management and the technical monitoring of the specific projects.

Global real estate portfolio

After the sale of two logistics properties Kuehne + Nagel's global portfolio comprised 122 logistics facilities and office buildings in 21 countries at the end of 2012.

Facilities under construction in 2012

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

Facilities in planning in 2012

Facilities	Usable area (sqm)
Belgium, Geel 2nd phase of logistics facility	20,000

All new buildings reflect sustainability aspects and the economic use of natural resources. In this connection, for instance, Kuehne + Nagel's logistics centres are equipped with large-area solar photovoltaic installations.

Market Development

Against the background of the sovereign debt crisis and the global economic downturn, a reluctant mood prevailed in the real estate market and among its actors – banks, investors, real estate developers. This led to a decline in construction activity and resulted in a shortage of premium logistics real estate in a number of markets.

Particularly in southern Europe the climate for project financing deteriorated, however, in regard to a qualitative expansion of the portfolio more opportunities presented themselves to acquire attractive properties in favourable locations.

When concluding lease agreements, important factors in 2012 were again the creditworthiness of the lessees and the duration of the lease. The flexibility of shorter lease periods could be purchased only at the cost of higher rent charges. With regard to project developments, there was a clear trend towards investor solutions, industry-specific facilities ("build-to-suit") and the combination of cross-docking and logistics terminals.

Strategy

Kuehne + Nagel pursues a sustainable real estate strategy, which looks ahead so as to anticipate cyclical variations and also permits counter-cyclical and value-creating actions to be taken in line with the opportunities that arise. The following are important elements in this strategy:

- A high-value portfolio of company-owned real estate in important world trade hubs, in order to create potentials for value increases and to support the operational efficiency of the Kuehne + Nagel Group.
- The conclusion of leases with favourable terms with the aim of ensuring the necessary flexibility to adapt to global markets and their individual characteristics.

Outlook for 2013

The main objectives in the real estate sector are timely identification and securing of space required for Kuehne + Nagel's business activities on either leasehold or freehold basis. Great importance is also attached to ensuring the punctual completion in accordance with the budgeted costs and quality of the projects now under construction.

Performance Real Estate

CHF million	2012	2011	Variance 2012/2011 per cent
Turnover	76	76	0.0
EBITDA	70	66	6.1
EBIT	45	39	15.4

Insurance broker: Favourable development of business

Nacora Group's industry-specific cargo insurance solutions and the expanded range of industrial insurances contributed in 2012 to an increased business volume and improved results compared with the previous year.

Insurance market

In the year 2012 the international insurance industry suffered a number of setbacks, particularly as a result of natural disasters. It is expected that this will lead to a rise in reinsurance costs in the medium term and also to an increase in the premium rates of primary insurers in the fields of property and business interruption insurance. The strong competition in the industry continued, as a result greater pressure on transport insurance premiums were experienced, especially in Asia and southern Europe.

Development of business

With an increase in turnover of 7.3 per cent and an improvement of the operational result by 5.3 per cent, Nacora achieved its aim of profitable growth in 2012. Growth drivers were the Asian, Latin American and eastern European markets, but also the Nacora companies in Germany and the Netherlands reported substantial increases in turnover and results. The continuous bundling of the cargo insurance business by strategic partners also proved beneficial for the development of business.

Transport insurances for special segments

The Nacora Group's activities are focused on the cargo insurance business and its product portfolio is tailored to the needs of small and medium-sized companies in trade, industry, transport and logistics. Nacora provides this customer segment with access to professional and specialised know-how through its global network, and offers flexibility together with a high-quality service. At the same time the expansion of brokerage activity for other industry insurance businesses and the further development of industry-specific insurance solutions are getting more important. In 2012 in addition to specialised cargo insurances for the segments perishables, drinks logistics, oil & gas, aviation and high-tech industry, Nacora was also able to offer specialised products for risks associated with the transport and storage of spare parts for ships and for the field of emergency and relief logistics.

Information technology improves efficiency

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

Outlook for 2013

Despite the uncertain economic environment, the Nacora Group aims to achieve continued profitable growth in the current business year. Markets such as Brazil, China, India and Japan are opening up business opportunities for the Group since in these countries there is a growing awareness of the need to insure industrial risks. In order to boost organic growth, acquisitions in both core and growth markets are possible. In addition to cargo insurance, it is planned to expand the range of tailor-made industry insurance solutions. Customer orientation, high service quality and qualified personnel will remain important factors for success.

Performance Insurance Broker

CHF million	2012	Margin per cent	2011	Margin per cent	Variance 2012/2011 per cent
Turnover	117	100.0	109	100.0	7.3
Gross profit	38	32.5	36	33.0	5.6
EBITDA	20	17.1	19	17.4	5.3
EBIT	20	17.1	18	16.5	11.1
Number of operating staff	174		171		1.8

SUSTAINABILITY

Human Resources

Continuous investment in the most important asset: our employees

The only constant factor in the international logistics business is permanent change. To keep pace with this dynamic development, continuous learning and upgrading of skills and qualifications are of utmost importance. Kuehne + Nagel enables its employees to do this through substantial investments in training and further education as well as talent and management development.

Kuehne + Nagel supports the professional development of its staff by individual career planning, the possibility of international assignments and job rotation. The principle of performance-related payments strengthens the results-orientation of the employees and the management. Furthermore, top performers can benefit from a share-based long-term incentive plan.

Recruitment and systematic development of talent

The global e-recruitment solution, which was developed two years ago, has now been introduced in 60 countries and is linked to the principal job portals. In 2012 this system-supported job application process was very helpful in the recruitment of local talents, particularly in the South America and Asia-Pacific regions. Kuehne + Nagel operates a comprehensive programme for the development of talented staff on a multinational basis from the level of basic training to their appointment to higher management functions. Particularly talented new employees benefit from regional development programmes in which 300 people are currently participating.

Apprentices

Kuehne + Nagel has a strong and attractive apprenticeship programme in place. Its success is underlined not only by the awards it has received but also by the good results obtained by the trainees in their final examinations. In 2012 for example, 985 young people have been trained and developed in 12 different fields of specialisation; this represents an increase of 11 per cent over the previous year.

For the further development of the best apprentices Kuehne + Nagel has established a scholarship programme with a duration of 18 months. This measure offers up to ten participants the possibility to graduate as Bachelor of Arts in Logistics Management and being entrusted with demanding specialist or management positions within the company afterwards.

High Potentials

In the year 2012 74 employees completed the High Potential Programme that was launched two years ago. Through the newly created HiPo-Alumni Initiative, the next career steps of graduates are monitored on a regional or central level, and supported with development measures tailored to their individual needs. 71 employees from 28 countries convinced and qualified themselves in a challenging global selection procedure for the next high-potential course and began with the first training module in October.

Development of managerial staff

Kuehne + Nagel's training concept for managerial staff comprises four levels, which address specific requirements of the various tiers of management.

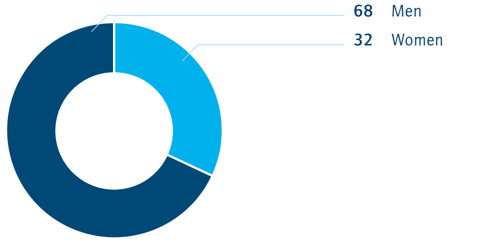
In addition to the teaching of modern management techniques, the leadership trainings also focus on current business topics and the subsequent implementation of the developed solutions. In this field Kuehne + Nagel cooperates with the Cranfield School of Management, London.

Training and further education - actively managing changes

More than 19,000 training and further education courses took place in 2012. These included specialised and product courses as well as seminars on quality, safety, health and environmental issues.

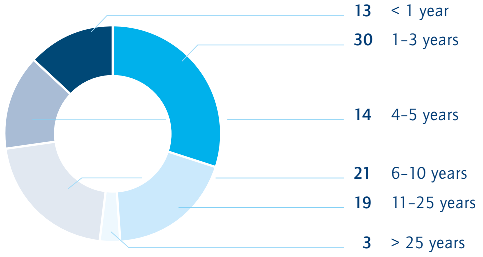
Employees: as per Dec. 31, 2012

Per cent



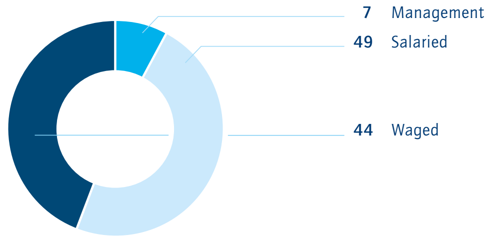
Duration of employment

Per cent



Personnel structure

Per cent



The implementation of a new operational IT system for airfreight and seafreight, which started in 2012, is accompanied in the human resources department by an extensive Change Management Programme. Through the early involvement of staff and continuous training, it was possible to implement several suggested improvements relating to the technical configuration of the system. At the same time, this helped to achieve the punctual implementation of the first modules and the increases in productivity aimed at.

Cost-efficient global exchange of knowledge

In 2012 roughly 8,200 virtual training courses and meetings took place via the Centra platform, representing an increase of 12 per cent over the previous year. Thanks to this web-based software it is possible to link together global teams on a virtual basis and to give live presentations and hold brief training units in which customers or external partners can also take part.

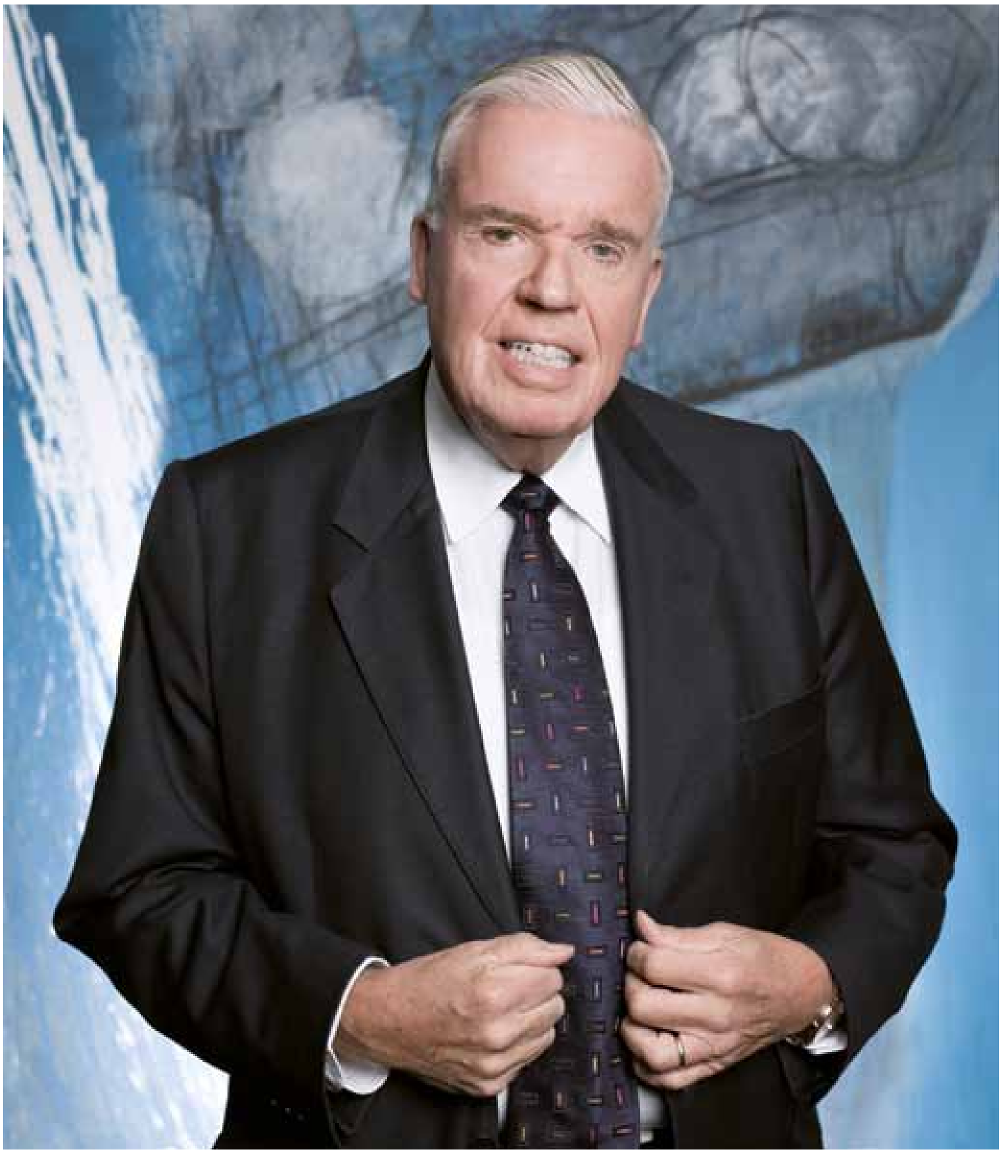
Compliance

In addition to extensive instruction, the criterion of "Ethical Behaviour" became mandatory for the worldwide performance assessment of all managerial staff. This measure underlines the importance which Kuehne + Nagel assigns to leadership based on ethical values.

After the previous year's global training campaigns, which focused on the themes of antitrust law and combating corruption, in 2012 the emphasis was placed on the overarching topic "Code of Conduct". Here, more than 8,400 managerial and other employees took part in compulsory instruction courses.

Number of employees

The number of employees increased to 63,248 compared to 63,110 in the previous year.



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

INTERVIEW WITH PROF. DR. H. C. KLAUS-MICHAEL KUEHNE, CHAIRMAN OF THE BOARD OF TRUSTEES

Professor Kuehne, in addition to your entrepreneurship you play a very active and committed role in your two foundations. What aims do you pursue?

KLAUS-MICHAEL KUEHNE: My parents and I established the public-benefit Kuehne Foundation in 1976. In accordance with its aim at that time, the primary task was defined as providing support to the transport industry through a number of research and education measures. Later, logistics moved into the foreground and became the main focus of support. In the past 25 years I have increasingly enjoyed to further strengthen the foundation, defining new areas for support, and, above all, investing in the promotion of young logistics talents. Logistics research is still a young science whose further development I also support. In this connection I attach great importance to applied research at the universities supported by the Kuehne Foundation in Switzerland, Germany, China and Singapore.

The Klaus-Michael Kuehne Foundation, which was founded in 2008, has devoted itself primarily to the promotion of culture in Germany and, in particular, Hamburg. With selected projects I can not only support the further development of the Hanseatic city as a cultural metropolis but also underline the affinity I feel for my home city. Through my commitment to the foundations I fulfil a major part of my social responsibility as an entrepreneur.

How important is philanthropy at the present time?

KLAUS-MICHAEL KUEHNE: I am firmly convinced that success in business always brings with it an obligation towards society. Recently this attitude has also become widely held outside the USA, and acting for the common good is becoming a matter of increasing importance for many entrepreneurs. In my view it is not just a question of donating money, but of investing in the future of our society with well thought-out projects and also of initiating new developments - an area in which foundations can be very helpful.

The Kuehne Foundation is an operating foundation. What does that mean in concrete terms?

KLAUS-MICHAEL KUEHNE: To an increasing extent the Kuehne Foundation develops and realises its own projects and manages their implementation. The best example is the Kühne Logistics University (KLU) in Hamburg, an institution founded on the principles of internationality and excellence where the sole language of instruction is English. The Swiss scene tends to be dominated by purely supportive foundations, which are less in line with my philosophy as an entrepreneur with a pragmatic and implementation-oriented approach.

What fields do you support apart from logistics?

KLAUS-MICHAEL KUEHNE: The Foundation also initiates and supports major projects in the fields of medicine, notably the Christine Kühne Centre for Allergy, Research and Education (CK-CARE) as well as cultural and humanitarian activities. In 2012 we also increased our involvement in humanitarian logistics. The transport and storage of goods that are urgently needed in disaster areas presents immense challenges to aid organisations. Our aim is to increase their logistics capabilities. Our initiative is dedicated to training and further education, advisory services and research in the field of humanitarian logistics.

Which project gives you the greatest satisfaction?

KLAUS-MICHAEL KUEHNE: It is difficult to single out any one of the many projects. I am pleased if synergies develop between specific projects and if there is cooperation for the attainment of research objectives. Professors of the chairs supported by the Kuehne Foundation sometimes join together and study a theme from different angles and viewpoints of different disciplines. In particular, I enjoy dealing with topics with which I have had no previous contact in my everyday business transactions. For instance, during the establishment of the Kühne Logistics

University I got to know the peculiarities of the academic world and the requirements that must be fulfilled in order to build up a university. But I also value the cooperation with scientists and medical doctors in our CK-CARE project and I am interested to follow the latest results of medical research on the treatment and alleviation of allergies. And the cultural projects initiated and supported by the Klaus-Michael Kuehne Foundation have often met with keen interest.

What synergies have developed in the fields of medicine and culture that you have supported?

KLAUS-MICHAEL KUEHNE: In allergy research, scientists from Davos, Zurich and Munich have joined together as partners in a project group. This may be joined by further institutes so as to create synergies, which ultimately lead to better research results. In the cultural field, the opera "Fürst Igor", which is supported by the Foundations, was performed as a cooperative project in Zurich and Hamburg.

To what extent do you contribute your entrepreneurial experience to the foundations?

KLAUS-MICHAEL KUEHNE: In principle there is a contradiction between the work of a foundation and a profit-oriented business. But I do not believe the gap between them is so very large. New foundation projects also call for a high willingness to take risks – one needs only to think of the establishment of our own logistics university. I also attach great importance to results-orientation in the work of the foundations. The resources I place at their disposal out of my private fortune must go where they bring the greatest benefit to the public. For that reason we have created company-like structures in the foundations in order to ensure that this happens.

What were the highlights of the foundation year 2012?

KLAUS-MICHAEL KUEHNE: Apart from increasing internationalisation there were many gratifying developments in the individual fields to which support is given. Since a detailed account of these is provided in the annual report of the foundations, I will limit myself to a few examples. The Kühne Logistics University is continuously expanding its programme, and launched an executive MBA course in 2012. The research achievement of the KLU was also honoured with a top rating by a highly esteemed university ranking system. For the time being, the KLU cooperates with 21 partner universities all over the world. I have a particularly pleasant memory of the graduation ceremony of the first KLU students to complete their courses in September 2012.

At the Tongji University in Shanghai, supported by us, for the first time a "China Logistics Day" was held and also many international logistics experts took part. Together with our cooperation partner, the National University of Singapore (NUS), we ceremonially opened a Centre for Humanitarian Logistics in the autumn of 2012. This has widened our radius of action in Asia. We submitted the CK-CARE project to an assessment by external scientists who confirmed the success of the project, and the current research results are encouraging. Finally, I am pleased to say that we made possible a concert evening in Hamburg with Maestro Claudio Abbado and his Lucerne Festival Orchestra.

Which project needs special attention in 2013?

KLAUS-MICHAEL KUEHNE: As a general rule all projects need attention. The Kühne Logistics University is still a young institution, and needs to be specially nurtured. We plan to push its further development through cooperation with other universities and an extended range of courses; a course leading to a bachelor degree will already be offered as from this year. We are also working to obtain accreditation from the German Council of Science and Humanities, and will be moving into a new building in the Hamburg HafenCity with our "flagship" institution of logistics support projects.

How do you find the themes which you support?

KLAUS-MICHAEL KUEHNE: The themes are primarily determined in line with the deed of the Foundations and defined and approved by the Board of Trustees. Most of them result from a basic idea for which we then look for suitable projects and competent partners. In case of major ventures we consult external advisors. Our medical project CK-CARE, for instance, which we have approved up to 2014, has for some time been undergoing preparation for an extension phase and is being further developed by experts. Finally, the Board of Trustees always has its eyes open in order to identify new and sustainable projects capable to be supported.

Quality, Safety, Health and Environment

QSHE as a basis for sustainability

In the Kuehne + Nagel Group, the integrated management of quality, safety, health and environment supports economical, ecological and social sustainability.

Certified quality

In an increasingly complex economic environment, high-quality services are an important precondition for business success. To ensure that Kuehne + Nagel meets the quality requirements of customers in accordance with international guidelines and standards, the company undergoes annual external audits. 652 locations in 84 countries are now certified in accordance with quality standard ISO 9001, 343 locations in 50 countries conform to the environmental standard ISO 14001, and with regard to work safety 266 locations in 42 countries meet the requirements of OHSAS 18001. For the purpose of quality assurance, regular internal audits are also carried out. Standardised checks are performed with the specially developed QSHE Audit Tool, and corrective measures and improvement processes are initiated where appropriate.

Product- and industry-specific certifications

In addition, the company meets the special quality standards of specific industries, for example the food and aerospace industries, as well as the high-tech, pharma and health care sectors.

The QSHE organisation gave its support to various processes in the development and introduction of the airfreight product KN PharmaChain which is tailored to the needs of the pharmaceutical industry, as well as to the preparations for the certification of the company's facilities all over the world in accordance with the international guidelines of the World Health Organisation (WHO). At the end of 2012, in the KN PharmaChain network, 48 locations in 31 countries had been certified.

In 2012, as a result of the greater business volume in the Aviation/Aerospace Logistics segment, further certifications in accordance with the aerospace industry's quality standard EN 9100 became necessary. 17 locations all over the world have now been certified.

Outstanding quality

In 2012 Kuehne + Nagel again received a number of awards for its outstanding quality standard – not only from customers and business partners but also from independent bodies and media all over the world. As the first of three examples, in Switzerland Kuehne + Nagel was honoured by IQPC (International Quality & Productivity Center) with the "Life Science Logistic Partner of the Year 2012" award for its global training programme in the field of cold chain logistics. In Germany a customer from the telecommunications industry voted Kuehne + Nagel the Best Logistics Service Provider for the sixth time in succession. In Asia the jurors of one well-known trade journal named Kuehne + Nagel "Sea Freight Forwarder of the Year" while another journal conferred its Logistics Award upon the company. In their citations, both journals made special mention of Kuehne + Nagel's specialised logistics concepts.

Customer surveys

For the improvement and optimisation of processes and administrative procedures Kuehne + Nagel also uses surveys in which customers are asked for their views on such fields as communication and customer advice, invoicing, order fulfilment and climate-neutral transport services. In 2012 surveys were again carried out with customers in all industry sectors, and met with a very good response.

Security throughout the supply chain

Security within the supply chain has become a major quality criterion, and particularly on a global level it is becoming an increasingly important factor to the market. Kuehne + Nagel has taken a number of steps to meet the demands of its customers:

- operations in more than 16 European countries and a first Asian country have AEO-F status (Authorised Economic Operator of the European Union for security in connection with customs clearance);
- consistent application of Best Security Practices;
- risk analyses and use of cargo scanners;
- provision of services for high-value goods in special high-security locations that meet the security certification criteria of TAPA (Transported Asset Protection Association).

In 2012 a number of warehouses and logistics facilities in Asia, Europe and North America were in conformity with TAPA, and three locations were certified. Furthermore, 15 logistics centres all over the world meet the highest security requirements and fulfil the specifications for TAPA Level A certification.

Not only in view of natural disasters, preventive measures to ensure business continuity in crisis areas have been augmented. These measures focus on internal and external communication, emergency plans, risk management and the elaboration of alternative scenarios by the responsible management to ensure the safety of employees and the continuity of logistics operations in order at the same time.

Health and safety management

For Kuehne + Nagel, work safety and health protection mean much more than the mere observance of regulations at the workplace. More than 260 locations are now certified in accordance with the international standard OHSAS 18001. The company also regularly holds training courses for employees in different fields of activity in order to minimise the risk of accidents and damage to health. Measures to promote better health meet with keen interest from the company's employees. Kuehne + Nagel's active health and safety management policy makes a substantial contribution to the attainment of the social sustainability objectives and underlines the importance that Kuehne + Nagel attaches to corporate social responsibility.

Sustainable environmental management

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

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

Global Transport Carbon Calculator (GTCC)

In 2012 a global facility emission data base (GFCC: Global Facility Carbon Calculator) was established in order to improve the reliability of emission calculations. Current and historical data on more than 650 locations were recorded and stored. 400 specially trained employees – known as Environmental Champions – are responsible for the correct management and analysis of the data worldwide. On the basis of the captured data, Kuehne + Nagel is able to evaluate local and global emissions and take active steps towards their reduction.

In this connection Kuehne + Nagel obtained certification from Bureau Veritas in accordance with international ISO standard 14064-3 for its business units and locations. The correctness of the methodology applied in the emission calculations for the Global Facility Carbon Calculator (GFCC) and the Global Transport Carbon Calculator (GTCC) has thus been officially certified.

In 2012 the Global Transport Carbon Calculator was again a valuable instrument in prioritising efforts to reduce carbon dioxide emissions, refuse volumes and energy, fuel and water consumption and in determining the success of such efforts.

- CO_2 emissions were reduced by 2.1 per cent (4,116 tonnes) compared with the preceding year ;
- energy and fuel consumption decreased by 4.2 per cent (38,689 kWh);
- water consumption was reduced by 1.1 million litres compared with the previous year (to 11.2 million litres);
- the recycling of waste increased by 36.0 per cent compared with 2011.

Climate-neutral services and energy supply

Together with its customers and business partners, Kuehne + Nagel is constantly involved in the development of new approaches to the reduction or neutralisation of CO_2 emissions. After the Swiss national subsidiary had implemented the project "Climate Neutral Services" together with a customer, in 2012 the British national organisation pursued the same course on a joint basis with a customer. Carbon dioxide emissions are neutralised from the customer's production centres to the points of sale in Europe.

The calculation basis for CO_2 neutralisation is provided by the certified data base of the Global Transport Carbon Calculator, which at the same time serves customers as a CO_2 monitoring system.

Furthermore, Kuehne + Nagel is endeavouring to use a greater proportion of renewable energy in its locations. In the United Kingdom, for instance, since November 2012 only electric power generated from natural resources such as biomass, natural gas and wind power has been used. In Germany, 84 contract logistics locations are supplied with electric power from CO_2-neutral resources.

E_2Log Project

Kuehne + Nagel is taking part in the research project "Energy Efficiency of Logistics" as member of a group headed by the Fraunhofer Institute for Material Flow and Logistics. This sets out to identify and evaluate the main elements of energy consumption and their efficiency and saving options in the context of logistics.

Clean Cargo Working Group

Kuehne + Nagel is a member of the Clean Cargo Working Group (CCWG), which has also been joined by shipping lines and multinational customers. The aim of CCWG is to calculate and reduce fuel consumption and carbon dioxide emission expressed in terms of emission/TEU/km in accordance with uniform and transparent guidelines.

Objectives for 2013

In the current business year activities will focus on the further development of the integrated QSHE management system and the industry-specific QSHE processes.

Information Technology

Continuous development and optimisation

In 2012 activities focused on the renewal of the IT architecture with the goal to create a future-oriented and at the same time cost-effective technology platform while maintaining the highest possible security standards.

Major elements are a new integration software for easier and faster inter-connection with customer systems, and two new application platforms enabling more efficient operation.

In addition, the technical foundations were laid for a future Business Process Automation (BPA) with which substantial increases in productivity can be achieved.

Important accents set

The first module of the new airfreight application "AirLOG Import" was introduced in 2012. In the meantime, more than 20 national organisations are using this state-of-the-art import solution which is mainly aimed at process automation. The implementation process will continue in 2013, and simultaneously the corresponding seafreight module "SeaLOG" will be developed.

With the continuous automation and standardisation of the business processes, IT is an important factor in increasing productivity throughout the Kuehne + Nagel Group.

Consolidation of the computing centres

After the previous year's moves to streamline and centralise the IT organisation structure, in 2012 more steps were taken to consolidate smaller computing centres with a high degree of virtualisation and scalability. This measure enables a holistic and global view of the whole IT infrastructure, which is necessary in case of distributed interdependent systems and also an essential requirement for efficient disaster recovery processes.

IT increases customer value

Kuehne + Nagel always develops and implements its information systems with a focus on direct customer benefit. A good example is the information logistics system KNLogin, which provides customers access to information from multiple business areas and supports them in their planning. KNLogin offers a large number of services and functions which are tailored to the specific needs of customers. 2012 a new module was added, which allows quicker and more efficient implementation of customer specific adaptions.

In addition, an innovative e-commerce solution was introduced in the airfreight sector. A user-friendly web platform allows customers to make freight inquiries and place bookings themselves. Prior to its introduction the system underwent thorough testing in a pilot phase in which it was utilised by a group of customers.

Challenges and objectives for 2013

In 2013 IT activities will focus on the further development and implementation of the SeaLOG and AirLOG systems. Experience to date with the operation of these new platforms and their acceptance by the users is promising so that the cost saving targets should be achieved through automation.

It is also planned to replace the data bases that have grown up over the years with a new system featuring more flexible structures. This will simplify maintenance work and system extensions.

KUEHNE + NAGEL WORLDWIDE

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

AMERICAS

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

EUROPE

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

MIDDLE EAST, CENTRAL ASIA AND AFRICA

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

ASIA-PACIFIC

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

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

Group structure and shareholders

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

Operational group structure

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

Reportable segments consist of the business units:

- Seafreight
- Airfreight
- Road & Rail Logistics
- Contract Logistics
- Real Estate
- Insurance Brokers

Geographical information relating to the regions:

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

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

Listed companies of the Group

Kuehne + Nagel International AG, the ultimate holding company, is the only company listed on the Stock Exchange within the scope of the Group's consolidation. Kuehne + Nagel International AG has its registered office in Schindellegi, Switzerland, and its shares are listed on the SIX Swiss Exchange, Zurich. The company's market capitalisation amounted to CHF 13,200 million (120 million registered shares at CHF 110.00 per share) on the closing date (December 31, 2012).

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

– the free float consisted of = 46.5 per cent and	55,834,609 shares
– treasury shares consisted of = 0.2 per cent	265,391 shares

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

Non-listed companies in the Group's consolidation

The main subsidiaries and associated companies of the Group are disclosed in the appendix "Significant subsidiaries and joint ventures" to the Consolidated Financial Statements (pages 124 to 129), including particulars as to the country, name of the company, location, share capital, and the Group's stake in per cent.

Main shareholders

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

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

Cross-shareholdings

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

Capital structure

Ordinary share capital on the closing date

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

Authorised and conditional share capital

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

The Annual General Meeting held on May 2, 2005, approved a conditional share capital increase up to a maximum of CHF 12 million and to add 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 purposes of investments of employees of the company or of one of its affiliated companies.

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 2010 through 2012 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 on 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 on the closing date other than related to the Group's Employee Share Purchase and Option Plan (SPOP). For details with respect to the Group's Employee Share Purchase and Option Plan (SPOP), please refer to note 37 of the Consolidated Financial Statements on pages 103 to 106.

Board of Directors

At the Annual General Meeting of May 8, 2012, Klaus-Michael Kuehne, Karl Gernandt, Bernd Wrede, Dr. Renato Fassbind, Juergen Fitschen, Hans-Joerg Hager, Hans Lerch, Dr. Thomas Staehelin and Dr. Joerg Wolle were re-elected to the Board of Directors for a one-year term. Dr. Wolfgang Peiner, whose mandate expired at the Annual General Meeting, retired from the Board.

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, and the Klaus-Michael Kuehne Foundation, Hamburg; Chairman of the Board of Directors of the 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 2013 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 the Holcim Western Europe region, Brussels. Since October 1st, 2008, Karl Gernandt has been nominated as CEO of Kuehne Holding AG, Schindellegi, and board member of the Kuehne Foundation. He is also Managing Director of the Klaus-Michael Kuehne Foundation in Hamburg.
Other significant activities: Member of the Board of Directors of HCI Capital AG, Hamburg; Vice Chairman of the Board of Directors of Hapag-Lloyd AG, Hamburg, and Member of the Board of Directors of Holcim (Deutschland) AG, Hamburg.

Positions within the Kuehne + Nagel Group:

2008–2011	Member of the Board of Directors
2009–2011	Executive Vice Chairman and Delegate of the Board of Directors
2010–2011	Member of the Chairman's Committee
2011–today	Chairman of the Board of Directors elected until the Annual General Meeting 2013 Chairman of the Chairman's Committee Member of the Nomination and Compensation Committee Member of the Audit Committee

Bernd Wrede, Vice Chairman, German, 1943

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

Positions within the Kuehne + Nagel Group:

1999–2002	Member of the Board of Directors
2002–today	Vice Chairman of the Board of Directors elected until the Annual General Meeting 2013
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, Zürich.

In 2004 Dr. Renato Fassbind joined the Credit Suisse Group as the Chief Financial Officer of Credit Suisse Group AG and Credit Suisse AG until October 2010. In this function he was member of the Executive Boards of Credit Suisse Group AG and of Credit Suisse AG since 2004.

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

Positions within the Kuehne + Nagel Group:

2011–today ____ Member of the Board of Directors elected until the Annual General Meeting 2013

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 and the Group Executive Committee of Deutsche Bank AG.

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

Positions within the Kuehne + Nagel Group:

2008–today ____ Member of the Board of Directors elected until the Annual General Meeting 2013

2008–2009 ____ Member of the Economic Council

Hans-Joerg Hager, German, 1948

Hans-Joerg Hager holds a bachelor degree from the Wuerttemberg Administration and Business Academy in Stuttgart and completed successfully the "TOP International Management Program" at INSEAD, Fontainebleau in 1998. Since January 2009 he is the President of the UCS (entrepreneurs-colloquium forwarding).

Hans-Joerg Hager held various board positions at Schenker AG from 1996 to 2008. In 2000 he was appointed Chairman of Schenker AG, Germany which position he held until 2008. From 2001 to 2004 and from 2006 to 2008 Hager was member of the Board of Schenker AG responsible for the Europe region and the overland transportation business.

Position within the Kuehne + Nagel Group:

2009–today ____ Member of the Board of Directors elected until the Annual General Meeting 2013

Hans Lerch, Swiss, 1950

Commercial apprenticeship in tourism industry with a 35 years career at Kuoni Travel Holding Ltd., assignments in the Far East from 1972–1985, various responsibilities at the company's headquarters in Zurich, President and CEO from 1999–2005. Chairman and CEO of SR Technics in Zurich from 2005–2008. Vice Chairman of Hotelplan Holding Ltd., Zurich, since 2010.

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

Positions within the Kuehne + Nagel Group:

2005–today ____ Member of the Board of Directors elected until the Annual General Meeting 2013

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; Vice Chairman of Kuehne Foundation; Member of the Board of Directors and Chairman of the Audit Committee of Inficon Holding AG, Bad Ragaz; Chairman of the Board of Directors of Swissport International SA, Opfikon, and of Scobag Privatbank AG, Basel; Chairman of the Board of Directors of Lantal Textiles, Langenthal and of Stamm Bau AG, Binningen; Member of the Board of Directors of economiesuisse (Swiss Business Federation); President of the Basel Chamber of Commerce; Chairman of Vereinigung der Privaten Aktiengesellschaften and member of the Swiss Foundation for Accounting and Reporting Recommendations (SWISS GAAP FER).

Positions within the Kuehne + Nagel Group:

1978–today	Member of the Board of Directors elected until the Annual General Meeting 2013
2006–today	Chairman of the Audit Committee

Dr. Joerg Wolle, 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 Zürich. From 1988 to 1990 he was Project Manager at SKF.
Other significant activities: Honorary Professor for "Intercultural Communication" at the University of Applied Sciences, Zwickau, Germany. Member of the Management Board of the German Asia-Pacific Business Association and member of the Board of Directors of Diethelm Keller Holding, Switzerland.

Positions within the Kuehne + Nagel Group:

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

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

Election and duration of tenure

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

Internal organisation, Board committees and meetings in 2012

According to the Articles of Association and the Swiss corporate law the main tasks of the Board of Directors comprise:
- strategic direction and management of the Company,
- accounting matters,
- financial control and planning,
- appointing and dismissing Management Board members and other senior executives,
- supervisory control of business operations, and
- submission of proposals to the Annual General Meeting, in particular the KNI and Group Financial Statements.

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

The Board of Directors usually convenes for a two-day meeting quarterly with the Management Board being at least represented by the CEO and the CFO. The Board of Directors can invite other members of the Management Board to attend these meetings at its discretion.

The Board of Directors takes decisions during the meetings or by written circular resolutions. All Committees meet as often as required, but usually quarterly.

Audit Committee

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

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

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

The Audit Committee holds at least four meetings annually. The Honorary Chairman can take part in the meetings as an advisor. Unless otherwise determined by the Audit Committee, the CEO, the CFO and the audit partner in charge take part in all meetings, whilst the head of internal audit is invited as an advisor whenever needed. In 2012 the audit partner in charge attended three 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

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

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

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

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

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

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

Chairman's Committee

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

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

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

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

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

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

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

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

Information and control system of the Management Board

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

The Chairman of the Board of Directors takes part in the Management Board meetings regularly, while the CEO and the CFO are generally invited to meetings of the Board of Directors, the Audit Committee as well as to the meetings of the Chairman's Committee. Members of the Management Board can take part in Nomination and Compensation Committee meetings by invitation. Depending on the agenda, the Board of Directors has the discretion to invite other members of the Management Board to attend its meetings.

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

Furthermore, risk management is part of the Internal Control System (ICS). Preventive and risk-reducing measures to control risks are proactively taken on different levels and are a fundamental part of management responsibility. Finance and accounting department conducts in collaboration with regional management and Management Board a risk assessment at least once a year. Details on risk management, including identified risks, are provided in the Consolidated Financial Statements, note 48 on pages 113 to 119.

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 Management in the effective exercising of their responsibilities by assessing the adequacy and effectiveness of internal controls.

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

Board and committees	Board of Directors	Audit Committee	Nomination and Compensation Committee	Chairman's Committee
Number of meetings in 2012	5	6	8	8
Approximate duration of each meeting	9 hours	3 hours	2 hours	3 hours
Klaus-Michael Kuehne	5		8	8
Karl Gernandt	5	6	8	8
Bernd Wrede	5	4	8	8
Dr. Renato Fassbind	5	6		
Juergen Fitschen	5			
Hans-Joerg Hager	5			
Hans Lerch	5		6	
Dr. Wolfgang Peiner [1]	–			
Dr. Thomas Staehelin	4	6		
Dr. Joerg Wolle	4		8	

1 Retired from the Board of Directors on May 8, 2012.

Management Board

As of November 30, 2012, Dirk Reich stepped down as member of the Management Board responsible for the business unit Contract Logistics.

The Board of Directors of Kuehne + Nagel International AG has appointed Stefan Paul, former CEO of DHL Freight Germany, as new member of the Management Board as of February 1, 2013. He will be responsible for the business unit Road & Rail Logistics.

As of March 1, 2013, Dr. Detlef Trefzger, former member of the Executive Board of Schenker AG, Germany, has been appointed as new member of the Management Board. He will take over global responsibility for the business unit Contract Logistics.

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

Reinhard Lange, German, 1949

Apprenticeship and graduation in logistics.

Positions within the Kuehne + Nagel Group:

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

Gerard van Kesteren, Dutch, 1949

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

Positions within the Kuehne + Nagel Group:

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

Lothar Harings, German, 1960

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

Positions within the Kuehne + Nagel Group:

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

Martin Kolbe, German, 1961

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

Position within the Kuehne + Nagel Group:

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

Horst Joachim (Otto) Schacht, German, 1959

Graduated as a shipping agent.

From 1978 to 1997 various positions with Hapag-Lloyd, including three years as United States Posting and Trade Manager Far East-Europe.

Positions within the Kuehne + Nagel Group:

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

Tim Scharwath, German, 1965

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

Positions within the Kuehne + Nagel Group:

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

Compensation, shareholdings and loans

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

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

In 2012 the members of the Board of Directors received a guaranteed cash compensation as well as a compensation for participation in the respective committees as follows:

Board of Directors in CHF	Guaranteed Compensation	Additional Compensation Audit Committee	Additional Compensation Nomination and Compensation Committee	Additional Compensation Chairman's Committee
Chairman of the Board of Directors [1]	300,000	15,000	10,000	–
Vice Chairman and members	1,929,167	45,000	80,000	30,000
Total	**2,229,167**	**60,000**	**90,000**	**30,000**

1 Compensations are included in remuneration to the Chairman and the Management Board; refer to page 137, note 12 to the 2012 Financial Statements of Kuehne + Nagel International AG.

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

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

The total remuneration accrued for and paid to the members of the Board of Directors and the Management Board in the financial year 2012 amounted to CHF 16 million, of which CHF 14 million were paid to the sole executive member of the Board of Directors and the members of the Management Board, and CHF 2 million to the non-executive members of the Board of Directors.

Further details on the remuneration accrued for and paid to the members of the Board of Directors and the Management Board can be found in note 12 to the 2012 Financial Statements of KNI.

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 needed to deliberate each item on the agenda. In particular, this includes information for the appointment of new members to the Board of Directors and, in the event of changes to an article of association, the announcement of the new wording.

Agenda of the Annual General Meeting

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

Registration of shareholders into the share register

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

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

Changes of control and defence measures

Duty to make an offer

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

Clauses on changes of control

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

Statutory auditors

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

KPMG AG, Zurich, initially adopted the mandate for the business year 2002 as per declaration of acceptance dated May 8, 2002. The re-election for the business year 2012 was confirmed with the declaration of acceptance dated April 13, 2012. The lead auditor, Marc Ziegler, took over the mandate starting with the business year 2009.

The rotation rhythm of the lead auditor is seven years and thus corresponds with the legal rule.

Audit fees

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

Additional fees

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

Supervisory and controlling instruments towards the statutory auditors

The work performed by the external statutory auditors is supervised, controlled, and duly monitored by the Board of Directors' Audit Committee. The statutory auditors report to the Audit Committee regularly and in 2012 attended three Audit Committee meetings in the person of the audit partner in charge. In 2012 the audit partner in charge also attended one meeting of the Board of Directors. The main criteria for the selection of the external audit company are its worldwide network, its reputation, and its competitive pricing.

Information policy

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

To this end Kuehne + Nagel uses print media and, in particular, its corporate website, www.kuehne-nagel.com, where up-to-date information is available. This information contains an overall presentation of the Group, detailed financial data as well as information on environmental and security matters, which are of increasing importance. Furthermore, Kuehne + Nagel provides up-to-date information on significant, business-related occurrences and organisational changes, and updates all general information on the Company continually.

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

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

The contact address for Investor Relations is:
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Investor Relations
Dorfstrasse 50
P.O. Box 67
CH-8834 Schindellegi
Switzerland
Phone: +41 (0)44 786 95 61

In addition, detailed contact information per field of activity is available on Kuehne + Nagel's website, **www.kuehne-nagel.com**, to any persons interested.

Income Statement

CHF million	Note	2012	2011	Variance per cent
Invoiced turnover	20	20,753	19,596	5.9
Customs duties and taxes		–3,633	–3,378	
Net invoiced turnover		17,120	16,218	5.6
Net expenses for services from third parties		–11,026	–10,320	
Gross profit	20	6,094	5,898	3.3
Personnel expenses	21	–3,605	–3,386	
Selling, general and administrative expenses	22	–1,592	–1,542	
Other operating income/expenses, net	23	24	8	
Expense for EU antitrust fine	23/41	–65	–	
EBITDA		856	978	–12.5
Depreciation of property, plant and equipment	27	–146	–154	
Amortisation of other intangibles	28	–74	–69	
Impairment of other intangibles	28	–2	–5	
EBIT		634	750	–15.5
Financial income	24	12	20	
Financial expenses	24	–5	–8	
Result from joint ventures and associates	20	4	4	
Earnings before tax (EBT)		645	766	–15.8
Income tax	25	–152	–160	
Earnings for the year		493	606	–18.6
Attributable to:				
Equity holders of the parent company		485	601	–19.3
Non-controlling interests		8	5	
Earnings for the year		493	606	–18.6
Basic earnings per share in CHF	26	4.06	5.04	–19.4
Diluted earnings per share in CHF	26	4.06	5.03	–19.3

Statement of Comprehensive Income

CHF million	Note	2012	2011
Earnings for the year		**493**	**606**
Other comprehensive income			
Foreign exchange differences		–21	–75
Actuarial gains/(losses) on defined benefit plans, net of tax	36/25	–39	–18
Total other comprehensive income, net of tax		**–60**	**–93**
Total comprehensive income for the year		**433**	**513**
Attributable to:			
Equity holders of the parent company		425	509
Non-controlling interests		8	4

Balance Sheet

CHF million	Note	Dec. 31, 2012	Dec. 31, 2011
Assets			
Property, plant and equipment	27	1,134	1,146
Goodwill	28	694	696
Other intangibles	28	141	196
Investments in joint ventures	29	39	39
Deferred tax assets	25	195	162
Non-current assets		**2,203**	**2,239**
Prepayments		109	97
Work in progress	30	306	275
Trade receivables	31	2,428	2,278
Other receivables	32	116	100
Income tax receivables	32	34	49
Financial investments	33	–	252
Cash and cash equivalents	33/34	1,083	851
Current assets		**4,076**	**3,902**
Total assets		**6,279**	**6,141**

CHF million	Note	Dec. 31, 2012	Dec. 31, 2011
Liabilities and equity			
Share capital		120	120
Reserves and retained earnings		1,791	1,661
Earnings for the year		485	601
Equity attributable to the equity holders of the parent company		**2,396**	**2,382**
Non-controlling interests		29	23
Equity	35	**2,425**	**2,405**
Provisions for pension plans and severance payments	36	357	296
Deferred tax liabilities	25	151	156
Finance lease obligations	39	32	43
Non-current provisions	41	69	97
Non-current liabilities		**609**	**592**
Bank and other interest-bearing liabilities	38/39	36	44
Trade payables	40	1,337	1,285
Accrued trade expenses/deferred income	40	931	881
Income tax liabilities		89	106
Current provisions	41	68	64
Other liabilities	42	784	764
Current liabilities		**3,245**	**3,144**
Total liabilities and equity		**6,279**	**6,141**

Schindellegi, March 1, 2013

KUEHNE + NAGEL INTERNATIONAL AG

Reinhard Lange	Gerard van Kesteren
CEO	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, 2012		120	535	-45	-715	-44	2,531	2,382	23	2,405
Earnings for the year		–	–	–	–	–	485	485	8	493
Other comprehensive income										
Foreign exchange differences		–	–	–	-21	–	–	-21	–	-21
Actuarial gains/(losses) on defined benefit plans, net of tax	36/25	–	–	–	–	-39	–	-39	–	-39
Total other comprehensive income, net of tax		**–**	**–**	**–**	**-21**	**-39**	**–**	**-60**	**–**	**-60**
Total comprehensive income for the year		**–**	**–**	**–**	**-21**	**-39**	**485**	**425**	**8**	**433**
Purchase of treasury shares	35	–	–	-20	–	–	–	-20	–	-20
Disposal of treasury shares	35	–	14	45	–	–	–	59	–	59
Dividend paid	35	–	–	–	–	–	-460	-460	-2	-462
Expenses for share-based compensation plans	37	–	–	–	–	–	10	10	–	10
Total contributions by and distributions to owners		**–**	**14**	**25**	**–**	**–**	**-450**	**-411**	**-2**	**-413**
Balance as of December 31, 2012		**120**	**549**	**-20**	**-736**	**-83**	**2,566**	**2,396**	**29**	**2,425**

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, 2011		120	705	–51	–641	–26	2,258	2,365	13	2,378
Earnings for the year		–	–	–	–	–	601	601	5	606
Other comprehensive income										
Foreign exchange differences		–	–	–	–74	–	–	–74	–1	–75
Actuarial gains/(losses) on defined benefit plans, net of tax	36/25	–	–	–	–	–18	–	–18	–	–18
Total other comprehensive income, net of tax		**–**	**–**	**–**	**–74**	**–18**	**–**	**–92**	**–1**	**–93**
Total comprehensive income for the year		**–**	**–**	**–**	**–74**	**–18**	**601**	**509**	**4**	**513**
Purchase of treasury shares	35	–	–	–13	–	–	–	–13	–	–13
Disposal of treasury shares	35	–	9	19	–	–	–	28	–	28
Dividend paid	35	–	–	–	–	–	–328	–328	–1	–329
Distribution from capital contribution reserves	35	–	–179	–	–	–	–	–179	–	–179
Expenses for share-based compensation plans	37	–	–	–	–	–	7	7	–	7
Total contributions by and distributions to owners		**–**	**–170**	**6**	**–**	**–**	**–321**	**–485**	**–1**	**–486**
Acquisition of subsidiaries with non-controlling interests		–	–	–	–	–	1	1	7	8
Transaction with non-controlling interests [1]		–	–	–	–	–	–8	–8	–	–8
Total transactions with owners		**–**	**–170**	**6**	**–**	**–**	**–328**	**–492**	**6**	**–486**
Balance as of December 31, 2011		**120**	**535**	**–45**	**–715**	**–44**	**2,531**	**2,382**	**23**	**2,405**

1 The movement in retained earnings in 2011 includes a put option for an acquisition of non-controlling interests in one of the Group's subsidiaries, see note 43.

Cash Flow Statement

CHF million	Note	2012	2011
Cash flow from operating activities			
Earnings for the year		493	606
Reversal of non-cash items:			
Income tax	25	152	160
Financial income	24	–12	–20
Financial expenses	24	5	8
Result from joint ventures and associates	29	–4	–4
Depreciation of property, plant and equipment	27	146	154
Amortisation of other intangibles	28	74	69
Impairment of other intangibles	28	2	5
Expenses for share-based compensation plans	21	10	7
Gain on disposal of property, plant and equipment and associate	23	–29	–12
Loss on disposal of property, plant and equipment	23	5	4
Net addition to provisions for pension plans and severance payments		7	1
Subtotal operational cash flow		**849**	**978**
(Increase)/decrease work in progress		–38	–27
(Increase)/decrease trade and other receivables, prepayments		–198	–216
Increase/(decrease) other liabilities		20	59
Increase/(decrease) provisions		–24	–
Increase/(decrease) trade payables, accrued trade expenses/deferred income		123	105
Income taxes paid		–176	–219
Total cash flow from operating activities		**556**	**680**
Cash flow from investing activities			
Capital expenditure			
– Property, plant and equipment	27	–163	–207
– Other intangibles	28	–12	–11
Disposal of property, plant and equipment		41	18
Acquisition of subsidiaries, net of cash acquired	43	–9	–174
Purchase of financial investments	33	–	–281
Disposal of financial investments	33	252	30
Interest received		6	12
(Increase)/decrease of share capital in joint ventures	29	–	3
Disposal of associate	23	5	–
Dividend received from joint ventures and associates		5	4
Total cash flow from investing activities		**125**	**–606**
Cash flow from financing activities			
Proceeds from interest-bearing liabilities		2	4
Repayment of interest-bearing liabilities		–29	–37
Interest paid		–5	–8
Purchase of treasury shares	35	–20	–13
Disposal of treasury shares	35	59	28
Dividend paid to equity holders of parent company	35	–460	–328
Distribution from capital contribution reserves	35	–	–179
Dividend paid to non-controlling interests		–2	–1
Total cash flow from financing activities		**–455**	**–534**
Exchange difference on cash and cash equivalents		–3	–20
Increase/(decrease) in cash and cash equivalents		**223**	**–480**
Cash and cash equivalents at the beginning of the year, net	34	**835**	**1,315**
Cash and cash equivalents at the end of the year, net	34	**1,058**	**835**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ACCOUNTING POLICIES

1 Organisation

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

The Consolidated Financial Statements of the Company for the year ended December 31, 2012, comprises 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, 2012. Those financial statements have been prepared in accordance with uniform accounting policies issued by the Group which comply with the requirements of the International Financial Reporting Standards (IFRS) and Swiss law (Swiss Code of Obligation). The Consolidated Financial Statements are prepared on a historical cost basis except for certain financial instruments which are stated at fair value. Non-current assets and disposal groups held for sale are stated at the lower of the carrying amount and fair value less costs to sell.

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

The accounting policies are the same as those applied in the Consolidated Financial Statements for the year ended December 31, 2011.

The amended standards that are effective for the 2012 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 2013 and later

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

Standard/interpretation	Effective date	Planned application
IFRS 10 Consolidated Financial Statements [1]	1 January 2013	Reporting year 2013
IFRS 11 Joint Arrangements [1]	1 January 2013	Reporting year 2013
IFRS 12 Disclosure of Interests in Other Entities [2]	1 January 2013	Reporting year 2013
IFRS 13 Fair Value Measurement [2]	1 January 2013	Reporting year 2013
Amendments to IAS 1 Presentation of Items of Other Comprehensive Income [2]	1 July 2012	Reporting year 2013
Amended IAS 19 Employee Benefits [3]	1 January 2013	Reporting year 2013
Revised IAS 28 Investments in Associates and Joint Ventures [1]	1 January 2013	Reporting year 2013
Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities [1]	1 January 2013	Reporting year 2013
Improvements to IFRSs (May 2012) [1]	1 January 2013	Reporting year 2013
Amendments to IFRS 10, IFRS 11 and IFRS 12 – Consolidated Financial Statements, Joint Arrangements and Disclosures of Interest in Other Entities: Transition Guidance [1]	1 January 2013	Reporting year 2013
Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities [1]	1 January 2014	Reporting year 2014
IFRS 9 Financial Instruments [1]	1 January 2015	Reporting year 2015

1 No or no significant impacts are expected on the Consolidated Financial Statements.
2 The impact on the Consolidated Financial Statements is expected to result in additional disclosures or changes in presentation.
3 The interest costs and expected return on plan assets used in the current version of IAS 19 are replaced with a net interest amount which is calculated by multiplying the discount rate with the net defined benefit obligation. This change will have a negative impact on the expenses for defined benefit plans of CHF 1 million for 2012.

4 Scope of consolidation

The Group's significant subsidiaries and joint ventures are listed on pages 124 to 129. The more significant changes in the scope of consolidation in 2012 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 2012	Capital share acquired in per cent equals voting rights	Currency	Share capital in 1,000	Acquisition/ incorporation date
Acquisitions				
Link Logistics International Pty. Ltd., Australia	100	AUD	< 1	February 2, 2012
Flowerport Logistics B.V., the Netherlands	100	EUR	2,768	October 1, 2012
AgriAir Logistics B.V., the Netherlands	100	EUR	18	October 1, 2012
Incorporations				
Kuehne & Nagel SAS, Morocco	100	MAD	300	March 1, 2012
Kuehne + Nagel Logistique SASU, France	100	EUR	37	May 1, 2012
KN Ibrakom Logistics Services Ltd, Georgia	60	GEL	83	November 6, 2012

There were no significant divestments in 2012.

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

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

There were no significant divestments in 2011.

5 Principles of consolidation

Business Combinations

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

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

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

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

Written put options held by non-controlling shareholders

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

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

Acquisitions and disposals of non-controlling interests

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

Subsidiaries

Subsidiaries are companies controlled, directly or indirectly, by the Group, where control is defined as the power to govern financial and operating policies of a company so as to obtain benefits from its activities. This control is normally evidenced when the Group owns, either directly or indirectly, more than 50 per cent of the voting rights whereby potential voting rights of a company are also considered. Subsidiaries are included in the Consolidated Financial Statements by the full consolidation method as from the date on which control is transferred to the Group until the date control ceases. The non-controlling interests in equity as well as earnings for the period are reported separately in the Consolidated Financial Statements.

Associates and joint ventures

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

Transactions eliminated on consolidation

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

Foreign exchange translation

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

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

The major foreign currency conversion rates applied are as follows:

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

Currency	2012 CHF	Variance per cent	2011 CHF
EUR 1.–	1.2062	–2.3	1.2350
USD 1.–	0.9327	4.7	0.8908
GBP 1.–	1.4827	4.2	1.4226

Balance sheet (year-end rates)

Currency	Dec. 2012 CHF	Variance per cent	Dec. 2011 CHF
EUR 1.–	1.2076	–1.2	1.2222
USD 1.–	0.9149	–2.2	0.9353
GBP 1.–	1.4759	0.9	1.4632

6 Financial assets and liabilities

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

- The category **financial assets or liabilities at fair value through profit or loss** includes financial assets or liabilities held for trading and financial assets designated as such upon initial regognition. There are no financial liabilities that, upon initial recognition, have been designated at fair value through profit or loss.
- **Loans and receivables** are carried at amortised cost, calculated using the effective interest rate method, less allowances for impairment.
- **Financial assets/investments available for sale** include all financial assets/investments not assigned to one of the above mentioned categories. These could include investments in affiliates that are not associates or joint ventures and investments in bonds and notes. Financial assets/investments available for sale are recognised at fair value, changes in value (after tax) are recognised directly in other comprehensive income until the assets are sold, at which time the amount reported in other comprehensive income is transferred to the income statement. As of December 31, 2012 and 2011, the Group did not have any financial assets/investments available for sale.
- **Financial liabilities** that are not at fair value through profit or loss, are carried at amortised cost calculated using the effective interest rate method.

Derivatives and hedge accounting

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

Impairment of financial assets

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

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

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

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

7 Segment reporting

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

8 Property, plant and equipment

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

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

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

9 Leases

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

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

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

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

10 Intangibles

Goodwill

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

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

Other intangibles

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

11 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and in hand as well as short-term deposits and highly liquid investments with a term of three months or less 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 to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment losses

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

13 Share capital

Shares

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

Treasury shares

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

14 Provisions

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

15 Pension plans, severance payments and share-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 Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and previous periods; that benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is the yield at the reporting date on "AA" credit-rated bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which benefits are expected to be paid. The calculation is performed by an independent, qualified actuary using the projected unit credit method.

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

Defined contribution plans

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

Severance payments

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

Share-based compensation plans

Share matching plan (SMP)

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

For each purchased share, the Company will match additional shares upon completion of a three years vesting period and service condition during the same period. The level of the share match (share match ratio) is defined based on the achieved performance over the next three financial years against defined targets. For further details about the new plan refer to note 37.

Share purchase and option plan (SPOP)

The Group's previous employee share purchase and option plan was discontinued as of July 1, 2012. It allowed selected employees of the Group to acquire shares of the Company at a reduced price at a specified date; such shares are blocked for three years and 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 predefined price upon completion of the three years vesting period and service condition during the same period. For further details about this plan, refer to note 37.

Accounting
When employees purchase shares at a discounted price under both plans, 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; recognised as personnel expense over the relevant vesting periods. The amount expensed is adjusted to reflect actual and expected levels of vesting.

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

16 Revenue recognition

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

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

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

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

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

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

17 Interest expenses and income

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

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

18 Income taxes

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

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

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

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

19 Non-current assets held for sale and discontinued operations

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

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

OTHER NOTES

20 Segment Reporting

a) Reportable segments

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

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

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

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

b) Geographical information

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

c) Major customers

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

a) Reportable segments

CHF million	Total Group 2012	Total Group 2011	Seafreight 2012	Seafreight 2011	Airfreight 2012 [1]	Airfreight 2011	Road & Rail Logistics 2012	Road & Rail Logistics 2011
Invoiced turnover (external customers)	20,753	19,596	9,059	8,330	4,063	4,020	3,155	2,967
Invoiced inter-segment turnover	–	–	1,667	1,582	2,260	2,305	1,252	1,185
Customs duties and taxes	-3,633	-3,378	-2,416	-2,231	-658	-616	-271	-282
Net invoiced turnover	17,120	16,218	8,310	7,681	5,665	5,709	4,136	3,870
Net expenses for services from third parties	-11,026	-10,320	-7,035	-6,427	-4,828	-4,914	-3,249	-3,013
Gross profit	6,094	5,898	1,275	1,254	837	795	887	857
Total expenses [1]	-5,238	-4,920	-860	-816	-673	-543	-851	-815
EBITDA	856	978	415	438	164	252	36	42
Depreciation of property, plant and equipment	-146	-154	-16	-17	-11	-10	-26	-30
Amortisation of other intangibles	-74	-69	-8	-8	-14	-7	-26	-25
Impairment of other intangibles	-2	-5	–	-2	-1	-3	–	–
EBIT (segment profit/(loss))	634	750	391	411	138	232	-16	-13
Financial income	12	20						
Financial expenses	-5	-8						
Result from joint ventures and associates	4	4	1	2	1	–	2	1
Earnings before tax (EBT)	645	766						
Income tax	-152	-160						
Earnings for the year	493	606						
Attributable to:								
Equity holders of the parent company	485	601						
Non-controlling interests	8	5						
Earnings for the year	493	606						
Additional information not regularly reported to the CODM								
Non-current segment assets	2,203	2,239	100	121	88	65	321	364
Segment assets	6,279	6,141	1,233	1,172	687	633	822	758
Segment liabilities	3,854	3,736	1,136	1,110	644	641	645	580
Allocation of goodwill	694	696	47	45	42	39	214	217
Allocation of other intangibles	141	196	19	25	25	26	67	94
Capital expenditure property, plant and equipment	163	207	16	22	14	15	19	81
Capital expenditure other intangibles	12	11	3	2	2	2	1	1
Property, plant and equipment, goodwill and intangibles through business combinations	16	263	–	47	16	53	–	157
Non-cash expenses	222	104	22	15	85	11	30	17

1 Total expenses in 2012 include an expense for EU commission antitrust fines of CHF 65 million in Airfreight.

	Contract Logistics		Real Estate		Insurance Brokers		Total Reportable Segments		Eliminations		Unallocated Corporate	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	4,357	4,168	2	2	117	109	20,753	19,596	–	–	–	–
	144	151	74	74	62	58	5,459	5,355	–5,459	–5,355	–	–
	–288	–249	–	–	–	–	–3,633	–3,378	–	–	–	–
	4,213	4,070	76	76	179	167	22,579	21,573	–5,459	–5,355	–	–
	–1,157	–1,116	–1	–	–141	–131	–16,411	–15,601	5,385	5,281	–	–
	3,056	2,954	75	76	38	36	6,168	5,972	–74	–74	–	–
	–2,905	–2,793	–5	–10	–18	–17	–5,312	–4,994	74	74	–	–
	151	161	70	66	20	19	856	978	–	–	–	–
	–68	–70	–25	–27	–	–	–146	–154	–	–	–	–
	–26	–28	–	–	–	–1	–74	–69	–	–	–	–
	–1	–	–	–	–	–	–2	–5	–	–	–	–
	56	63	45	39	20	18	634	750	–	–	–	–
	–	1	–	–	–	–	4	4	–	–	–	–
	575	573	885	915	–	–	1,969	2,038	–	–	234	201
	1,286	1,295	888	918	12	12	4,928	4,788	–	–	1,351	1,353
	1,042	984	20	14	59	58	3,546	3,387	–	–	308	349
	391	395	–	–	–	–	694	696	–	–	–	–
	30	51	–	–	–	–	141	196	–	–	–	–
	85	17	29	72	–	–	163	207	–	–	–	–
	6	6	–	–	–	–	12	11	–	–	–	–
	–	5	–	–	–	1	16	263	–	–	–	–
	77	47	1	–	7	14	222	104	–	–	–	–

b) Geographical information

CHF million	Total Group 2012	Total Group 2011	Europe 2012 [1]	Europe 2011	Americas 2012	Americas 2011
Invoiced turnover (external customers)	20,753	19,596	12,472	12,396	4,572	4,017
Invoiced inter-region turnover	–	–	2,979	3,186	737	676
Customs duties and taxes	-3,633	-3,378	-1,971	-1,971	-878	-720
Net invoiced turnover	17,120	16,218	13,480	13,611	4,431	3,973
Net expenses for services from third parties	-11,026	-10,320	-9,136	-9,331	-3,458	-3,095
Gross profit	6,094	5,898	4,344	4,280	973	878
Total expenses [1]	-5,238	-4,920	-3,870	-3,716	-812	-729
EBITDA	856	978	474	564	161	149
Depreciation of property, plant and equipment	-146	-154	-109	-119	-22	-19
Amortisation of other intangibles	-74	-69	-63	-62	-7	-4
Impairment of other intangibles	-2	-5	-2	-5	–	–
EBIT	634	750	300	378	132	126
Financial income	12	20				
Financial expenses	-5	-8				
Result from joint ventures and associates	4	4	4	4	–	–
Earnings before tax (EBT)	645	766				
Income tax	-152	-160				
Earnings for the year	493	606				
Attributable to:						
Equity holders of the parent company	485	601				
Non-controlling interests	8	5				
Earnings for the year	493	606				
Non-current assets	2,203	2,239	1,610	1,678	215	233
Additional information not regularly reported to the CODM						
Segment assets	6,279	6,141	3,383	3,373	860	818
Segment liabilities	3,854	3,736	2,457	2,382	558	538
Allocation of goodwill	694	696	553	555	110	114
Allocation of other intangibles	141	196	118	165	15	21
Capital expenditure property, plant and equipment	163	207	111	157	21	22
Capital expenditure other intangibles	12	11	11	10	1	–
Property, plant and equipment, goodwill and intangibles through business combinations	16	263	9	160	2	59
Non-cash expenses	222	104	185	81	12	15

1 Total expenses in 2012 include an expense for EU commission antitrust fines of CHF 48 million in Europe and CHF 17 million in Asia-Pacific.

	Asia-Pacific		Middle East, Central Asia and Africa		Eliminations		Unallocated Corporate	
	2012 [1]	2011	2012	2011	2012	2011	2012	2011
	2,120	**1,829**	**1,589**	**1,354**	**–**	**–**	**–**	**–**
	1,231	1,190	438	229	–5,385	–5,281	–	–
	–273	–202	–511	–485	–	–	–	–
	3,078	**2,817**	**1,516**	**1,098**	**–5,385**	**–5,281**	**–**	**–**
	–2,514	–2,256	–1,303	–919	5,385	5,281	–	–
	564	**561**	**213**	**179**	**–**	**–**	**–**	**–**
	–383	–334	–173	–141	–	–	–	–
	181	**227**	**40**	**38**	**–**	**–**	**–**	**–**
	–9	–10	–6	–6	–	–	–	–
	–4	–2	–	–1	–	–	–	–
	–	–	–	–	–	–	–	–
	168	**215**	**34**	**31**	**–**	**–**	**–**	**–**
	–	–	–	–	–	–	–	–
	88	**81**	**56**	**46**	**–**	**–**	**234**	**201**
	374	336	311	261	–	–	1,351	1,353
	332	305	199	162	–	–	308	349
	25	21	6	6	–	–	–	–
	8	10	–	–	–	–	–	–
	14	15	17	13	–	–	–	–
	–	1	–	–	–	–	–	–
	5	43	–	1	–	–	–	–
	22	6	3	2	–	–	–	–

b) Geographical information
Country information

CHF million	2012 Non-current assets	2012 Invoiced turnover	2011 Non-current assets	2011 Invoiced turnover
Switzerland [1]	9	367	6	352
Germany [1]	524	3,911	511	3,984
USA [2]	102	2,236	114	2,029
China [3]	9	647	6	603
South Africa [4]	2	454	2	459

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

21 Personnel expenses

CHF million	2012	2011
Salaries and wages	2,867	2,711
Social expenses and employee benefits	629	588
Expenses for share-based compensation plans	10	7
Expenses for pension plans		
– defined benefit plans	21	20
– defined contribution plans	53	49
Other	25	11
Total	**3,605**	**3,386**

22 Selling, general and administrative expenses

CHF million	2012	2011
Administration	215	201
Communication	78	74
Travel and promotion	76	86
Vehicles	293	293
Operating expenses	231	242
Facilities	682	633
Bad debt and collection expenses	17	13
Total	**1,592**	**1,542**

23 Other operating income/expenses, net

CHF million	2012	2011
Gain on disposal of property, plant and equipment	24	12
Gain on disposal of associate [1]	5	–
Loss on disposal of property, plant and equipment	–5	–4
Total other operating income/expenses, net	**24**	**8**
Expense for EU antitrust fine [2]	–65	–
Total	**–41**	**8**

1 In 2012, a disposal of one associate resulted in a cash inflow of CHF 5 million and a gain of CHF 5 million.
2 See also note 41.

24 Financial income and expenses

CHF million	2012	2011
Interest income	6	10
Net change in fair value of financial investments, including derivative instruments	–	2
Exchange differences, net	6	8
Financial income	**12**	**20**
Interest expenses	–5	–8
Financial expenses	**–5**	**–8**
Net financial result	**7**	**12**

25 Income tax

CHF million	2012	2011
Current tax expense		
– in current year	190	173
– under/(over)-provided in previous years	3	1
	193	**174**
Deferred tax expense from		
– changes in temporary differences	–15	4
– impact of deferred tax assets previously not recognised	–26	–18
	–41	**–14**
Income tax	**152**	**160**

Income tax of CHF 19 million (2011: CHF 1 million) relating to actuarial gains and losses of CHF 58 million before tax (2011: CHF 17 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	2012	per cent	2011	per cent
Earnings before tax according to the income statement	645		766	
Income tax/expected tax rate	**137**	**21.2**	**154**	**20.1**
Tax effect on				
– tax exempt (income)/non-deductible expenses	24	3.7	12	1.6
– tax losses (utilised)/expired	-3	-0.5	-7	-0.9
– change of deferred tax assets not recognised	-26	-4.0	-18	-2.3
– under/(over)-provided in previous years	3	0.5	1	0.1
– unrecoverable withholding taxes	13	2.0	9	1.2
– other	4	0.6	9	1.2
Income tax/effective tax rate	**152**	**23.5**	**160**	**21.0**

Deferred tax assets and liabilities

	Assets [1]		Liabilities [1]		Net [1]	
CHF million	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011
Property, plant and equipment	33	34	-69	-73	-36	-39
Goodwill and other intangibles	28	24	-47	-54	-19	-30
Trade receivables	17	17	-4	-4	13	13
Other receivables	4	4	-25	-23	-21	-19
Finance lease obligations	13	19	-	-	13	19
Provisions for pension plans and severance payments	42	8	-2	-1	40	7
Other liabilities	50	50	-4	-1	46	49
Tax value of loss carry-forwards recognised	8	6	-	-	8	6
Tax assets/(liabilities)	**195**	**162**	**-151**	**-156**	**44**	**6**
1 of which acquired in business combinations (opening balance sheet)	1	4	-2	-18	-1	-14

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

Unrecognised deferred tax assets

CHF million	Dec. 31, 2012	Dec. 31, 2011
On tax losses	44	59
Deductible temporary differences	–	23
Total	**44**	**82**

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

26 Earnings per share

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

Earnings per share	2012	2011
Earnings for the year attributable to the equity holders of the parent company in CHF million	**485**	**601**
Weighted average number of ordinary shares outstanding during the year	119,511,009	119,257,580
Dilutive effect on number of shares outstanding:		
Share-based compensation plans	87,265	179,875
Adjusted weighted number of ordinary shares applicable to diluted earnings per share	119,598,274	119,437,455
Basic earnings per share in CHF	**4.06**	**5.04**
Diluted earnings per share in CHF	**4.06**	**5.03**

27 Property, plant and equipment

2012

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

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

2011

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

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

28 Goodwill and other intangibles

2012

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

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

2011

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

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

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

Impairment testing of goodwill

The Group has performed impairment tests of goodwill at the end of the financial years 2012 and 2011. 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 using estimated long-term growth rates. The growth rates do not exceed the long-term average growth rate for the logistics industry in which the cash generating units operate. Future cash flows are discounted based on the weighted average cost of capital (WACC), taking into account risks that are specific to the cash generating units tested for impairment.

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

Business acquired	USCO Group	ACR Group, Europe [1]	Alloin Group, France	Multiple units [2]	Total
Year of acquisition	2001	2006	2009	2004–2012	
Carrying amount of goodwill in CHF million	**81**	**289**	**87**	**237**	694
Cash-generating unit within segment	Contract Logistics	Contract Logistics	Road & Rail Logistics	All Segments	
Basis for recoverable amount	Value in use	Value in use	Value in use	Value in use	
Pre-tax discount rate in per cent 2012	13.3	11.5–16.8	12.6	11.3–18.0	
Pre-tax discount rate in per cent 2011	12.2	11.6–13.5	12.3	11.1–17.9	
Projection period	3 years	3 years	3 years	3 years	
Terminal growth rate in per cent	1.5	1.5	1.5	1.5	

1 ACR Group, Europe goodwill relates to Great Britain (CHF 99 million), France (CHF 68 million), Netherlands (CHF 56 million) and other various countries (CHF 66 million).
2 Including cash generating units without significant goodwill Cordes & Simon Group, Germany (CHF 38 million), G.L. Kayser Group, Germany (CHF 36 million) and J. Martens Group, Norway (CHF 31 million), RH Group, United Kingdom (CHF 53 million), Cooltainer, New Zealand (CHF 22 million), Eichenberg Group, Brazil (CHF 20 million), J. Van de Put, Netherlands (CHF 12 million).

Key assumptions have not changed from previous year with the exception of discount rates used. For both 2012 and 2011, all recoverable amounts exceeded their carrying amounts and consequently no impairment of goodwill was recognised for the years 2012 and 2011.

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

Sensitivity analysis of goodwill USCO Group

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

CHF million	Discount rate			
Growth rate	14.0 per cent	15.0 per cent	16.0 per cent	17.0 per cent
0.0 per cent	22	15	9	3
0.5 per cent	25	18	11	5
1.0 per cent	29	20	13	7
1.5 per cent	32	23	16	9

Sensitivity analysis of goodwill ACR Group

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

CHF million	Discount rate			
Growth rate	15.0 per cent	16.0 per cent	17.0 per cent	18.0 per cent
0.0 per cent	352	316	284	256
0.5 per cent	366	328	294	265
1.0 per cent	381	341	305	274
1.5 per cent	397	354	317	285

Sensitivity analysis of goodwill Alloin Group

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

CHF million	Discount rate			
Growth rate	13.0 per cent	14.0 per cent	15.0 per cent	16.0 per cent
0.0 per cent	48	36	26	17
0.5 per cent	53	41	30	20
1.0 per cent	59	45	34	23
1.5 per cent	65	50	38	27

29 Investments in joint ventures

As of December 31, 2012, the following investments in joint ventures are held (all with 50 per cent voting rights/KN share):

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

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

CHF million	Dec. 31, 2012	Dec. 31, 2011
Non-current assets	57	54
Current assets	59	59
Non-current liabilities	–	–
Current liabilities	38	34
Net invoiced turnover	293	303
Earnings for the year	–	–

No significant investments in associates were held at December 31, 2012 and 2011.

30 Work in progress

This position increased from CHF 275 million in 2011 to CHF 306 million in 2012 which represents a billing delay of 5.5 working days against the previous year's 5 working days.

31 Trade receivables

CHF million	2012	2011
Trade receivables	2,503	2,345
Impairment allowance	–75	–67
Total trade receivables	**2,428**	**2,278**

The majority of all billing is done in the respective Group companies' own functional currencies and is mainly in EUR 42.8 per cent (2011: 45.2 per cent), USD 12.1 per cent (2011: 12.6 per cent) and GBP 8.9 per cent (2011: 8.9 per cent).

No trade receivables in 2012 and 2011 are pledged.

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

The Group establishes an impairment allowance that represents its estimate of incurred losses in respect of trade receivables. The two components of this impairment allowance of CHF 75 million (2011: CHF 67 million) are:

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

Trade receivables with credit insurance cover are not included in the impairment allowance. The individual impairment allowance relates to specifically identified customers representing extremely high risk of being declared bankrupt, Chapter 11 companies in the USA and customers operating with significant financial difficulties (such as negative equity). The impairment allowance for individually significant exposures is CHF 44 million at year-end 2012 (2011: CHF 42 million).

The collective impairment allowance based on overdue trade receivables is estimated considering past experience of payment statistics. The Group has established a collective impairment allowance of CHF 31 million (2011: CHF 25 million) which represents 3.0 per cent (2011: 2.6 per cent) of total outstanding trade receivables, excluding trade receivables with insurance cover (see above) and trade receivables included in the individual impairment allowance.

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

CHF million	2012 Gross (excluding insured receivables and individual allowance)	2012 Collective allowance	2012 Collective allowance per cent of subtotal	2011 Gross (excluding insured receivables and individual allowance)	2011 Collective allowance	2011 Collective allowance per cent of subtotal
Not past due	625	–	–	658	–	–
Past due 1–30 days	279	–	–	194	–	–
Past due 31–90 days	83	4	5	65	3	5
Past due 91–180 days	19	2	10	17	2	10
Past due 181–360 days	18	18	100	15	15	100
More than 1 year	7	7	100	5	5	100
Total	**1,031**	**31**	**3.0**	**954**	**25**	**2.6**

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

CHF million	2012 Individual allowance	2012 Collective allowance	2012 Total allowance	2011 Individual allowance	2011 Collective allowance	2011 Total allowance
Balance as of January 1	42	25	67	37	20	57
Additions through business combinations	–	–	–	–	3	3
Additional impairment losses recognised	21	10	31	18	7	25
Reversal of impairment losses and write-offs	–19	–4	–23	–13	–5	–18
Balance as of December 31	**44**	**31**	**75**	**42**	**25**	**67**

Trade receivables outstanding at year-end averaged 42.6 days (2011: 42.2 days). 95.1 per cent (2011: 94.4 per cent) of the total trade receivables were outstanding between 1 and 90 days.

32 Other receivables

CHF million	Dec. 31, 2012	Dec. 31, 2011
Receivables from tax authorities	29	31
Deposits	30	29
Sundry	57	40
Total other receivables	**116**	**100**
Income tax receivables	34	49
Total	**150**	**149**

The majority of the other receivables are held in the respective Group companies' own functional currencies which represents EUR 54.5 per cent (2011: 45.9 per cent), USD 8.0 per cent (2011: 19.0 per cent) and GBP 0.7 per cent (2011: 0.7 per cent).

33 Financial investments and derivative instruments

Financial investments

Maturity from date of acquisition CHF million	2012 < 3 months	2012 > 3 months	2012 Total	2011 < 3 months	2011 > 3 months	2011 Total
Investments in sovereign debt securities						
– denominated in foreign currency (EUR)	–	–	–	61	152	213
– denominated in Swiss francs (CHF)	–	–	–	–	63	63
Investments in corporate debt securities						
– denominated in foreign currency (EUR)	–	–	–	–	35	35
Total	–	–	–	**61**	**250**	**311**

The investments in debt securities as of December 31, 2011, were designated as assets at fair value through profit or loss. Financial investments having a maturity date of 3 months or less from the date of acquisition are presented in cash and cash equivalents.

Derivative instruments

CHF million	2012 Derivative assets	2012 Derivative liabilities	2011 Derivative assets	2011 Derivative liabilities
Forward foreign exchange contracts				
– fair value	–	–	2	–
– notional amount	–	–	259	–

As of December 31, 2011, the remaining life of the derivative instruments was between 4 and 116 days. As of December 31, 2012, no material financial investments and derivative instruments were held.

34 Cash and cash equivalents

CHF million	Dec. 31, 2012	Dec. 31, 2011
Cash in hand	2	3
Cash at banks	919	694
Short-term deposits	162	93
Financial investments	–	61
Cash and cash equivalents	1,083	**851**
Bank overdraft	–25	–16
Cash and cash equivalents in the cash flow statement, net	1,058	**835**

The majority of the above mentioned amounts is held in commercial banks and cash and cash equivalents are managed centrally in order to limit currency risks. A netting system and a Group cash pool are in place which also further reduces 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 2012

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

In 2012 the Company sold 628,527 (2011: 309,089) treasury shares for CHF 59 million (2011: CHF 28 million) under the share-based compensation plans. The Company also purchased 202,017 (2011: 123,510) treasury shares for CHF 20 million (2011: CHF 13 million).

On December 31, 2012, the Company had 265,391 treasury shares (2011: 691,901), of which 265,391 (2011: 691,901) are blocked under the share-based compensation plans; refer to note 37 for more information.

Dividends

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

Year	per share	CHF million
2013	CHF 3.50	419

The dividend payment 2012 to owners amounted to CHF 3.85 per share or CHF 460 million (2011: CHF 2.75 per share or CHF 328 million).

Capital contribution reserves distribution

During 2012 there was no distribution from capital contribution reserves to the shareholders (2011: CHF 1.50 per share amounting to CHF 179 million).

Share capital and treasury shares 2011

2011 Main shareholders	Balance Dec. 31 Registered shares of nominal CHF 1 per share	CHF million	Capital share per cent	Voting share per cent	Jan. 1 Registered shares of nominal CHF 1 per share
Kuehne Holding AG, Schindellegi (Feusisberg)	63,900,000	64	53.3	53.6	63,900,000
Public shareholders	55,408,099	55	46.1	46.4	55,222,520
Entitled to voting rights and dividends	**119,308,099**	**119**	**99.4**	**100.0**	**119,122,520**
Treasury shares	691,901	1	0.6		877,480
Total	**120,000,000**	**120**	**100.0**		**120,000,000**

Authorised and conditional share capital

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

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

The Annual General Meeting held on May 8, 2012, approved a conditional share capital increase up to a maximum of CHF 20 million for the purposes of investments of employees of the company or of one of its affiliated companies.

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 that it manages as the Group's total equity, including non-controlling interests. The Group's main objectives when managing capital are:

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

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

CHF million	2012	2011	2010	2009	2008
Total equity	2,425	2,405	2,378	2,290	2,073
Total assets	6,279	6,141	5,941	5,933	5,555
Equity ratio in per cent	**38.6**	**39.2**	**40.0**	**38.6**	**37.3**

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

36 Provisions for pension plans and severance payments

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

CHF million	Pension plans	Severance payments	Total
Balance as of January 1, 2011	**248**	**36**	**284**
Provisions made	20	2	22
Provisions used	–17	–2	–19
Actuarial (gains)/losses recognised in other comprehensive income	17	–	17
Effect of movements in foreign exchange	–7	–1	–8
Balance as of December 31, 2011	**261**	**35**	**296**
Provisions made	21	7	28
Provisions used	–17	–5	–22
Actuarial (gains)/losses recognised in other comprehensive income	58	–	58
Effect of movements in foreign exchange	–3	–	–3
Balance as of December 31, 2012	**320**	**37**	**357**

	2012			2011		
CHF million	Funded plans	Unfunded plans	Total	Funded plans	Unfunded plans	Total
Present value of obligations	181	271	452	161	218	379
Fair value of plan assets	–132	–	–132	–118	–	–118
Present value of net obligations	49	271	320	43	218	261
Recognised liability for defined benefit obligations	**49**	**271**	**320**	**43**	**218**	**261**
Pension plan assets						
Debt securities	79	–	79	68	–	68
Equity securities	30	–	30	27	–	27
Property	8	–	8	9	–	9
Others	15	–	15	14	–	14
Total	**132**	**–**	**132**	**118**	**–**	**118**

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.

	2012			2011		
CHF million	Funded plans	Unfunded plans	Total	Funded plans	Unfunded plans	Total
Movements of fair value of plan assets						
Opening fair value of plan assets	118	–	118	98	–	98
Employer contribution	8	–	8	7	–	7
Employee contribution	4	–	4	4	–	4
Actuarial gains/(losses) recognised in other comprehensive income	2	–	2	–6	–	–6
Benefits paid by the plan	–5	–	–5	–4	–	–4
Expected return on plan assets	5	–	5	5	–	5
Assets assumed through business combination	–	–	–	15	–	15
Exchange differences	–	–	–	–1	–	–1
Closing fair value of plan assets	132	–	132	118	–	118
Expected payments to defined benefit plan in next year	7	–	7	7	–	7
Actual return on plan assets for the year	7	–	7	–1	–	–1

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

CHF million	2012 Funded plans	2012 Unfunded plans	2012 Total	2011 Funded plans	2011 Unfunded plans	2011 Total
Movements of present value of defined benefit obligations						
Opening liability for defined benefit obligations	161	218	379	126	220	346
Liabilities assumed through business combinations	–	–	–	15	–	15
Employee contribution	4	–	4	4	–	4
Current service costs	6	4	10	6	4	10
Interest costs	6	10	16	5	10	15
Benefits paid by the plan	–5	–9	–14	–4	–10	–14
Actuarial (gains)/losses recognised in other comprehensive income	9	51	60	13	–2	11
Amendments/settlements	–	–	–	–2	2	–
Curtailment	–	–	–	–2	–	–2
Exchange differences	–	–3	–3	–	–6	–6
Closing liability for defined benefit obligations	**181**	**271**	**452**	**161**	**218**	**379**
Expense recognised in the income statement						
Current service costs	6	4	10	6	4	10
Interest costs	6	10	16	5	10	15
Expected return on plan assets	–5	–	–5	–5	–	–5
Expense recognised in personnel expenses (refer to note 21)	**7**	**14**	**21**	**6**	**14**	**20**
Actuarial gains/(losses) recognised in other comprehensive income						
Cumulative amount as of January 1	–36	–6	–42	–17	–8	–25
Recognised during the year	–7	–51	–58	–19	2	–17
Cumulative amount as of December 31	**–43**	**–57**	**–100**	**–36**	**–6**	**–42**

Principal weighted actuarial assumptions at the balance sheet date

Per cent	2012 Funded plans	2012 Unfunded plans	2012 Total	2011 Funded plans	2011 Unfunded plans	2011 Total
Discount rate	2.9	3.3	3.2	3.6	4.8	4.3
Expected rate of return on plan assets	4.1	–	4.1	4.5	–	4.5
Future salary increases	1.0	2.0	1.6	0.9	2.0	1.5
Future pension increases	0.2	1.8	1.2	1.8	0.3	0.8

Historical information

CHF million	2012 Funded plans	2012 Unfunded plans	2012 Total	2011 Funded plans	2011 Unfunded plans	2011 Total
Present value of the defined benefit plan obligations	181	271	452	161	218	379
Fair value of plan assets	132	–	132	118	–	118
Surplus/(deficit) in the plan	-49	-271	-320	-43	-218	-261
Experience adjustment arising on plan liabilites	-5	-2	-7	–	-2	-2
Experience adjustment arising on plan assets	–	–	–	-1	–	-1

CHF million	2010 Funded plans	2010 Unfunded plans	2010 Total	2009 Funded plans	2009 Unfunded plans	2009 Total	2008 Funded plans	2008 Unfunded plans	2008 Total
Present value of the defined benefit plan obligations	126	220	346	122	240	362	104	227	331
Fair value of plan assets	98	–	98	89	–	89	87	–	87
Surplus/(deficit) in the plan	-28	-220	-248	-33	-240	-273	-17	-227	-244
Experience adjustment arising on plan liabilites	-2	14	12	–	-1	-1	1	2	3
Experience adjustment arising on plan assets	2	–	2	-1	–	-1	-12	–	-12

37 Employee share-based compensation plans

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

For each purchased share as per above, the Company will match additional shares upon completion of a three years vesting period and service condition during the same period. The level of the share match (share match ratio) is dependant on the achievement of performance over the next three financial years against defined targets. The maximum matching of one share for each share purchased by the employee (minimum investment is 75 shares) can be obtained by exceeding the defined target by more than 15 per cent. A guaranteed return per purchased share is granted through a minimum matching of 0.2 shares after the vesting period. Should the number of allocated shares be a fraction, 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	2012
Grant date	Aug 7, 2012
Performance period	Jan 2012–Dec 2014
Vesting, service and blocking period	Aug 7, 2012–June 30, 2015
Fair value of shares at grant date in CHF per share	111.50
Purchase price of shares in CHF per share	100.00
Number of shares granted	232,077
Expected share match ratio	0.5
Fair value of shares to be matched at grant date in CHF per share	98.60

The difference between the fair value of the shares at purchase date and the discounted purchase price of the shares is recognised as a personnel expense (2012: CHF 3 million) with a corresponding increase in equity.

CHF 2 million is recognised as personnel expense with a corresponding entry in equity for the matching of shares as of December 31, 2012.

Share purchase and option plan (SPOP)
In 2001 the Company implemented an employee share purchase and option plan (SPOP). The plan allowed Group employees to acquire shares of the Company. The employees could buy shares at a reduced price compared to the actual share price at a cut-off 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. 1,645 shares were granted in 2012 (2011: 18,687).

CHF per share	2012	2011
Fair value of shares granted at measurement date	101.90	127.60

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, 2012	Number outstanding as of Dec. 31, 2011
June 30, 2006	July 1, 2009–June 30, 2012	538,154	87.14	–	160,785
June 30, 2007	July 1, 2010–June 30, 2013	605,990	110.71	280,110	370,410
June 30, 2008	July 1, 2011–June 30, 2014	25,756	107.27	17,968	21,468
June 30, 2009	July 1, 2012–June 30, 2015	307,802	82.12	136,883	278,240
June 30, 2010	July 1, 2013–June 30, 2016	447,398	111.37	394,272	415,298
June 30, 2011	July 1, 2014–June 30, 2017	37,374	131.15	37,374	37,374
June 30, 2012	July 1, 2015–June 30, 2018	3,290	113.40	3,290	–
Total		**1,965,764**		**869,897**	**1,283,575**

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

	2012		2011	
Options	Weighted average exercise price (CHF)	Number of options	Weighted average exercise price (CHF)	Number of options
Options outstanding as of January 1	**102.18**	**1,283,575**	**99.23**	**1,581,103**
Options granted during the year	113.40	3,290	131.15	37,374
Options cancelled during the year	113.50	–22,163	104.07	–44,500
Options exercised during the year	90.32	–394,805	89.56	–290,402
Options outstanding as of December 31	**107.31**	**869,897**	**102.18**	**1,283,575**
Options exercisable as of December 31		434,961		552,663

The weighted average life of the options outstanding at December 31, 2012, is 2.4 years (2011: 2.9 years). The options outstanding at December 31, 2012, have an exercise price in the range of CHF 82.12 to CHF 131.15 (2011: CHF 82.12 to CHF 131.15).

CHF	2012	2011
Fair value of options granted at measurement date	22.28	29.96
Share price	101.90	127.60
Exercise price	113.40	131.15
Expected volatility in per cent	33.6	32.2
Expected option life	5 years	5 years
Dividend yield in per cent	2.2	2.2
Risk-free interest rate in per cent	0.04	1.07

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information. The share options are granted under a service condition. Service conditions are not taken into account in the grant date fair value measurement of the services received.

CHF million	2012	2011
Employee expenses		
Expense arising from SMP – purchase of shares	3	–
Expense arising from SMP – matching of shares	2	–
Expense arising from SPOP – purchase of shares	–	–
Expense arising from SPOP – grant of options	5	7
Total expense for share-based compensation plans	**10**	**7**

38 Bank liabilities and other interest-bearing liabilities

CHF million	Dec. 31, 2012	Dec. 31, 2011
Less than 1 year	36	44
Between 1–5 years	–	–
Total	**36**	**44**

The current bank and other interest-bearing liabilities include finance lease liabilities due for payment within one year of CHF 11 million (2011: CHF 23 million). Current bank and other interest-bearing liabilities also include bank overdrafts of CHF 25 million (2011: CHF 16 million), which are included in cash and cash equivalents for the purpose of the consolidated cash flow statement.

All loans and bank overdrafts are held in the respective Group companies' own functional currencies, which mainly is in EUR 34.8 per cent (2011: 60.6 per cent), GBP 7.8 per cent (2011: 28.6 per cent) and USD 7.1 per cent (2011: 7.0 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 32 million (2011: CHF 43 million) and is presented separately on the face of the balance sheet.

39 Finance lease obligations

	2012			2011		
CHF million	Payments	Interest	Principal	Payments	Interest	Principal
Less than 1 year	12	1	11	25	2	23
Between 1–5 years	27	2	25	34	3	31
After 5 years	7	–	7	12	–	12
Total	**46**	**3**	**43**	**71**	**5**	**66**

40 Trade payables/accrued trade expenses/deferred income

CHF million	Dec. 31, 2012	Dec. 31, 2011
Trade payables	1,337	1,285
Accrued trade expenses	801	736
Deferred income	130	145
Total	**2,268**	**2,166**

The majority of all trade payables is in the respective Group companies' own functional currencies, which is in EUR 48.6 per cent (2011: 51.8 per cent), USD 9.0 per cent (2011: 14.3 per cent) and GBP 9.7 per cent (2011: 8.7 per cent).

41 Provisions

The movements in provisions were as follows:

CHF million	Claim provisions [1]	Provision for deductible of transport liability insurance [2]	Others [3]	Total provision
Balance as of January 1, 2011	77	29	57	163
Additions through business combinations	1	–	1	2
Provisions used	–19	–11	–13	–43
Provisions reversed	–6	–2	–8	–16
Provisions made	23	14	20	57
Effect of movements in foreign exchange	–1	–	–1	–2
Balance as of December 31, 2011	**75**	**30**	**56**	**161**
of which				
– Current portion	27	8	29	64
– Non-current portion	48	22	27	97
Total provisions	**75**	**30**	**56**	**161**
Balance as of January 1, 2012	75	30	56	161
Provisions used	–108	–11	–16	–135
Provisions reversed	–12	–	–12	–24
Provisions made	100	7	29	136
Effect of movements in foreign exchange	–	–	–1	–1
Balance as of December 31, 2012	**55**	**26**	**56**	**137**
of which				
– Current portion	26	11	31	68
– Non-current portion	29	15	25	69
Total provisions	**55**	**26**	**56**	**137**

1 Some 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. In the US the Group has entered into a plea agreement with the Department of Justice approved by the competent court at the end of 2011. As of March 28, 2012, the EU commission imposed fines against various logistics companies in antitrust proceedings. For Kuehne + Nagel International AG and its subsidiaries, the fine amounts to CHF 65 million (EUR 53.7 million); the same amount was provided for in March 2012 and paid on July 2, 2012. The Group has appealed that decision at the European Court of Justice. In Switzerland the WEKO (Swiss competition authority) imposed a fine of CHF 1.2 million against the Group on December 18, 2012, after a settlement agreement with various logistics companies.
Kuehne + Nagel has furthermore settled a US class action lawsuit which sought civil damages for conduct previously investigated by the Department of Justice. According to the settlement, which is subject to court approval, Kuehne + Nagel paid an amount of CHF 26 Mio. (USD 28 million), and in addition, assigned proceeds itself receives from a pending class action against airlines. The payment has been effected from a provision built for this purpose (see also notes 23 and 45).

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

3 Other provisions mainly consist of provisions for dilapidation costs amounting to CHF 28 million (2011: CHF 22 million) and of provisions for onerous contracts amounting to CHF 14 million (2011: CHF 14 million).

42 Other liabilities

CHF million	Dec. 31, 2012	Dec. 31, 2011
Personnel expenses (including social security)	443	426
Other tax liabilities	71	67
Other operating expenses	203	215
Sundry	67	56
Total	**784**	**764**

43 Acquisition of businesses/subsidiaries

2012 Acquisitions

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

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

All acquisitions in the year 2012 were in connection with the implementation of the Group's "Go for Growth" strategy.

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

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

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

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

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

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

In the 2012 three quarterly Condensed Consolidated Financial Statements, the initial accounting for the acquisitions made in 2012 was only determined provisionally. No material adjustments to the values previously reported were deemed necessary after having finalised the acquisition accounting.

The initial accounting for the acquisitions made from October 1, 2012, has only been determined provisionally. It is not feasible to provide detailed information about the assets and liabilities at this stage.

2011 Acquisitions

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

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

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

Effective January 14, 2011, the Group acquired the perishable logistics business (mainly customer list) from two companies in Colombia and one in Ecuador. The business acquired is a specialised perishable forwarding operation having 160 employees and handling 75,000 tons of air export per annum. The purchase price of CHF 21.8 million includes a contingent consideration of CHF 10.9 million depending on the financial performance of the acquired business in the next three years ending December 31, 2013. CHF 10.9 million has been paid in cash.

Effective March 24, 2011, the Group acquired the business (mainly customer list) of Grolman & Co. GmbH and ASTRA Assekuranz GmbH. The purchase price of CHF 0.6 million has been paid in cash.

Effective April 1, 2011, the Group acquired a 75 per cent stake of Cooltainer Holdings Limited, a leading reefer operator in New Zealand. The purchase price of CHF 23.6 million has been paid in cash. As part of the acquisition, the Group issued a written put option, giving the non-controlling shareholder the right from April 1, 2014, to sell its remaining shares in Cooltainer to the Group at fair value. The Group has recognised a liability in the amount of CHF 8 million for this potential obligation. The Group has a call option on the shares held by the non-controlling shareholder with the same terms and conditions as the written put option.

Effective April 1, 2011, the Group acquired Rennies Investment Limited (RH Freight), a European overland provider in the United Kingdom. The purchase price of CHF 88 million has been paid in cash.

Effective September 1, 2011, the Group acquired Eichenberg Group, a Brazilian road logistics provider. The purchase price of CHF 40.1 million includes a deferred consideration of CHF 18.1 million to be paid until April 2013 and a contingent consideration of CHF 5.5 million depending on the financial performance of the acquired business until December 31, 2012. CHF 16.5 million has been paid in cash.

Effective September 2, 2011, the Group acquired shares of K-Logistics, a French co-packing service provider. The purchase price of CHF 1.7 million includes a contingent consideration of CHF 1.1 million depending on the financial performance of the acquired business until December 31, 2012. CHF 0.6 million has been paid in cash.

Effective October 1, 2011, the Group acquired J. van de Put Fresh Cargo Handling B.V., a specialised operator in handling perishables airfreight cargo in the Netherlands. The purchase price of CHF 27.3 million includes a deferred consideration of CHF 3 million and a contingent consideration of CHF 7.3 million depending on the financial performance of the acquired business to be paid until April 30, 2013. CHF 17 million has been paid in cash.

Effective October 24, 2011, the Group acquired the shares of Carl Drude GmbH & Co. KG, located in Bad Hersfeld (Hauneck), Germany, specialised in hub operations for international groupage networks. The purchase price of CHF 12.4 million has been paid in cash.

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

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

Goodwill of CHF 121 million arose on these acquisitions because certain intangible assets did not meet the IFRS 3 criteria for the recognition as intangible assets at the date of acquisition. These assets mainly consist of management expertise and workforce. An amount of CHF 32 million of goodwill is expected to be deductible for tax purposes. Other intangibles of CHF 88 million recognised on these acquisitions represent non-contractual customer lists having a useful life of 3 to 7 years.

The accounting for the acquisitions made in 2011 was initially determined provisionally only. No material adjustments to the values previously reported were deemed necessary after having finalised the acquisition accounting.

Effective December 1, 2011, the Group acquired an additional 12.5 per cent of the shares of Amex Ltd., Israel, in which the Group previously owned 75 per cent, for a purchase price of CHF 2 million, which has been paid in cash. The difference between the purchase price paid and the net assets acquired has been recognised in equity.

44 Personnel

Number	Dec. 31, 2012	Dec. 31, 2011
Europe	44,360	43,771
Americas	9,073	9,389
Asia-Pacific	6,989	7,195
Middle East, Central Asia and Africa	2,826	2,755
Total employees (unaudited)	**63,248**	**63,110**
Full-time equivalent	**72,399**	**71,884**

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

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

45 Contingent liabilities

As of year-end the following contingent liabilities existed:

CHF million	Dec. 31, 2012	Dec. 31, 2011
Guarantees in favour of customers and others	8	2
Contingency under unrecorded claims	1	–
Total	**9**	**2**

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 55 million (2011: CHF 75 million).

Antitrust cases in various jurisdictions, amongst them proceedings in Brazil, New Zealand, France and Austria, are still ongoing. It is currently not possible to reliably estimate a potential financial impact of these cases. Consequently, no provision or quantification of the contingent liability for these cases was made in the Consolidated Financial Statements 2012.

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, 2012

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

As of December 31, 2011

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

The expense for operating leases recognised in the income statement is CHF 585 million (2011: CHF 548 million).

47 Capital commitments

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

CHF million	Dec. 31, 2012	Dec. 31, 2011
Great Britain	1	2
New Zealand	2	–
Total	**3**	**2**

48 Risk management, objectives and policies

Group risk management

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

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

Governance, the risk management system within the Group covers both financial and operational risks. A risk is defined as the possibility of an adverse event which has a negative impact on the achievement of the Group's objectives.

Risk management as an integral part of the Internal Control System

Risk management is part of the Internal Control System (ICS). Preventive and risk-reducing measures to control risks are proactively taken on different levels and are an integral part of management responsibility. Operational risks are treated where they occur in accordance with established competencies.

Conduct of a risk assessment in 2012

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

Identified risks:

- Financial risks such as development of interest rate, credit and financial markets and currency risks, which are all constantly monitored and controlled by the finance and accounting department.
- The growing challenges of the economic development as well as the uncertainties of the financial markets are of essential importance from the risk-policy point of view, whereby this is counteracted by appropriate risk diversification and avoidance of regional and industry clustering.
- Risk of price volatility in procurement such as the volatility of seafreight rates due to incoherent development of capacities versus demand. In this connection, risks relating to purchase of transportation services are specifically monitored.
- Risk related to the IT network availability are countered by permanent monitoring of systems, redundant infrastructure as well as interlinked data center with back-up structures and business continuity plans. This also includes IT security risks, particularly with regards to ensuring data security and data integrity.
- Organized crime, terrorism, accompanied by increased density of regulations, growing complexity and customer expectations have led to rising security requirements and risks, which is taken into consideration by a holistic supply chain approach.
- Legal and compliance risks such as fraud and intentional and unintentional violations of the law, adherence to export regulations are counteracted by, amongst other measures, comprehensive staff training and the worldwide network of compliance officers at regional and national levels.
- Communication risks with respect to capital markets as well as image and reputation risk, e.g. in connection with compliance-related issues, is taken into consideration by a centralized approach towards corporate communications.

Organisation of risk management

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

Summarised assessment of the risk situation

In the 2012 business year there were no significant risks identified that would have the potential to impact the Group and its further development negatively.

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

The major risk remains in the uncertainties of the economic development and the financial markets, therefore being in 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 through the use of financial instruments when deemed appropriate. It is the Group's policy and practice not to enter into derivative transactions for trading or speculative purposes, nor for the purposes unrelated to the underlying business.

Market risk

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

Interest rate risk

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

Exposure

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

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

Profile

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

	Carrying amount	
CHF million	2012	2011
Fixed rate instruments		
Cash and cash equivalents	–	61
Financial investments	–	250
Total	**–**	**311**

	Carrying amount	
CHF million	2012	2011
Variable rate instruments		
Cash and cash equivalents	1,081	787
Current bank and other interest-bearing liabilities	–36	–44
Non-current finance lease obligations	–32	–43
Total	**1,013**	**700**

Fair value sensitivity analysis – fixed rate instruments

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

As of December 31, 2011, the Group's investments in debt securities were fixed rate financial assets at fair value through profit or loss. In 2011 a change of 100 basis points in interest rates would have increased or decreased profit or loss by CHF 3 million due to the corresponding fair value change of these instruments.

Cash flow sensitivity analysis – variable rate instruments

A change of 100 basis points in interest rates on December 31, 2012, would have increased or decreased profit or loss by CHF 10 million (2011: CHF 7 million) due to changed interest payments on variable rate interest-bearing liabilities and assets. The analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

Currency risk

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

Exposure

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

Derivative financial instruments (foreign exchange contracts) are, to a limited extent, in use to hedge the foreign exchange exposure on outstanding balances in the Group's internal clearing system centralised at the head office. Given that the Group's hedging activities are limited to hedges of recognised foreign currency monetary items, hedge accounting under IAS 39 is not applied. As of the 2012 and 2011 year-end there were no material derivative instruments outstanding. The outstanding derivative contracts as of December 31, 2011, have mainly been entered into to off-set the foreign exchange effect on investments in foreign currency debt instruments (see note 33). Forecast transactions are not hedged. Likewise, investments in foreign subsidiaries are not hedged as those currency positions are considered to be long-term in nature.

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

	2012			2011		
CHF million	EUR	USD	GBP	EUR	USD	GBP
Cash and cash equivalents	121	75	1	98	66	1
Financial investments	–	–	–	187	–	–
Trade receivables	33	288	2	29	223	8
Trade payables	–27	–83	–1	–33	–60	–4
Gross balance sheet exposure	**127**	**280**	**2**	**281**	**229**	**5**

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

Sensitivity analysis

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

2012

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

The impact on the profit or loss is mainly a result of foreign exchange gains or losses arising on translation of trade receivables, trade payables and cash and cash equivalents in foreign currencies. The currency risk on investments in foreign currency debt securities held as of December 31, 2011, was mainly offset by foreign exchange contracts entered into. There would not be an impact on other comprehensive income as the Group does not have any securities classified as available for sale or applies cash flow hedge accounting.

2011

CHF million	1 CHF/EUR	1 CHF/USD	1 GBP/EUR	1 GBP/USD	1 USD/EUR
Reasonably possible change +/– in per cent	10.0	10.0	10.0	10.0	10.0
Positive effect on P/L	28.1	23.0	19.2	15.7	30.0
Negative effect on P/L	–28.1	–23.0	–19.2	–15.7	–30.0

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

Credit risk

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

Exposure
At the balance sheet date, the maximum exposure to credit risk without taking into account any collateral held or other credit enhancements was:

CHF million	2012	2011
Trade receivables	2,428	2,278
Other receivables	83	69
Cash and cash equivalents	1,081	848
Financial investments	–	252
Total	**3,592**	**3,447**

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

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

CHF million	2012	2011
Europe	1,467	1,427
Americas	527	483
Asia-Pacific	232	202
Middle East, Central Asia & Africa	202	166
Total	**2,428**	**2,278**

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

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

Liquidity risk

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

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

2012

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

2011

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

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 1,083 million (2011: CHF 851 million) as well as financial assets with a carrying amount of CHF 2,511 million (2011: CHF 2,347 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 2,468 million (2011: CHF 2,371 million) carried at amortised cost. The majority of these financial liabilities are current liabilities. At year-end 2012 and 2011 there were no non-current fixed rate interest-bearing loans and other liabilities.

As of December 31, 2012, the Group holds no debt instruments designated as financial assets at fair value through profit or loss and no significant derivative instruments. As of December 31, 2011, the Group held debt instruments designated as financial assets at fair value through profit or loss upon initial recognition with the carrying amount of CHF 250 million and derivative instruments with the carrying amount of CHF 2 million.

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

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

The Group's debt instruments with the carrying amount of CHF 250 million as of December 31, 2011, were categorised as level 1 investments. Derivative assets in the amount of CHF 2 million as of December 31, 2011, were categorised as level 2 investments.

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

50 Related parties and transactions

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

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

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

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

- Management Board: CHF 11.3 million (2011: CHF 12.2 million)
- Board of Directors: CHF 4.7 million (2011: CHF 5.1 million)

As of December 31, 2012, 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 53.7 per cent (2011: 53.9 per cent) of the voting shares of the Company.

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

	Management Board		Board of Directors	
CHF million	2012	2011	2012	2011
Wages, salaries and other short-term employee benefits	10.1	11.4	4.3	4.7
Post-employment benefits	0.4	0.4	0.2	0.2
Share-based compensation	0.8	0.4	0.2	0.2
Total compensation	**11.3**	**12.2**	**4.7**	**5.1**

Refer to pages 137 to 141; note 12 of the Financial Statements of Kuehne + Nagel International AG for disclosure requirements according to the Swiss law (Article 663b/c CO). For other related parties refer to note 35 outlining the shareholder's structure, and pages 124 to 129 listing the Group's significant subsidiaries and joint ventures.

51 Accounting estimates and judgments

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

Acquisition accounting

Intangible assets acquired in a business combination are required to be recognised separately from goodwill and amortised over their useful life if they are subject to contractual or legal rights or are separately transferable and their fair value can be reliably estimated. The Group has separately recognised customer lists and customer contracts based on contractual agreements in acquisitions made (see note 28).

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

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

The Group tests its goodwill with a total carrying amount of CHF 694 million (2011: CHF 696 million) for impairment every year as disclosed in note 12. No impairment loss on goodwill was recognised in 2012 and 2011. The Group also assesses annually any indicators that other intangible assets or property, plant and equipment might be impaired. In such a case, the assets are tested for impairment. An impairment loss on other intangible assets of CHF 2 million was recognised in 2012 (2011: CHF 5 million). The carrying amount of other intangibles is CHF 141 million (2011: CHF 196 million), and of property, plant and equipment CHF 1,134 million (2011: CHF 1,146 million).

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

Defined benefit pension plans

The Group has recognised a liability for defined benefit pension plans in the amount of CHF 320 million (2011: CHF 261 million). A number of assumptions are made in order to calculate the liability, including discount rate, rate of return on plan assets, future salary and pension increases. A relatively minor change in any of these assumptions can have a significant impact on the carrying amount of the defined benefit obligation.

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

Income tax

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

The Group has recognised a net deferred tax asset of CHF 44 million (2011: Net deferred tax asset of CHF 6 million). The Group furthermore has unrecognised deferred tax assets relating to unused tax losses and deductible temporary differences of CHF 44 million (2011: CHF 82 million). Based on estimates of the probability of releasing these tax benefits, available taxable temporary differences, periods of reversals of such differences etc., the management does not believe that the criteria to recognise deferred tax assets are met (see note 25).

Provisions and contingent liabilities

The Group has recognised provisions for an amount of CHF 137 million (2011: CHF 161 million) related to legal claims and other exposures in the freight forwarding and logistics operations (see note 41). The provisions represent the best estimate of the risks, but the final amount required is subject to uncertainty.

52 Post balance sheet events

Effective January 8, 2013, the Group acquired 70 per cent of the shares of Universal Freight Services LLC, Oman, mainly specialized in Seafreight and Airfreight forwarding activities. The acquired business will be consolidated from January 8, 2013. The purchase price amounts to CHF 0.6 million.

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

There have been no other material events between December 31, 2012, and the date of authorisation of the Consolidated Financial Statements that would require adjustments of the Consolidated Financial Statements or disclosure.

53 Resolution of the Board of Directors

The Consolidated Financial Statements of the Group were authorised for issue by the Board of Directors on March 1, 2013. A resolution to approve the Consolidated Financial Statements will be proposed at the Annual General Meeting on May 7, 2013.

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

As statutory auditor, we have audited the accompanying consolidated financial statements of Kuehne + Nagel International AG, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes on the pages 62 to 122 for the year ended December 31, 2012.

Board of Directors' Responsibility
The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

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

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

Opinion
In our opinion, the consolidated financial statements for the year ended December 31, 2012, give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

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

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

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

KPMG AG

Marc Ziegler
Licensed Audit Expert
Auditor in Charge

Lukas Marty
Licensed Audit Expert

Zurich, March 1, 2013

Holding and Management Companies

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

Operating Companies

South West Europe

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
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
Italy	Kuehne + Nagel Srl	Milan	EUR	4,589	100
	Nacora Srl	Milan	EUR	104	70
Malta	Kuehne + Nagel Limited	Hamrun	EUR	14	100
Morocco	Kuehne + Nagel SAS	Casablanca	MAD	300	100
Portugal	Kuehne + Nagel Lda	Porto	EUR	165	100
Spain	Kuehne & Nagel S.A.U.	Madrid	EUR	60	100
	Kuehne & Nagel Investments S.L.U.	Madrid	EUR	3	100
	Nacora Correduria de Seguros S.A	Madrid	EUR	150	100
	Kuehne & Nagel Network S.L.U.	Madrid	EUR	60	100

North West Europe

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
Denmark	Kuehne + Nagel A/S	Copenhagen	DKK	5,200	100
	Kuehne + Nagel Holding Denmark A/S	Copenhagen	DKK	750	100
Finland	Oy Kuehne + Nagel Ltd	Helsinki	EUR	200	100
Ireland	Kuehne & Nagel (Ireland) Limited	Dublin	EUR	500	100
Norway	Kuehne + Nagel AS	Oslo	NOK	3,100	100
Sweden	Kuehne & Nagel AB	Stockholm	SEK	500	100
	Kuehne & Nagel Investment AB	Stockholm	EUR	112	100
	Nacora International Insurance Brokers AB	Stockholm	SEK	100	100
United Kingdom	Kuehne + Nagel (UK) Limited	Uxbridge	EUR	8,000	100
	Kuehne + Nagel Limited	Uxbridge	GBP	8,867	100
	Nacora Insurance Brokers Limited	Uxbridge	GBP	150	100
	The RH Group Limited	Nottingham	GBP	600	100
	Kuehne + Nagel Drinks Logistics Limited	Milton Keynes	GBP	–	100
	*Kuehne + Nagel Drinkflow Logistics Limited	Milton Keynes	GBP	877	50
	*Kuehne + Nagel Drinkflow Logistics Holdings Limited	Milton Keynes	GBP	6,123	50

Central Europe

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
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
Germany	Kuehne + Nagel (AG & Co.) KG	Bremen	EUR	15,000	100
	KN Airlift GmbH	Frankfurt	EUR	256	100
	Stute Logistics GmbH	Bremen	EUR	1,023	100
	CS Parts Logistics GmbH	Bremen	EUR	426	50
	Kuehne + Nagel Euroshipping GmbH	Regensburg	EUR	256	51
	Pact GmbH	Hamburg	EUR	50	100
	SPS Zweite Vermögensverwaltungs GmbH	Hamburg	EUR	25	90
	Cargopack Verpackungsgesellschaft für Industriegüter mbH	Bremen	EUR	307	100
	Aircraft Production Logistics GmbH	Hamburg	EUR	25	100
	Kuehne + Nagel Beteiligungs-AG	Bremen	EUR	10,277	100
	Nacora Versicherungsmakler GmbH	Hamburg	EUR	79	100
	Gustav. F. Huebener GmbH	Hamburg	EUR	31	100
	Kuehne + Nagel Logistics Langenau GmbH	Langenau	EUR	25	100
	Carl Drude GmbH & Co. KG	Hauneck	EUR	250	100

Central Europe

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
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
	*Cologic S.A.	Contern	EUR	32	50
The Netherlands	Kuehne + Nagel N.V.	Rotterdam	EUR	3,325	100
	Kuehne + Nagel Investments B.V.	Rotterdam	EUR	50	100
	Nacora Assurantiekantoor B.V.	Rotterdam	EUR	45	100
	Kuehne + Nagel Logistics B.V.	Veghel	EUR	63	100
	Kuehne + Nagel Transport B.V.	Schiphol	EUR	18	100
Switzerland	Kuehne + Nagel AG	Opfikon	CHF	3,000	100
	Nacora Insurance Brokers AG	Opfikon	CHF	100	100

Eastern Europe

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
Albania	Transalbania Sh.p.k	Tirana	ALL	41,725	51
Austria	Kuehne + Nagel Eastern Europe AG	Vienna	EUR	1,090	100
	Kuehne + Nagel GmbH	Vienna	EUR	1,820	100
	Nacora Insurance Brokers GmbH	Vienna	EUR	35	100
Belarus	Kuehne + Nagel FPE	Minsk	BYR	286,000	100
Bosnia and Herzegovina	Kuehne + Nagel doo	Sarajevo	BAM	95	100
Bulgaria	Kuehne + Nagel EOOD	Sofia	BGN	365	100
Croatia	Kuehne + Nagel d.o.o.	Zagreb	HRK	4,300	100
Cyprus	Nakufreight Limited	Nicosia	EUR	17	100
Czech Republic	Kuehne + Nagel spol. s r.o.	Prague	CZK	21,000	100
Estonia	Kuehne + Nagel AS	Tallinn	EUR	26	100
Greece	Kuehne + Nagel AE	Athens	EUR	6,648	100
	Arion SA	Athens	EUR	411	100
	Nacora Brokins International AE	Athens	EUR	60	60
	*Sindos Railcontainer Services AE	Thessaloniki	EUR	3,038	50
Hungary	Kuehne + Nagel Kft	Budapest	HUF	134,600	100
Latvia	Kuehne + Nagel SIA	Riga	LVL	100	100
Lithuania	Kuehne & Nagel UAB	Vilnius	LTL	800	100
Macedonia	Kuehne + Nagel d.o.o.e.l.	Skopje	MKD	8,232	100
Poland	Kuehne + Nagel Poland sp.z o.o.	Poznan	PLN	104,416	100
Romania	Kuehne + Nagel SRL	Bucharest	RON	2,543	100
Russia	OOO Kuehne + Nagel	Moscow	RUR	1,228,036	100
	OOO Kuehne & Nagel Sakhalin	Sakhalin	RUR	500	100
	OOO Nakutrans	Moscow	RUR	278	100
Serbia	Kuehne + Nagel d.o.o.	Belgrade	RSD	3,039	100
Slovakia	Kuehne + Nagel s r.o.	Bratislava	EUR	470	100
Slovenia	Kuehne + Nagel d.o.o.	Ljubljana	EUR	10	100
Ukraine	Kuehne + Nagel Ltd.	Kiev	UAH	30,903	100

North America

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

South America

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
Argentina	Kuehne + Nagel S.A.	Buenos Aires	ARS	3,208	100
	Nacora S.A.	Buenos Aires	ARS	20	100
Bolivia	Kuehne + Nagel Ltda.	Santa Cruz	BOB	260	100
Brazil	Kuehne + Nagel Serviços Logisticos Ltda.	São Paulo	BRL	54,725	100
	Nacora Corretagens de Seguros Ltda.	São Paulo	BRL	1,094	100
	Transeich Armazens Gerais S.A.	Porto Alegre	BRL	2,479	100
	Transeich Assessoria e Transportes S.A.	Porto Alegre	BRL	17,918	100
Chile	Kuehne + Nagel Ltda.	Santiago	CLP	575,000	100
Colombia	Kuehne + Nagel S.A.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	1	100
Cuba	Kuehne Nagel Logistic Services S.A.	Havana	CUC	–	100
Ecuador	Kuehne + Nagel S. A.	Quito	USD	7	100
El Salvador	Kuehne + Nagel S.A. DE C.V.	San Salvador	USD	69	100
Guatemala	Kuehne + Nagel S.A.	Guatemala	GTQ	4,245	100
Honduras	Kuehne + Nagel S.A.	San Pedro Sula	HNL	25	100
Nicaragua	Kuehne + Nagel S.A.	Managua	NIO	10	100
Panama	Kuehne + Nagel S.A.	Colon	USD	1	100
	Kuehne + Nagel Management S.A.	Colon	USD	10	100
Peru	Kuehne + Nagel S.A.	Lima	PEN	654	100
Trinidad & Tobago	Kuehne + Nagel Ltd.	Port of Spain	TTD	31	100
Uruguay	Kuehne + Nagel S.A.	Montevideo	UYU	3,908	100
Venezuela	Kuehne + Nagel S.A.	Caracas	VEF	1,000	100
	KN Venezuela Aduanas C.A.	Caracas	VEF	2	100
	Nacora S.A.	Caracas	VEF	60	100

Asia-Pacific

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
Afghanistan	Kuehne + Nagel Ltd	Kabul	USD	6	100
Australia	Kuehne & Nagel Pty Ltd	Melbourne	AUD	2,900	100
	Nacora Insurance Services Pty Ltd	Melbourne	AUD	–	100
	Cooltainer Australia Pty Limited	Sydney	AUD	–	75
Bangladesh	Kuehne + Nagel Limited	Dhaka	BDT	10,000	100
Cambodia	Kuehne + Nagel Limited	Phnom Penh	USD	5	100
China	Kuehne & Nagel Ltd.	Shanghai	CNY	22,072	100
	Kuehne & Nagel Logistics Co Ltd.	Shanghai	CNY	5,515	100
	Kuehne & Nagel Information Company Ltd.	Guangzhou	CNY	1,008	100
	Kuehne & Nagel Ltd.	Hong Kong	HKD	1,560	100
	Transpac Container System Ltd.	Hong Kong	HKD	100	100
	Nacora Insurance Brokers Ltd.	Hong Kong	HKD	500	70
India	Kuehne + Nagel Pvt. Ltd.	New Delhi	INR	40,000	100
Indonesia	PT. KN Sigma Trans	Jakarta	IDR	1,730,100	95
Japan	Kuehne + Nagel Ltd.	Tokyo	JPY	80,000	100
Korea	Kuehne + Nagel Ltd.	Seoul	KRW	500,000	100
Macau	Kuehne & Nagel Ltd.	Macau	HKD	971	100
	Nacora Insurance Brokers Ltd.	Macau	HKD	53	51
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
New Zealand	Kuehne + Nagel Limited	Auckland	NZD	200	100
	Nacora Insurance Services Limited	Auckland	NZD	10	100
	Cooltainer New Zealand Limited	Christchurch	NZD	1,200	75
Pakistan	Kuehne + Nagel (Private) Limited	Karachi	PKR	9,800	100
Philippines	Kuehne + Nagel Inc.	Manila	PHP	5,000	100
	KN Subic Logistics Inc.	Manila	PHP	1,875	100
Singapore	Kuehne + Nagel Pte. Ltd.	Singapore	SGD	500	100
	Nacora Insurance Agency Pte. Ltd.	Singapore	SGD	100	100
	Kuehne + Nagel (Asia Pacific) Management Pte. Ltd.	Singapore	SGD	200	100
Sri Lanka	Kuehne & Nagel (Pvt) Ltd.	Colombo	LKR	2,502	100
Taiwan	Kuehne + Nagel Ltd.	Taipei	TWD	20,000	100
	Nacora Insurance Brokers Ltd.	Taipei	TWD	6,000	100
Thailand	Kuehne + Nagel Limited	Bangkok	THB	20,000	100
	Consolidation Transport Limited	Bangkok	THB	100	100

Middle East and Central Asia

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
Bahrain	Kuehne + Nagel WLL	Manama	BHD	200	100
Egypt	Kuehne + Nagel Ltd.	Cairo	EGP	1,000	100
Georgia	KN Ibrakom Logistics Services Ltd	Tbilisi	GEL	83	60
Israel	Amex Ltd.	Holon	ILS	2	87.5
Iran	Kala Navegan Shargh Co. Ltd.	Tehran	IRR	2,000	60
	Caspian Terminal Services Qeshm Co.Ltd.	Bandar Abbas	IRR	200,000	57
Iraq	Jawharat Al-Sharq Co. for General Transportation & Support Services Ltd.	Baghdad	USD	85	100
	Kuehne + Nagel for General Transportation and Logistics Services L.L.C.	Erbil	USD	45	100
Jordan	Kuehne and Nagel Jordan L.L.C.	Amman	JOD	300	100
Kazakhstan	KN Ibrakom L.L.P.	Almaty	KZT	140,000	60
Kuwait	Kuehne + Nagel Company W.L.L.	Kuwait	KWD	150	100
Lebanon	*KN-ITS SAL	Beirut	LBP	113,000	50
Qatar	Kuehne + Nagel L.L.C.	Doha	QAR	1,900	100
Saudi Arabia	Kuehne and Nagel Limited	Jeddah	SAR	1,000	100
Turkey	Kuehne + Nagel Nakliyat Sti.	Istanbul	TRY	5,195	100
	KN Ibrakom Lojistik Hizmetleri Ltd. Sti.	Istanbul	TRY	945	60
UAE	Kuehne + Nagel L.L.C.	Dubai	AED	1,000	100
	Kuehne + Nagel L.L.C.	Abu Dhabi	AED	1,000	100
	Kuehne + Nagel DWC L.L.C.	Dubai	AED	13,000	100
	Kuehne + Nagel Management ME FZE	Dubai	AED	1,000	100
	Ibrakom FZCO	Jebel Ali	USD	273	60
	Ibrakom Cargo LLC	Jebel Ali	USD	82	60
	Lloyds Maritime & Trading Limited	Jebel Ali	USD	–	60
Uzbekistan	Kuehne + Nagel Ibrakom Tashkent Ltd.	Tashkent	UZS	14,000	60

Africa

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
Angola	Kuehne & Nagel (Angola) Transitarios Lda	Luanda	AON	7,824	100
Equatorial Guinea	Kuehne + Nagel (Equatorial Guinea) Ltd.	Malabo	CFA	1,046	100
Kenya	Kuehne + Nagel Limited	Nairobi	KES	63,995	100
Mauritius	KN (Mauritius) Limited	Port Louis	MUR	4,000	100
Mozambique	Kuehne & Nagel Mocambique Lda.	Maputo	MZN	133	100
Namibia	Kuehne and Nagel (Pty) Ltd.	Windhoek	NAD	340	100
Nigeria	Kuehne & Nagel (Nigeria) Limited	Lagos	NGN	10,000	100
South Africa	Kuehne + Nagel (Proprietary) Limited	Johannesburg	ZAR	1,651	75
	KN Tsepisa Logistics (Proprietary) Limited	Johannesburg	ZAR	100	92
	Nacora Insurance Brokers (Proprietary) Limited	Johannesburg	ZAR	35	100
Tanzania	Kuehne + Nagel Limited	Dar Salaam	TZS	525,000	100
Uganda	Kuehne + Nagel Limited	Kampala	UGX	827,500	100

Income Statement

CHF million	Note	2012	2011
Income			
Income from investments in Group companies	1	517	524
Sale of treasury shares		14	9
Interest income on loan receivables from Group companies		3	2
Other financial income		–	2
Exchange gains		11	10
Total income		**545**	**547**
Expenses			
Operational		–8	–8
Interest expenses on liabilities towards Group companies		–2	–2
Expense for EU antitrust fine [1]		–65	–
Exchange losses		–5	–2
Total expenses		**–80**	**–12**
Earnings before tax (EBT)		**465**	**535**
Income Taxes		–14	–12
Earnings for the year		**451**	**523**

1 Refer to note 41 of the Consolidated Financial Statements.

Balance Sheet

CHF million	Note	Dec. 31, 2012	Dec. 31, 2011
Assets			
Investments	2	1,094	1,291
Non-current assets		**1,094**	**1,291**
Receivables from Group companies	3	180	53
Other receivables		1	2
Cash and cash equivalents	6	567	291
Financial investments	6	–	311
Treasury shares	5	20	45
Current assets		**768**	**702**
Total assets		**1,862**	**1,993**
Liabilities and Equity			
Share capital	7	120	120
Reserves	8	60	60
Capital contribution reserves	8	6	6
Free reserves	8	31	6
Reserve for treasury shares	9	20	45
Retained earnings	10	807	744
Earnings for the year		451	523
Equity		**1,495**	**1,504**
Tax provision		12	12
Other provisions and accruals		6	6
Liabilities towards Group companies	4	349	471
Current liabilities		**367**	**489**
Total liabilities		**367**	**489**
Total liabilities and equity		**1,862**	**1,993**

Schindellegi, March 1, 2013

KUEHNE + NAGEL INTERNATIONAL AG

Reinhard Lange — CEO

Gerard van Kesteren — CFO

NOTES TO THE FINANCIAL STATEMENTS 2012

General

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

Basis of preparation/Accounting policies

Investments

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

Receivables

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

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

Treasury shares

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

Tax provision

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

Liabilities

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

NOTE TO THE INCOME STATEMENT

1 Income from investments in Group companies

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

CHF million	2012	2011
Income from investments and others	396	422
Trademark fee	121	102
Total	**517**	**524**

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, 2012	2,248	2	2,250
Additions	55	–	55
Disposals	–252	–	–252
Balance as of December 31, 2012	**2,051**	**2**	**2,053**
Cumulative amortisation			
Balance as of January 1, 2012	957	2	959
Additions	1	–	1
Disposals	–1	–	–1
Balance as of December 31, 2012	**957**	**2**	**959**
Carrying amount			
As of January 1, 2012	**1,291**	**–**	**1,291**
As of December 31, 2012	**1,094**	**–**	**1,094**

A schedule of the Group's main subsidiaries and Kuehne + Nagel's share in the respective equity is shown on pages 124 to 129 of the Consolidated Financial Statements.

3 Receivables from Group companies

CHF million	Dec. 31, 2012	Dec. 31, 2011
KN Ibrakom FZCO, Dubai	9	5
Kuehne + Nagel Ltd., Nairobi	7	4
Kuehne + Nagel Management AG, Schindellegi	31	–
Kuehne + Nagel Real Estate Holding AG, Schindellegi	4	4
Kuehne + Nagel Liegenschaften AG, Schindellegi	24	24
Kuehne + Nagel (AG & Co.) KG, Hamburg	63	–
Kuehne + Nagel GmbH, Vienna	10	7
Other Group companies	32	9
Total	**180**	**53**

4 Liabilities towards Group companies

CHF million	Dec. 31, 2012	Dec. 31, 2011
Kuehne + Nagel Ltd., Dublin	3	1
OY Kuehne + Nagel Ltd., Helsinki	8	4
Kuehne + Nagel S.a.r.l., Luxembourg	27	24
Kuehne + Nagel S.A.S., Paris	36	17
Kuehne + Nagel N.V., Rotterdam	11	24
Kuehne + Nagel NV/SA, Antwerp	28	13
Kuehne + Nagel Poland Sp.z.o.o., Poznan	1	–
Kuehne + Nagel Ltd., Toronto	–	37
Kuehne + Nagel Ltd., Hongkong	10	–
Kuehne + Nagel Ltd., London	7	–
Kuehne + Nagel Pte. Ltd., Singapore	3	–
Kuehne + Nagel spol.s.r.o., Prague	–	2
Kuehne + Nagel Investment S.a.r.l., Luxembourg	1	17
Kuehne + Nagel AG., Luxembourg	14	–
Kuehne + Nagel Investment SL, Madrid	27	40
Kuehne + Nagel Investment AB, Stockholm	1	2
Kuehne + Nagel (AG & Co.) KG, Hamburg	–	97
Kuehne + Nagel Inc., New York	73	65
Kuehne + Nagel Management AG, Schindellegi	–	22
Kuehne + Nagel AG, Zurich	32	31
Nacora Holding AG, Schindellegi	19	16
Nacora Agencies AG, Schindellegi	48	59
Total	**349**	**471**

5 Treasury shares

CHF million	Dec. 31, 2012	Dec. 31, 2011
Treasury shares [1]	20	45
Total	**20**	**45**

1 See note 9.

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

6 Cash, cash equivalents and financial investments

CHF million	Dec. 31, 2012	Dec. 31, 2011
The bank deposits are in the following currencies:		
CHF	459	224
EUR	106	65
USD	2	2
Total	**567**	**291**
Bonds:		
CHF	–	63
EUR	–	248
Total	**–**	**311**

7 Share capital

Share capital	Registered shares at nominal CHF 1 each number	CHF million
Balance as of December 31, 2012	120,000,000	120

Authorised and conditional share capital

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

The Annual General Meeting held on May 2, 2005, approved a conditional share capital increase up to a maximum of CHF 12 million and to add 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 purposes of investments of employees of the company or of one of its affiliated companies.

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.

8 Reserves

CHF million	Free reserves	Legal reserves	Capital contribution reserves	Total reserves
Balance as of January 1, 2012	6	60	6	72
Addition from release of reserve for treasury shares [1]	25	–	–	25
Balance as of December 31, 2012	**31**	**60**	**6**	**97**

1 See note 9.

9 Reserve for treasury shares

Reserves for treasury shares	Number of shares	CHF million
Balance as of January 1, 2012	691,901	45
Disposal of treasury shares	–628,527	–45
Purchase of treasury shares	202,017	20
Balance as of December 31, 2012	**265,391**	**20**

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, 2012 (before income for the year)	744
Earnings for the year 2011	523
Retained earnings as of January 1, 2012 (prior to appropriation of available earnings)	**1,267**
Distribution to the shareholders (representing CHF 3.85 per share)	–460
Subtotal (before income for the year)	**807**
Earnings for the year 2012	451
Balance as of December 31, 2012	**1,258**

Retained earnings	CHF million
Capital contribution reserves as of December 31, 2012	6
Balance capital contribution reserves as of December 31, 2012	**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 operational expenses.

12 Compensation

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

Remuneration to the Board of Directors

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

TCHF	Compensation for Board of Directors	Compensation for Committees	Social insurance	2012 Total	2011 Total
Klaus-Michael Kuehne (Honorary Chairman)	750	10	38	798	855
Karl Gernandt (Chairman) [3]	300	25	–	325	325
Bernd Wrede (Vice Chairman)	225	55	–	280	273
Juergen Fitschen	150	–	9	159	159
Hans-Joerg Hager	150	–	–	150	150
Hans Lerch	150	10	10	170	170
Dr. Wolfgang Peiner [4]	54	–	–	54	150
Dr. Thomas Staehelin	150	15	10	175	175
Dr. Joerg Wolle	150	50	12	212	212
Dr. Renato Fassbind [2]	150	15	10	175	112
Dr. Georg Obermeier [1]	–	–	–	–	63
Dr. Joachim Hausser [1]	–	–	–	–	56
Total	**2,229**	**180**	**89**	**2,498**	**2,700**

1 Retired from the Board of Directors on May 10, 2011.
2 Since May 10, 2011.
3 Compensations are included in table "Remuneration to the Chairman and the Management Board".
4 Retired from the Board of Directors on May 8, 2012.

Remuneration to the Chairman and the Management Board

TCHF	Salary	Bonus	Social insurance	Pension [2]	Options	Share Plan	Others [1]	2012 Total	2011 Total
Karl Gernandt, Chairman	800	1,219	132	193	–	214	–	2,558	2,734
Reinhard Lange, Chief Executive Officer	800	1,626	151	71	37	164	28	2,877	3,278
Management Board	3,572	3,414	325	383	36	526	109	8,365	8,891
Total	**5,172**	**6,259**	**608**	**647**	**73**	**904**	**137**	**13,800**	**14,903**

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

Share allocation

In 2012 no shares were allocated to any members of either the Board of Directors or the Management Board and/or to parties closely associated with them other than disclosed under the Employee Share Purchase and Option Plan (SPOP) and the Share Matching Plan (SMP) (see pages 103 to 106).

Shareholdings by members of the Board of Directors

As of December 31, 2012, 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:

CHF million	2012 Number of KNI shares	2011 Number of KNI shares
Klaus-Michael Kuehne (Honorary Chairman)	64,062,600	64,054,100
Karl Gernandt (Chairman)	39,000	23,500
Bernd Wrede (Vice Chairman)	–	–
Juergen Fitschen	–	–
Hans-Joerg Hager	–	–
Hans Lerch	5,000	5,000
Dr. Renato Fassbind [2]	1,700	1,700
Dr. Wolfgang Peiner [3]	160	–
Dr. Thomas Staehelin	10,000	10,000
Dr. Joerg Wolle	2,080	2,080
Dr. Joachim Hausser [1]	–	–
Dr. Georg Obermeier [1]	–	–
Total	**64,120,540**	**64,096,380**

1 Resigned from Board of Directors on May 10, 2011.
2 Since May 10, 2011.
3 Resigned from the Board of Directors on May 8, 2012.

Management Board

Total shareholdings as of December 31:

CHF million	2012 Number of KNI shares	2011 Number of KNI shares
Reinhard Lange, Chief Executive Officer	36,633	35,811
Gerard van Kesteren, Chief Financial Officer	129,997	135,658
Martin Kolbe, Chief Information Officer	8,176	4,991
Dirk Reich, Executive Vice President Road & Rail and Contract Logistics [1]	16,505	15,325
Lothar Harings, Chief Human Resources Officer	7,289	3,000
Tim Scharwath, Executive Vice President Airfreight	7,500	5,000
Horst Joachim Schacht, Executive Vice President Seafreight	10,000	7,780
Total	**216,100**	**207,565**

1 Stepped down as member of the Management Board as of November 30, 2012.

Employee share-based compensation plans/Options

Share matching plan (SMP)

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

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

All explanations in respect of share matching plan are quoted in note 37 to the Consolidated Financial Statements on pages 103 to 106.

Options

In 2001, KNI introduced an Employee Share Purchase and Option Plan (SPOP) for members of the KNI Management Board, by which they have the option to purchase shares of KNI. As of the balance sheet date, all members of the Management Board had participated and the total amount of shares was purchased at the agreed price of 90 per cent (plan 1 to 3), 95 per cent (plan 4), 96.5 per cent (plan 5) and 95 per cent (plan 6–12) of the average share closing price quoted on the SIX Swiss Exchange between April and June of the respective year of purchase. The sale of the shares acquired under this plan is blocked for a period of three years after the date of purchase. Each share purchased is linked with two options carrying the right to purchase one KNI share for each option at the average price as outlined above. The option is blocked for three years from the date of subscription and thereafter can be exercised within the period of another three years. The options forfeit after expiry of that period.

The prices to exercise the above mentioned options are listed in note 37 to the Consolidated Financial Statements on pages 103 to 106.

Options allocated to the Members of the Management Board:

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, Chief Executive Officer	2008	1,526	2011
	2009	14,836	2012
	2010	15,000	2013
	2011	4,202	2014
	2012	1,644	2015
Gerard van Kesteren, Chief Financial Officer	2008	2,938	2011
	2009	14,176	2012
	2010	15,000	2013
	2011	5,952	2014
	2012	–	2015
Martin Kolbe, Chief Information Officer	2009	2,000	2012
	2010	6,000	2013
	2011	1,982	2014
	2012	370	2015
Dirk Reich, Executive Vice President Road & Rail and Contract Logistics [1]	2008	1,694	2011
	2009	13,338	2012
	2010	15,000	2013
	2011	2,312	2014
	2012	698	2015
Lothar Harings, Chief Human Resources Officer	2009	9,963	2012
	2010	2,000	2013
	2011	–	2014
	2012	578	2015
Tim Scharwath, Executive Vice President Airfreight	2011	–	2014
	2012	–	2015
Horst Joachim Schacht, Executive Vice President Seafreight	2011	–	2014
	2012	–	2015
Total options allocated		**170,705**	

1 Stepped down as member of the Management Board as of November 30, 2012.

Loans

In 2012 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, 2012.

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 113 to 119.

15 Proposal of the Board of Directors to the Annual General Meeting on May 07, 2013, regarding appropriation of the available earnings

Profit	CHF million
Balance as of January 1, 2012 (before income for the year)	807
Earnings for the year 2012	451
Available earnings as of December 31, 2012	1,258
Distribution to the shareholders (representing CHF 3.50 per share) [1]	–419
Retained earnings as of December 31, 2012 (after appropriation of available earnings)	**839**

1 The total dividend amount covers all outstanding shares (as per December 31, 2012: 119,734,609 shares). However, shares held in treasury on the date of the dividend declaration are not eligible for dividend payments. As a consequence, and if required, the reported total dividend amount is adjusted accordingly.

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

As statutory auditor, we have audited the accompanying financial statements of Kuehne + Nagel International AG, which comprise the income statement, balance sheet and notes on the pages 130 to 141 for the year ended December 31, 2012.

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

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

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

Opinion
In our opinion, the financial statements for the year ended December 31, 2012, comply with Swiss law and the company's articles of incorporation.

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

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

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

KPMG AG

Marc Ziegler
Licensed Audit Expert
Auditor in Charge

Lukas Marty
Licensed Audit Expert

Zurich, March 1, 2013

CORPORATE TIMETABLE 2013

March 04, 2013	Full year 2012 results
April 15, 2013	1st quarter 2013 results
May 07, 2013	Annual General Meeting
May 14, 2013	Dividend payment for 2012
July 15, 2013	Half-year 2013 results
October 15, 2013	Nine-months 2013 results

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