Annual Report 2004

KUEHNE+NAGEL

Logistics without borders.

The world is growing closer together. What once was far away is now within easy reach. No longer bound by space and time, this is a new opportunity to understand the world as a whole. Kuehne + Nagel has understood. By meeting the increasing challenges of an ever more globalised market with integrated, high value services. With logistics free of boundaries. With a global network that highlights the quality of its offering through international expertise. Reaching new dimensions in security, reliability and speed.

GROUP KEY DATA ►►

KUEHNE + NAGEL GROUP KEY DATA

(CHF million)	2000	2001	2002	2003	2004
Turnover	8,247.4	8,435.0	8,805.0	9,548.0	11,563.1
Gross profit	1,452.7	1,727.0	1,911.2	2,064.3	2,322.5
% of turnover	17.6	20.5	21.7	21.6	20.1
EBITA	203.8	244.3	276.8	315.9	390.2
% of Gross profit	14.0	14.1	14.5	15.3	16.8
EBIT	198.2	213.0	17.3	281.0	326.4
% of Gross profit	13.6	12.3	0.9	13.6	14.1
EBT	193.8	227.7	4.5	286.1	346.8
% of Gross profit	13.3	13.2	0.2	13.9	14.9
Net earnings for the year	125.9	160.5	0.1	195.7	240.8
% of Gross profit	8.7	9.3	0.0	9.5	10.4
Depreciation and amortisation	77.5	116.7	362.5	137.2	156.1
% of Gross profit	5.3	6.8	19.0	6.6	6.7
Operational cash flow[1]	200.7	274.3	364.5	426.5	490.4
% of Gross profit	13.8	15.9	19.1	20.7	21.1
Capital expenditures	125.9	620.2	171.0	178.3	162.2
% of operational cash flow	62.7	226.1	46.9	41.8	33.1
Balance sheet Total	2,413.1	2,385.8	2,693.9	2,719.9	2,843.1
Non current assets	459.5	1,005.4	747.8	770.3	825.5
Equity	884.0	985.0	877.0	1,012.7	795.5
% of Total assets	36.6	41.3	32.6	37.2	28.0
Employees at year end	13,765	17,412	17,689	19,004	21,193
Personnel expense	799.2	955.8	1,042.8	1,130.1	1,269.2
% of Gross profit	55.0	55.3	54.6	54.7	54.6
Gross profit in CHF 000 per employee	105,5	99,2	108,0	108,6	109,6
Manpower expense in CHF 000 per employee	58,1	54,9	59,0	59,5	59,9

NET EARNINGS PER SHARE (NOMINAL CHF 5)

Consolidated net income for the year (KN share)[2]	5.46	6.95	0.01	8.44	11.15
Distributable net income for the year[2]	2.31	2.91	3.00	3.50	4.58
Distribution in the following year	2.25	2.90	3.00	3.50	4.50
in % of the consolidated net income of the year	41%	42%	n/a	41%	40%

DEVELOPMENT OF SHARE PRICE

Zurich (high/low in CHF)	110/59	103/59	118/76	160/82	252/142
Average trading volume per day	14,360	8,189	9,310	4,810	9,509

1 adjusted for comparison purposes (2003)
2 excluding treasury shares

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P.O. Box 67, CH-8834 Schindellegi
Phone +41 (44) 786 95 11
Fax +41 (44) 786 95 95
www.kuehne-nagel.com

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Alexander Sauer
CH-8048 Zürich

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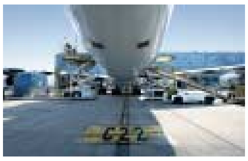


BREAKING NEW RECORDS.

Asia has once again proved itself a driving force in seafreight. In China, Kuehne + Nagel has increased its volumes by over 50 per cent and enhanced its global market leadership.

Yantian

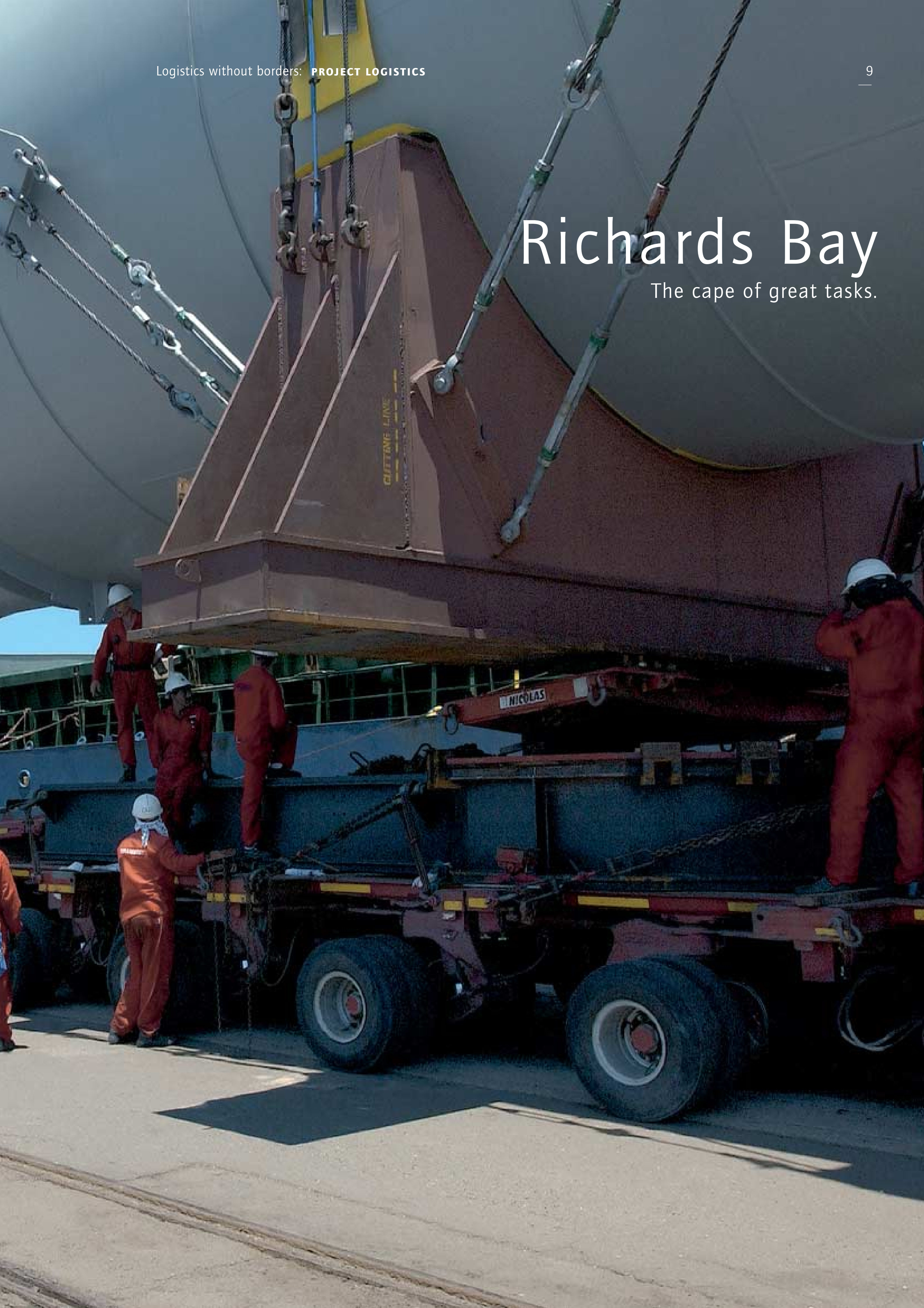
Full steam ahead to success.

MAJOR SUCCESSES WITH MAJOR PROJECTS.

Numerous major projects have already been completed worldwide and new ones are already underway. They include the largest single heavy cargo load (466 tonnes) ever transported in southern Africa.

Richards Bay

The cape of great tasks.



REACHING NEW HEIGHTS WITH THE CLASS A LICENCE.

Kuehne + Nagel was the first global logistics provider to receive the Class A Licence. The company can now maximise new opportunities in the Chinese growth market and – as in airfreight – achieve growth rates that exceed the market average.

Hong Kong

Taking off to new heights.

A NEW DIMENSION IN WAREHOUSE MANAGEMENT.

Growing customer expectations are calling for new, integrated logistics solutions. Kuehne + Nagel is meeting these demands through increased capacities, innovative products and state-of-the-art warehouse management systems.

Memphis

A warehouse of unlimited possibilities.

ON THE RIGHT TRACK.

The points have been switched for future success in rail transportation.

Hamburg

Gateway to the world of logistics.

THE WAY IS OPEN TO NEW MARKETS.

Kuehne + Nagel continues the expansion of its road transportation activities.

Europe

Expansion in road transportation.

BOARD OF DIRECTORS

- Klaus-Michael Kuehne, Schindellegi
  Executive Chairman
- Bernd Wrede, Hamburg
  Vice Chairman
- Prof. Dr. Otto Gellert, Hamburg
- Dr. Joachim Hausser, Munich
- Dr. Willy Kissling, Hurden
- Dr. Georg Obermeier, Munich
- Dr. Alfred Pfeiffer, Trostberg
- Bruno Salzmann, Pfäffikon
- Dr. Thomas Staehelin, Basel

Board of Directors and Management Board

KUEHNE + NAGEL INTERNATIONAL AG, SCHINDELLEGI, SWITZERLAND

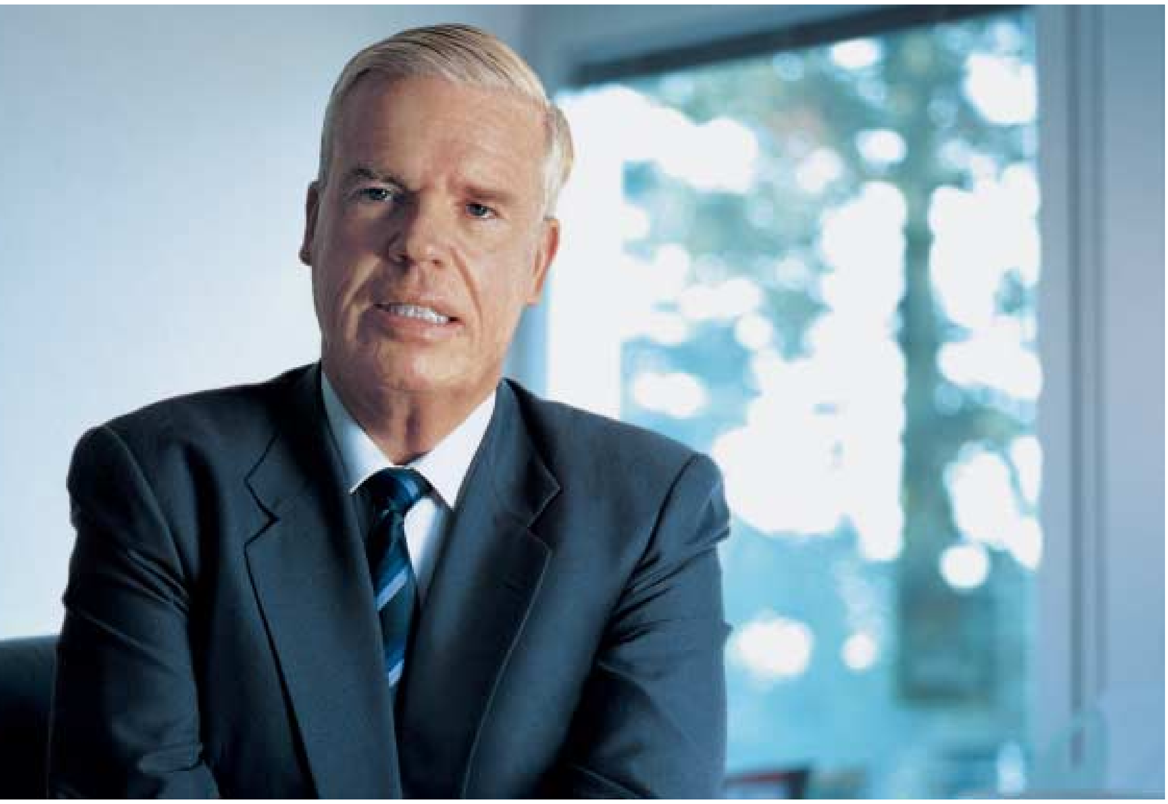
MANAGEMENT BOARD

- Klaus Herms, Schindellegi
  Chief Executive Officer
- Thomas Engel, Schindellegi
- Dr. Axel Hansen, Schindellegi
- Gerard van Kesteren, Schindellegi
- Reinhard Lange, Schindellegi
- Klaus-Dieter Pietsch, Schindellegi
- Dirk Reich, Schindellegi

Status December 31, 2004

Dear Madam, dear Sir,

The Kuehne + Nagel Group looks back on a very successful year 2004. Turnover increased by 21.1 per cent and the operational result improved by 23.5 per cent. At CHF 240.8 million, net earnings again represent the best result in the company's 115-year history.



KLAUS-MICHAEL KUEHNE
Executive Chairman
of the Board of Directors
Kuehne + Nagel International AG

Shareholder structure

In October 2004, the 20 per cent stake of SembCorp Logistics Ltd, Singapore, in Kuehne + Nagel International AG, held since 2000, was cancelled by mutual agreement. 13.03 per cent of shares were placed with institutional investors following a successful bookbuilding process, while Kuehne + Nagel International AG retained 6.97 per cent of shares. As per the balance sheet date, the shareholder structure is as follows:

• Kuehne Holding AG The Kuehne Holding AG is in the sole ownership of Klaus-Michael Kuehne, Schindellegi	55.75 per cent
• Treasury shares	9.97 per cent
• Free float	34.28 per cent
	100.00 per cent

Board of Directors

At the Annual General Meeting held on May 12, 2004, Koh Soo Keong and Wong Kok Siew were confirmed as members of the Board of Directors for a further three years. Pursuant to the termination of SembCorp Logistics' stake in the Group, both gentlemen stepped down from the Board, which since then comprises nine members. Klaus-Michael Kuehne remains the Executive Chairman of the Board of Directors, and Bernd Wrede its Vice Chairman.

Management Board

No changes occurred in the Management Board, which consists of seven members and is headed by the Chief Executive Officer, Klaus Herms.

Results

All of the Group's business units performed well throughout 2004. Unchanged, the company's international sea and airfreight operations returned excellent results benefiting from globalisation and the continued economic upswing in the People's Republic of China, which generated large flows of goods. In virtually all regions, Kuehne + Nagel realised growth rates far above the market average.

Both Contract Logistics and overland transportation activities developed favourably, and results were significantly improved. In various countries additional market shares were captured.

Following the European Union's enlargement on May 1, 2004, the countries across Central and Eastern Europe have come even more into the focus of attention. Kuehne + Nagel extended its position in these local markets and maximised on opportunities arising from increasing trade activity.

Dividend

Based on the considerable improvement in results, the Board of Directors of Kuehne + Nagel International AG has decided to propose to the Annual General Meeting on May 2, 2005 the distribution of a dividend of CHF 4.50 per share (previous year CHF 3.50).

Business performance

In seafreight 1.6 million TEU (20' container units) were shipped. This marks a 28 per cent increase compared with the previous year. Traffic from Asia to Europe, as well as the overall volumes generated in the triad Europe, North America and Asia Pacific, contributed to this rise.

Airfreight turnover grew by 24.3 per cent, with intensified sales efforts and efficient cost management accounting for the above-average result achieved.

Contract Logistics made good progress in a number of European countries as well as in the USA and Canada. In order to meet growing customer demand for integrated logistics solutions, USCO Logistics, acquired in 2001, was fully integrated into Kuehne + Nagel's North American organisation as Kuehne + Nagel Logistics, Inc. Worldwide, the Group currently manages 3.3 million square metres of warehousing space.

Formerly operating under the name Ferroviasped, European rail activities were integrated into the respective national Kuehne + Nagel organisations. This move led to additional sales momentum and allows services now to be offered under a single brand.

Activities in European road transport were strengthened, and a number of national companies returned good results. In January 2004, all Pracht Spedition + Logistik GmbH shares were effectively transferred to the German Kuehne + Nagel organisation. The company's 40 per cent participation in the WM Group, agreed on in November 2003, also came into effect at this point in time. As a result, the company became a member of IDS, the leading German groupage network made up of several partnering firms. Access to the IDS network was additionally improved through the acquisition of Häring Service Company as per January 1, 2005. Overland activities in Scandinavia and Eastern Europe were strengthened by the takeover of the Danish company GT Spedition.

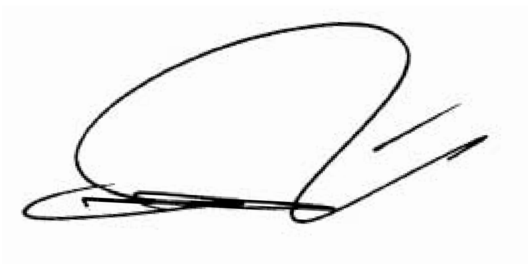
Summary and outlook

Kuehne + Nagel's presence in almost all the world's centres of commerce facilitates the provision of integrated logistics solutions for trade and industry. With its worldwide network, the company is able to meet customers' global and local business requirements, and offer high-value services tailored to individual customer needs. Furthermore, the deployment of state-of-the-art information technology for the visualisation of complex logistics processes is of increasing importance.

Since the termination of the cooperation agreement with SembCorp Logistics, Kuehne + Nagel has been pushing forward its own contract logistics operations in the Asia Pacific region. 2004 saw initial steps undertaken especially in the People's Republic of China. The acceleration of this business in the Far East ideally complements the well-established contract logistics activities in Europe and North America. A dedicated business plan will support the sustained development of these operations in Asia Pacific over the next few years.

Sea and airfreight will mainly grow organically, benefiting from the quality of products offered. The enhancement of European overland activities rail and road, however, needs to be addressed; the extension of the European network is mandatory. Whilst this target has largely been achieved in rail traffic, the company will now fully concentrate on expanding the road transportation business. To this end, a three-year development plan has been drafted that will enable Kuehne + Nagel to join the sector's leading companies.

Based on the financial strength and excellent results of the Kuehne + Nagel Group, the Board of Directors is highly confident with regard to the company's future development, and wishes to express its appreciation to the Management Board and the entire staff worldwide for their dedication and contribution to the company's success. It also wishes to thank all customers and business partners for their cooperation and the confidence they have placed in the organisation.



KLAUS-MICHAEL KUEHNE

EXECUTIVE CHAIRMAN OF THE BOARD OF DIRECTORS

RESULT REFLECTS GLOBAL STRENGTH

In 2004, the Kuehne + Nagel Group identified and maximised business opportunities for continued growth across all regions and despite different economic conditions. The excellent result reflects the company's global strength and at the same time confirms Kuehne + Nagel's integrated logistics business model.

Management Board, Kuehne + Nagel International AG

KLAUS-DIETER PIETSCH
Human Resources

DR. AXEL HANSEN
General Counsel

REINHARD LANGE
Sea & Air Logistics

Performance of business units

Sea & Air Logistics

Globalisation and ongoing dynamic economic growth in Asia continued to stimulate worldwide trade in 2004. Kuehne + Nagel's business unit Sea & Air Logistics participated in this development to a high extent, realising volume growth far above the market average. New businesses, good progress in cross-selling, and the integration of sea and airfreight activities in complex logistics solutions for globally operating customers all contributed towards capturing additional market shares.

KLAUS HERMS
Chief Executive Officer

THOMAS ENGEL
Chief Information Officer

DIRK REICH
Contract Logistics

GERARD VAN KESTEREN
Chief Financial Officer

The major challenges in this business unit – efficient management of the prevailing increases in volume as well as securing the required capacities throughout the year – were successfully mastered to the benefit of customers and Kuehne + Nagel alike.

Ambitious targets have been set for 2005. In both sea and airfreight, Kuehne + Nagel wants to grow twice as fast as the market while at the same time maintaining the high level of profitability. Economies of scale and continuous productivity improvements will compensate for adverse currency and inflation effects.

Rail & Road Logistics

The expansion of overland activities, brought together under the business unit Rail & Road Logistics, is one of the company's strategic focal points.

In addition to the traditional full and part truckload business, groupage operations in Germany made very good progress through the integration of Pracht Spedition + Logistik GmbH and the close partnership entered into with the WM Group. As a result of the acquisition of Häring Service Company, effective January 1, 2005, Kuehne + Nagel has considerably extended its presence in Germany as well as its share in the IDS cooperation. Further takeovers in the scope of the company's expansion strategy are being considered.

In October 2004, Kuehne + Nagel acquired the Danish transport and logistics firm GT Spedition A/S with the objective of enhancing operations between Scandinavia and Eastern Europe. Potential acquisitions to extend the European overland network are under evaluation.

The eastward enlargement of the European Union has resulted in a significant rise in demand for logistics and transport services in the new member states. Larger transport distances and a well-established rail infrastructure across Central and Eastern Europe are creating new opportunities for rail business. Thanks to the integration of its rail subsidiary, Ferroviasped, into the Kuehne + Nagel Group, customers are offered a wider range of innovative, intermodal transport services from a single source. Block train solutions realised in 2004 were well accepted by the market. These operations will be pursued in the current year.

Contract Logistics

Increased productivity, better-utilised capacities in North America, and good performance in Europe produced significantly improved results in Contract Logistics. Following the termination of the cross-shareholding arrangement with SembCorp Logistics, Kuehne + Nagel is now able to directly provide integrated logistics solutions to its customers in the Far East, too. Contract logistics infrastructure will be expanded substantially across Asia and especially China, where in March 2004 the company was the first global logistics provider awarded the Class A license for its forwarding and logistics activities, and since last September has been operating a wholly owned subsidiary in Shanghai.

Kuehne + Nagel is committed to developing Contract Logistics into a key pillar of the organisation. According to the business plan, turnover is to be tripled over the next three to five years. To this end, the company will envisage selective acquisitions, mainly in Europe, South America and Asia.

Insurance Broker

Nacora, the insurance broker subsidiary, continued the positive performance. By focusing on cargo insurance, its core competence, and the extension of the worldwide network of offices, Nacora yet again successfully increased its market share. Due to claims surplus in the deductible range in the area of transport liability, special provisions were set aside, leading to a reduction in profitability.

Regions

All Kuehne + Nagel regions improved results and strengthened the Group's global market position in 2004. In Europe and North America, strong growth was recorded in all business fields. National companies throughout Central and South America expanded business in Sea & Air Logistics, while the Middle East, Central Asia and Africa performed very well in the project as well as the oil and energy sectors. The large sea and airfreight volumes generated in Asia, and especially in China, were of advantage to the Kuehne + Nagel organisation worldwide.

Alongside the expansion of international forwarding activities, all regions will concentrate on the development of the contract logistics business in 2005.

Integrated logistics

Results for 2004 confirm the efficiency of Kuehne + Nagel's integrated logistics business model. The company provides customers with competitive advantages through its extensive offering – from sea and airfreight solutions including first and last mile distribution to contract logistics services as well as the management of entire supply chains. In order to optimise costs customers worldwide are focusing on a few select providers who can deliver integrated logistics services. Kuehne + Nagel will be able to benefit from this trend, even more so in view of the global expansion of its contract logistics operations

The confidence customers place in Kuehne + Nagel across the world is based on the Group's financial strength and stability, its highly qualified employees and a strong, value adding service offering. Against this background, the Management Board is optimistic that the ambitious targets set for 2005 can be achieved and that growth in business and results will continue.

KLAUS HERMS
CHIEF EXECUTIVE OFFICER

Status Report

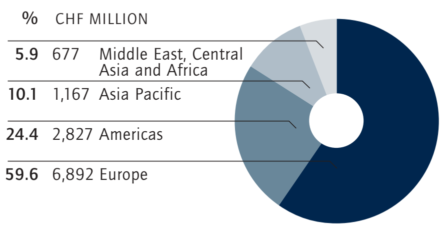
TURNOVER

Exchange rate fluctuations, based on average yearly exchange rates, between 2003 and 2004 led to a slightly higher valuation of the EURO (plus 1.7 per cent) and to a lower valuation of the U.S. Dollar and depending currencies (e.g. Hong Kong, Taiwan, Singapore as well as a number of countries in South America) of 7.5 per cent against the Swiss Franc. When comparing the turnover in the income statement, the currency impact of the Swiss Franc in 2004 amounted to approximately minus 0.6 per cent.

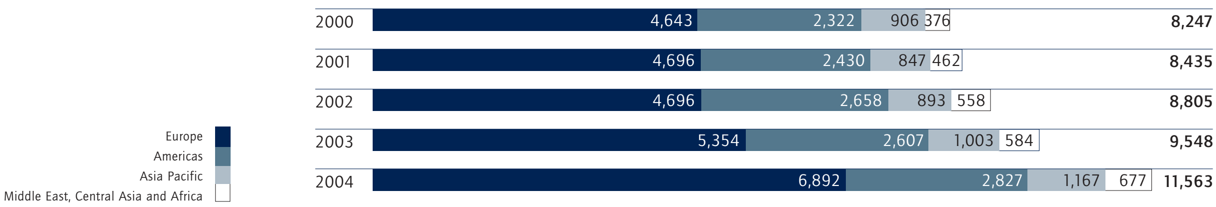
In 2004 Kuehne + Nagel's turnover amounted to CHF 11,563 million (representing a 21.1 per cent increase versus 2003) and a net invoiced turnover of CHF 9,548 million (excluding customs duties and taxes) respectively. This increase was realised mainly by organic growth and partly by acquisitions (see note 37 of the consolidated Financial Statements 2004).

At regional level Europe increased its turnover by 28.7 per cent, the Americas by 8.4 per cent, Asia Pacific by 16.4 per cent and the Middle East, Central Asia and Africa by 16.0 per cent. At business unit level, Sea & Air Logistics reported a higher turnover of 19.9 per cent. Seafreight increased its turnover by 18.1, and the airfreight division by 24.3 per cent. Besides the fact that contract logistics lost one of its major customer, the turnover remained at its last years level.

REGIONAL TURNOVER



REGIONAL TURNOVER CHF MILLION



INCOME

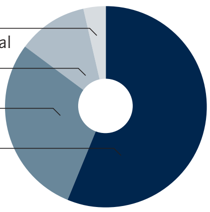
The gross profit, which in the logistic and forwarding industry provides a better indication of performance than turnover, reached CHF 2,323 million in 2004, up by 12.5 per cent compared to the previous year, of which minus 1.2 per cent were due to currency impact. Of the total gross profit, Sea & Air Logistics contributed with 54.1 per cent, Contract Logistics, the other main pillar of the Groups business with 33.0 per cent and the Rail & Road logistics with 11.9 per cent.

At regional level, Europe was the largest contributor to gross profit with 56.2 per cent, followed by the Americas with 29.0 per cent, and Asia Pacific with 11.2 per cent. The remaining balance of 3.6 per cent relates to Middle East, Central Asia and Africa.

The operational cash flow – the sum of the net income for the year plus/minus non cash related transactions – increased from CHF 426.5 million in 2003 to CHF 490.4 million in 2004. When considering the EBITA, a remarkable improvement has been realised in the business field Rail & Road Logistics. EBITA increased by 63.9 per cent mainly due to the acquisition of Pracht and GTS. Contract Logistics by 59.4 per cent (CHF 31.3 million versus CHF 19.1 million in 2003) realised by further recovery of its North America operation and improved profitability of the European network. The International business showed strong growth in both business fields (airfreight up by 21.3 per cent and seafreight by 20.2 per cent).

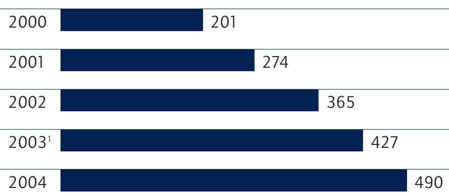
REGIONAL GROSS PROFIT

%	CHF MILLION	
3.6	84	Middle East, Central Asia and Africa
11.2	261	Asia Pacific
29.0	673	Americas
56.2	1,305	Europe

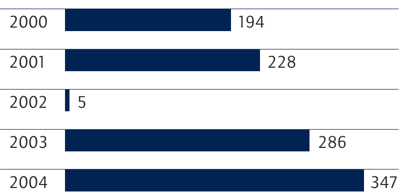


GROSS PROFIT CHF MILLION

OPERATIONAL CASH FLOW CHF MILLION



EARNINGS BEFORE TAX CHF MILLION

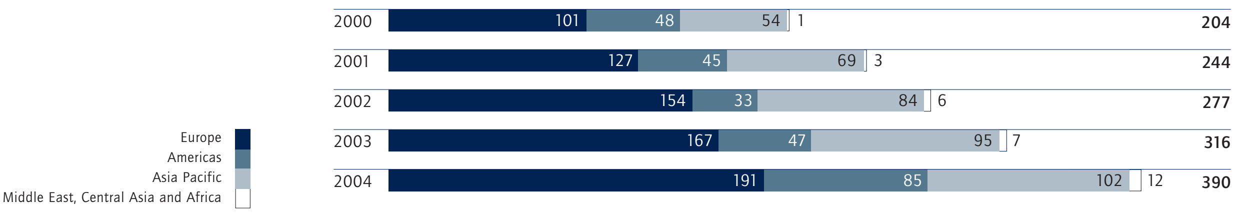


[1] adjusted for comparison purposes

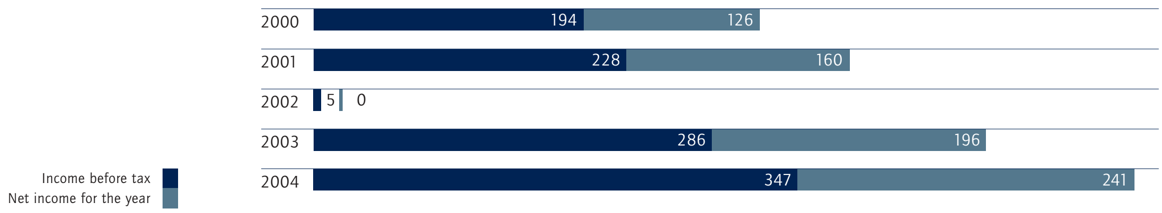
All regions were able to improve EBITA substantially. Major increases have been realised by the Americas (CHF 38.8 million or 83.3 per cent), by Europe (CHF 23.6 million or 14.1 per cent) and by Asia Pacific (CHF 7.5 million or 7.9 per cent).

The increase of expenses (including depreciation) has been more then compensated by the growth of gross profit of 12.5 per cent, resulting in an improvement of the EBITA margin (as a percentage of gross profit from) 15.3 per cent in 2003 to 16.8 per cent in 2004.

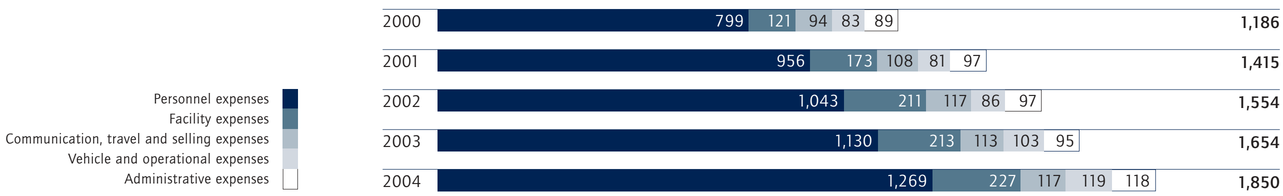
REGIONAL RESULTS EBITA CHF MILLION



EARNINGS BEFORE TAX / NET EARNINGS FOR THE YEAR CHF MILLION



OPERATIONAL EXPENSE CHF MILLION



FINANCIAL POSITION

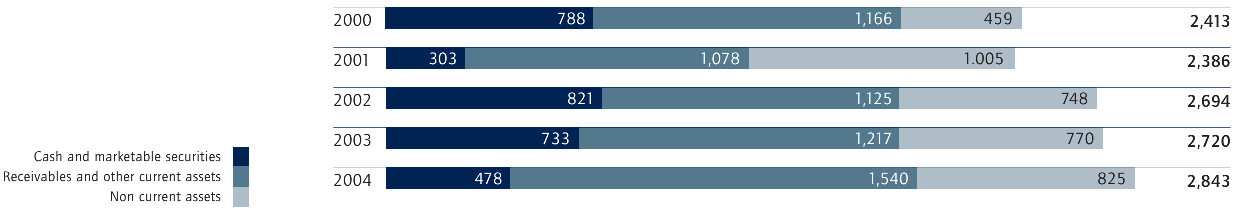
As a result of the purchase of treasury shares (see statement of changes in equity) in the amount of CHF 329.7 million, the equity ratio decreased from 37.2 per cent in 2003 to 28.1 per cent in 2004. The return on equity increased from 23.6 per cent in 2003 to 25.1 per cent in 2004, due to improved net earnings of the year.

The net-cash position (cash and cash equivalents less short term bank liabilities) amounts to CHF 206.6 million in 2004, the decrease of CHF 200.6 compared to 2003 was caused by the purchase of treasury shares as above mentioned. The total assets of CHF 2,843 million retained almost at previous year level.

Trade receivables amounting to CHF 1,226.5 million represent the most significant asset of the Kuehne+Nagel Group. The days outstanding of 38.6 days in 2003 increased slightly to 39.7 days in 2004.

Developments of other key figures on capital structure are shown in the adjacent table.

ASSETS AND CAPITAL STRUCTURE CHF MILLION

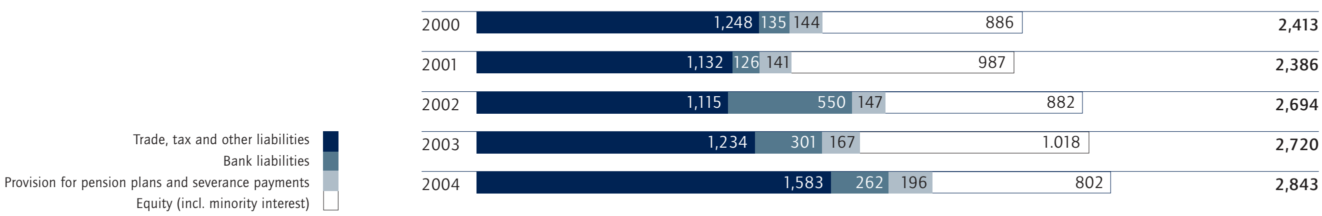


KUEHNE + NAGEL GROUP: KEY FIGURES ON CAPITAL STRUCTURE

CHF MILLION	2000	2001	2002	2003	2004
[1] Equity ratio	36.6%	41.3%	32.6%	37.2%	28.1%
[2] Return on equity	29.4%	18.9%	0.0%	23.5%	25.1%
[3] Self-financing ratio	636.6%	720.8%	630.9%	743.9%	562.9%
[4] Debt ratio	63.3%	58.6%	67.3%	62.6%	71.7%
[5] Short-term ratio of indebtedness	54.2%	50.6%	60.9%	56.0%	64.1%
[6] Intensity of long-term indebtedness	9.1%	8.0%	6.3%	6.6%	7.6%
[7] Fixed asset coverage ratio	240.6%	117.2%	140.7%	155.3%	123.1%
[8] Working capital (CHF million)	646.1	173.3	304.6	426.1	191.0
[9] Receivable terms (in days)	40.4	37.8	37.7	38.6	39.7
[10] Vendor terms (in days)	43.1	42.6	41.9	42.5	43.5
[11] Intensity of capital expenditure	19.0%	42.1%	27.8%	28.3%	29.1%

[1] Total equity in relation to total assets at end of the year.
[2] Net earnings for the year in relation to share + reserves + retained earnings as of 1.1. of the current year less dividend paid during the current year as of date of distribution + capital increase (incl. share premium) as of date of payment
[3] Reserves + retained earnings + net earnings for the year in relation to share capital
[4] Total liabilities + provisions in relation to total assets
[5] Short-term liabilities in relation to total assets
[6] Long-term liabilities + provisions for pension plans and severance payments in relation to total assets
[7] Total equity (including minority interest) + long-term liabilities + provisions for pension plans and severance payments in relation to non current assets
[8] Total current assets less short-term liabilities
[9] Turnover in relation to the receivables outstanding at end of current year
[10] Expenses for services from third parties in relation to trade liabilities/accrued trade expenses at end of current year
[11] Non current assets in relation to total assets

LIABILITIES CHF MILLION



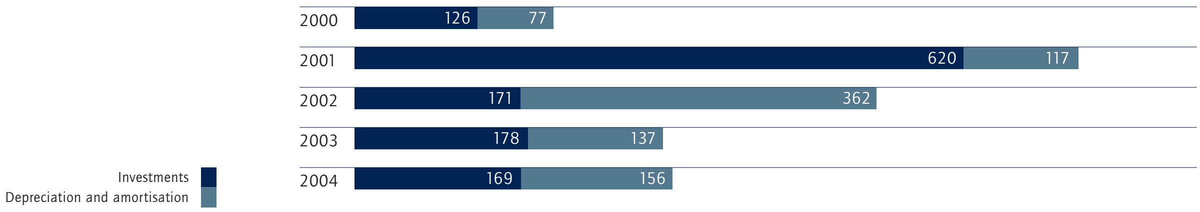
INVESTMENTS, DEPRECIATION AND AMORTISATION

In 2004, the Kuehne+Nagel Group invested a total of CHF 162.2 million for capital expenditures (CHF 106.7 million in fixed assets and CHF 9.6 million in software and other intangibles). Furthermore, CHF 45.9 million goodwill were acquired through business combinations.

All capital expenditures in 2004 were financed by the operational cash flow of CHF 490.4 million generated during the current year.

CHF 51.1 million was invested in properties and buildings, and CHF 55.6 million for other fixed assets, operating and office equipment.

INVESTMENTS AND AMORTISATION CHF MILLION



During the course of 2004, following major investments were made in properties and buildings:

Europe	CHF MILLION	
Chemnitz	11	Purchase of a logistics centre with 7,000 sqm of warehouse space
Leipzig	9	Purchase of a logistics centre with 6,000 sqm of warehouse space
Duisburg	4	Finalisation of an extension of a logistics centre by 16,400 sqm of warehouse space
Frankfurt	3	Construction of a new logistics centre
Köln	3	Construction of a new logistics centre
Munich	1	Start-up cost of a new logistics centre
Hamburg	1	Start-up cost of a new office building
Luxembourg	7	Extension of a logistics centre by 9,400 sqm of warehouse space
Madrid	2	Start-up cost of a new logistics centre
Vienna	1	Additional cost from a purchase of 67,500 sqm of land
Kiev	3	Finalisation of a new logistics centre with 6,300 sqm of warehouse space
	45	
Middle East		
Istanbul	6	Construction of a new logistics centre with 8,000 sqm of warehouse space
Total	**51**	

Capital expenditures in operating and office equipment relate to the following categories:

	CHF MILLION
Operating equipment	14
Vehicles	8
IT hardware	14
Office furniture and equipment	19
Total	**55**

The allocation by region is as follows:

	CHF MILLION
Europe	39
Americas	8
Asia Pacific	5
Middle East, Central Asia and Africa	3
Total	**55**

Capital expenditures for intangible assets amounted to CHF 56 million covering goodwill of CHF 46 million and Software and other intangible assets of CHF 10 million.

Depreciation and amortisation in 2004 amounted to CHF 156 million and are recorded in the Consolidated Financial Statements as indicated in note 6 and 8.

DEVELOPMENT OF CAPITAL EXPENDITURES, DEPRECIATION AND AMORTISATION OVER A PERIOD OF 5 YEARS.

CHF MILLION	2000	2001	2002	2003	2004
Capital expenditures					
Fixed assets					
Properties and buildings	40	48	46	63	51
Operating and office equipment	66	53	70	97	55
Financial investments					
Investments in associates and joint ventures	–	–	1	–	7
Intangible assets					
Goodwill in consolidated companies	5	500	27	3	46
Software and other intangible assets	15	19	27	15	10
	126	**620**	**171**	**178**	**169**
Depreciation and amortisation					
Fixed assets					
Buildings	9	12	15	12	14
Operating and office equipment	48	54	61	75	68
Intangible assets					
Goodwill in consolidated companies	5	31	53	35	58
Impairment of goodwill	–	–	206	–	6
Software and other intangible assets	15	19	27	15	10
	77	**117**	**362**	**137**	**156**

CORPORATE DEVELOPMENT

Industry analysis

The general economic situation in the year 2004 was more favourable than in previous years. High growth rates in Asia and strong impulses from North America improved global economic activity and led to an increase in the volume of world trade. Logistics providers such as Kuehne + Nagel with a global network and special capabilities in all central logistics functions benefited from this development and were able to gain additional market shares.

Globalisation and the international division of labour lead to growing requirements regarding know-how, worldwide operations and integrated solutions. This has been driving consolidation in the logistics industry for many years.
The trend continued in 2004 with increased acquisition activity by the market leaders. Kuehne + Nagel participated in this process with several select takeovers in Europe and North America. It is to be assumed that concentration in the logistics market will intensify in 2005.

Kuehne + Nagel market positioning and focus of growth

In 2004, Kuehne + Nagel again grew above market average in sea and airfreight. The main contributory factors were the company's excellent positioning in Asia and its strategic focus on attractive niche segments. Acquisition of Grifcold Inc. in Canada, a specialist in the field of reefer container traffic, and Nether Cargo Services B.V. in the Netherlands, a company specialised in the transport of perishables by air, are examples of this. Both companies were successfully integrated into the respective national companies and reinforce Kuehne + Nagel's global capability in this niche sector. With its takeover of the overseas logistics division of CAT Group, Kuehne + Nagel also expanded its activities in the automotive industry in Belgium, Mexico and, in particular, France. In the current year, selective acquisitions in the field of airfreight are planned to support organic growth.

In Contract Logistics, the termination of the partnership with SembCorp Logistics marked an important step towards driving internal growth in Asia. The major Asian markets China, Japan, Korea and India will be in the focus of investment during 2005. Existing activities in these countries will be considerably extended and regional expansion accelerated. In all other regions the positive business performance in contract logistics continued. The industry focus was widened; exemplary is the cooperation with the pharmaceuticals pre-wholesale logistics company Alloga in Europe, through which healthcare customers now benefit from integrated services that encompass international transport, dedicated warehousing and distribution.

The acquisition of Häring Service Company in Germany represented a further component within the strategy to develop groupage business in cooperation with the German groupage network IDS. National distribution and cross-border activities in Scandinavia and Eastern Europe were strengthened by the takeover of the Danish logistics company GT Spedition A/S. In the year 2004, special emphasis was placed on organic growth in the new member countries of the European Union and their eastern neighbours. Through early entry into these markets Kuehne + Nagel has become a leading logistics provider in the region and is already present in all Central and Eastern European countries with its own branch offices.

Growth initiatives for the year 2005 will form a mix of organic development and strategic acquisitions. As in 2004, Eastern Europe will be a focus of investment. In addition to this, major emphasis will be placed on expanding the company's own contract logistics activities in Asia.

RESEARCH AND DEVELOPMENT

Today Kuehne + Nagel offers a comprehensive range of IT-based products and services that meet the high demands of companies in trade and industry with regard to transparency in the supply chain. As the need for information on all goods' movements will grow in future, the company is constantly looking at new ways to streamline logistics processes and improve visibility.

Radio Frequency Identification (RFID) in logistics

Radio Frequency Identification (RFID) technology is driving innovation in the area of goods' identification, tracking and tracing. It enables sight and contact-free identification, control and management of consignments along the entire supply chain. The technology is attested the potential to considerably optimise logistics processes and serve as a basis for new concepts in production, warehousing, tracking and security. The logistics industry still represents new ground for the technology. Global standards need to be introduced if real benefits are to be gained. Kuehne + Nagel is driving this process.

RFID standardisation is key

Kuehne + Nagel entered into a collaboration with Siemens Business Services under the name LICON (Logistic Ident Consortium) as early as 2003. The consortium in the meantime totals 15 well known companies, whose common goal is to establish RFID standards in various user segments such as trade, logistics and transport. Under the leadership of Kuehne + Nagel, the consortium makes sure that the developed concepts are not only feasible in practice, but find industry-wide rather than isolated application.

Benefits of RFID technology

In September 2004, RFID was tested under real conditions for the first time. Within the framework of a pilot project initiated by Kuehne + Nagel and Siemens Business Services all processes from inbound and outbound control, dispatch and transport, to end customer delivery along a transatlantic supply chain were monitored by RFID. The test revealed the following benefits:

- goods' transition is safeguarded fully automatically throughout the supply chain;
- inbound and outbound control processes are accelerated;
- exception handling is simplified;
- the data quality and associated transparency is improved for all involved parties.

Application of RFID technology makes particular sense when it is necessary to identify and manage large quantities of goods quickly and reliably or track their position in the production logistics process.

Kuehne + Nagel is convinced of the innovative and value potential of RFID and will continue its engagement in this technology. Findings gathered in the process are used to develop new products and widen the service spectrum of Kuehne + Nagel on a continual basis.

INFORMATION TECHNOLOGY

In parallel with the strong growth achieved by the Kuehne + Nagel Group in the year 2004, increased demands were placed on the company's IT systems. The volume of electronic data exchanged with customers rose above average, as did the quantity of data requiring cost-effective, high-quality processing and provisioning to parties involved in complex global supply chains.

However, due to Kuehne + Nagel's standardised IT systems, the high demands on information logistics worldwide were met with outstanding quality and service levels maintained throughout the year. Consistent interfaces allowed efficient processing of electronic communication with shipping companies and airlines, which also increased significantly in the year under review.

Important progress in the IT consolidation strategy

In order to be optimally equipped for future IT challenges, Kuehne + Nagel implemented important infrastructure modifications in the past year. These included a merging of global data centres and outsourcing to a professional partner with an infrastructure and technology able to ensure increased availability and flexible computing power. The outsourcing enables Kuehne + Nagel to focus even more on the further development of its IT-based solutions, which is of great importance for customers and the company alike. Correspondingly, operation of a new network allowing access to more than 21,000 Kuehne + Nagel employees was consolidated and put in the hands of two partner companies. Thereby consistent global information management at optimum cost is secured.

Expansion of Internet-based IT systems

In the year under review, expansion and modernisation of Internet-based IT systems were accelerated and are successively being rolled out on a global scale. Moreover, Kuehne + Nagel put various customised Internet solutions into service, such as the Automotive Supply Chain Collaboration System to facilitate efficient global order management in the automotive supplier industry.

Continued system standardisation

The introduction of a new standardised Europe-wide solution for customs handling represented an innovation in this field which otherwise is more characterised by national structures. For rail traffic, too, Kuehne + Nagel's IT division developed new standardised software that is now being deployed across Europe, replacing local systems.

Kuehne + Nagel remains committed to its strategy of standardising systems as a means to ensure high productivity and provide customers with consistent information throughout the entire supply chain and in the required quality.

Innovative IT solutions to raise customer benefits

In addition to ongoing technical modernisation of IT systems, the focus in coming years will be on the development of new, integrated information logistics products. These include both industry and customer-specific IT solutions and standardised service products. In all Kuehne + Nagel business units innovative IT solutions will serve to further raise customer benefits.

LEAD LOGISTICS SOLUTIONS

Only a few years ago, the range of services offered under the term "Lead Logistics Provider" was considered a mere trend that would soon become obsolete. Today, increasing demand from industrial and trading companies shows this market to be rapidly growing, with Kuehne + Nagel as a leading participant.

This positive development confirms Kuehne + Nagel's decision several years ago to serve the lead logistics market with a wide range of value added services. The company has been able to benefit further by meeting the shift in demand from pure consulting to supply chain design and implementation, as well as logistics operations management and improvement.

Lead Logistics Solutions – the service offering

The offering comprises two service areas covering the design, implementation and management of customer's supply chains.

- **Supply chain design**
  To maintain effective performance in changing markets, periodic analysis and configuration of supply chains based on expected procurement, production, demand patterns and cost/service objectives is required. Kuehne + Nagel provides customer-specific optimised processes for supply chains with cost-efficient warehouse locations and transport structures. Where Kuehne + Nagel is assigned management responsibility, implementation of the redesigned supply chain will result in measurable cost savings and service improvements.

- **Supply chain execution management**
  The responsibilities that customers transfer to Kuehne + Nagel include the selection and management of warehousing and transport service providers, the coordinating of order management and logistics execution, financial audit of the logistics services, and the control and monitoring of the supply chain to ensure optimum performance.

Due to the customer-specific nature of lead logistics relationships, dedicated contract management teams are formed to deliver committed results. These teams work closely with the lead logistics control centres that Kuehne + Nagel has established in Luxemburg for European-based operations and in Raleigh for operations in the Americas, as well as with all Kuehne + Nagel business fields. This ensures the cost-efficient management and execution of IT-based services.

Based on new business wins and letters of intent, growth of lead logistics business volume in the current year can be anticipated.

QUALITY MANAGEMENT

More than ten years ago, on May 10, 1994, Bureau Veritas Quality International certified the German Kuehne + Nagel organisation according to the ISO 9001 quality standard across its locations and business fields. Whilst at the time this was regarded as a novelty both in the industry and the company itself, today it is taken for granted that all national companies and operations in the global Kuehne + Nagel Group are certified to the latest ISO 9001 quality norms and standards. Moreover, a quality management system established in the company many years ago, working in close cooperation with all operational units, ensures sustained and continual optimisation of data, process and service quality.

Quality management for enhanced customer satisfaction

Quality management can only be considered a success if it initiates constant improvements of customer benefits, thus contributing to an increase in customer satisfaction. This was again confirmed in the year 2004 by various quality awards and the assignment of new and additional business volume.

By conducting their own audits, several customers were able to convince themselves that Kuehne + Nagel fulfils their stringent quality requirements. The audit report of a European company in the chemical industry, for example, indicated that Kuehne + Nagel had exceeded the agreed minimum quality level of 98.5 per cent throughout 2004 by more than one per cent. Such a result contributes significantly to customer satisfaction and serves as a motivation to improve the achieved level of quality even further.

In the year under review, customer surveys were conducted again in a number of countries and business fields. The results testify to the company's capabilities and its high degree of reliability. At the same time, they provide valuable insight as to how processes can be further optimised and customer satisfaction raised through implementation of targeted measures.

Continuous quality optimisation

Kuehne + Nagel applies various tools for continuous process improvement within its systematic quality management. One of these is the electronic application TIP (Tool to Improve Processes) especially developed by the company to provide suggestions for improvement and eliminate any possible weaknesses.

Additionally, every sea and airfreight consignment can be monitored and tracked for its respective shipment status interactively by the customer on the Internet. Ongoing process control and quality improvement are effected through permanent evaluation and synchronisation of key performance indicators (KPIs) in a framework that permits all status information to be checked for completeness, plausibility and actuality.

QSHE: Quality, Safety, Health, Environment and Security

Whereas first ISO 9001 certifications in Germany and worldwide concentrated on quality management, Kuehne + Nagel has expanded this basic system to include the areas safety, health, environment and security in its integrated and comprehensive "QSHE" management system. These additional areas, too, have in the meantime become successfully certified, among others according to OHSAS 18001 health and safety standards at to date more than 60 locations, with many other facilities currently preparing for certification.

ENVIRONMENT, SAFETY AND SECURITY MANAGEMENT

A comprehensive environment and security management is an important part of Kuehne + Nagel's certified QSHE (Quality, Safety, Health, Environment and Security) system. To date, more than 70 Kuehne + Nagel locations are certified to the environmental standard ISO 14001, including for the first time in 2004 also South American branch offices.

Facility ecology

When building new logistics terminals, all aspects of resource conservation are considered. The facility opened in Langenbach near Munich in 2004 supports this claim, where, for example, photovoltaic systems are used to generate supplementary solar energy. At the Kuehne + Nagel location in Stuttgart, these systems have already contributed more than 25,000 kilowatt hours of electricity over the last four years. In addition to this environment-friendly power generation, the company also attaches great importance to the ecologically sensible disposal of various types of waste.

The paperless office continues to be put into practice at Kuehne + Nagel. The company was, in the year 2004, one of the first logistics providers to switch to a system of electronic archiving for shipping documentation worldwide. The processing of shipment orders used to involve intensive paper-based archiving tasks. Today, the entire filing process can be handled electronically.

Focus on environment-friendly transport services

Important ecological initiatives were also implemented in the area of transport. The decision was taken to integrate the rail subsidiary, which previously operated under the brand Ferroviasped, completely into the Kuehne + Nagel organisational structure. The measure marks an important step that has already led to a substantially more efficient utilisation of rail as an environment-friendly means of transport across Europe.

Furthermore, Kuehne + Nagel has joined the ShortSea Shipping Promotion Center (SPC) in a move to treble the organisation's short sea transport and river shipping volumes by 2008. This measure relieves road traffic and contributes significantly to the preservation of nature and the environment.

Safety and health management

Not only is a modern logistics provider expected to operate an efficient quality and environment management system, it is also required to care about the safety and health of its employees, as well as all parties involved in the process chain. Several industries, in addition, demand enforcement of optimum security regulations at logistics centres. Kuehne + Nagel takes up these challenges and provides proactive solutions within the framework of its QSHE management system that point the way into the future.

TAPA certified locations

High-tech companies in particular have come together under the name TAPA (Technology Asset Protection Association), an initiative to raise security standards in the warehousing and distribution of high-value products and significantly reduce the risk of theft. Whilst many Kuehne + Nagel locations already meet TAPA requirements without special certification, the offices in Dallas in the USA and Frankfurt in Germany successfully gained official TAPA accreditation in 2004 with the highest A rating. Further locations are aligned for certification in the course of this year.

Permanent expansion of security standards

Kuehne + Nagel will follow a policy of sustained further development of its already high security levels by implementing strategic measures. These are also supported by:

- Membership in Freight Forward International (FFI), an interest group of nine of the largest global logistics providers. On the FFI Security Committee work is being undertaken to achieve international harmonisation of global security standards in cooperation with all partners in the process chain.
- Certified participation in the “Customs-Trade Partnership Against Terrorism” (C-TPAT) initiative. This membership enables Kuehne + Nagel to offer its customers higher security and faster customs clearance.

Safety and security are of paramount importance for Kuehne + Nagel, both now and in the future.

HUMAN RESOURCES

The systematic development and training of employees as well as the long-term retention of key performers are at the centre of Kuehne + Nagel’s human resource policy. It mirrors the company’s strategy of filling key positions from within its own ranks whenever possible.

Corporate culture

People grow by the tasks they are set. This is why Kuehne + Nagel is committed to the principle of “Challenge and Promote”. The company assigns staff at all levels high degrees of entrepreneurial responsibility as well as decision-making authority.

Professional and social competence, performance orientation and international mobility are fundamental and characterise Kuehne + Nagel’s corporate culture. They form the framework for professional development and provide the foundation for building dynamic careers. A growing number of international staff transfers every year helps to strengthen the degree of networking amongst specialist and management staff across the Group. This ongoing exchange of experiences and know-how is essential in maintaining and expanding the knowledge base within the company.

Kuehne + Nagel encourages performance orientation among its employees through attractive salary components. The company’s executive staff is offered long-term remuneration models in line with the Group’s overall success, including a profit share and modern stock option programme.

Education and further training

In a very competitive environment, a company's success not only depends on its market-oriented range of products and services, innovation and flexibility, but also on the dedication and commitment of its employees. Furthermore, professional knowledge has to be continually broadened and adapted to current requirements.

In 2004, an international workshop involving the company's Management Board was held with the aim of harmonising and realigning training programmes in all regions with corporate objectives. Multinational cooperation in the development and implementation of training modules and seminars was also strengthened and will be intensified in future, too.

In addition to a series of individual external further education measures, the Kuehne + Nagel Academy ran more than 1000 training events in the year under review. Via a global training database employees can access an overview of seminars and content. This database is also drawn on when compiling tailor-made training measures. E-learning infrastructure is available for online training and know-how exchange.

Management trainee recruitment and development

Career development begins with the identification of specialist and management potential on campus. In 2004, Kuehne + Nagel recruited more than 150 trainees, mainly in the fast growing countries of Asia and South America, and 125 student interns gained first operational experience working in a global logistics company.

Depending on qualifications, university graduates are put through a "Fast Track" trainee programme or take on immediate responsibility within the company. In order to encourage mobility and flexibility, international and sales-related postings as well as rotation between specialist and generalist positions are standard practice.

Dedication to trainee development is decisive for the long-term retention of key performers at Kuehne + Nagel. Within the framework of various high potential programmes, logistics strategies are developed and general management skills built up. A highlight in 2004 was a workshop at the Graduate School of Business Administration (GSBA), Horgen, which featured Kuehne + Nagel's European airfreight strategy as a case study.

Around 100 employees are currently taking part in Kuehne + Nagel's high potential programme. They meet demanding qualification criteria and will in future assume key roles in the successful expansion of the company. 75 per cent of new or vacant management positions are filled from internal resources.

Kuehne + Nagel's approach to human resource management is exemplary and has repeatedly been acclaimed. In 2004, for example, the company received the "IFW Freighting Industry Award for People Development".

Headcount

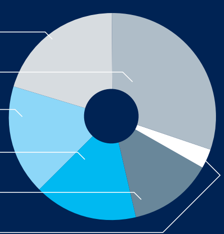
The number of employees on the Kuehne + Nagel Group payroll increased from 19,004 in 2003 to 21,193 in 2004; a growth of 11.5 per cent.

MOBILITY WITHOUT BORDERS.

Flexibility – at all times and worldwide. Global competition requires mobility. Kuehne + Nagel offers just that. With international staff and international knowledge transfers. Worldwide.

DURATION OF EMPLOYMENT

20%	< 1 year
30%	1–3 years
17%	4–5 years
16%	6–10 years
14%	11–25 years
3%	> 25 years



Jeannie Lam, Hong Kong

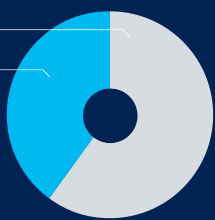
Jackie Shannon and
Richard Washington, Memphis

INTERNATIONALITY WITHOUT BORDERS.

Think globally, operate locally. Wherever the market is, Kuehne + Nagel is there. Everywhere in the world. With staff focused on common goals. And who speak the same language. The language of our customers.

PERSONNEL STRUCTURE

60%	Men
40%	Women

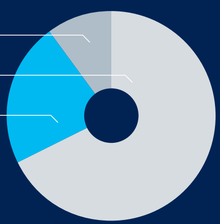


COMMITMENT WITHOUT BORDERS.

Innovation. Change. Growth. In fast-moving times, lasting success requires strong roots. At Kuehne + Nagel, these roots are the employees. We are committed to investing in their training. The result: high motivation and strong identification with the company. With Kuehne + Nagel.

PERSONNEL STRUCTURE

10%	Management
68%	Salaried
22%	Waged



Raoul Cavazos, Memphis


PING

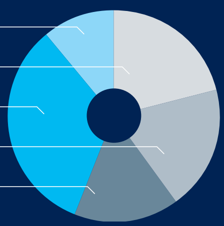
Siegfried Forche, Hamburg

COMMUNICATION WITHOUT BORDERS.

Listen. Understand. Act. Round the world and round the clock. To meet the needs of our business partners and customers. Kuehne + Nagel puts theories into practice. With exceptional efficiency. All thanks to the latest communication technologies that network our expertise worldwide.

AGE

11%	>50 years
21%	41–50 years
33%	31–40 years
19%	26–30 years
16%	<25 years



PERSONALLY COMMITTED TO TRAINING AND FURTHER EDUCATION

The Kuehne-Foundation sponsors three logistics institutes with five chairs at renowned universities in Switzerland and Germany. Together these chairs represent one of the most important pillars of logistics research and university level education in the German-speaking region. A step-by-step internationalisation of university sponsorship is planned.

KÜHNE-STIFTUNG

Kuehne-Institute for Logistics at the University of St. Gallen

In only the second year after its foundation, the Kuehne-Institute for Logistics (KLOG) at the University of St. Gallen has already developed into one of the leading logistics institutes. On March 1, 2004, the first Logistics Executive MBA course in the German-speaking region started at St. Gallen, initiated by the Institute. By the end of the year, 29 highly qualified participants from companies across the industry, trade and service sectors had already completed half of the training modules.

In October 2004, scientific advisory of the Institute was placed in the hands of an experienced and noted logistics scientist. The KLOG team is composed of three directorate members, nine doctoral candidates and nine scientific assistants.

Research at the Institute focuses, among others, on the following areas: logistics in the automotive industry (ramp-up management); the future of logistics; sustainability in logistics chains in the food industry; optimisation of goods availability in retail; smart technologies (RFID) in logistics networks; planning of outsourcing projects from a logistics provider perspective; provisioning and marketing of traffic information; and configuration of logistics networks.

Particularly worthy of mention is the research project “Ramp-up management in the automotive industry”. A study revealed that more than half the production ramp-ups in the automobile supplier industry fail to meet their technical and economic targets. The European automotive industry is currently characterised by the increasing complexity associated with ramp-ups. In stagnant sales markets, automobile manufacturers are forced to reduce model life cycles and extend the model range with new vehicles more than ever before. The study further showed that tailor-made logistics helps successful companies consolidate and expand their competitive position.

In December 2004, a number of findings were presented to a high profile audience in Berlin at an event jointly organised by the German Transport Forum Berlin and the Kuehne-Foundation under the direction of the President of the German Association of the Automotive Industry, Prof. Dr. Bernd Gottschalk.
In a research cooperation between the University of St. Gallen, the Technical University of Berlin and the Rhineland Westphalia Technical University of Aachen this topic is to be investigated further.

Hamburg School of Logistics
Substantially co-sponsored by the Kuehne-Foundation, the Hamburg School of Logistics (HSL) at the Technical University Hamburg-Harburg started the first English language Logistics MBA course in Germany on October 1, 2004, with 16 students from 10 countries.

Apart from scientists, lectures are held by experts from trade, industry and service companies who cooperate with the HSL, imparting valuable practical experience to the participants and bringing topical problems from their own respective areas of logistics into the discussion. Through the School's association with the reputable Technical University Hamburg–Harburg, a combination of both technical and commercial elements of logistics as well as the teaching of general management competences are guaranteed.

In addition to the full-time Logistics MBA course each year, the HSL also offers a Professional Program as a further qualification for employees in the logistics industry. Scientific and practice-oriented modules facilitate individual preparation for assignments in higher management.

At the same time, the HSL acts as a forum where international experts can exchange views and push forward basic and applied research initiatives.

Kuehne-Centre for Logistics Management at the WHU

At the Graduate School of Management (WHU) in Vallendar, in conjunction with the resident “Kuehne-Centre for Logistics Management”, a chair for logistics management was announced in the year 2004 and will be filled on May 1, 2005.

In this institute of the Kuehne-Foundation, too, research activities were successfully developed and know-how transfer into practice intensified. The focus here was on the two research fields “Management of Logistics Providers” and “Supply Chain Management and Controlling”. The Kuehne-Centre at the WHU is closely networked with several international universities and coordinates its activities accordingly. The high esteem in which the research work at the “Kuehne-Centre for Logistics Management” is held was demonstrated by the German Logistics Congress in Berlin awarding a graduate the ”German Science Award for Logistics” endowed with 8,000 euros for his doctoral thesis.

In the year 2004, the Kuehne-Centre also took responsibility for organising the 3rd Logistics Days of the Kuehne-Foundation under the title ”Logistics Outsourcing: Success guarantee or off course?” The event, held in June 2004, was very well attended by 160 participants.

Other activities

In 2004, the 16-day seminar "Network Management for Logistics Processes – NetloP", organised by the Kuehne-Foundation in cooperation with six universities, was held for the fourth time. 28 participants from four European countries attended. The highlight of this series of seminars was a visit to the Audi vehicle and engine plant in Györ/Hungary during a workshop held at the Vienna University of Economics and Business Administration. Logistics experts played a principal role in the factory's design in order to optimise workflows.

Besides training and further education as well as science and research in the areas of transport and logistics, the Kuehne-Foundation also supports diverse humanitarian and cultural projects in Bosnia, Germany, Kenya, Rumania and Switzerland. For example, a medical advisory project was initiated at the University Children's Hospital in Zurich, which is to be expanded into a centre for allergology research.

THE PUBLIC INTEREST KUEHNE-FOUNDATION, ESTABLISHED BY THE KUEHNE FAMILY IN 1976, HAS AS ITS SOLE DONOR KLAUS-MICHAEL KUEHNE, THE MAIN SHAREHOLDER OF THE KUEHNE + NAGEL GROUP.

600 OFFICES IN AROUND 100 COUNTRIES, 21,200 STAFF

Afghanistan
Albania
Angola
Argentina
Australia
Austria
Azerbaijan

Bahrain
Bangladesh
Belarus
Belgium
Bolivia
Brazil
Bulgaria

Cambodia
Canada
Chile
China
Colombia
Costa Rica
Croatia
Cyprus
Czech Republic

Denmark
Dominican Republic

Ecuador
Egypt
El Salvador
Equatorial Guinea
Estonia

Finland
France

Germany
Greece
Guatemala

Hungary

India
Indonesia
Iran
Iraq
Ireland
Israel
Italy

Japan
Jordan

Kazakhstan
Kenya
Korea

Latvia
Lebanon
Lithuania
Luxembourg

Macedonia
Malaysia
Malta
Mauritius
Mexico
Morocco
Mozambique

Namibia
Netherlands
New Zealand
Norway

Pakistan
Panama
Peru
Philippines
Poland
Portugal

Romania
Russia

Saudi Arabia
Serbia-Montenegro
Singapore
Slovak Republic
Slovenia
South Africa
Spain
Sri Lanka
Sweden
Switzerland

Taiwan
Tanzania
Thailand
Tunisia
Turkey
Turkmenistan

Uganda
Ukraine
United Arab Emirates
United Kingdom
Uruguay
USA
Uzbekistan

Venezuela
Vietnam

Zambia
Zimbabwe

Reports of the Business Units

UNDISPUTED MARKET LEADER WITH 1.6 MILLION TEU

In the year 2004, Kuehne + Nagel increased volumes on all trade lanes and realised a 28 per cent growth. With the disposition of 1.6 million TEU, the Group's leading status in global seafreight is undisputed.

Container market

The dynamic development of world trade in 2004 was reflected in international container volumes increasing by between 10 and 12 per cent on a global average. Highest growth was achieved on the Asia-Europe relations with 17 per cent, followed by intra-Asian and transpacific routes. Whilst the Latin American export business also registered a strong rise, freight volumes between Europe and North America were up approximately 5 per cent.

In particular on the American west coast and in Canada, the increased cargo operations led to considerable delays both in container handling as well as pick up and delivery by road and rail. In Europe, Rotterdam and the British ports were hardest hit by congestion as terminal capacities and infrastructure struggled to keep pace with the dynamic growth. Logistics companies were often required to develop alternative transport routes in order to cope with bottlenecks.

Rates

Compared with last year's level, rates on the Asian export routes again increased slightly. In the opposite direction, on trade lanes from Europe and North America to Asia, the imbalanced traffic put rates under pressure.

Gains on all trade lanes

Due to its excellent market position, Kuehne + Nagel was able to participate above average in the booming container business from Asian ports, especially China, and realised the highest volume growth in this region. In China alone, exports increased by more than 50 per cent. From Europe to Asia and North America volumes were up more than 20 per cent.

Noteworthy is that Kuehne + Nagel was able to generate strong growth not only on the busiest routes, but also in container traffic to and from Latin America, Africa, Middle East as well as within Asia Pacific and Europe.

The high cargo volumes could only be handled through both established and new partnerships with shipping lines, which allow Kuehne + Nagel to guarantee container slots on virtually all routes and sailings. This flexibility is demanded and appreciated by more and more key customers.

Electronic data exchange with shipping lines

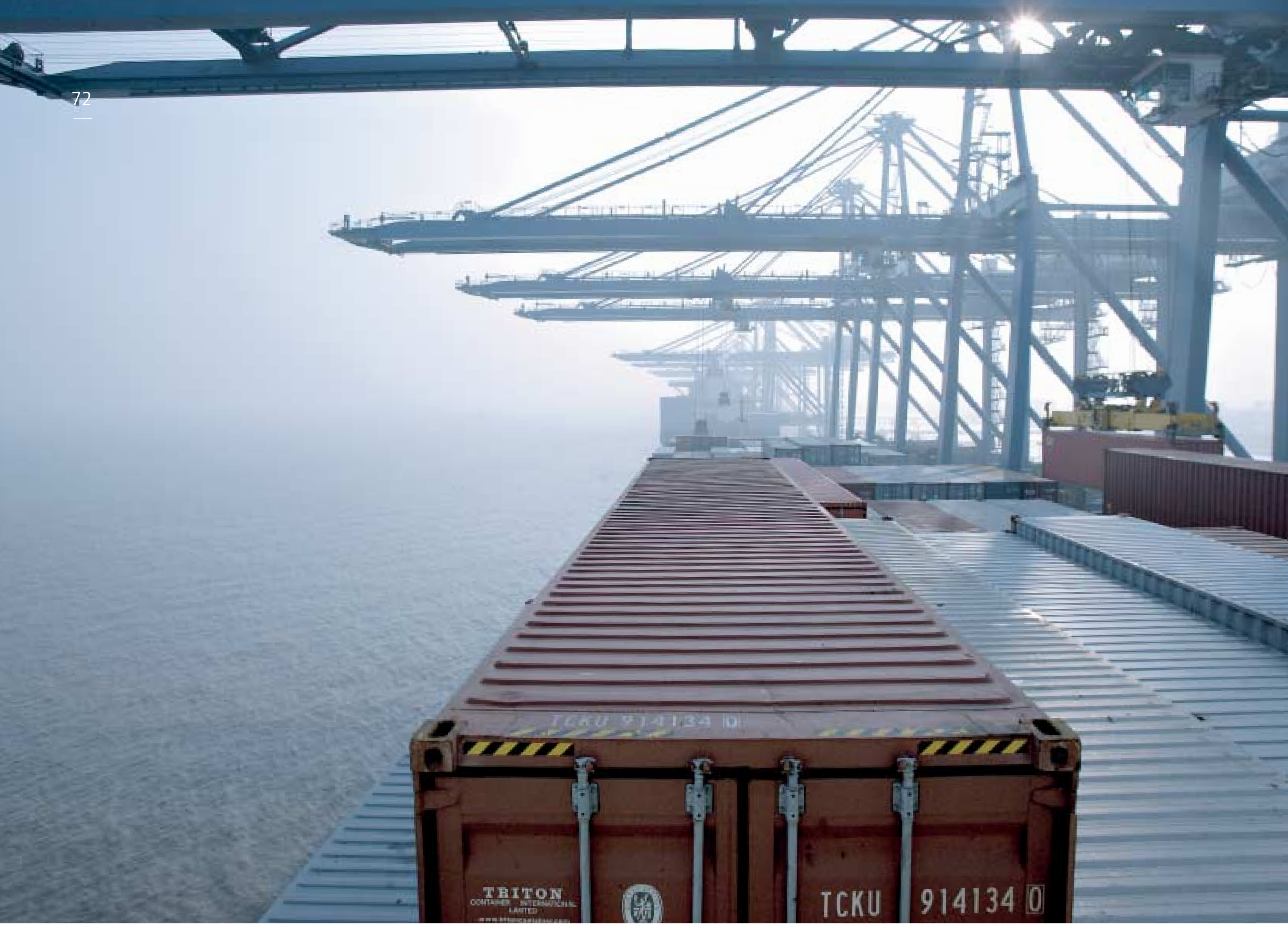
At the heart of Kuehne + Nagel's worldwide information systems in sea and airfreight is its CIEL software. In 2004, the application was linked to the carrier portal INTTRA, thus allowing data exchange with shipping lines from booking to documentation to status information inquiry to be carried out electronically. Kuehne + Nagel expects that the majority of business processes with shipping lines will be handled electronically in the current year. The higher productivity will lead to a positive impact on results.

KN Login

In addition to flexibility and quality, the most important factor in the transport chain that differentiates Kuehne + Nagel's seafreight services from the competition is visibility. The functionality of information logistics products brought together under the name KN Login was expanded in the year under review, creating increased value for Kuehne + Nagel customers.

PERFORMANCE SEAFREIGHT

CHF MILLION	2004	per cent	2003	per cent	Variance 2004/2003 per cent
Turnover	6,111.4	100.0	5,175.0	100.0	+18.1
Gross profit	780.9	12.8	689.5	13.3	+13.3
EBITA	186.3	3.0	155.0	3.0	+20.2
Number of operational staff	4,815	–	4,627	–	+4.1



Successful specialisation in niche products

In order to meet specific customer requirements, Kuehne + Nagel has for years specialised in several niche products. In shipments of forestry products (paper, cellulose and timber), which demand comprehensive know-how, the Group increased its market shares worldwide. Market acceptance of activities in the segment of reefer container traffic/perishables was illustrated by the more than 40 per cent volume growth. In the year under review, Kuehne + Nagel enhanced its global capabilities in this field by acquisitions. In the wine & spirits niche sector, which also requires product-specific expertise, volume growth exceeded expectations in all major markets.

River shipping

Despite negative weather influences, Kuehne + Nagel's river shipping organisation was able to again enlarge its business volume and to extend its market position. Associated companies linked to the Kuehne + Nagel river shipping network returned very favourable results as well. By joining the ShortSea Shipping Promotion Center (SPC) Kuehne + Nagel anticipates a further increase in freight transferred in favour of river shipping in the next few years.

Aid and relief logistics

For Kuehne + Nagel, aid and relief logistics has played an important role for a number of years. With a specialised team the company supports the activities of international relief organisations and private companies in crisis regions. In the year under review, these special services were concentrated in the Middle East and East Africa. Large volumes of aid and relief goods were transported by sea to Afghanistan and Iraq. Under at times very difficult operational conditions, local Kuehne + Nagel specialists ensured that the goods reached their destinations safely. In the direct aftermath of the Tsunami disaster in Asia, global aid and relief organisations made use of Kuehne + Nagel's services and infrastructure.

Oil, energy and project services

The positive performance of Kuehne + Nagel's dedicated services continued in the year 2004.

In Angola, Brazil, China and on Sakhalin large contracts were awarded by major companies from the oil and energy industry, which included the entire transport planning and supply of heavy goods components for the construction of big offshore drilling and production facilities. Also in South Africa and Central Asia, companies in the oil and energy sector took advantage of Kuehne + Nagel services on a large scale. The extension of a refinery in South Africa, for instance, required several complete charter vessels of heavy and oversized cargo from Asia and Europe to the final destination.

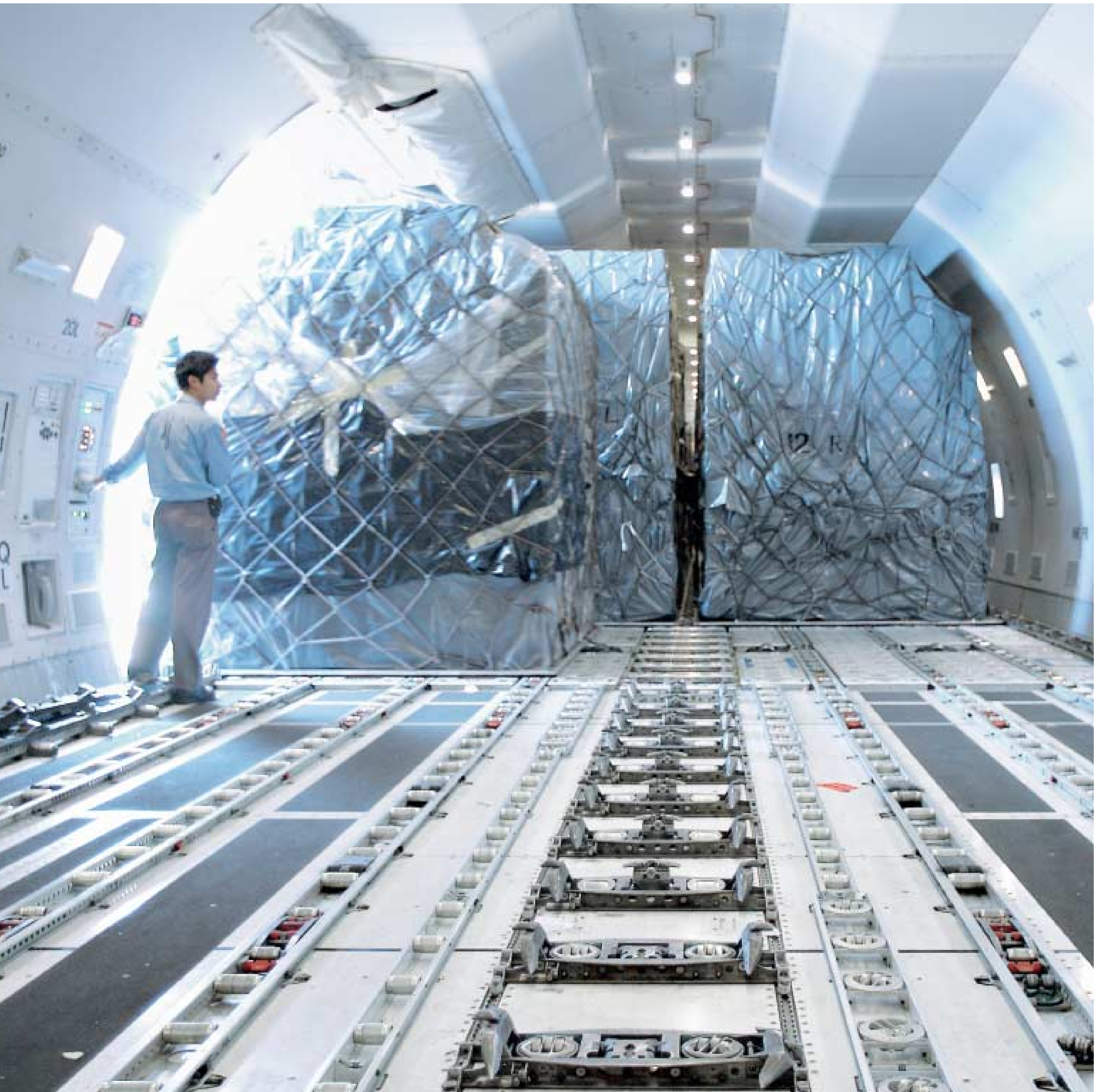
On the basis of major contracts Kuehne + Nagel provided comprehensive services for reconstruction projects in Iraq with the company's industry specific capabilities and global network being of great advantage for customers. In Asia, Africa, Europe and South America, a number of large contracts could also be concluded for transport projects and the company's market position considerably strengthened.

Ambitious growth target for 2005

According to forecasts, the global container market will grow by 10 per cent in 2005. Kuehne + Nagel intends to grow twice as fast as the market. The achievement of this ambitious goal will be supported by highly motivated employees, close partnerships with leading global shipping lines, high service quality and the further enhancement of IT-based products.

MOVING STRONG

Kuehne + Nagel's airfreight organisation remained on its successful course in 2004. Compared with the previous year, overall tonnage was increased by 20 per cent to 600,000 tonnes. The operational result improved by 21.3 per cent and underlines the high profitability in this business field.



Market development

The global airfreight market experienced rapid development in the year under review and grew by an estimated 10 per cent. Since airfreight business closely correlates with the general development of the world economy, it is not surprising that the highest volumes were generated on routes out of Asia-Pacific. The imbalance in cargo volumes, however, led to a drop in rates to Asia, especially to China.

Kuehne + Nagel performance

For Kuehne + Nagel's airfreight organisation, Asia and China in particular proved to be the growth engine. Export operations from Shanghai to Europe alone rose by over 80 per cent. The substantial increase in cargo, which Kuehne + Nagel managed in the People's Republic, could in the fourth quarter of 2004 only be flown out by over 50 additional freighters (Boeing 747s and Antonov AN-124s). Moreover, Kuehne + Nagel's regular charter service between Shanghai and Europe, which was established in the previous year, was expanded by 50 per cent.

Other traffic lanes also developed far above the market average. For example, Kuehne + Nagel increased tonnage in exports from North America to Asia by around 75 per cent, whilst cargo volumes from Europe to North America grew 10 per cent.

Apart from Kuehne + Nagel's national companies in Asia and South America, remarkably high volume growth and strongly improved results were achieved especially by Australia, Belgium, Brazil, Canada, Sweden and Switzerland. Stringent cost management and productivity improvements contributed to the considerable growth in profitability.

Important success factors

Kuehne + Nagel's concentration on specific industries and intensified sales support to globally operating key accounts led to a significant increase in airfreight orders. In 2004, substantial new business and contract extensions could be obtained in the triad Asia, Europe and America, particularly in the automotive, high-tech and retail sectors.

PERFORMANCE AIRFREIGHT

CHF MILLION	2004	per cent	2003	per cent	Variance 2004/2003 per cent
Turnover	2,601.4	100.0	2,092.9	100.0	+24.3
Gross profit	475.7	18.3	415.2	19.8	+14.6
EBITA	116.0	4.5	95.6	4.6	+21.3
Number of operational staff	2,758	–	2,624	–	+5.1

For the past two years, Kuehne + Nagel has played a pioneering role in the new standardised management of airfreight processes compliant with Cargo 2000, an initiative of leading global airlines and logistics companies. Kuehne + Nagel currently is the only logistics provider certified worldwide to Cargo 2000 Phase 2. This means that every one of the over 1.1 million air export consignments shipped each year is planned, monitored and controlled from pick-up to delivery. The service quality has considerably improved through an automatically generated and controlled route map, whereby deviations can be identified early and proactive measures taken. Through this optimisation of processes and better visibility, Kuehne + Nagel customers are provided with supplementary added value in the supply chain.

Aviation logistics

In the field of aviation logistics, which offers airlines highly specialised solutions for spare parts supply, double-digit growth was achieved in the year under review by widening the customer base and winning substantial new business, especially in England. Kuehne + Nagel currently has more than 40 so-called aviation gateways worldwide at its disposal that intensively manage and market this niche product. In the current year, markets in Asia will be entered.

Hotel logistics

Hotel logistics also performed strongly in the year 2004. In addition to managing large-scale projects in the Middle East, a traditionally important market for this niche product, Kuehne + Nagel successfully supported openings of new luxury hotels in Italy and Switzerland. For the first time, projects were also acquired for resorts and hotels in Africa, and marketing for the product intensified in North America. In 2005, activities are to be expanded especially in China and the Caribbean.

Cooperation with airlines

In order to efficiently manage the above-average growth rates, cooperation with all major airlines is of paramount importance. Last year, Kuehne + Nagel expanded its "Preferred Carrier Programme" and intensified cooperation in particular with airlines in Asia and the Middle East.

Staying on course

Studies forecast a volume growth of the worldwide airfreight market of between six and eight per cent for 2005. Kuehne + Nagel intends to grow twice as fast as the market. More efficient freight handling based on the Cargo 2000 process, new time-defined products as well as investment in information technology and focused further training of employees will contribute to this target being met and to keeping Kuehne + Nagel on its successful course.

FERROVIASPED INTEGRATED INTO KUEHNE + NAGEL GROUP

In 2004, the rail activities of the wholly owned subsidiary Ferroviasped were integrated into the organisational structure of the Kuehne + Nagel Group as business field Railfreight. This step strengthens the company's offering of intermodal transport solutions.

Kuehne + Nagel's decision to completely integrate the rail business was driven by the strategic focus to expand European overland transportation. Through a simplified coordination of capacities on road and rail, synergies can be obtained and customers offered cost-efficient transport alternatives from a single source (truck / intermodal / wagon / block train traffic). Kuehne + Nagel works with both state-owned railways and, increasingly, with private rail companies. Complementary activities such as warehousing and distribution are elementary components of the service package and were positively received by customers in the year under review.

Expansion of block train projects

Every year, more than 4,000 Kuehne + Nagel company trains connect important European economic centres. The company is continually improving its rail service offering, and in 2004 realised new projects such as a block train between the largest European inland port in Duisburg, Germany, and Parma in Italy. Operations initially take place on a weekly basis, but will increase to three departures per week by the end of the year. In 2006, there will be daily services connecting these two Kuehne + Nagel consolidation points.

Using Duisburg as a hub, in addition to distribution and consolidation of consignments for west and north Germany, a connection with the Benelux countries is planned and, in a further step, with Great Britain and Scandinavia.

Rail concepts for intermodal traffic

Between the Austrian shipment points Enns and Ybbs and the German seaports Bremen and Hamburg three block trains a week travel on a round trip, each with 60 to 70 TEU. In the year under review, more than 500 TEU a week were transported by rail to and from seaports in Great Britain in order to ease road and port congestion.

KN Nordic Rail

After start-up problems in 2003, restructuring measures, especially more balanced traffic flows, have brought a significant rise in efficiency. Transport volumes and turnover of wagon traffic on the Finland-continent route could be increased via the Turku-Lübeck ferry connection. Round trip times were shortened and transport quality considerably improved.

Business focus 2005

Apart from expanding the network of consolidation points and developing rail concepts for single wagon and intermodal transport, the creation of innovative overland transport concepts in cooperation with the Kuehne + Nagel business field Road will be undertaken.

SUBSTANTIAL EXPANSION

The expansive strategy in road transportation was continued. Acquisitions of GT Spedition A/S in Aalborg, Denmark, and Häring Service Company with head offices in Grafenau, Germany, allowed Kuehne + Nagel to substantially strengthen its overland network.

Developments in overland transport were significantly influenced by the enlargement of the European Union, enabling companies in the new member countries to become better integrated in global supply chains through the easing of border formalities and liberalisation. However, economic challenges arose through the loss of customs business and lower margins due to easier market access for Eastern European transport firms. By taking the appropriate measures and introducing new traffic concepts at an early stage, Kuehne + Nagel national companies managed to compensate these negative impacts and exploit new business potential.

The acquisition of the Danish GT Spedition and its subsidiary ICT with a focus on the Baltic and Northeastern European countries extended Kuehne + Nagel's presence and power in these regions.

Germany continues to be the most important market for European road transport. This is taken into account by Kuehne + Nagel in its expansion strategy. After acquiring Pracht Spedition + Logistik GmbH, Haiger, and a stake in the WM Group, Bocholt, the company's takeover of Häring Service Company effective as of January 1, 2005, has considerably enlarged its presence in Germany and its share in the IDS cooperation. Through its structure in Germany Kuehne + Nagel can utilise the system-driven IDS groupage network from all important locations and serve it from company-own access points.

In addition to expanding groupage activities, the traditional full and part truck load business made good progress. Throughout Europe new customers could be won and volumes increased at above-average rates. Furthermore, standardisation of IT infrastructure and the harmonisation of transport organisation enhanced productivity and contributed to an improvement in results.

In the current business year, the prime task is to integrate the acquired companies into the Group, use their respective specialisation for the continued expansion of the business field, and achieve positive effects through synergies for customers and Kuehne + Nagel alike. Further takeovers are being examined within the framework of the expansion strategy. Moreover, strict cost management and additional market shares are in the foreground in an area of business characterised by overcapacities and price pressure.

PERFORMANCE RAIL & ROAD LOGISTICS

CHF MILLION	2004	per cent	2003	per cent	Variance 2004/2003 per cent
Turnover	1,587.8	100.0	1,026.8	100.0	+54.6
Gross profit	276.9	17.4	151.6	14.8	+82.7
EBITA	31.3	2.0	19.1	1.9	+63.9
Number of operational staff	1,876	–	1,570	–	+19.5

STABLE RESULTS

In Contract Logistics, Kuehne + Nagel has joined ranks with the global industry leaders. Strict cost management, process standardisation and investments in infrastructure, information technology and product development were key factors for raising margins from 2.6 to 4.2 per cent.

Global logistics network

In the year 2004, the global Kuehne + Nagel contract logistics network consisted of more than 200 logistics centres in 45 countries with 3.3 million m² of warehouse space. This extensive infrastructure puts Kuehne + Nagel among the top five global providers of warehouse-based logistics services. Taking into account distribution and other value added services, the company ranks amongst the top ten full service contract logistics providers worldwide.

Regional developments

In the western hemisphere, the focus was directed at improving capacity utilisation in the USA and Mexico, managing additional warehouse space in Canada, and extending activities for the high-tech and automotive industries in Argentina and Brazil. Numerous new contracts signed in the 4th quarter of 2004 will ensure sustained growth in the current year.

Positive business performance continued in Europe through increases in volumes and considerable improvements in productivity. German operations were particularly positive. Activities in France, Great Britain, Scandinavia, Russia and the Ukraine will be expanded, and the opening of new or extended logistics centres in Austria, Denmark, Finland and Sweden is planned for 2005.

In Asia, following the termination of the strategic partnership with SembCorp Logistics Ltd, Singapore, Kuehne + Nagel is expanding the contract logistics business on its own. With the opening of a second logistics centre outside the free trade zone in Shanghai, the company became the first global logistics provider within the framework of the Closer Economic Partnership Agreement (CEPA) to operate a wholly owned subsidiary and to directly offer and provide international forwarding and contract logistics services. Kuehne + Nagel's 70,000 m^2 of warehouse space in eight Asian countries already provide it with a competitive edge. Infrastructure in the Far East, especially in China and India, will be expanded substantially in the coming years.

Investment in standardisation

Kuehne + Nagel's high quality services are based on worldwide standards, ongoing control and consistent contract management. The introduction of uniform quality and productivity ratios in 2004 continued the company's initiative for standardised global business processes. In addition, management processes will be standardised to the extent allowed by customer-specific needs. Standardisation enhances transparency, resulting in better identification of productivity and cost-optimisation opportunities. Furthermore, global benchmarking and pan-regional process improvements are made significantly easier.

Information technology and innovative products

The standardisation initiative is supported by the continued global rollout of a single warehouse management system. Kuehne + Nagel has installed its state-of-the-art system at approximately 70 customers in 26 countries, including China. Global implementation is scheduled to be complete by the end of 2006. Further investment is allocated for transport management optimisation, Internet-based inventory management, the development of RFID technology, as well as other IT-supported innovative logistics products.

An example of Kuehne + Nagel's development of innovative products is the establishment of "Cologic", a joint venture between the French logistics provider Faure et Machet and Kuehne + Nagel. It provides an innovative offering of integrated purchasing, production, planning, warehouse and distribution activities. Several well-respected companies from the high-tech and electronics industries have already seen the value of this offering and have become lead customers.

High demand for value added services

Demand for value adding products and services is growing. Kuehne + Nagel continually improves and extends its service offering to address these demands, for example in the areas of spare parts logistics, reverse logistics and final assembly. These value added services will contribute to stabilise both Kuehne + Nagel's margin at its high level as well as the acceleration of growth.

PERFORMANCE CONTRACT LOGISTICS

CHF MILLION	2004	per cent	2003	per cent	Variance 2004/2003 per cent
Turnover	1,170.8	100.0	1,167.1	100.0	+0.3
Gross profit	765.9	65.4	778.2	66.7	(1.6)
EBITA	49.1	4.2	30.8	2.6	59.4
Number of operational staff	5,553	–	5.825	–	(4.7)

Contract logistics remains a dynamic growth market

Globalisation, digitalisation and shorter product life cycles continue to cause changes in global supply chains. Proficiency in the implementation of flexible and cost-optimised logistics solutions remains crucial for success in this environment. For this reason, market growth in contract logistics on the customer side is driven by a focus on optimising supply chain management, improving customer service and reducing costs. Companies increasingly recognise that logistics outsourcing not only assures them of short-term cost relief, but also sustained competitive advantage in the long run.

For all regions of the world, market growth in the coming years is forecast to come from increased outsourcing. Logistics providers who are most able to benefit from a rise in global outsourcing are those, like Kuehne + Nagel, with a global network, a complete range of logistics services and demonstrated industry know-how and supply chain optimisation competence.

After a period of cost-optimisation and consolidation, Kuehne + Nagel is well prepared for increased internal growth. Acquisitions will accelerate the process to achieve a leading market position. The company will continue to develop its customer-specific value added services as well as IT-based products, and is convinced that these enhanced services will lead to long-term customer relations and dynamic corporate growth.

GOOD PERFORMANCE – SPECIAL PROVISIONS DUE TO CLAIMS RISKS

The globally operating Nacora Group again achieved a positive operational result in the year 2004. As in previous years, the focus on cargo insurance and the international orientation proved to be of advantage. In the area of transport liability insurance additional provisions had to be set aside for the risk in the deductible range. This led to an extraordinary outlay that reduced the Nacora Group's result by 51.3 per cent to CHF 7.5 million compared with the previous year.

2004 was a year of general recovery in global insurance markets. Re-insurers eased pressure to raise premiums and be risk selective, which led to an intense competitive environment with a large supply and high demand. Particularly in the area of cargo insurance, conditions almost returned to the level of 2000. Against this background, the Nacora Group was able to gain further market shares.

Concentration on cargo insurance

Its strategy of concentrating on cargo insurance for the past three years continued to prove itself for the Nacora Group. Especially medium size companies with international operations benefit from the Group's specific know-how in liability and technical insurance matters. Moreover, demand for tailor-made insurance solutions in highly specialised fields of logistics increased.

PERFORMANCE INSURANCE BROKER

CHF MILLION	2004	per cent	2003	per cent	Variance 2004/2003 per cent
Turnover	91.7	100.0	86.2	100.0	+6.4
Gross profit	23.1	25.2	29.8	34.6	(22.5)
EBITA	7.5	8.2	15.4	17.9	(51.3)
Number of operational staff	109	–	131	–	(16.8)

Network expansion

In the year 2004, new sales offices in Argentina, China and the United Arab Emirates were opened, bringing the total number in the world's most important trade and finance centres to 28. In 2005, the network is to be expanded further by the opening of a sales office in Australia and a branch office in the emerging finance centre of Macao.

Consistent high service level

In order to offer worldwide customers a consistent high quality and service level in consulting and risk management, high value is attached to the education and further training of employees. For this reason, 2004 saw investment in the service component, including training measures in the fields of consulting and brokerage expertise, as well as sales and information technology.

A global network, high service levels and focus on the core business cargo insurance will remain cornerstones of the Nacora Group's growth and success in the future.

Corporate Governance

CORPORATE GOVERNANCE.

Good corporate governance is an important and integral part of the management culture of the Kuehne + Nagel Group (the Group). The principles of corporate governance, as defined in the Directive on Information Relating to Corporate Governance of the SWX Swiss Exchange, are laid down in the Articles of Association, the Organisational Rules and the Committee Regulations of the holding company of the Group, Kuehne + Nagel International AG, Schindellegi, Switzerland (KNI).

1. GROUP STRUCTURE AND SHAREHOLDERS

1.1. Group structure

1.11. Group operational structure

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

primary segment, consisting of the business fields:

- Sea & Air Logistics
- Rail & Road Logistics
- Contract Logistics
- Insurance broker

secondary segment, consisting of the geographical regions:

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

For further information on the business fields, refer to the sections Reports of the Business Fields and the Consolidated Financial Statements respectively.

1.12. Listed companies of the Group

The only listed company within the scope of the Group's consolidation is the ultimate holding company Kuehne + Nagel International AG (KNI). KNI has its registered office in Schindellegi, Switzerland, and the shares are listed on the SWX Swiss Exchange. The market capitalisation as of 31.12.2004 amounted to CHF 5,880,000,000 (24,000,000 registered shares à CHF 245.– per share)

As of 31.12.2004

- the free-float consisting of 8,226,000 shares = 34,28%,
- KNI-held treasury stock of 2,394,000 shares = 9,97%
  of the total KNI share capital.

The KNI-shares are traded under Valor No 1254181/ISINCH0012541816, symbol KNIN.

1.13. Non-listed Companies in the Group's consolidation

The main subsidiaries and associated companies of the Group are disclosed in the appendix "Main Investments" to the Consolidated Financial Statements on pages 140 to 143, including particulars as to country, name of company, location, share capital, Kuehne + Nagel's stake in per cent and voting rights.

1.2. Main shareholders

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

The cross shareholdings between KNI and SembCorp Logistics Ltd, Singapore (SembLog), were sold and the cooperation agreement between both companies terminated in October 2004. Pursuant to the termination of cross-shareholdings, SembLog sold the 20 per cent stake in KNI of which 13.03 per cent were placed in the stock market, increasing the free float of KNI to 34.28 per cent, and 6.97 per cent were purchased by KNI as treasury shares, whereas KNI sold the 5 per cent stake in SembLog to the public.

1.3. Cross participations

After the conclusion of the transaction KNI/SembLog as outlined under 1.2. above, no further cross participations were outstanding as of 31.12.2004.

2. CAPITAL STRUCTURE

2.1. Ordinary share capital as of 31.12.2004

The ordinary share capital of KNI amounts to CHF 120,000,000 divided into 24,000,000 registered shares of CHF 5.– nominal value each.

2.2. Approved and conditional share capital

The Annual General Meeting, held on May 12, 2004, agreed to the Board of Director's proposal to create an approved share capital of 4 million registered ordinary shares up to a maximum of CHF 20 million restricted for 2 years. The Board of Directors has not made use of this authorisation as yet. Furthermore, there is no authorisation for the issuance of a conditional share capital.

2.3. Change in capital over the past three years

During the years 2002 through 2004 there was no change of the capital structure of KNI.

2.4. Shares and participating certificates

As of 31.12.2004 24,000,000 registered shares à CHF 5.– nominal value each were outstanding. As of 31.12.2004 no participating certificates were outstanding.

2.5. Partaking certificates (Genussscheine)

As of 31.12.2004 there were no partaking certificates (Genussscheine) outstanding.

2.6. Restrictions on transfer of shares and registration of nominees

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

2.7. Convertible bonds and options

As of 31.12.2004 there were no convertible bonds outstanding. The only options outstanding as of 31.12.2004 relate to the Employee Share Purchase and Option Plan; see under 5.6 below.

3. BOARD OF DIRECTORS

3.1 Members of the Board of Directors
3.2 Further activities and interests
3.3 Cross engagements

The Board of Directors consisted as of 31.12.2004 of 9 members, after the resignation of Wong Kok Siew and Koh Soo Keong in October 2004 following the end of the cross shareholdings KNI/SembLog.

The personal particulars of the remaining Board-Members read as follows:

KLAUS-MICHAEL KUEHNE, EXECUTIVE CHAIRMAN German, age 67

Trained as banker and freight forwarder.
Assignments in the Kuehne + Nagel Group (the Group):

1958–1966	Entrance into the family business assuming various management assignments
1966–1975	Chief Executive Officer of the Group
1975–1992	Delegate and Member of the Board of Directors of KNI
1992–today	Executive Chairman of the Board of Directors of KNI, elected until the Annual General Meeting 2006 Chairman of KNI's Nomination and Compensation Committee

BERND WREDE, VICE CHAIRMAN German, age 61

Studied at the Universities of Würzburg and Hamburg and holds an MBA. From 1982 to 2001, member of the Board of Hapag-Lloyd AG, Hamburg, and as of 1993 its Chairman. Currently management consultant. He further is a member of the Supervisory Board of the following companies: Bankgesellschaft Berlin AG, Berlin; ERGO Versicherungsgruppe AG, Düsseldorf; Landesbank Berlin, Berlin; Weberbank Privatbankiers KGaA, Berlin, additionally, member of the Board of Trustees of ZEIT-Stiftung, Hamburg.
Assignments in the Kuehne + Nagel Group:

1999–2002	Member of the Board of Directors of KNI
2002–today	Vice-Chairman of the Board of Directors of KNI, elected until the Annual General Meeting 2005 Vice Chairman of the KNI's Audit Committee Member of KNI's Nomination and Compensation Committee

PROF. DR. OTTO GELLERT German, age 75

Holds a PhD and was promoted professor in business administration from the University of Hamburg. Since 1960, independent activities as accountant and tax consultant. Other significant positions are: member of the Supervisory Board and Shareholders' Committee of M.M. Warburg & CO KGaA-Group, Hamburg; Vice Chairman of the Board of Directors of BvS Bundesanstalt für vereinigungsbedingte Sonderaufgaben, Berlin; member of the Supervisory Board of FRoSTA AG, Bremerhaven.
Assignments in the Kuehne + Nagel Group:

1992–today	Member of the Board of Directors of KNI, elected until the Annual General Meeting 2006 Chairman of KNI's Audit Committee

DR JOACHIM HAUSSER German, age 60

Holds a PhD in economics from the Université de Genève. Retired bank executive, currently an independent financial consultant. Other significant positions are: Chairman of the Supervisory Board of Ludwig Beck am Rathauseck Textilhaus Feldmeier AG, Munich; member of the Advisory Board of GETRAG Getriebe- und Zahnradfabrik Hermann Hagenmeyer GmbH & Cie, Ludwigsburg.
Assignments in the Kuehne + Nagel Group:

1992–today	Member of the Board of Directors of KNI, elected until the Annual General Meeting 2006

DR. WILLY KISSLING Swiss, age 60

Holds a PhD in business administration from the University of Berne, PMD Harvard Business School, Cambridge, USA. Formerly President and CEO of Landis & Gyr Corporation (1987–1996). 1998 to April 2005 Chairman of Unaxis Corporation, Pfäffikon. Other significant positions are: Chairman of the Board of Directors until April 2005 of Forbo Holding AG, Eglisau; member of the Board of Directors of Schneider Electric S.A., Paris, and of Holcim Ltd., Jona.
Assignments in the Kuehne + Nagel Group:

2003–today	Member of the Board of Directors of KNI, elected until the Annual General Meeting 2006

DR. GEORG OBERMEIER German, age 63

Holds a PhD in business administration from the University of Munich. 1989 to 1998 member of the Board of Directors of VIAG AG, Berlin/Munich, since 1995 its Chairman; 1999 to 2001 Chairman of the Board of Directors of RHYAG, Vienna. Currently an independent business consultant. He further is member of the Supervisory Committees of the following companies: Energie-Control GmbH, Vienna; SKW Stahl-Metallurgie Holding GmbH, Unterneukirchen, Rheinhold und Mahla AG, Munich; Spaten-Franziskaner KGaA, Munich.
Assignments in the Kuehne + Nagel Group:

1992–today	Member of the Board of Directors of KNI, elected until the Annual General Meeting 2006
	Member of KNI's Nomination and Compensation Committee

DR. ALFRED PFEIFFER German, age 72

Holds a PhD in business administration from the University of Munich. Formerly Chairman of the Board of VIAG AG, Munich, and Chairman of the Supervisory Board for several major industrial companies. Other significant positions: member of the Board of Administration of Gerling AG, Cologne; Honorary President of the Advisory Council of Union e.V., Munich.
Assignments in the Kuehne + Nagel Group:

1994–today	Member of the Board of Directors of KNI, elected until the Annual General Meeting 2006

BRUNO SALZMANN Swiss, age 70

Education and employment as auditor. Held various positions as Chief Accountant, senior Auditor, Financial Controller and General Manager in various swiss and foreign companies.

Assignments in the Kuehne + Nagel Group:

1976–1979	Divisional Controller
1979–1982	Group Controller and Head of Treasury
1982–1999	General Director Finance and Controlling of the Group until retirement
1999–today	Member of the Board of KNI, elected until the Annual General General Meeting 2005 Member of KNI's Audit Committee.

DR. THOMAS STAEHELIN Swiss, age 57

Holds a PhD in law from the University of Basel. Lawyer. Other significant positions: Vice Chairman of the Board of Directors of Siegfried Holding AG, Zofingen; member of the Board and President of the Audit Committee of Inficon Holding AG, Bad Ragaz; Chairman of the Board of Directors of Swissport International SA, Opfikon, and of Rothornbahn & Scalottas AG, Vaz/Obervaz; member of the Board of Directors of Lantal Textiles, Langenthal; member of the Board and Commission President of economiesuisse; President of the Basel Chamber of Commerce; Delegate to the Board of Directors at Vereinigung der Privaten Aktiengesellschaften; member of the Swiss Foundation for Accounting and Reporting Recommendations (FER-SWISS GAAP FER).

Assignments in the Kuehne + Nagel Group:

1978–today	Member of the Board of KNI, elected until the Annual General General Meeting 2006 Member of KNI's Audit Committee.

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

3.4. Election and duration of tenure

The election for board-membership is carried out whenever tenures expire. There is no summary election for the whole Board of Directors, the Board members are elected for a period of three years.

There are no limits regarding the number of terms of service or as to the age of the incumbents. The year of first election as well as the remaining time of the running term in office for each Board member are quoted under 3.1. above.

3.5. Internal organisation of the Board of Directors
3.6. Rules of competence between Board of Directors and Management Board
3.7. Information and Control-System versus the Management Board

According to the Articles of Association and the Swiss corporate law, the main tasks of the Board of Directors comprise of
- the strategic direction and management of the company
- accounting matters
- financial control and planning
- appointing and dismissing of Management Board members and other senior executives
- supervisory control of the business operations and
- submission of proposals to the Annual General Meeting, including the financial statements of both KNI as well as the Group.

The Board of Directors has assigned specified powers to the Executive Chairman of the Board of Directors, particularly in the areas of investments, finance and accounting as well as personnel. The entire Board of Directors, however, is responsible for decisions on such above mentioned aspects that are of significant importance to the company. The scope of the Board and the Executive Chairman are stipulated in the Organisational Rules.

The Board of Directors has delegated the responsibility for the development, execution, and supervision of the day-to-day business operations of the Group and its associated companies to the Management Board except those reserved by law, by the Articles of Association or the Organisational Rules to the Annual General Meeting, the Audit Committee, the Board of Directors or the Chairman of the Board of Directors.

The Organisation rules dated 10.5.1999 lay down in detail the working mode of the Board of Directors, the Delegate and Chairman of the Board on the one hand and the Management Board on the other hand. A catalogue of competences between the Board of Directors and the Management Board outlines in detail the financial framework within which the Management Board can pursue its daily business.

The Board of Directors meets at least four times annually, and the management board is at least represented by the CEO and CFO of the Group.

The Audit committee has annually at least six full-day meetings, of which at least three sessions are held in the presence of both the internal as well as the external auditors.

The Nomination and Compensation Committee usually convenes prior to the regular board meetings for up to 2 hours.

The members of the committees are mentioned under 3.1. above. The committees report in detail to the other Board members about the topics discussed and the decisions taken and/or to be submitted to the entire Board for approval.

In emergency cases the Board can also take decisions by written circular resolutions.

The full Board meetings are always attended by at least the CEO and the CFO, who may be seconded by other members of the Management Board as and when appropriate. In 2004 four full-day meetings took place.
The Board is informed on a regular and timely basis about the course of business by means of a comprehensive financial MIS package, which provides monthly worldwide consolidated results by segments and country with comparative actual, budget, and prior-year figures two weeks after month end at the latest.

The audit committee reviews and releases the quarterly financials prior to their issuance to the public. During the regular contacts between the audit committee and both the internal as well as the external auditors, the quality and the functioning of the internal control tools are being reviewed and evaluated on the basis of written audit reports form the internal audit department, and verbal and/or written reports in form of management letters form the external auditors in particular based on their interim audits prior to the year end work, in order to set priorities for the year-end audit. Regular contacts with the external auditors throughout the year enables the Audit Committee to obtain knowledge of problem areas at an early stage, to allow the introduction of corrective measures without undue delay. In 2004 the Committee held six full-day meetings.

The Nomination and Compensation Board secures competent staffing of Management Board positions and defines the principles of compensation for the members of both the Board of Directors as well as the Management Board.
In 2004 The Committee convened 4 times for 2 hours each session.

4. MANAGEMENT BOARD

4.1. Members
4.2. Further activities

The personal particulars of the members of the Management Board are as follows:

KLAUS HERMS German, age 63

Graduated in business administration from DAV, Bremen.
Assignments in the Kuehne + Nagel Group:

1968–1969	Trainee at Bremen, Germany
1969–1974	Sales representative project business Far East in Hongkong
1974–1988	Regional Manager Far East in Hongkong Open-up of Kuehne + Nagel-Organisations in Indonesia, Japan, Korea, Malaysia, Philippines, Sri Lanka, Thailand 1980 assuming additional responsibility for Kuehne + Nagel in Australia, and New Zealand
1988–1999	Line Chief Executive Asia Pacific region and Member of the Group Management of KNI 1988 assuming additional responsibility for Kuehne + Nagel on the Indian subcontinent
1999–today	Chief Executive Officer of the Group Chairman of the Management Board of KNI

THOMAS ENGEL Swiss, age 50

Dipl. El.-Ing. ETH. Held various IT positions including Divisional Director IT at Metro International AG, Baar, and Head of IT and Logistics at AMC International AG, Risch.
Assignments in the Kuehne + Nagel Group:

1996–1999	IT-Manager
1999–today	Chief Information Officer of the Group

DR. AXEL HANSEN German, age 61

Law graduate and Doctor of jurisprudence. Studied at the Universities of Kiel, Berlin and Paris. Management and Board positions in steel trade, industrial plant construction and the real estate sector.
Assignments in the Kuehne + Nagel Group:

1988–today	General Counsel and Secretary of the Board of Directors of KNI

GERARD VAN KESTEREN Dutch, age 55

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

Assignments in the Kuehne + Nagel Group:

1989–1999	Financial Controller Kuehne + Nagel Western Europe
1999–today	Chief Financial Officer of the Group.

REINHARD LANGE German, age 55

Trained freight forwarder.

Assignments in the Kuehne + Nagel Group:

1971–1985	Head of Seafreight Import at Bremen, Germany
1985–1990	Regional Director Seafreight Asia Pacific, Hongkong
1990–1995	Member of the German Management Board, responsible for Seafreight and industrial packing
1995–1999	President and Chief Executive officer of Kuehne + Nagel Ltd., Toronto, Canada
1999–today	Chief Operating Officer Sea & Air Logistics of the Group Member of the Management Board of KNI

KLAUS-DIETER PIETSCH German, age 63

Graduated in business administration. Various positions in industry in the areas of human resources and information technology.

Assignments in the Kuehne + Nagel Group:

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

DIRK REICH German, age 41

Graduated from Koblenz School of Corporate Management in Germany. Various positions at Lufthansa AG and VIAG AG.

Assignments in the Kuehne + Nagel Group:

1995–2001	Senior Vice President Corporate Development
2001–today	Executive Vice President Contract Logistics of the Group.

5. COMPENSATION

5.1 Remuneration programme and Employee Share Purchase and Option Plan

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

The incumbent members of the Board of Directors receive a total remuneration amounting to 1 per cent of the net earnings for the year of KNI. Each member is guaranteed an annual compensation amounting to CHF 30,000.

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

5.2. Remuneration paid to the actual members of both the Board of Directors as well as the Management Board of KNI

The total remuneration paid to members of the Board of Directors and the Management Board in the financial year amounted to CHF 12,036,626, out of which CHF 11,460,001 were paid to the executive member of the Board of Directors and the members of the Management Board, and CHF 576,625 to the non-executive members of the Board of Directors.

No termination allowances were paid to any of the previous members of the Board of Directors.

5.3. Remuneration paid to former members of the Board of Directors and the Management Board of KNI

An amount of CHF 131,650 was paid to two former members of the Board of Directors or of the Management Board in the year under review.

5.4. Allocation of shares during 2004

In 2004 no shares were allocated to any members of either the Board of Directors or the Management Board and/or to parties closely associated with them other than disclosed under the Employee Share Purchase and Option Plan (see note 5.6 below).

5.5. Shareholdings by members of the Board of directors and the Management Board of KNI

As of 31.12.2004, the following number of KNI shares were held by the members of the Board of Directors and the Management Board of KNI, distinguished between executive and non-executive members (or closely associated).

Executive members	Number of KNI registered shares	
Klaus Michael Kuehne		13,399,540
Klaus Herms		11,000
Thomas Engel		7,825
Dr. Axel Hansen		12,592
Gerard van Kesteren		7,875
Reinhard Lange		5,500
Klaus Dieter Pietsch		5,250
Dirk Reich		4,750
	Total	13,454,332

Non-executive members	Number of KNI registered shares	
Dr. Joachim Hausser		1
Dr. Willy Kissling		400
Dr. Georg Obermeier		100
Bruno Salzmann		20
Dr. Thomas Staehelin		2,000
	Total	2,521
	Gesamttotal	13,456,853

5.6. Options

In 2001 KNI introduced an Employee Share Purchase and Option Plan for members of the Management Board of KNI, by which they have the option to purchase a maximum of 43,200 registered shares. As of 31.12.2004 all members of the Management Board participated, and the total amount of shares of 43,200 was purchased at the agreed price of 90 per cent of the average share price quoted at the SWX Swiss Exchange in the months of April to June of the respective year of purchase. The sale of the shares acquired under this plan is blocked for a period of three years after the date of purchase. Each share purchased is linked with two options carrying the right to purchase one KNI share for each option at the average price as outlined above. The option is blocked for three years from the date of subscription and thereafter can be exercised within the period of another three years, the option lapses after expiry of that period. The prices to exercise the above options are quoted in note 29 to the Consolidated Financial Statements on page 130.

As of 31.12.2004 the members of the Management Board and parties closely linked to them held the following options.

Name	Date of collation	Number of options	Year of expiry of locked period
Thomas Engel	2002	5,000	2005
	2003	2,250	2006
	2004	400	2007
Klaus Herms	2001	12,000	2004
	2002	3,000	2005
	2003	3,000	2006
	2004	3,000	2007
Gerard van Kesteren	2001	9,000	2004
	2002	2,250	2005
	2003	2,250	2006
	2004	2,250	2007
Reinhard Lange	2001	4,000	2004
	2003	5,000	2006
	2004	2,000	2007
Dirk Reich	2003	7,250	2006
	2004	2,250	2007
Klaus Dieter Pietsch	2002	3,000	2005
	2003	2,250	2006
	2004	2,250	2007
Total options allocated		72,400	

5.7. Additional fees and remuneration

Additionally, in the year 2004, further remunerations requiring disclosure were paid to members of the Board of Directors for other services rendered to the Kuehne + Nagel Management AG, Schindellegi, an associated company:

Prof. Dr. Otto Gellert	CHF 259,636
Bruno Salzmann	CHF 84,750
Dr. Thomas Staehelin	CHF 69,869
Bernd Wrede	CHF 175,000
Total	CHF 589,255

5.8. Loans granted to members of the Board of Directors and the Management Board of KNI as well as associated parties

Three members of the Management Board have been provided with open unsecured loans at 4 per cent interest p.a. totalling CHF 453,750, which were fully repaid as per 31.12.2004.

5.9. Highest remuneration in 2004

The highest remuneration drawn by a member of the Board of Directors in 2004 amounted to CHF 3,793,665 all consisting of remuneration.
No allocations of either shares or options were effected.

6. SHAREHOLDERS' RIGHT OF PARTICIPATION

6.1. Restrictions and delegation of voting rights

There do not exist any restrictions on voting rights.

6.2 Statutory Quorums

The legal rules on quorums and terms apply.

6.3. Calling for a General Assembly Meeting

There do not exist any statutory deviations from the procedures provided for by law for the calling of a General Assembly Meeting.

6.4. Items to be added to the agenda of a General Assembly meeting

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

6.5. Registrations of shareholders in the KNI share register, particularly in view of their participation at the General Assembly meetings

Registered shares can only be represented at the General Assembly Meetings by either shareholders or beneficiary owners whose personal particulars and size of their shareholdings are entered in the KNI share register. Such shareholders and/or beneficiary owners who are not in a position to attend the General Assembly meeting are entitled to nominate a representative by a respective written proxy.
The share register remains closed for any movements during the eight calendar days (including the day of the General Assembly meeting) preceding the date of the General Assembly meeting.

7. CHANGE OF CONTROL AND DEFENCE MEASURES

7.1. Offering obligation

There are no opting-out nor opting-in rules provided for in the Articles of Association.

7.2. Clauses for change 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.

8. STATUTORY AUDITORS

8.1. Duration of mandate

KPMG Fides Peat, Zurich, adopted the mandate initially for the business year 2002 as per declaration of acceptance dated 8.5.2002. The re-election for the business year 2004 was confirmed with the declaration of acceptance dated 9.8.2004. The audit partner-in-charge and responsible for the mandate, Mr. Roger Neininger, started his assignment on 1.7.2002.

8.2. Audit fees

According to the Group's financial records, the fees charged for auditing services for the year 2004 amounted to CHF 2.5 million.

8.3. Additional fees

In addition to the fees mentioned under 8.2., the statutory auditors are asked on a very restrictive basis to provide certain consulting services beyond the mandate of the annual audit. In 2004 an amount of CHF 0.1 million was incurred in this connection.

8.4. Supervisory and controlling instruments towards the statutory auditors

The performance of 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 regularly to the Audit Committee and attend the majority of the Audit Committee meetings in the person of the audit partner-in-charge. For further details refer to the comments under 3.5–7 above.

9. INFORMATION POLICY

KNI regularly publishes news on fundamental business developments, organisational changes, new major contracts, etc. and releases quarterly financial data through its website www.kuehne-nagel.com.

The timetable quoting all dates of anticipated publications in 2005 relative to both the quarterly reports as well as to the annual General Assembly meeting is shown in the Annual Report.

Consolidated Financial Statements

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

INCOME STATEMENT

CHF million	Note	2004	2003
Invoiced turnover		**11,563.1**	**9,548.0**
Customs duties and taxes		(2,442.3)	(2,015.7)
Net invoiced turnover		**9,120.8**	**7,532.3**
Net expense for services from third parties		(6,798.3)	(5,468.0)
Gross profit		**2,322.5**	**2,064.3**
Personnel expenses	15	(1,269.2)	(1,130.1)
Selling, general and administrative expenses	16	(580.5)	(523.6)
Income from associates and joint ventures	23	2.2	4.3
Other operating income	17	7.5	3.3
EBITDA		**482.5**	**418.2**
Depreciation fixed assets and amortisation software and other intangibles	21	(92.3)	(102.3)
EBITA		**390.2**	**315.9**
Amortisation goodwill	22	(63.8)	(34.9)
EBIT		**326.4**	**281.0**
Finance result	18	20.4	5.1
Earnings before tax		**346.8**	**286.1**
Income tax	19	(103.5)	(89.3)
Earnings after tax		**243.3**	**196.8**
Minority share	30	(2.5)	(1.1)
Net earnings for the year		**240.8**	**195.7**
Basic earnings per share in CHF	20	10.555	8.446
Diluted earnings per share in CHF	20	10.502	8.438

BALANCE SHEET

CHF million	Note	31/12/2004	31/12/2003
ASSETS			
Non current assets			
Fixed assets, software and other intangibles	21	642.4	550.9
Goodwill	22	105.7	133.3
Investments in associates and joint ventures	23	17.9	18.2
Investments in affiliated companies	23	4.4	30.0
Deferred tax assets	19	55.1	37.9
		825.5	**770.3**
Current assets			
Prepayments and deposits		39.5	35.7
Work in progress	24	211.0	159.1
Trade receivables	25	1,226.5	975.4
Other receivables	26	62.7	46.1
Marketable securities	27	15.7	26.3
Cash and cash equivalents	28	462.2	707.0
		2,017.6	**1,949.6**
Total Assets		**2,843.1**	**2,719.9**

CHF million	Note	31/12/2004	31/12/2003
LIABILITIES AND SHAREHOLDERS' EQUITY			
Equity			
Share capital	29	120.0	120.0
Reserves and retained earnings		434.7	697.0
Net earnings for the year		240.8	195.7
		795.5	**1,012.7**
Minority interest	30	**6.8**	**5.4**
Long term liabilities and provisions			
Provisions for pension plans and severance payments	31	182.1	167.1
Deferred tax liabilities	19	12.4	10.5
Bank liabilities	32	6.1	0.7
Finance lease obligations	33	13.6	–
		214.2	**178.3**
Short term liabilities			
Bank liabilities	28	255.6	299.8
Trade payables/Accrued trade expenses/Deferred trade income	34	1,193.7	931.1
Current tax liabilities	19	70.4	40.7
Other liabilities	35	306.9	251.9
		1,826.6	**1,523.5**
Total Liabilities and Shareholders' equity		**2,843.1**	**2,719.9**

Schindellegi, March 11, 2005

KUEHNE + NAGEL INTERNATIONAL AG

Klaus Herms — Gerard van Kesteren

CEO — CFO

STATEMENT OF CHANGES IN EQUITY

CHF million	Share capital	Share premium	Net unrealised (loss)/gain on available for sale investments[2]	Treasury shares[1]	Cumulative translation adjustment	Retained earnings	Total shareholders' equity
Balance 1/1/2003	120.0	453.7	9.6	(64.7)	(70.1)	428.5	877.0
Unrealised gain on 5% SembLog investment			10.5				10.5
Foreign exchange differences					(1.8)		(1.8)
Total gains and losses recognised directly in equity	**0.0**	**0.0**	**10.5**	**0.0**	**(1.8)**	**0.0**	**8.7**
Disposal of treasury shares[1]		0.4		0.3			0.7
Dividend paid[3]						(69.4)	(69.4)
Net earnings for the year						195.7	195.7
Balance 31/12/2003	**120.0**	**454.1**	**20.1**	**(64.4)**	**(71.9)**	**554.8**	**1,012.7**
Balance 1/1/2004	120.0	454.1	20.1	(64.4)	(71.9)	554.8	1,012.7
Transfer of unrealised gain on 5% SembLog investment to income statement[2]			(20.1)				(20.1)
Foreign exchange differences					(27.0)		(27.0)
Total gains and losses recognised directly in equity	**0.0**	**0.0**	**(20.1)**	**0.0**	**(27.0)**	**0.0**	**(47.1)**
Movements of treasury shares[1]							
a) Purchase of treasury shares				(340.3)			(340.3)
b) Disposal of treasury shares (option plan)		4.2		6.4			10.6
Dividend paid[3]						(81.2)	(81.2)
Net earnings for the year						240.8	240.8
Balance 31/12/2004	**120.0**	**458.3**	**0.0**	**(398.3)**	**(98.9)**	**714.4**	**795.5**

[1] See note 10 of the statutory financial statements of Kuehne + Nagel International AG for the movements of treasury shares during the years under review.

[2] The 5 per cent investment in SembLog, a publicly listed company domiciled in Singapore, was acquired in 2000 and was stated at a significant discount due to foreign currency transfer risks, lack of liquidity of the market as well as the fact that the investment was restricted for disposal until February 2006. In October 2004, an agreement was reached between SembLog and Kuehne + Nagel to sell the 5 per cent investment back to SembLog as part of the termination of the cross-shareholding arrangement. The financial impact is included under Finance Result and explained in note 18.

[3] The proposed dividend payment subject to approval by the ordinary annual shareholders' meeting is as follows:

Dividend	Per share	CHF million
2004	3.50	81.2
2005	4.50	97.2

The legal basis for any profit distribution is the retained earnings of the statutory financial statements of Kuehne + Nagel International AG.
The share premium and retained earnings of the Group may not be paid out as dividend to the shareholders.

CASH FLOW STATEMENT

CHF million	Note	2004	2003
Cash flow from operating activities			
Net earnings for the year		240.8	195.7
Non cash transactions:			
Income taxes		103.5	89.3
Finance result	18	(20.4)	(5.1)
Minority interest in net earnings for the year	30	2.5	1.1
Result from associates		(2.3)	(4.3)
Depreciation fixed assets, amortisation software and other intangibles	21	92.3	102.3
(Profit)/loss on disposal of fixed assets, net		(4.7)	0.1
(Profit)/loss on disposal of associates, net		–	3.1
Amortisation of goodwill	22	63.8	34.9
Net addition to provision for pension plans and severance payments		14.9	9.4
Total operational cash flow		**490.4**	**426.5**
(Increase)/decrease work in progress		(58.4)	11.3
(Increase)/decrease receivables, prepayments and deposits		(263.0)	(89.4)
Increase/(decrease) tax liabilities less tax assets		7.3	(5.5)
Increase/(decrease) other liabilities		90.7	13.0
Increase/(decrease) trade payables/accrued trade expenses		190.6	67.9
Income taxes paid		(95.6)	(64.2)
Total cash flow from operating activities		**362.0**	**359.6**
Cash flow from investing activities			
Capital expenditures			
– Fixed assets	21	(108.7)	(163.7)
– Software	21	(9.6)	(14.6)
Disposal of fixed assets		57.5	12.9
Disposals of marketable securities		10.6	17.5
Acquisition of new businesses	37	(108.0)	(3.7)
Acquisition of associates		(4.4)	–
Disposals of associates	18	35.8	–
Interest received		8.8	9.5
Dividend received from associates, affiliates and joint ventures companies		2.2	–
Total cash flow from investing activities		**(115.8)**	**(142.1)**
Cash flow from financing activities			
Increase/(decrease) bank liabilities (long term)		(30.6)	(12.1)
Interest paid		(9.9)	(10.5)
Acquisition/disposal of treasury shares		(329.7)	0.3
Dividend paid to Kuehne + Nagel shareholders		(81.2)	(69.4)
Profit distribution to minority shareholders	30	(0.5)	(0.7)
Total cash flow from financing activities		**(451.9)**	**(92.4)**
Exchange difference on cash and cash equivalents		5.1	40.0
Increase/(decrease) in net cash and cash equivalents		**(200.6)**	**165.1**
Net cash and cash equivalents at the beginning of the year	9/28	**407.2**	**242.1**
Net cash and cash equivalents at the end of the year	9/28	**206.6**	**407.2**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PRINCIPLES OF CONSOLIDATION AND VALUATION

1 BASIS OF PREPARATION

The consolidated financial statements of the Group are based on the individual financial statements of the consolidated subsidiaries as of December 31, 2004. Those financial statements have been prepared in accordance with uniform accounting policies issued by the Group, which comply with the requirements of the International Financial Reporting Standards (IFRS) and with Swiss law. The consolidated financial statements of the Group have been prepared on a historical cost basis except for certain financial instruments and marketable securities, which are measured at fair value.

The revised IAS standards and IFRS 2, 4 and 5 not yet effective have not been early adopted and the accounting policies used are consistent with those used in the previous year. Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) that became effective during the year have been applied.

The consolidated financial statements under IFRS contain certain assumptions and estimates, which affect the figures shown in the present report. The final result may differ from these estimates.

Certain comparative information has been reclassified to conform to the current year's presentation. In 2004 interest paid and interest received are disclosed as cash flows from financing in investing activities respectively.

2 SCOPE OF CONSOLIDATION

The main consolidated companies, associates and joint ventures are listed on pages 140 to 143. Acquisitions prior to March 31, 2004 were accounted for in accordance with IAS 22 and goodwill is amortised over its useful life. Acquisitions since March 31, 2004 are accounted for in accordance with IFRS 3 and goodwill is no longer amortised but instead assessed annually for impairment. The significant changes in the scope of consolidation in 2004 relate to the following companies:

	KN capital share acquired in per cent equals voting rights		Share capital in 1,000	Acquisition Date
Acquisitions				
Pracht, Germany	100	EUR	7,700	January 1, 2004
WM Cargonet, Germany	40	EUR	2,000	January 1, 2004
WM Logistik, Germany	10	EUR	4,000	January 1, 2004
Ferroviasped, Slovakia	55	SKK	5,000	January 1, 2004
NHN, Czech Republic	40	CZK	5,000	January 1, 2004
NCS, Netherlands	100	EUR	18	March 31, 2004
CTS, Iran	57	IRR	200	July 1, 2004
GTS, Denmark	100	DKK	500	October 1, 2004
ICT, Denmark	100	DKK	500	October 1, 2004
Cordinator, Norway	100	NOK	150	October 1, 2004
SPS2, Germany	90	EUR	25	December 1, 2004
Incorporation				
Nacora, UAE	100	EUR	0	January 1, 2004
Cologic, Luxembourg	50	EUR	32	July 29, 2004
Kuehne + Nagel Ltd., Bermudas	100	EUR	12	October 5, 2004
Kuehne + Nagel Investments Sarl, Luxembourg	100	EUR	50	October 5, 2004
Kuehne + Nagel Investments SL, Spain	100	EUR	3	December 16, 2004
Kuehne + Nagel Holding (Denmark) AS, Denmark	100	DKK	500	November 22, 2004
Kuehne + Nagel Ltd., China	100	CNY	7,236	May 27, 2004
Kuehne + Nagel Logistics Co. Ltd., China	100	CNY	1,654	March 16, 2004

No divestments took place in the year under review .

3 PRINCIPLES OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of Kuehne + Nagel International AG (the ultimate parent company) and its subsidiaries. Subsidiaries are all entities which Kuehne + Nagel International AG has the ability to control. Control exists when a Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are included in the consolidated financial statements by the full consolidation method. As a consequence, all assets, liabilities, expense, and income are fully included. Subsidiaries acquired within the financial year are accounted for according to the purchase method as of the date of take-over of control. The difference between the purchase price and the Group's share of the fair values of the acquired net assets at the date of acquisition is recognised as goodwill and amortised over its estimated useful life. Acquisitions since March 31, 2004 are accounted for in accordance with IFRS 3 and goodwill is no longer amortised but instead is assessed annually for impairment.

The minority interest in equity as well as net income or loss is reported separately in the consolidated financial statements.

Associates and joint ventures

Associates are those entities in which the Group is able to exercise a significant influence over the financial and operational policies. Joint ventures are those entities that are subject to contractually established joint control. Associates and joint ventures are accounted for under the equity method and carried in the balance sheet at the equity-accounted amount or, if lower, the recoverable amount (see note 10). The Group's share of income (loss) of associates and joint ventures is included in the income statement.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Foreign exchange translation

Year-end financial statements of subsidiaries are prepared in their respective functional currencies and translated into CHF (the group reporting currency) as of year-end. Assets and liabilities are translated at year-end exchange rates and all items included in the income statement and cash flow statement are translated at average exchange rates for the year, which approximate actual rates. Exchange differences originating from such translation methods have no impact on the income statement since they are directly recognised in equity. Transactions in foreign currencies within individual subsidiaries are translated into the functional currency at the actual rates on the transaction day; monetary assets and liabilities are translated at year-end rates. Exchange differences arising on the translation of monetary items are included in the income statement.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the acquiring company and are recorded at the exchange rate at the date of the acquisition.

The major foreign currency conversion rates applied are as follows:

INCOME STATEMENT AND CASH FLOW STATEMENT
(average rates for the year)

Currency	2004 CHF	Variance per cent	2003 CHF	Variance per cent
EURO 1.–	1.5451	1.7	1.5192	3.5
USD 1.–	1.2411	(7.5)	1.3414	(13.9)

BALANCE SHEET (year end rates)

Currency	2004 CHF	Variance per cent	2003 CHF	Variance per cent
EURO 1.–	1.5440	(1.0)	1.5595	7.2
USD 1.–	1.1318	(8.9)	1.2423	(10.5)

4 FINANCIAL ASSETS AND LIABILITIES

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

- Financial assets or liabilities **held for trading** are those that are acquired or held with an intention to be sold in the short term to generate a profit from fluctuations in their fair value. All derivatives are classified as held for trading. Trading instruments are measured at their fair value at the balance sheet date. Any changes in fair value are recognised in the income statement (finance result) for the respective reporting period.
- **Originated receivables** are those loans and receivables originated by the Group supplying goods or services or financing directly to a debtor. Originated receivables are carried at amortised cost calculated using the effective interest rate method, less allowances for impairment (see below).
- Financial assets/investments **available for sale** include all financial assets/investments not assigned to one of the above-mentioned categories. These include investments in affiliates that are not associates or joint ventures and investments in bonds and notes. Financial assets/investments available for sale are recognised at fair value, changes in value (after tax) are recorded directly in equity until the assets are sold, at which time the amount reported in equity is transferred to the income statement.
- Non-derivative **financial liabilities** are carried at amortised cost calculated using the effective interest rate method.
- The fair value of investments **held for trading** and investments **available for sale** is their quoted bid price at the balance sheet date, less an appropriate discount, if there are restrictions on the transferability.

Derivatives and hedge accounting

Derivative financial instruments (foreign exchange contracts) are used to hedge the foreign exchange exposures on outstanding balances in the Kuehne + Nagel internal clearing system, centralised at head office. Given that the Group's hedging activities are limited to hedges of recognised foreign currency monetary items, the Group does not apply hedge accounting. Derivatives held to hedge foreign currency exposures are carried at fair value and all changes in fair value are recognised immediately in the income statement.

Impairment of financial assets

If there is any indication that a financial asset, available for sale or originated by the Group may be impaired, its recoverable amount is calculated.

The recoverable amount of the Group's investments 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 ageing analysis and considering previous experience of bad debts.

The recoverable amount of available for sale equity securities is their fair value.

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 equity) are recognised in the income statement.

An impairment loss in respect of a financial asset is reversed if there is a subsequent increase in recoverable amount that can be related objectively to an event occurring after the impairment loss was recognised.

5 SEGMENT REPORTING

The segment reporting reflects the structure of the Kuehne + Nagel Group.

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

The primary segmentation covers the business fields "Sea & Air Logistics", "Rail & Road Logistics", "Contract Logistics" and "Insurance Broker".

The secondary segmentation represents geographical areas.

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

6 FIXED ASSETS

Fixed assets are included in the consolidated financial statements at cost less accumulated depreciation and accumulated impairment losses (see note 10). The depreciation is calculated on a straight-line basis considering the expected useful lifetime of the individual assets. The following depreciation rates are applicable for the major categories:

	Per cent
Buildings	$2\frac{1}{2}$
Vehicles	25
Leasehold improvements	$33\frac{1}{3}$
Office machines	25
IT hardware	$33\frac{1}{3}$
Office furniture	20

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in the income statement as an expense as incurred.

7 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 (see note 10). Leased assets are depreciated over the shorter of the lease term and their useful lives. The interest portion of the lease payments is expensed through the income statement based on the effective interest rate inherent in the lease.

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

8 INTANGIBLE ASSETS

- **Software**

Software is carried at cost less accumulated amortisation and accumulated impairment losses. Software is amortised over its estimated useful life, maximum 3 years.

- **Other intangibles**

For all acquisitions on or after March 31, 2004, in accordance with IFRS 3, identifiable assets acquired are separately recognised as intangible assets. These assets are amortised on a straight-line basis over their estimated useful life.

- **Goodwill**

Goodwill represents the difference between the cost of the acquisitions and the fair value of the net identifiable assets acquired and is allocated to cash generating units. Goodwill from acquisitions prior to March 31, 2004 is amortised over its estimated useful life. Goodwill arising from acquisitions since March 31, 2004 is no longer amortised but is tested annually for impairment (see note 10).

Negative goodwill arising on an acquisition since March 31, 2004 is recognised directly in the income statement.

9 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at banks and in hand and short term deposits with an original maturity of three months or less. For the purpose of the consolidated cash flow statement, net cash and cash equivalents consist of cash at banks and in hand and short term deposits less bank overdrafts.

10 IMPAIRMENT

The carrying amounts of the Group's investments in subsidiaries, associates and joint ventures and its intangible assets 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. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price 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 of goodwill

An impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event. Under IFRS 3 reversal of impaired goodwill is no longer possible.

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

11 PROVISIONS

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

12 PENSION PLANS, SEVERANCE PAYMENTS AND SHARE PARTICIPATION PLANS

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

Defined benefit plans

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is the yield at balance sheet date on AAA credit rated bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by an independent, qualified actuary using the projected unit credit method.

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

Defined contribution plans

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

Severance payments

The anticipated cost of severance payments, as legally required in certain countries, is also provided for over the period of service of the related employees.

No compensation cost is recognised in the income statements for options or shares granted to employees from the employee share purchase and option plan.

13 REVENUE RECOGNITION

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

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

14 TAXES

All taxes on income, profit, capital and real estate are provided for. The level of the provision is calculated based on the tax laws and rates prevailing in the individual countries at the balance sheet date.

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

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

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

Non-recoverable withholding tax on anticipated or probable next year's profit distributions by subsidiaries is also recorded under deferred tax liabilities.

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

NOTES TO THE INCOME STATEMENT

15 PERSONNEL EXPENSES

CHF million	2004	2003[1]
Salaries and wages	1,002.2	905.5
Social expenses and employee benefits	211.9	180.1
Pension plan expenses		
• Defined benefit plans	25.1	19.6
• Defined contribution plans	18.9	11.0
• Other	11.1	13.9
	1,269.2	**1,130.1**

[1] Restated for comparison purposes

16 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

CHF million	2004	2003
Administrative expenses	106.2	85.9
Communication expenses	59.8	59.6
Travel and promotion expenses	57.1	53.3
Vehicle expenses	58.4	46.8
Operating expenses	60.3	56.4
Facility expenses	226.6	213.1
Bad debt and collection expenses	12.1	8.5
	580.5	**523.6**

17 OTHER OPERATING INCOME

CHF million	2004	2003
Gain on sale of fixed assets	5.1	1.2
Loss on sale of fixed assets	(0.4)	(1.3)
Dividends received from affiliated companies	4.0	3.5
Other	(1.2)	(0.1)
	7.5	**3.3**

18 FINANCE RESULT

CHF million	2004	2003
Interest income	8.8	9.5
Interest expenses	(9.9)	(10.5)
Exchange difference, net	(4.4)	6.1
Net result from unwinding of cross-shareholding arrangement	25.9	–
	20.4	**5.1**

Net result from unwinding of cross-shareholding arrangement

Kuehne + Nagel and SembLog, Singapore, entered into a cross-shareholding arrangement at the end of 2000. Whereas Kuehne + Nagel held a 5 per cent interest in SembLog, Singapore while SembLog purchased a 20 per cent interest in Kuehne + Nagel. At the same time, a co-operation agreement was signed that was intended to create a worldwide contract logistics network through a partnership between Kuehne + Nagel, focused on European operations, its wholly owned subsidiary, Kuehne + Nagel Logistics Inc., in North America, and SembLog in the Asia Pacific region.

In the course of the cooperation, both groups have recognised that substantial differences regarding respective business approaches, industry focuses, and scope of services have constrained successful cross-selling activities and joint market penetration.

As a result of discussions between Kuehne + Nagel and SembLog, it was decided to terminate the co-operation agreement and the cross-shareholding.

Consequently, 5 per cent of the shares of SembLog were sold to the public for CHF 67.1 million net of transaction costs. At the date of this transaction, the 5 per cent investment in SembLog was carried at a value of CHF 30.0 million. This investment was originally acquired in 2000 and has since then been carried at a significant discount due to foreign currency transfer risk and restricted transferability. The original fair value estimate was revised each year through equity (to "net unrealised gain on available for sale investments" totalling CHF 20.1 million.) to reflect the listed share price at each balance sheet date less an appropriate discount. As a consequence of the sale of 5 per cent of SembLog, this unrealised gain on available for sale investment was transferred from equity to the income statement, resulting in a net gain on the sale of SembLog of CHF 57.2 million. Pursuant to the early termination of the co-operation agreement and the simultaneous unwinding of the cross-shareholding, SembLog sold 20 per cent of its shares in Kuehne + Nagel, of which 13.03 per cent were placed in the stock market and 6.97 per cent were purchased by Kuehne + Nagel. The transaction cost for the increase of the free float and successful termination of the unwinding of the cross-shareholding amounted to CHF 31.3 million.

19 INCOME TAX

CHF million	2004	2003
Current tax expense		
• in current year	118.7	75.9
• under/(over) provided in prior years	0.1	(8.2)
	118.8	**67.7**
Deferred tax expense		
• changes in temporary differences	(22.3)	0.6
• changes in tax losses recognised	1.4	(3.0)
• write down of deferred tax assets	5.6	24.0
	(15.3)	**21.6**
Income tax expense in income statement	**103.5**	**89.3**

Reconciliation of the effective tax rate

CHF million	2004	2003
Earnings before tax according to the income statement as of December 31	346.8	286.1
Income Tax	**100.6**	**74.3**
Expected tax rate[1]	29,0%	26,0%
Tax effect on:		
• tax exempted income	(5.6)	(0.7)
• tax losses utilised	(11.7)	(3.1)
• write down of deferred tax assets	5.6	21.9
• changes in tax rate for previously recognised deferred tax assets	5.3	–
• under/(over)provision in prior years	0.1	(8.2)
• other	9.2	5.1
	103.5	**89.3**
Effective tax rate	**29.8%**	**31.2%**

[1] Taxable income increased in countries with higher tax rates.

CHF million	31/12/2004	31/12/2003
Deferred tax assets		
• on provision for pension plans	13.5	10.1
• on tax losses carried forward	8.2	9.6
• on other temporary differences	33.4	18.2
	55.1	**37.9**

The recognised deferred tax assets relating to tax losses carried forward are expected to be used by the end of 2006 at the latest.

CHF million	31/12/2004	31/12/2003
Unrecognised deferred tax assets		
• on tax losses	23.5	21.1
• deductible temporary differences	79.8	57.6
	103.3	**78.7**

Realisation of the above deferred tax assets is considered unlikely, so that they have not been recognised.

The unrecognised deferred tax assets relating to tax losses expire by the end of the following years:

Year	CHF million
2005	1.2
2006	0.5
2007	0.1
2008	0.5
2009 and later	21.2
Total	**23.5**

CHF million	31/12/2004	31/12/2003
Deferred tax liabilities		
• on non recoverable withholding tax relating to anticipated distributions from subsidiaries	0.8	1.0
• on impairment of financial investments	6.9	6.0
• on depreciation of fixed assets and provision for bad debts	4.7	3.5
	12.4	**10.5**

20 EARNINGS PER SHARE

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

CHF million	2004	2003
Net profit for the year	240.8	195.7
Weighted average number of ordinary shares outstanding during the year	22,814,014	23,169,070
Effect of dilutive shares: Share options	115,519	20,678
Adjusted weighted number of ordinary shares applicable to diluted earnings per share	22,929,533	23,189,748
Basic earnings per share in CHF	**10.555**	**8.446**
Diluted earnings per share in CHF	**10.502**	**8.438**

NOTES TO THE BALANCE SHEET

21 FIXED ASSETS, SOFTWARE AND OTHER INTANGIBLES

CHF million	Properties, including buildings on third parties' land	Properties, buildings under financial leases	Other fixed assets, operating and office equipment	Software/ Other Intangibles	Total
Cost					
Balance as of January 1, 2004	509.9	55.0	411.6	60.7	1,037.2
Other acquisitions	51.1	–	55.6	9.6	116.3
Disposals	(14.7)	–	(94.9)	(44.4)[3]	(154.0)
Acquisitions through business combinations	98.0	11.7	71.1	16.8	197.6
Adjustments/transfers	(7.4)	–	7.2	0.2	–
Effect of movements in foreign exchange	(6.1)	(0.5)	(14.9)	(0.2)	(21.7)
Balance as of December 31, 2004	**630.8**	**66.2**	**435.7**	**42.7**	**1,175.4**
Depreciation and impairment losses					
Balance as of January 1, 2004	113.3	33.8	278.5	60.7	486.3
Depreciation charge for the year	13.5	0.3	68.7	9.8	92.3
Disposals	(4.6)	–	(52.0)	(43.6)[3]	(100.2)
Acquisitions through business combinations	13.2	0.4	50.0	3.4	67.0
Effect of movements in foreign exchange	(1.7)	(0.3)	(10.1)	(0.3)	(12.4)
Balance as of December 31, 2004	**133.7**	**34.2**	**335.1**	**30.0**	**533.0**
Carrying amount					
As of January 1, 2004	**396.6**	**21.2**	**133.1**	–	**550.9**
At of December 31, 2004	**497.1**	**32.0**	**100.6**	**12.7**	**642.4**[1/2]

1 Fire insurance value as of December 31, 2004, CHF 845 million
2 No fixed assets were pledged and no restriction on title exists as of December 31, 2004
3 Deletion of written off software replaced by new versions.

22 GOODWILL

CHF million	Goodwill from acquisitions of consolidated companies
Cost	
Balance as of January 1, 2004	409.6
Additions	45.9
Effect of movements in foreign exchange	(31.7)
Balance as of December 31, 2004	**423.8**
Amortisation and impairment losses	
Balance as of January 1, 2004	276.3
Amortisation charge for the year	57.7
Impairment loss	6.1
Effect of movements in foreign exchange	(22.0)
Balance as of December 31, 2004	**318.1**
Carrying amount	
As of January 1, 2004	**133.3**
As of December 31, 2004	**105.7**

Goodwill impairment of CHF 6.1 million refers to various acquisitions in 2004 and is based on the valuation of the respective cash generating unit on an economic basis.

CHF 105.7 million of the total goodwill as of December 31, 2004, relate to the acquisition of USCO Logistics Inc. in July 2001 and Pracht in January 2004.

23 INVESTMENTS IN ASSOCIATES, JOINT VENTURES AND AFFILIATED COMPANIES

CHF million	2004	2003
Associates and joint ventures	17.9	18.2
Investments in affiliated companies	4.4	30.0
Carring amount	**22.3**	**48.2**

24 WORK IN PROGRESS

This position increased from CHF 159.1 million in 2003 to CHF 211.0 million in 2004 which represents a billing delay of 5.5 working days (basis: 240 working days per year) against the previous year's 5.1 days, see note 13.

25 TRADE RECEIVABLES

Trade receivables outstanding as of the year-end averaged 39.7 days (2003: 38.6 days). 94.0 per cent (2003: 93.3 per cent) of the total trade receivables were outstanding between 1 and 90 days.

Trade receivables of CHF 131.7 million (2003: CHF 106.3 million) are pledged as security for own bank liabilities in the United States and South Africa.

26 OTHER RECEIVABLES

CHF million	31/12/2004	31/12/2003
Advances to employees	1.4	2.5
Receivables from tax authorities in respect of:		
• refundable withholding tax	1.3	2.6
• refundable VAT	23.2	14.6
• advance payments of tax	7.4	9.7
Receivables from social security authorities	2.9	3.2
Receivables from insurance companies	1.0	0.4
Other	25.5	13.1
	62.7	**46.1**

27 MARKETABLE SECURITIES

100 per cent of those securities are in custody at major Swiss and German banks. The marketable securities are valued at fair value. All marketable securities are classified as trading financial assets.

CHF million	31/12/2004	31/12/2003
Marketable securities are denominated in the following currencies:		
• Swiss Francs	7.3	6.5
• EURO	8.4	13.6
• US Dollar	–	6.2
	15.7	**26.3**

28 CASH AND CASH EQUIVALENTS/BANK LIABILITIES (SHORT TERM)

a. Cash and cash equivalents

CHF million	31/12/2004	31/12/2003
Cash on hand	2.6	2.2
Current and deposit accounts with banks	459.6	704.8
	462.2	**707.0**

b. Bank liabilities (short term)

CHF million	31/12/2004	31/12/2003
Bank liabilities (short term)[1]	255.6	299.8
	255.6	**299.8**

CHF million	31/12/2004	31/12/2003
Net cash and cash equivalent	**206.6**	**407.2**

[1] Net cash and cash equivalents include finance lease liabilities due for payment within 3 months of CHF 6.6 million (2003: CHF 3.2 million)

29 SHARE CAPITAL

	31/12/2004				1/1/2004
	Registered shares of nominal CHF 5 each Number	CHF million	Capital share per cent	Voting share per cent	Registered shares of nominal CHF 5 each Number
Main shareholders					
Kuehne Holding AG, Schindellegi[1]	13,380,000	66.9	55.75	61.93	13,380,000
SembLog, Singapore	–	–	–	–	4,800,000
Public shareholders	8,226,000	41.1	34.28	38.07	5,012,215
entitled to voting rights and dividend	**21,606,000**	**108.0**	**90.03**	**100.00**	**23,192,215**
Treasury shares[2/3]	2,394,000	12.0	9.97	–	807,785
Total	**24,000,000**	**120.0**	**100.00**	**100.00**	**24,000,000**

[1] **Kuehne Holding AG**
Effective end of 2004, the majority shareholder, Klaus Michael Kuehne (KMK), Schindellegi, concentrated his total unchanged shareholding since January 1, 2004 of 13.380.000 registered shares of Kuehne + Nagel International AG (KNI), Schindellegi into his 100 per cent owned Kuehne Holding AG, which had already been holding 10.420.000 KNI shares, by means of firstly the absorption of Pala Investment AG (a 100 per cent KMK-company), owner of 2.366.000 KNI shares, by Kuehne Holding AG, and secondly the capital increase in Kuehne Holding AG by contribution in kind of the 594.000 KNI shares which were directly held by KMK.

[2] **Employee Share Purchase and Option Plan**
In 2001, Kuehne + Nagel International AG implemented an Employee Share Purchase and Option Plan under which registered shares are being offered to members of the Management. There will be share offerings under this plan, the first of which took place on July 1, 2001.

Exercise period: the shares are restricted for a period of three years before being released to the employees. In addition, for each share purchased under this plan, the company grants two options to the participant. The vesting period starts on the grant date and ends three years from that date. The option granted may be exercised after the vesting period during three years until the end of the option term.

Exercise price: the price of the shares offered under this plan is 90 per cent of the price corresponding to the average closing price of one share at the SWX Swiss Exchange during the months April to June. The purchase price of the option is equal to the purchase price of the share, however at 100 percent.

[3] **Treasury shares**
On December 31, 2004, the Company had 2,394,000 treasury shares, of which 290,882 are blocked under the Employee Share Purchase and Option Plan.

For movements in treasury shares please see note 10 of the statutory financial statement of Kuehne + Nagel International AG.

The following table summarises information about share options outstanding as of December 31, 2004:

Exercise Period	Strike price CHF	Number as of Jan 1, 2004	Number issued	Number exercised	Cancelled	Number as of Dec 31, 2004
July 1, 2004 – June 30, 2007	92.60	87,800	-	(46,100)	-	41,700
July 1, 2005 – June 30, 2008	111.00	77,650	-	-	(2,200)	75,450
July 1, 2006 - June 30, 2009	94.50	92,580	-	-	(1,500)	91,080
July 1, 2007 - June 30, 2010	175.00	-	82,652	-	-	82,652
Total		**258,030**	**82,652**	**(46,100)**	**(3,700)**	**290,882**

30 MINORITY INTEREST

CHF million	2004	2003
Balance as of January 1, 2004	5.4	4.7
Dividends paid	(0.5)	(0.7)
Additions	0.2	0.3
Disposals	(0.8)	–
Share in net earnings for the year	2.5	1.1
Balance as of December 31, 2004	**6.8**	**5.4**

31 PROVISIONS FOR PENSION PLANS AND SEVERANCE PAYMENTS

CHF million	Pension plans	Severance Payments	Total
Balance as of January 1, 2003	138.3	9.2	147.5
Provisions made	19.6	4.4	24.0
Provisions used	(13.1)	(1.4)	(14.5)
Effect of movements in foreign exchange	9.8	0.3	10.1
Balance as of December 31, 2003	**154.6**	**12.5**	**167.1**
Provisions made	25.0	4.1	29.1
Provisions used	(11.1)	(3.1)	(14.2)
Effect of movements in foreign exchange	0.6	(0.5)	0.1
Balance as of December 31, 2004	**169.1**	**13.0**	**182.1**

Pension plans

The group maintains defined benefit pension plans predominantly in Germany and Benelux, 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.

The funded status of CHF 174.0 million, as included below, includes an amount of CHF 161.8 million in Germany where the assets are not allocated specifically to the pension plan.

The principal assumptions used in determining the liability for defined benefit obligations for the Group's plans are shown below:

Principal assumptions used in determining the net pension obligation	2004 per cent	2003 per cent
Discount rate	2.0–6.5	2.0–7.0
Expected rate of return on plan assets	1.5–5.0	1.5–4.0
Future compensation and pension increases	1.5–4.0	2.0–2.5
Fluctuation rate	1.5–2.0	1.5–2.0

Development

CHF million	2004	2003
Net expense		
• Current service cost	6.7	6.8
• Interest cost	11.1	11.3
• Actuarial (gains)/losses	(2.4)	3.7
• Expected return on plan assets	9.6	(2.2)
Net expense recognised as personnel expense (see note 15)	**25.0**	**19,6**
Liability for defined obligations		
• Present value of benefit obligation	218.0	210.4
• Fair value of plan assets	(44.0)	(41.9)
• Funded status	174.0	168.5
• Unrecognized actuarial gains – net	(4.9)	(13.9)
Liability for defined benefit obligations	**169.1**	**154.6**
Movement in net benefit liability		
• Opening liability	154.6	138.3
• Net expense (as above)	25.0	19.6
• Exchange differences	0.6	9.8
• Contributions paid	(11.1)	(13.1)
Closing contributions liability (as above)	**169.1**	**154.6**

Severance payments

In certain countries such as Austria, Italy and Turkey severance payments for each employee based on the years of service with the company are required. A provision is recognised for these costs over the service lives of the employees concerned.

32 BANK LIABILITIES (NON-CURRENT)

CHF million	31/12/2004	31/12/2003
• Between 2–5 years	5.0	0.3
• After 5 years	1.1	0.4
	6.1	**0.7**

33 FINANCE LEASE OBLIGATIONS[1]

CHF million	31/12/2004	31/12/2003
• Between 2 – 5 years	3.8	–
• After 5 years	9.8	–
	13.6	**–**

[1] Current portion amounting to CHF 6.6 million in 2004 (2003: CHF 3,2 million) is included in current bank liabilities

34 TRADE PAYABLES/ACCRUED TRADE EXPENSES/DEFERRED TRADE INCOME

CHF million	31/12/2004	31/12/2003
• Trade payables	619.1	498.0
• Accrued trade expenses	497.8	384.2
• Deferred trade income	76.8	48.9
	1,193.7	**931.1**

35 OTHER LIABILITIES

CHF million	31/12/2004	31/12/2003
• Personnel expenses incl. profit participation and untaken annual leave	135.7	105.9
• Other operating expenses	78.9	59.3
• Interest payable	5.3	5.5
• Pending claims and provision for deductible of transport liability insurance[1]	38.8	23.0
• Social security	20.5	15.3
• VAT	7.3	5.3
• Payroll taxes	9.3	8.7
• Other	11.1	28.9
	306.9	**251.9**

[1] The movements in the provision for pending claims were as follows:

CHF million	2004	2003
Specification of pending claims		
Balance 1/1	23.0	24.0
• Provisions used	(3.5)	(4.5)
• Provisions reversed	–	(3.1)
• Provisions made	10.3	6.6
Balance 31/12	29.8	23.0
Provision for deductible of transport liability insurance	9.0	–
	38.8	**23.0**

Some companies are involved in legal cases based on forwarding and logistic operations. Where the risk of a negative outcome is considered to be more than likely by legal advisers, the probable amount of future payments has been provided for. The timing of final court decisions is unknown and dependent on long legal procedures. Some legal cases have been settled in the reporting period for which corresponding payments have been made.

In addition a provision for probable potential future payments in connection with transport damages has been accounted for.

36 SEGMENT REPORTING

a) Primary reporting	Invoiced turnover		Gross profit		EBITA		EBIT	
CHF million	2004	2003	2004	2003	2004	2003	2004	2003
Seafreight	6,111.4	5,175.0	780.9	689.5	186.3	155.0	180.6	149.9
Airfreight	2,601.4	2,092.9	475.7	415.2	116.0	95.6	113.3	93.6
Sea & Air Logistics	8,712.8	7,267.9	1,256.6	1,104.7	302.3	250.6	293.9	243.5
Rail & Road Logistics	1,587.8	1,026.8	276.9	151.6	31.3	19.1	8.8	17.5
Contract Logistics	1,170.8	1,167.1	765.9	778.2	49.1	30.8	16.2	5.1
Insurance Broker	91.7	86.2	23.1	29.8	7.5	15.4	7.5	14.9
Total Group	**11,563.1**	**9,548.0**	**2,322.5**	**2,064.3**	**390.2**	**315.9**	**326.4**	**281.0**

b) Secondary reporting	Invoiced turnover		Gross profit		EBITA		EBIT	
CHF million	2004	2003	2004	2003	2004	2003	2004	2003
Europe	6,891.6	5,353.8	1,304.9	1,051.7	190.7	167.1	156.7	163.6
Americas	2,826.9	2,607.4	673.1	706.4	85.4	46.6	61.0	15.1
Asia Pacific	1,167.5	1,003.0	260.3	236.0	102.5	95.0	102.5	95.0
Middle East, Central Asia and Africa	677.1	583.8	84.2	70.2	11.6	7.2	6.2	7.3
Total Group	**11,563.1**	**9,548.0**	**2,322.5**	**2,064.3**	**390.2**	**315.9**	**326.4**	**281.0**

CHF million	Assets 2004	Assets 2003	Liabilities 2004	Liabilities 2003	Capital Expenditure 2004	Capital Expenditure 2003	Depreciation/ amortisation 2004	Depreciation/ amortisation 2003	Non cash expenses 2004	Non cash expenses 2003
Seafreight	744.9	692.2	675.1	504.7	26.7	11.7	22.9	12.7	5.6	5.9
Airfreight	721.3	389.7	366.4	283.4	17.1	18.6	17.2	18.1	3.1	2.7
Sea & Air Logistics	1,466.2	1,081.9	1,041.5	788.1	43.8	30.3	40.1	30.8	8.7	8.6
Rail & Road Logistics	439.9	183.7	252.2	167.7	33.2	7.6	30.0	7.6	1.0	2.1
Contract Logistics	359.7	639.2	368.0	381.8	85.1	139.4	85.7	97.9	5.3	12.7
Insurance Broker	36.3	36.4	27.7	17.9	0.1	1.0	0.3	0.9	0.1	–
Unallocated corporate	541.0	778.7	1,153.7	1,364.4	–	–	–	–	–	–
Total Group	**2,843.1**	**2,719.9**	**2,843.1**	**2,719.9**	**162.2**	**178.3**	**156.1**	**137.2**	**15.1**	**23.4**

CHF million	Assets 2004	Assets 2003	Liabilities 2004	Liabilities 2003	Capital Expenditure 2004	Capital Expenditure 2003	Depreciation/ amortisation 2004	Depreciation/ amortisation 2003	Non cash expenses 2004	Non cash expenses 2003
Europe	1,158.6	1,092.7	1,219.0	959.4	136.8	111.1	95.4	59.2	10.4	20.8
Americas	615.5	533.7	213.6	188.1	9.9	56.6	47.3	67.5	0.7	2.2
Asian Pacific Region	377.2	223.4	168.5	146.8	5.5	6.6	8.8	7.2	3.3	0.1
Middle East, Central Asia and Africa	141.8	91.4	79.4	61.2	10.0	4.0	4.6	3.3	0.7	0.3
Unallocated corporate	550.0	778.7	1,162.6	1,364.4	–	–	–	–	–	–
Total Group	**2,843.1**	**2,719.9**	**2,843.1**	**2,719.9**	**162.2**	**178.3**	**156.1**	**137.2**	**15.1**	**23.4**

NOTES TO THE CASH FLOW STATEMENT

37 ACQUISITION OF NEW BUSINESSES

The acquisitions in 2004 had the following effect on the Group's assets and liabilities:

CHF million	2004	2003
Acquired cash and cash equivalents	(5.0)	–
Trade receivables and current assets	54.8	–
Fixed assets	130.6	–
Subtotal assets	**180.4**	–
Trade payables and other short term liabilities	(70.4)	–
Bank liabilities	(2.1)	–
Non-current liabilities	(50.8)	–
Subtotal net identifiable assets and liabilities	**57.1**	–
Goodwill	45.9	3.7
Purchase price	**103.0**	**3.7**
Acquired cash and cash equivalents	5.0	–
Net cash out flow	**108.0**	**3.7**

The acquired subsidiaries contributed CHF 5.2 million net profit to the consolidated net profit for the year. If all the acquisitions had occured on January 1, 2004 Group invoiced turnover would have been CHF 11,586.7 million and net profit would have been CHF 241.4 million.

OTHER NOTES

38 PERSONNEL (YEAR END SITUATION, UNAUDITED)

	31/12/2004 Number	31/12/2003 Number
Europe	11,092	9,156
Americas	5,481	5,894
Asia Pacific	3,107	2,546
Middle East, Central Asia and Africa	1,513	1,408
Total	**21,193**	**19,004**

39 CONTINGENT LIABILITIES

As of year end the following contingent liabilities existed:	31/12/2004 CHF million	31/12/2003 CHF million
Guarantees in favour of third parties	4.5	7.6
Tax penalty for the non respect of the sales restrictions	31.0	–
Contingent liabilities under unrecorded claims	–	36.5
Total	**35.5**	**44.1**

Some Kuehne + Nagel companies are defendants in various court cases. Based on respective legal advice, the management is of the opinion that the outcome of those proceedings will have no material effect on the financial situation of the Kuehne + Nagel group beyond the existing provision for pending claims (note 35) of CHF 38.8 million (2003: CHF 23,0 million).

In addition, guaranteed payments may occur under a global logistic outsourcing contract, if certain future criteria will not be met by Kuehne + Nagel.

40 OTHER FINANCIAL COMMITMENTS

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

CHF million	Year	Properties and buildings	Operation and office equipment	TOTAL
	2005	130.2	21.7	151.9
	2006–2009	271.8	20.6	292.4
	Later	183.0	–	183.0
Total		**585.0**	**42.3**	**627.3**

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

41 CAPITAL COMMITMENTS

As of year end the following financial commitments existed in respect of non-cancellable purchase contracts:

	CHF million
Spain	11.1
New Zealand	1.8
Germany	4.6
Other	0.8
Total	18.3

42 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to market risk, including primarily changes in interest rates and currency exchange rates and uses foreign exchange contracts in connection with its risk management activities. The Group does not hold or issue derivative financial instruments for trading purposes.

Interest rate risks

The Group's exposure to changes in interest rates relates primarily to the Group's investment portfolio. The Group's interest rate exposure on its liabilities is limited due to the short term nature of most of these borrowings. The Group does not use derivative financial instruments to hedge its interest rate risk in the investment portfolio. The portfolio includes mainly bonds traded in active markets to ensure portfolio liquidity.

Currency risks

The Group sells its services on a worldwide basis and, an a result, is exposed to movements in foreign currency exchange rates. Derivative financial instruments (foreign exchange contracts) are used to hedge the foreign exchange exposure on recognised monetary items. Monthly payments are conducted through a Group clearing system in EURO, which facilitates monitoring and control of group-wide exchange exposures. Forecast transactions are not hedged.

Market risks

Changes in fair values of financial assets or liabilities may have an impact on the profit and the equity of the Group. The exposures are not significant because the Group does not conduct significant financial or investing activities.

Credit risks

The Group considers its credit risk to be minimal as excess liquidity is invested in bonds and short term deposits with first class financial institutions.
The Group has strict credit approval and monitoring procedures in place. Credit approval is necessary before credit is given to any customer. The Group conducts business on a world wide basis and there are no significant concentrations of credit risks. In respect of trade receivables, it is considered that the level of bad debt provision and/or the credit insurance is sufficient to cover potential credit risk concentrations.

43 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair values of financial assets and liabilities are equal to net book values.

44 RELATED PARTY TRANSACTIONS

Freight forwarding and logistic transactions with associates are conducted at arm's length.

For other related parties refer to note 30 outlining shareholder's structure and pages 140 to 143 listing the main consolidated companies, associates and joint ventures.

The total remuneration paid to the members of the Board of Directors and of the Management Board of Kuehne + Nagel International AG, Schindellegi, Switzerland amounted in 2004 to:

- Board of Directors CHF 5.0 million
- Management Board CHF 7.7 million

As of December 31, 2004, no loans or any other commitments were outstanding towards members of the Board of Directors nor of the Management Board.

45 POST BALANCE SHEET EVENTS

Häring, a company with headquarters in Grafenau/Germany was acquired by Kuehne + Nagel (AG & Co.) KG, Germany, as of January 1, 2005. Häring is a member of the German IDS network. The main activity is overland transport and logistics services. The company will be fully consolidated. 100 per cent of the voting shares were acquired as of January 1, 2005. The acquisition price was not more than CHF 15 million.

The company has about 1,400 employees and an expected turnover in 2005 of approximately CHF 180.0 million. The amount of the profit or loss contribution to the Group in 2005 can not be reliably estimated due to the restructuring of the company.

46 RESOLUTION OF THE BOARD OF DIRECTORS

The consolidated financial statements of Kuehne + Nagel International AG were authorised for issue by the Board of Directors on March 11, 2005. A resolution to approve the financial statements will be proposed at the annual meeting of shareholders on May 2, 2005.

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

As group auditors, we have audited the consolidated financial statements (consisting of the consolidated income statement, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement, and the notes to the consolidated financial statements on pages 109 to 138) of Kuehne + Nagel International AG for the year ended December 31, 2004.

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

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

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

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

KPMG Fides Peat

Roger Neininger	Tammo Ordemann
Swiss Certified Accountant	*German Certified Accountant*
Auditor in Charge	

Zurich, March 11, 2005

MAIN CONSOLIDATED COMPANIES, ASSOCIATES AND JOINT VENTURES*

Country	Name of the company	Location	Share capital (in 1,000)		KN share equals voting rights (in per cent)

SWISS HOLDING- AND MANAGEMENT COMPANIES

Country	Name of the company	Location	Share capital (in 1,000)		KN share equals voting rights (in per cent)
Switzerland	Kuehne + Nagel International AG	Schindellegi	CHF	120,000	100
	Kuehne + Nagel Management AG	Schindellegi	CHF	1,000	100
	Kuehne + Nagel Internationale Transporte AG	Schindellegi	CHF	750	100
	Kuehne + Nagel Liegenschaften AG	Schindellegi	CHF	500	100
	Kuehne + Nagel Treasury AG	Schindellegi	CHF	1,500	100
	Kuehne + Nagel Immobilien AG	Schindellegi	CHF	500	100
	Nacora Holding AG	Schindellegi	CHF	500	100
	Nacora Agencies AG	Schindellegi	CHF	400	100
	Ferroviasped Holding AG	Schindellegi	CHF	1,500	100
	Kuehne + Nagel Asia Pacific Holding AG	Schindellegi	CHF	2,500	100

OPERATING COMPANIES

Europe

Country	Name of the company	Location	Share capital (in 1,000)		KN share equals voting rights (in per cent)
Albania	Transalbania Ltd.	Tirana	ALL	9,300	51
Austria	Kuehne + Nagel Speditions-Aktiengesellschaft	Vienna	EUR	1,090	100
	Kuehne + Nagel Gesellschaft m.b.H.	Vienna	EUR	1,820	100
Belgium	Kuehne + Nagel NV	Antwerp	EUR	6,337	100
	Stute-Montan BVBA	Antwerp	EUR	25	100
	Nacora Insurance Brokers NV	Brussels	EUR	240	100
Bulgaria	Kuehne + Nagel e.o.o.d.	Sofia	BGL	365	100
Croatia	Kuehne + Nagel d.o.o.	Zagreb	HRK	4,300	100
Cyprus	Nakufreight Ltd.	Nicosia	CYP	10	70
Czech Republic	Kuehne + Nagel spol. s.r.o.	Prague	CZK	11,000	100
	NHN spol.s.r.o.	Olomouc	CZK	10,000	100
Denmark	Kuehne + Nagel A/S	Copenhagen	DKK	5,000	100
	GT Spedition A/S	Aalborg	DKK	500	100
	International Container Transport A/S	Aalborg	DKK	500	100
Estonia	Kuehne + Nagel Eesti OÜ	Tallinn	EEK	800	100
Finland	OY Kuehne + Nagel Ltd.	Helsinki	EUR	200	100
France	Kuehne + Nagel (France) S.A.	Paris	EUR	7,000	100
	Nacora (France) S.A	Paris	EUR	40	100
	Transalfra S.A.R.L.	Paris	EUR	45	100
Germany	Cargopack Verpackungsgesellschaft. für Industriegüter GmbH	Bremen	EUR	307	100
	KN Airlift GmbH	Kelsterbach	EUR	256	100
	Kuehne + Nagel (AG & Co.) KG	Bremen	EUR	15,000	100
	Kuehne + Nagel Beteiligungs-AG	Bremen	EUR	10,277	100
	Kuehne + Nagel Euroshipping GmbH	Regensburg	EUR	256	100
	Stute Verkehrs GmbH	Bremen	EUR	1,023	100
	Pracht Spedition + Logistik GmbH	Haiger	EUR	7,700	100
	Pact GmbH	Hamburg	EUR	50	100
	CS Parts GmbH	Bremen	EUR	1,550	50
	Nacora Versicherungsmarkler GmbH	Hamburg	EUR	77	100
	Gustav. F. Hübener GmbH	Hamburg	EUR	26	100
	SPS 2 Vermögensverwaltungs GmbH	Hamburg	EUR	25	90

Country		Name of the company	Location	Share capital (in 1,000)		KN share equals voting rights (in per cent)
Greece	*	Arion Real Estate & Commercial S.A	Athens	EUR	411	50
	*	Hellenic & International Transport Company 'Proodos' S.A.	Athens	EUR	3,900	50
	*	Sindos S.A. Warehousing & Logistics	Thessaloniki	EUR	4,549	50
Hungary		Kuehne + Nagel Kft.	Budapest	HUF	130,000	100
Ireland		Kuehne + Nagel (Ireland) Ltd.	Dublin	EUR	500	100
Italy		Kuehne + Nagel S.p.A.	Milan	EUR	4,589	100
Latvia		SIA Kuehne + Nagel Latvia	Riga	LVL	100	100
Luxembourg		Kuehne + Nagel S.a.r.l.	Luxembourg	EUR	5,750	100
		Kuehne + Nagel Investment S.a.r.l	Luxembourg	EUR	50	100
		Cologic S.A	Luxembourg	EUR	32	50
		Kuehne + Nagel AG	Luxembourg	EUR	31	100
		Transfluvia GmbH	Luxembourg	EUR	250	100
Macedonia		Kuehne + Nagel d.o.o.e.l	Skopje	MKD	8,232	100
Malta		Kuehne + Nagel Malta Ltd.	Hamrun	MTL	6	100
Netherlands		Kuehne + Nagel N.V.	Rotterdam	EUR	3,313	100
		KN Logistics	Nieuwegein	EUR	268	100
		Nether Cargo Service B.V	Amsterdam	EUR	18	100
		KN Europe Holding B.V.	Rotterdam	EUR	18	100
		Stute International (Benelux) B.V.	Rotterdam	EUR	19	100
		Nacora Assurantiekantoor B.V.	Rotterdam	EUR	45	100
Norway		Kuehne + Nagel AS	Oslo	NOK	3,100	100
		Cordinator Transport and Spedisjon AS	Drammen	NOK	150	100
Poland		Kuehne + Nagel sp.z.o.o.	Gadki	PLZ	18,350	100
Portugal		Kuehne + Nagel Lda.	Porto	EUR	160	100
Romania		Kuehne + Nagel Transport SRL	Bucharest	ROL	1,000,000	100
Russia		ZAO Kuehne + Nagel	Moscow	RUR	274	100
		OOO Kuehne + Nagel	Moscow	RUR	4,107	100
		OOO Kuehne + Nagel Sakhalin	Sakhalin	RUR	500	100
		OOO Nakutrans	Moscow	RUR	278	100
Serbia & Montenegro		Kuehne + Nagel d.o.o	Begrade	YUM	3,039	100
Slovakia		Kuehne + Nagel spol.s.r.o.	Bratislava	SKK	9,150	100
		Ferroviasped Slovakia s.r.o	Cierna	SKK	5,000	100
Spain		Kuehne + Nagel S.A.	Madrid	EUR	3,191	100
		Kuehne + Nagel Investment S.L.	Madrid	EUR	3	100
		Nacora Correduria de Seguros S.A.	Barcelona	EUR	150	100
Sweden		Kuehne + Nagel A/B	Stockholm	SEK	500	100
		Kuehne + Nagel Investment A/B	Stockholm	E	112	100
		Nacora Assurans Finans Service A/B	Stockholm	SEK	100	100
Switzerland		Kuehne + Nagel Aktiengesellschaft	Embrach	CHF	3,000	100
		Nacora Insurance Brokers AG	Embrach	CHF	100	100
Ukraine		Kuehne + Nagel Ltd.	Kiev	UAH	21,997	100
United Kingdom		Kuehne + Nagel (UK) Ltd.	London	GBP	5,120	100
		Kuehne + Nagel Ltd.	London	GBP	4,000	100
		Kuehne + Nagel (NI) Ltd.	Belfast	GBP	10	100
		Nacora Insurance Brokers Ltd.	London	GBP	150	100

Country	Name of the company	Location	Share capital (in 1,000)		KN share equals voting rights (in per cent)
North- and Central America					
Canada	Kuehne + Nagel Canada Holding Inc.	Toronto	CAD	2,910	100
	Kuehne + Nagel International Ltd.	Toronto	CAD	8,022	100
	Kuehne + Nagel Logistics (Montreal) Inc.	Montreal	CAD	-	100
	Kuehne + Nagel Logistics (Calgary) Inc.	Calgary	CAD	-	100
	Nacora Insurance Brokers Ltd.	Toronto	CAD	-	100
Costa Rica	Kuehne + Nagel S.A.	San Jose	CRC	1	100
El Salvador	Kuehne + Nagel S.A. de C.V.	San Salvador	USD	69	100
Guatemala	Kuehne + Nagel S.A.	Guatemala	GTQ	291	100
Mexico	Kuehne + Nagel S.A de C.V.	México' D.F.	MXP	24,447	100
	Almacenadora Kuehne + Nagel S.A de C.V.	México' D.F.	MXP	35,440	100
	Kuehne + Nagel Servicios Administrativos S.A de C.V.	México' D.F.	MXP	50	100
Panama	Kuehne + Nagel S.A.	Panama	USD	1	100
USA	Kuehne + Nagel Investment Inc.	Jersey City	USD	1,400	100
	Kuehne + Nagel Inc.	Jersey City	USD	1,668	100
	KN Logistics Inc.	Naugatuck	USD	192	100
	KN LeadLogistics Inc.	Raleigh	USD	1	100
	Nacora Insurance Brokers Inc.	Jersey City	USD	25	100
	Kuehne + Nagel Ltd.	Bermuda	EUR	12	100
Südamerika					
Argentina	Kuehne + Nagel S.A.	Buenos Aires	ARS	2,000	100
	Kuehne + Nagel (South America) Management S.A.	Buenos Aires	ARS	12	100
Bolivia	Kuehne + Nagel Bolivia Ltda.	Santa Cruz	BOB	260	100
Brazil	Kuehne + Nagel Servicos Logisticos Ltda.	Sao Paulo	BRL	8,728	100
	Nacora Weichert Corretagens de Seguros Ltda.	Sao Paulo	BRL	344	100
	KN Gerenciamiento de Servicos Ltda.	Sao Paulo	BRL	25	100
Chile	Kuehne + Nagel Ltda.	Santiago	CLP	575,000	100
Colombia	Kuehne + Nagel S.A.	Bogotá	COP	1,200,000	100
	KN Colombia Aduana Sia S.A.	Bogotá	COP	595,000	100
Ecuador	Kuehne + Nagel S.A.	Quito	USD	7	100
Peru	Kuehne + Nagel S.A.	Lima	PEN	481	100
	KN Peru Aduanas S.A.	Lima	PEN	173	100
Uruguay	KN Cargo Systems International S.A.	Montevideo	UYU	3,840	100
Venezuela	Kuehne + Nagel S.A.	Caracas	VEB	1,000,000	100
	KN Venezuela Aduanas C.A.	Caracas	VEB	2,000	100
Asia Pacific					
Australia	Kuehne + Nagel Pty Ltd.	Melbourne	AUD	2,900	100
Bangladesh	Kuehne + Nagel Ltd.	Dhaka	BDT	10,000	100
Cambodia	Kuehne + Nagel Ltd.	Phnom Penh	USD	5	100
China	Kuehne + Nagel Ltd.	Hong Kong SAR	HKD	1,560	100
	Kuehne + Nagel (Asia Pacific) Management Ltd.	Hong Kong SAR	HKD	100	100
	Transpac Container System Ltd.	Hong Kong SAR	HKD	100	100
	Nacora Insurance Brokers Ltd.	Hong Kong SAR	HKD	500	70
	Kuehne + Nagel Ltd.	Shanghai	CNY	7,236	100
	Kuehne + Nagel Logistics Co. Ltd.	Shanghai	CNY	1,654	100
India	Kuehne + Nagel Pvt. Ltd.	New Delhi	INR	40,000	100
Indonesia	* PT. KN – Sigma Trans	Jakarta	IDR	865,000	50

Country		Name of the company	Location	Share capital (in 1,000)		KN share equals voting rights (in per cent)
Japan		Kuehne + Nagel Ltd.	Tokyo	JPY	80,000	100
Korea		Kuehne + Nagel Ltd.	Seoul	KRW	500,000	100
Macau		Kuehne + Nagel Ltd.	Macau	HKD	971	100
		Nacora Insurance Brokers Ltd.	Macau	HKD	53	51
Malaysia		Kuehne + Nagel Sdn. Bhd.	Kuala Lumpur	MYR	1,521	100
		Nacora (Malaysia) Sdn. Bhd.	Kuala Lumpur	MYR	100	70
New Zealand		Kuehne + Nagel Ltd.	Auckland	NZD	201	100
Pakistan		Kuehne + Nagel (Pvt) Ltd.	Karachi	PKR	2,000	100
Philippines		Kuehne + Nagel Inc.	Manila	PHP	5,000	100
		Ocean Sky Brokerage Inc.	Manila	PHP	2,000	100
Singapore		Kuehne + Nagel Pte. Ltd.	Singapore	SGD	500	100
		ST – KN PTE Ltd.	Singapore	SGD	200	51
		Nacora Insurance Agency Pte. Ltd.	Singapore	SGD	100	100
Sri Lanka		Kuehne + Nagel (Pvt) Ltd.	Colombo	LKR	2,502	100
Taiwan		Kuehne + Nagel Ltd.	Taipei	TWD	20,000	100
		Nacora Insurance Brokers Ltd.	Taipei	TWD	2,000	70
Thailand		Kuehne + Nagel Ltd.	Bangkok	THB	10,000	100
Middle East and Central Asia						
Bahrain		KN Mars W.L.L.	Manama	BHD	100	100
Egypt		Kuehne + Nagel Ltd.	Cairo	EGP	1,000	100
Israel		Amex Ltd.	Tel Aviv	NIS	2	75
Iran		Kala Navgan Shargh Co. Ltd.	Teheran	IRR	2,000	60
		Sahand Tarabar International Transport & Shipping Co. Ltd.	Teheran	IRR	5,000	54
		CTS		IRR	200	57
Jordan		Orient Transport Company Ltd.	Amman	JOD	300	50.25
Lebanon	*	KN-ITS S.A.L.	Beirut	LBP	113,000	50
Saudi Arabia	*	Orient Transport Company Ltd.	Jeddah	SAR	1,000	50
Turkey		Kuehne + Nagel Nakliyat Ltd. Sti.	Istanbul	TRL	3,720	100
UAE		Kuehne + Nagel L.L.C.	Dubai	AED	1,000	100
		Kuehne + Nagel L.L.C.	Abu Dhabi	AED	1,000	100
		KN Ibrakom FZCo., Jebel Ali Free Zone	Dubai	USD	273	60
		Ibrakom Cargo L.L.C.	Dubai	USD	82	60
		Lloyds Maritime & Trading Ltd.	London	USD	-	60
Africa						
Angola		Kuehne + Nagel (Angola) Transitarios Lda.	Luanda	AON	1,020	100
Kenya		Kuehne + Nagel Ltd..	Nairobi	KES	63,995	100
Mauritius		KN (Mauritius) Ltd.	Port Louis	MUR	4,000	51
Mozambique		Kuehne + Nagel Mocambique Lda.	Beira	MZM	132,600	100
Namibia		Kuehne + Nagel (Pty) Ltd.	Windhoek	NAD	340	100
South Africa		Kuehne + Nagel (Pty) Ltd.	Johannesburg	ZAR	3,625	100
		KN Tsepisa Logistics (Pty) Ltd.	Johannesburg	ZAR	100	49
		Nacora Insurance Brokers (Pty) . Ltd.	Johannesburg	ZAR	35	100
Tanzania		DAL Forwarding (T) Ltd.	Dar es Salaam	TZS	200	100
Uganda		Kuehne + Nagel Ltd.	Kampala	UGX	418,000	100
Zambia		Kuehne + Nagel (Zambia) Ltd.	Lusaka	ZMK	85,000	100
Zimbabwe		Kuehne + Nagel (Zimbabwe) (Pvt) Ltd.	Harare	ZWD	-	100

No changes in percentage of KN share equals voting rights to prior year other than acquisitions and incorporations in 2004, see note 2.

Financial Statements

INCOME STATEMENT

CHF million	Note	2004	2003
Income			
Income from investments in group companies	1	76.3	89.6
Income from investments in associates and joint ventures		2.2	2.5
Income from investments in affiliated companies		1.4	0.8
Income from marketable securities		4.1	7.9
Income from treasury shares		4.2	0.4
Interest on loans receivable from group companies		2.6	1.2
Other interest income		2.2	2,2
Exchange gains		2.0	4.7
Net result from unwinding of cross-shareholding		35.8	0.1
Income from recovery of receivables from group companies previously written-down		0.3	0.1
		131.1	**109.5**
Expenses			
Other operating expenses		(1.9)	(1.7)
Write-down of investments in consolidated companies	2	(10.4)	(14.1)
Write-down of goodwill		(5.0)	(5.7)
Interest on liabilities towards group companies		(2.9)	(1.6)
Other interest expense		(0.9)	(0.6)
Exchange losses		(8.7)	(5.2)
		(29.8)	**(28.9)**
Earnings before tax		**101.3**	**80.6**
Tax	3	(2.9)	0.7
Net earnings for the year		**98.4**	**81.3**

BALANCE SHEET

CHF million	Note	31/12/2004	31/12/2003
ASSETS			
Non current assets	4		
Financial investments		–	–
• Investments in group companies	5	280.0	280.0
		280.0	**280.0**
Current assets			
Prepayments and deposits		0.5	0.3
Receivables from group companies	6	428.3	68.3[1]
Other receivables		2.3	2.9
Marketable securities	8	414.0	90.6
Cash and cash equivalents	9	79.9	365.8
		925.0	**527.9**
Total Assets		**1,205.0**	**807.9**

[1] Restated for comparsion purpose

CHF million	Note	31/12/2004	31/12/2003
LIABILITIES AND SHAREHOLDERS'EQUITY			
Equity			
Share capital	10	120.0	120.0
Reserves	11	81.1	415.0
Reserve for treasury shares	12	398.3	64.4
Retained earnings brought forward	13	0.7	0.6
Net earnings for the year		98.4	81.3
		698.5	**681.3**
Provisions			
Provision for tax		2.7	0.1
Other provisions and accruals		11.7	5.0
		14.4	**5.1**
Liabilities			
Liabilities towards group companies	7	492.1	121.5
		492.1	**121.5**
Total Liabilities and Shareholders'equity		**1,205.0**	**807.9**

Schindellegi, March 11, 2005

KUEHNE + NAGEL INTERNATIONAL AG

Klaus Herms — CEO

Gerard van Kesteren — CFO

NOTES TO THE FINANCIAL STATEMENTS 2004

GENERAL REMARKS

Kuehne + Nagel International AG directly or indirectly controls all of the companies which are fully consolidated in the group financial statements. For financial and economic assessment purposes, the group financial statements are of overriding importance. The financial statements of Kuehne + Nagel International AG included in this part of the annual report were prepared in accordance with the provisions of Swiss commercial law and serve as complementary information to the group financial statements.

FINANCIAL STATEMENT PRESENTATION AND PRINCIPLES OF VALUATION

Financial investments

- The investments in subsidiaries, associates and joint ventures are recognised in the balance sheet at cost. Of these values write-downs are effected by using the maximum possibilities for depreciation as allowed under Swiss commercial law. Once a write-down has been recognised, the investment is not re-valued, even if the earning power and/or the year-end equity position subsequently improves.
- Loan receivables from consolidated companies are translated into CHF at year-end exchange rates.

Receivables

- from group companies
  The balances outstanding are recorded at their nominal value at year-end.
- other
  Other receivables are recorded at their nominal value at year-end.

Marketable securities

Marketable securities are valued at fair value, except the Treasury shares, which are valued at cost. Securities having a year-end stock exchange value below their cost or book value are written-down as applicable; unrealised gains and losses are recognised in the income statement.

Provision for tax

All taxes on income, profit and capital are provided for.

Liabilities

- towards consolidated companies
  Liabilities due to consolidated companies are recorded at their nominal value at year-end.
- other
  The other liabilities are recorded at their nominal value at year-end.

NOTES TO THE INCOME STATEMENT

1 INCOME FROM INVESTMENTS IN CONSOLIDATED COMPANIES

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

2 WRITE-DOWN OF INVESTMENTS IN CONSOLIDATED COMPANIES

The write-down of investments in consolidated companies is shown in the development of financial investments (note 5).

3 TAX

CHF million	2004	2003
Income tax	2.6	(0.7)
Non recoverable foreign withholding tax	0.3	–
Total income tax	**2.9**	**(0.7)**

NOTES TO THE BALANCE SHEET

4 NON CURRENT ASSETS

The company's non current assets consist entirely of financial investments and intangible assets. The analysis of financial investments and their development in 2004 is shown on page 150.

Disclosure of significant matters is included in the footnotes on the above mentioned pages.

A schedule of the Group's main investments with indications of the paid-in share capital and Kuehne + Nagel's share in the respective equity is shown on pages 140 to 143 of this annual report.

5 DEVELOPMENT OF INVESTMENTS

CHF million	Investments in consolidated companies	Investments in associates and joint ventures	Investments in affiliated companies	Total
Cost				
Balance 1. Januar 2004	512.1	3.1	99.0	614.2
Additions	10.4	–	–	10.4
Additions from Reorganisation	563.3	–	–	563.3
Disposals	(5.1)	(1.4)	(97.7)	(104.2)
Disposals from Reorganisation	(52.4)	–	–	(52.4)
Balance 31. Dezember 2004	**1,028.3**	**1.7**	**1.3**	**1,031.3**
Cumulative depreciation and in losses				
Balance 1. Januar 2004	232.1	3.1	99.0	334.2
Additions	10.4	–	–	10.4
Additions from Reorganisation	563.3	–	–	563.3
Disposals	(5.1)	(1.4)	(97.7)	(104.2)
Disposals from Reorganisation	(52.4)	–	–	(52.4)
Balance 31. Dezember 2004	**748.3**	**1.7**	**1.3**	**751.3**
Carrying amount				
at 1. Januar 2004	**280.0**	–	–	**280.0**
at 31. Dezember 2004	**280.0**	–	–	**280.0**

During the second half of 2004, a reorganisation in the European Region took place whereas new Sub-Holdings in Spain, Denmark, Sweden and Luxembourg have been created. The Sub-Holdings have been capitalised with CHF 563.3 million and the investment has been fully depreciated by the end of the year. As a result of the transfer of subsidiaries to the new Sub-Holdings, a gain on sale of CHF 404.7 million has materialised. Same as well as the difference of CHF 158.6 million, representing a dividend receivable from Kuehne + Nagel Europe B.V. (100 per cent subsidiary), has been booked against the above mentioned accumulated depreciation.

The tax impact of the reorganisation has been reviewed by the tax authority (Steuerverwaltung Schwyz, Schweiz) and it has since been confirmed that the whole transaction would not trigger any income tax.

The principal direct and indirect subsidiaries and other holdings of Kühne + Nagel International AG are shown on pages 140 to 143.

6 RECEIVABLES FROM GROUP COMPANIES

CHF million	31/12/2004	31/12/2003
Kühne + Nagel Treasury AG	19.7	30.6
Kühne + Nagel Liegenschaften AG	20.7	20.1
Nacora Holding AG	29.7	16.2
KN Europe Holding B.V.	158.6	–
Kuehne + Nagel A/S	8.3	–
Kuehne + Nagel Nakliyat Ltd. Sti.	2.9	1.4
Kuehne + Nagel Investment S.L.	23.5	–
Kuehne + Nagel N.V.	122.9	–
Kuehne + Nagel Investment S.A.R.L.	42.0	–
	428.3	**68.3**

As per 11th of March 2005, CHF 247.0 million of the receivables have been re-paid.

7 LIABILITIES TOWARDS CONSOLIDATED COMPANIES

CHF million	31/12/2004	31/12/2003
Kühne + Nagel Management AG	51.8	49.7
Kühne + Nagel Asia Pacific Holding AG	73.4	35.6
Kühne + Nagel Internationale Transporte AG	30.2	28.1
Nacora Agencies AG	2.9	2.8
Ferroviasped Holding AG	4.8	2.6
KN Services	19.0	–
Transfluvia N.V.	9.9	–
Kuehne + Nagel Investment AB	15.4	–
Kuehne + Nagel Ltd.	284.7	–
Kühne & Nagel Oilfield Services AG	–	2.7
	492.1	**121.5**

As per 11th of March 2005, CHF 319.1 million have been paid.

8 MARKETABLE SECURITIES

CHF million	31/12/2004	31/12/2003
Marketable securities denominated in following currencies:[1]		
• Swiss Francs	7.3	6.5
• EURO	8.4	13.5
• US Dollar	–	6.2
Total marketable securities	**15.7**	**26.2**
Treasury shares[2]	398.3	64.4
	414.0	**90.6**

[1] Marketable securities consist of fixed rate interest bearing bonds due from first class debtors in EURO as well as of shares of a major bank in Swiss Francs. The securities are deposited at two Swiss banks and one German bank.

[2] In 2004 the company sold 87,426 shares for CHF 10.6 million under the stock option scheme. For the repurchase of 1,673,641 own shares from SembLog was paid CHF 340.3 million.

9 CASH AND CASH EQUIVALENTS

CHF million	31/12/2004	31/12/2003
The deposits are in the following currencies:		
• Swiss Francs	73.9	348.8
• EURO	3.4	16.5
• US Dollar	2.6	0.5
	79.9	**365.8**

10 SHARE CAPITAL

	Registered shares at nominal CHF 5 each Number	CHF million
Balance 31/12/2004	24,000,000	120

For details refer to note 28 of the consolidated financial statements on page XX of the annual report.

The Annual General Meeting, held on May 12, 2004, agreed to the Board of Director's proposal to create an approved share capital of 4 million registered ordinary shares up to a maximum of CHF 20 million restricted for 2 years. The Board of Directors has not made use of this authorisation as yet. Furthermore, there is no authorisation for the issuance of a conditional share capital.

11 RESERVES

CHF million	Reserve	Legal reserve	Total reserves
Balance 1/1/2004	**355.0**	**60.0**	**415.0**
Reclassification to reserve for treasury shares	6.4	–	6.4
Reclassification from reserve for repurchase of 1'673'641 own shares from SembLog[1]	(340.3)	–	(340.3)
Balance 31/12/2004 (before appropriation of profits)	**21.1**	**60.0**	**81.1**

[1] Subject to approval by the Annual General meeting 2/5/2005

12 RESERVE FOR TREASURY SHARES

			CHF million
Balance 1/1/2004	807,785	treasury shares (3.37 per cent)	64.4
Disposal of	87,426	shares related to stock option scheme	(6.4)
purchase of	1,673,641	own shares	340.3
Balance 31/12/2004	**2,394,000**	**treasury shares (9.97 per cent)**	**398.3**

In agreement with the provisions of Swiss commercial law regarding the valuation of treasury shares, the company formed a reserve equivalent to the purchase price of the treasury shares (see note 6).

13 RETAINED EARNINGS

	CHF million
Balance 1/1/2003 (before income of the previous year)	0.6
Net income 2003	81.3
Distribution of earnings 2003 (according to the resolution of the ordinary shareholders' meeting of 12/5/2004):	(81.2)
Balance 31/12/2003 (after appropriation of profits)	**0.7**

OTHER NOTES

14 PERSONNEL

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

15 CONTINGENT LIABILITIES

CHF million	31/12/2004	31/12/2003
As at year-end the following contingent liabilities existed:		
• Guarantees in favour of third parties	0.2	0.2
• Tax penalty for the non respect of the sales restrictions	31.0	–
• Pending Claims	–	36.5
	31.2	**36.7**

A favourable agreement has been reached to settle the claim with an expense of CHF 0.2 million.

16 PROPOSAL OF THE BOARD OF DIRECTORS TO THE ORDINARY ANNUAL GENERAL MEETING 2/5/2005 RE: APPROPRIATION OF THE AVAILABLE EARNINGS 2004

	CHF million
Balance 31/12/2004 (before income for the year)	0.7
Net income 2004	98.4
Available earnings 31/12/2004	99.1
Distribution to the shareholders (CHF 4.50 per share)	(97.2)
Balance 1/1/2005 (after appropriation of available earnings)	**1.9**

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

As statutory auditors, we have audited the accounting records and the financial statements (income statement, balance sheet, and notes on pages 145 to 154) of Kuehne + Nagel International AG for the year ended December 31, 2004.

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

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

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

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

KPMG Fides Peat

Roger Neininger	Tammo Ordemann
Swiss Certified Accountant	*German Certified Accountant*
Auditor in Charge	

Zurich, March 11, 2005

CORPORATE TIMETABLE 2005

14.03.2005	Press Conference 2004 result Analyst Conference 2004 result
25.04.2005	Announcement 1st Quarter result
02.05.2005	Annual General Meeting
06.05.2005	Dividend distribution
25.07.2005	Announcement Half Year result
24.10.2005	Announcement Nine Months result

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