

Notes to the Financial Statements 2001

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 consolidated and associated companies are recorded 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 recorded, the investment is not revalued, even if the earning power and/or the year end equity position subsequently improves.
- Loans receivable from consolidated companies are recorded at their value in CHF, as of year end. Loans receivable in foreign currencies are principally valued at the historical rate of exchange, except where the rate of exchange at year end is lower. Exchange gains are only recorded in the income statement at the time of the actual repayment of the related principal.
- Financial instruments are accounted for as outlined in note 6 to the consolidated financial statements.

Receivables

- from consolidated companies
The balances outstanding are recorded at their nominal value at year end. Receivables in foreign currencies are treated the same way as outlined above under “loans receivable from consolidated companies”.
- other
Other receivables are recorded at their nominal value at year end.

Marketable securities

Marketable securities are valued at the lower of cost or market. Securities having a year end stock exchange value below their cost or book value are written-down as necessary; unrealised gains are not recognised.

Provision for tax

All Swiss taxes relating to net income for the year, share capital, capital and legal reserves, reserves for treasury shares, as well as retained earnings are recorded in the financial statements.

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 in its majority to dividends received.
- 2** **Interest on loans receivable from consolidated companies** Interest income on loans receivable from consolidated companies relates to interest income from loans included under financial investments (see respective particulars on page 103) and from current accounts with consolidated companies.
- 3** **Write-down of investments in consolidated companies** The write-down of investments in consolidated companies is shown in the development of financial investments (page 103).

4 Tax	CHF '000	2001	2000
	Income tax ¹	3,172	3,525
	¹ portion relating to non recoverable foreign withholding tax	1,141	593

NOTES TO THE BALANCE SHEET

- 5** **Non current assets** The company's non current assets consist entirely of financial investments. The analysis of financial investments and their development in 2001 is shown on page 103.

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

The schedule containing the group's major investments with indications of the paid-in share capital and Kuehne & Nagel's share in the respective equity appears on pages 90–93 of this annual report.

6 Development of Investments	CHF '000	Balance	Additions	Disposals	Reclassifications	Balance
		1/1/2001				31/12/2001
Investments in:						
– Consolidated companies		283,535	152,495 ²	(102,189)	2,574	336,415
– Associated companies		5,705	–	–	(277)	5,428
– Affiliated companies		–	1,275	(128)	97,283	98,430
At Cost¹		289,240	153,770	(102,317)	99,580	440,273
– Consolidated companies		283,535	10,095	(102,189)	2,574	194,015
– Associated companies		5,705	–	–	(277)	5,428
– Affiliated companies		–	11,115	(128)	87,443	98,430
Accumulated depreciation		289,240	21,210³	(102,317)	89,740	297,873
Net book value		p.m.	132,560	–	9,840	142,400

¹ balance as of 31/12/1988 at net book value, additions as from 1/1/1989 at historical cost

	CHF '000
² of which capital increases in existing investments	151,362
of which purchase and incorporation of new instruments	1,133
	<u>152,495</u>

³ in agreement with the income statement

7 Development of loans receivable from consolidated companies	CHF '000	Balance	Additions	Disposals	Reclassifications	Balance
		1/1/2001				31/12/2001
Loans receivable from consolidated companies						
		39,635	455,884	(39,635)	–	455,884¹

¹ Loans receivable from	CHF '000
Kuehne & Nagel Investments Inc., New Jersey	415,000
Kuehne & Nagel Investments Inc., New Jersey	35,860
Kuehne & Nagel Nakliyat Ltd., Istanbul	2,823
Kuehne & Nagel S.A., Buenos Aires	1,793
Kuehne & Nagel S.A., Quito	408
	<u>455,884</u>
of which due within 1 year	40,884
of which due after 1 to 5 years	99,600
of which due after 5 years	315,400
	<u>455,884</u>

8 Development of financial instruments	CHF '000	Balance	Additions	Disposals	Reclassifications	Balance
		1/1/2001				31/12/2001
At cost		97,155	–	–	(97,155)	–
Accumulated depreciation		87,315	–	–	(87,315)	–
Net book value		9,840	–	–	(9,840)	–

9	Receivables from consolidated companies	CHF '000	31/12/2001	31/12/2000
		Receivables, all due within 1 year		
		– in Swiss Francs	62,274	31,692
		– in Canadian Dollars	–	33,000
		– in US Dollars	–	35,490
		– in EURO	–	16,017
		– in other currencies	–	110
			62,274	116,309

10	Other receivables	CHF '000	31/12/2001	31/12/2000
		Receivables, all due within 1 year		
		– Claims against the following tax authorities for the refund of withholding tax:		
		– Switzerland	3,949	7,980
		– The Netherlands	–	65
		– Others	155	3,063
			4,104	11,108

11	Marketable securities	CHF '000	31/12/2001	31/12/2000
		Marketable securities in following currencies ¹		
		– Swiss Francs	6,411	6,825
		– EURO	31,208	23,348
		– US Dollar	16,247	16,639
		Total marketable securities	53,866	46,812
		Treasury shares ²	69,669	71,013
			123,535	117,825

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

² In 2001 the company sold under the stock option scheme 43'900 shares at a nominal of CHF 5 each for a total consideration of TCHF 3,328 and purchased 23,617 shares at the nominal value of CHF 5 each for a total consideration of TCHF 1'984 (note 15).

12	Cash	CHF '000	31/12/2001	31/12/2000
		The deposits are in the following currencies:		
		– Swiss Francs	–	400,192
		– EURO	11,680	105,000
		– US Dollars	–	12,587
			11,680	517,779

13 Share capital

	Registered shares at nominal CHF 5 each Number	CHF '000
Balance 31/12/2001	24,000,000	120,000

For details refer to note 28 of the consolidated accounts on page 80 of this annual report.

14 Capital and legal reserves

CHF '000	Capital reserve	Legal reserve	Capital and legal reserves
Balance 1/1/2001 (before appropriation of profits)	348,000	52,709	400,709
Appropriation in accordance with approval by the ordinary shareholder's meeting of 15/5/2001	–	7,291	7,291
Balance 1/1/2001 (after appropriation of profits)	348,000	60,000	408,000
Addition due to relief of reserve for treasury shares re:			
Disposal of 43,900 shares in 2001	3,328 ¹	–	3,328
Decrease due to the purchase of 23,617 shares in 2001	(1,984)		(1,984)
Balance 31/12/2001 (before appropriation of profits)	349,344	60,000	409,344

¹ see note 15

15 Reserve for treasury shares

	CHF '000
Balance 1/1/2001 936,800 treasury shares	71,013
Disposal of 43,900 treasury shares/Stock option scheme	(3,328)
Purchase of 23,617 shares	1,984
Balance 31/12/2001 916,517 treasury shares	69,669

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 11).

Movements treasury shares	Purchase		Sale	
	Number	CHF per share	Number	CHF per share
Third quarter 2001	19,470	86,44–95,70	(1,500)	93,25
Fourth quarter 2001	8,790	59,42–94,00	(3,143)	77,50

16 Retained earnings	CHF '000
Balance 1/1/2001 (before income of the previous year)	585
Net income 2000	59,701
Distribution of earnings 2000 (according to the resolution of the ordinary shareholder's of 15/5/2001):	
– Transfer to the legal reserves	(7,291)
– Distribution to the shareholders	(51,892)
Balance 31/12/2001 (after appropriation of profits)	1,103

17 Proposal of the Board of Directors to the ordinary annual general meeting re: appropriation of the available earnings 2001	CHF '000
Balance 31/12/2001 (before income for the year)	1,103
Net income 2001	67,278
Available earnings 31/12/2001	68,381
Transfer to the capital reserve	(656)
Distribution to the shareholders of a 58 per cent dividend on the increased share capital of CHF 115.5 million ¹	(67,010)
Balance 31/12/2001 (after appropriation of available earnings)	715

¹ Treasury shares with nominal value of CHF 4,5 million bear no dividend rights.

18 Provisions The company received legally binding tax assessments up to and including the tax year 1998. The provision for tax covers all unpaid income and capital taxes related to the net income, to capital, capital and legal reserve, retained earnings as well as to the reserve for treasury shares for the years 1999, 2000 and 2001 based on the company's own calculation of the remaining tax liability.

The other provisions cover all recognisable risks and liabilities at year end, i.e. directors and auditors fees.

19 Liabilities towards consolidated companies	CHF '000	31/12/2001	31/12/2000
Liabilities, all due within 1 year			
– in Swiss Francs		82,187	50,321
– in Euro		2,190	–
		84,377	50,321

20 Other liabilities	CHF '000	31/12/2001	31/12/2000
Liabilities all due within 1 year			
Sembcorp Logistics Ltd., Singapore (see note 21 of the consolidated financial statements)			
		–	97,155
	Federal Tax Authorities, Berne	310	5,140
	Other	–	32
		310	102,327

OTHER NOTES

21 **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 cost are included in other operational expense.

22 Contingent liabilities	CHF '000	31/12/2001	31/12/2000
As at year end the following contingent liabilities existed:			
	– Guarantees in favour of foreign banks ¹	237	438
	– Guarantees in favour of third parties	252	245
	– Pending Claim	37,850	–
		38,339	683

¹ The guarantees were issued in favour of foreign banks with which one consolidated company maintains business relations.

23 **Other financial commitments** As at year end no other financial commitments, particularly none relating to either lease or rental contracts, existed.

**Report of the statutory
auditors to the General
Meeting of Kuehne & Nagel
International AG, Schindellegi,
Switzerland**

As statutory auditors, we have audited the accounting records and the financial statements consisting of balance sheet, statement of income, cash flow statement and notes to the financial statements of Kuehne & Nagel International AG for the year ended December 31, 2001 as presented on pages 97 to 108.

These financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss auditing standards promulgated by the 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.

Zurich, March 22, 2002

ERNST & YOUNG AG

Yves Vontobel
Certified Accountant
(in charge of the audit)

Michael Bugs
Certified Accountant
(in charge of the audit)