

Annual Report 2001

## Kuehne &amp; Nagel Group Key Data

(CHF million)	1997	1998	1999	2000	2001
Turnover	6,243	6,620	6,636	8,247	8,435
Gross profit	1,168	1,216	1,238	1,453	1,727
% of turnover	18.7	18.4	18.7	17.6	20.5
EBITDA <sup>1</sup>	186.7	185.8	180.2	275.8	329.7
% of Gross profit	16.0	15.3	14.6	19.0	19.1
EBIT <sup>1</sup>	124.4	124.3	120.2	198.2	213.0
% of Gross profit	10.7	10.2	9.7	13.6	12.3
Income before tax	125.6	125.0	133.9	193.8	227.7
% of Gross profit	10.8	10.3	10.8	13.3	13.2
Net income for the year	76.9	82.3	95.2	125.9	160.5
% of Gross profit	6.6	6.8	7.7	8.7	9.3
Depreciation and amortisation <sup>1</sup>	62.2	61.5	60.0	77.5	116.7
% of Gross profit	5.3	5.1	4.8	5.3	6.8
Operational cash flow <sup>1</sup>	139.4	151.1	155.0	198.8	274.6
% of Gross profit	11.9	12.4	12.5	13.7	15.9
Capital expenditures <sup>1</sup>	77.9	72.2	94.5	125.9	620.2
% of Cash flow	55.9	47.8	61.0	63.3	225.9
Balance sheet total	1,554	1,585	1,796	2,413	2,386
Non current assets	405	412	427	459	1,005
Equity <sup>1</sup>	381	404	450	884	985
% of Total assets	24.5	25.5	25.1	36.6	41.3
Employees at year end	12,323	12,794	12,605	13,765	17,412
Manpower expense	676	706	712	799	956
% of Gross profit	57.9	58.1	57.5	55.0	55.4
Gross profit in CHF per employee	94,800	95,000	98,200	105,600	99,200
Manpower expense in CHF per employee	54,900	55,200	56,500	58,000	54,900

## Net income per share in CHF of nominal CHF 5 each

Net income for the year <sup>3</sup>	3.85	4.12	4.88	5.46	6.94
Distributable net income for the year <sup>3</sup>	1.71	1.87	2.95	2.31	2.91
Distribution in the following year	1.70	1.85	3.00 <sup>2</sup>	2.25	2.90
in % of the net income for the year	44	45	61	41	42

## Development of share price

Zurich (high/low in CHF)	52.8/35.1	63.5/39.0	62.0/50.0	110.0/58.8	103.0/59.0
Average trading volume par day	11,780	11,480	4,360	14,360	8,189

<sup>1</sup> adjusted for comparison purposes (1997–1999)<sup>2</sup> including exceptional bonus of CHF 0.75<sup>3</sup> excluding treasury shares

## THE GLOBAL LOGISTICS NETWORK.



600 branch offices in 90 countries  
in alphabetical order:

- |                  |                        |                  |                    |
|------------------|------------------------|------------------|--------------------|
| <b>A</b> Albania | Bosnia and Herzegovina | <b>D</b> Denmark | Greece             |
| Angola           | Brazil                 | <b>E</b> Ecuador | Guatemala          |
| Argentina        | Bulgaria               | Egypt            | <b>H</b> Hong Kong |
| Australia        | <b>C</b> Cambodia      | El Salvador      | Hungary            |
| Austria          | Canada                 | Estonia          | <b>I</b> India     |
| Azerbaijan       | Chile                  | <b>F</b> Finland | Indonesia          |
| <b>B</b> Bahrain | China                  | France           | Ireland            |
| Bangladesh       | Colombia               | <b>G</b> Germany | Italy              |
| Belarus          | Croatia                | Great Britain    | <b>J</b> Japan     |
| Belgium          | Cyprus                 |                  | Jordan             |
| Bolivia          | Czech Republic         |                  |                    |



- |  |  |  |   |  |
|--|--|--|---|--|
| <b>K</b> Kenya<br>Korea                                    | Mauritius<br>Mexico<br>Mozambique                        | Poland<br>Portugal   | Swaziland<br>Sweden<br>Switzerland                | United Arab Emirates<br>Uruguay<br>USA             |
| <b>L</b> Latvia<br>Lebanon<br>Liechtenstein<br>Luxembourg  | <b>N</b> Namibia<br>Netherlands<br>New Zealand<br>Norway | <b>R</b> Romania<br>Russian Federation   | <b>T</b> Taiwan<br>Tanzania<br>Thailand<br>Turkey | <b>V</b> Venezuela<br>Vietnam                      |
| <b>M</b> Macau<br>Macedonia<br>Malawi<br>Malaysia<br>Malta | <b>P</b> Pakistan<br>Panama<br>Peru<br>Philippines       | <b>S</b> Saudi Arabia<br>Singapore<br>Slovakia<br>South Africa<br>Spain<br>Sri Lanka | <b>U</b> Uganda<br>Ukraine                        | <b>Y</b> Yugoslavia<br><b>Z</b> Zambia<br>Zimbabwe |

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# Board of Directors and Management Board

Kuehne & Nagel International AG, Schindellegi, Switzerland

## Board of Directors

- Klaus-Michael Kuehne, Schindellegi  
President and Delegate
- Dr. Georg Obermeier, Munich  
Vice-President
- Prof. Dr. Otto Gellert, Hamburg
- Dr. Joachim Hausser, Munich
- Koh Soo Keong, Singapore
- Dr. Wolfgang Peiner, Cologne
- Dr. Alfred Pfeiffer, Trostberg
- Bruno Salzmann, Pfäffikon
- Wong Kok Siew, Singapore
- Dr. Thomas Staehelin, Basle
- Bernd Wrede, Hamburg

## Management Board

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

Status December 31, 2001

## Report of the Board of Directors

### **Dear Madam, Dear Sir!**

Despite the year 2001 being marked by economic setbacks and tragic events, the Kuehne & Nagel Group achieved excellent results. Unchanged, the Group remained on course for growth and continued its upward development. Versus the previous year, net income rose impressively by 27.5 per cent to CHF 160.5 million.



Klaus-Michael Kuehne,  
President and Delegate of the Board of Directors,  
Kuehne & Nagel International AG

### **Shareholders**

No major changes occurred in the shareholder structure of the Kuehne & Nagel Group. Klaus-Michael Kuehne remains the majority shareholder with 55.75 per cent, SembCorp Logistics, Singapore, holds 20 per cent of the share capital and 20.53 per cent is spread amongst the general public. Of the 3.90 per cent held by Kuehne & Nagel International AG in the first half year, 0.18 per cent was disposed to Kuehne & Nagel senior staff within the scope of a stock option scheme. At the same time these employees were also offered the option of purchasing two shares for each one acquired after a period of three years.

Kuehne & Nagel International AG, Schindellegi, holds shares in 223 companies, of which 181 are consolidated in the Group's Financial Statements.

### **Board of Directors**

At the Annual Meeting held on May 15, 2001 the gentlemen Wong Kok Siew and Koh Soo Keong were elected to the Board of Directors, whilst Dr. Georg von Waldenfels, who represented the interest of the former shareholder VIAG AG, submitted his resignation from the Board of Directors. Dr. Wolfgang Peiner resigned his seat with effect from year-end 2001, after being offered the position of Senator for finance in the Free and Hanseatic City of Hamburg. No further changes took place in the Board of Directors of the holding company. In addition to his capacity as President of the Board of Directors, Klaus-Michael Kuehne is also its delegate, whilst Bruno Salzmann, as a member of the Board of Directors, partly acts in an advisory function.

### **Management Board**

At the beginning of the year Hans Peter Kostan left the Management Board of Kuehne & Nagel International AG, where he had headed the business unit Special Products. His duties were allocated to other business units until July 1, 2001. On that date Dirk Reich, who had previously been in charge of Corporate

Development, became a member of the Management Board and assumed responsibility for the business unit Contract Logistics. Heinz Janssen now heads the newly created business unit Special Logistics, which comprises automotive and industry logistics, as well as fairs and exhibitions, defence and airport logistics. Reinhard Lange, responsible for the business unit International Forwarding, additionally assumed responsibility for the new product Supply Chain Management. The business unit International Overland, including rail activities, is headed directly by the Chief Executive Klaus Herms. At the end of the financial year the Management Board consisted of eight members.

### **Results**

The high profit level achieved in 2000 was significantly exceeded in the year under review, to which in particular the business field seafreight, but also the sale of the non-core business of Uniport Multipurpose Terminals B.V., Rotterdam contributed. The regional spread of the business results again proved stable, even though a certain weakening is noticeable due to the political and economic developments in North America. Particularly profitable was the Asia-Pacific region, followed by the most of the European countries.

In view of this development, the Board of Directors of Kuehne & Nagel International AG will propose to the General Meeting, to be held on May 15, 2002, to authorise a dividend of 58 per cent (previous year 45 per cent) on the share capital of CHF 120 million.

### **Business development**

The result is relatively evenly spread over the four quarters of the year under review. Especially the first half was marked by high dynamic growth, which – as a consequence of the general economic downturn – was reduced in the second half above all in Germany, Canada and the USA. Again the product range offered by the Kuehne & Nagel Group proved attractive. The company consolidated its leading position amongst the top logistics companies in seafreight and also maintained its position in the global airfreight business in spite of a noticeable general slowdown. In contract logistics significant progress was made in the global warehousing and distribution business resulting from the acquisition of USCO Logistics Inc. in the USA at the end of July 2001. Kuehne & Nagel now controls three million square metres of warehousing space, principally in Europe and North America, whilst for the Asia-Pacific region corresponding services are offered by the partner SembCorp Logistics Ltd. In the field of European overland transportation especially the growth of the rail business, which is combined in the Ferroviasset Group, was highly satisfactory. Remarkable progress was achieved in implementing IT-based logistics solutions. The product Supply Chain Management, launched in 2000, was installed as a pilot service for key account customers and meets the growing interest from a number of potential users.

### **Summary**

The Board of Directors of Kuehne & Nagel International AG would like to express its appreciation to the management and the entire staff throughout the world, who contributed to a further strengthening of the Group through their remarkable dedication and successful business development. It also wishes to thank all customers and commercial partners for their cooperation and the confidence they have placed in the organisation.

On its way to a global logistics company, Kuehne & Nagel has taken a further important step by expanding its traditional business fields sea- and airfreight, as well as by the development of its contract logistics activities. With the newly acquired USCO Logistics Inc. and the partner SembCorp Logistics Ltd. in Singapore, Kuehne & Nagel is optimally presented in the Europe – North America – Asia-Pacific triad, in which most part of the world trade takes place. Now the efforts must concentrate on successfully positioning this alliance in the global contract logistics business. The solid foundations of the Kuehne & Nagel Group and its development to date, place it in an excellent position to achieve its growth and profit targets also in the future.

A handwritten signature in black ink, consisting of several overlapping loops and a final flourish on the right side.

Klaus-Michael Kuehne  
President and Delegate of the Board of Directors

## Report of the Management Board

In a very challenging year the Kuehne & Nagel Group proved that even in times of economic instability, corporate strategy and operational efficiency allow excellent results.

### **Flexible adjustment to the economic environment**

In the logistics industry business success depends more than ever on the ability to adjust corporate structures to the economic environment. A prompt reaction to changing situations and market requirements, as well as flexibility and concentration on efficiency, generated competitive advantages for Kuehne & Nagel and were significant success factors in the year 2001.

In the period under review, Kuehne & Nagel increased its offer of high value integrated logistics and supply chain management solutions. Focal point here was the further expansion of the contract logistics activities. By taking over the full-service provider USCO Logistics, Hamden, CT, Kuehne & Nagel realised its ambitious goal of getting full access to the North American contract logistics market. USCO Logistics represents a good choice, because the company manages a comprehensive network in North America, and has valuable know-how in the area of integrated customised logistics solutions. With its strategic partner SembCorp Logistics, Singapore, the Kuehne & Nagel Group is now able to provide one-stop shopping logistics services in virtually all markets in the Europe, North America and Asia-Pacific triad.

The capability to offer customers around the globe highly competitive logistics solutions and using supply chain management instruments for setting up and operating logistics networks rewarded Kuehne & Nagel, even more in times of an economic slowdown. With enterprises in all industries facing tougher competitive and cost pressure, and increasingly concentrating on their core competencies, there is a demand for logistics providers with the ability to flexibly and cost-effectively control the flow of goods and information globally.

Due to its global network, highly developed information technology, availability of all means of transport and modern warehousing facilities, Kuehne & Nagel has effectively positioned itself as a partner in supply chain management.

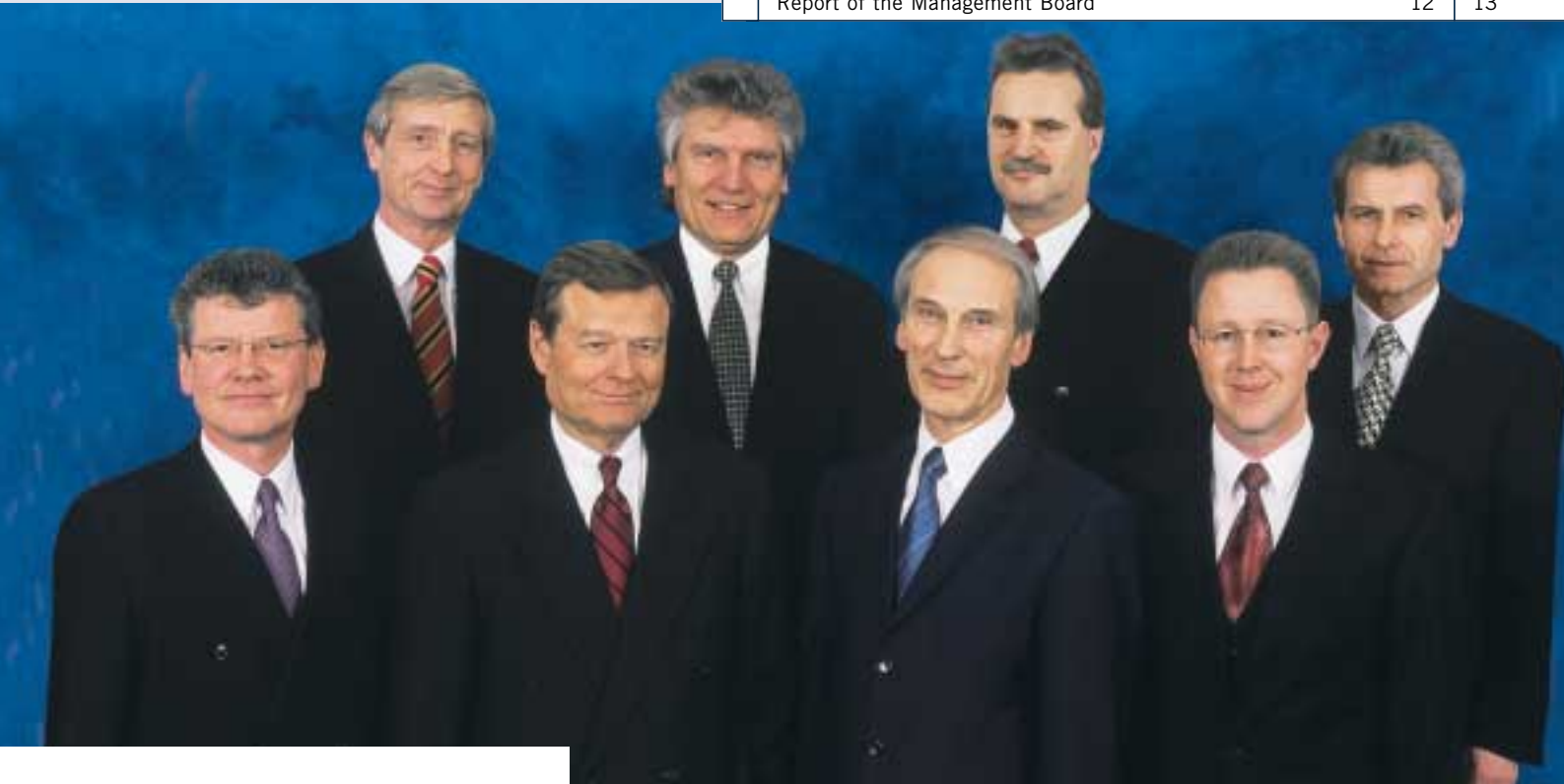
### **Business development**

In the global seafreight business the pressure on rates raised difficulties in the industry, however Kuehne & Nagel's core business field seafreight was able to grow faster than the market and to reaffirm its global leadership. The value-added seafreight services gained high customer acceptance; the integration of sea transport in complex logistics solutions contributed to this remarkable result as well.

More sensitive to economic changes, on the other hand, was the global air-freight business. Worldwide, a decline in volumes emerged already by the middle of the year, even more so after the tragic events on September 11, 2001. Kuehne & Nagel was forced to accept the impact of this development; nonetheless it was possible to achieve a satisfactory result in this business field, not least due to the strategic cooperation with selective carriers.

The strategic orientation of the entire company to globally expand the contract logistics services was successful. All regions managed to register growth rates in the warehousing and distribution business.

Very favourable was the development of the rail activities, which are combined in the Ferroviasped Group. In addition to an increase in revenue and tonnage, rail transportation was complemented by value added services. In order to concentrate even more strongly on international overland transportation, which represents an important part of integrated services and intermodal transport solutions, Kuehne & Nagel has combined these services together with the rail activities into a business unit. This organisational measure allows higher flexibility in meeting the respective demands of the market.



The Management Board of Kuehne & Nagel International AG (from left): Gerard van Kesteren, Dr. Axel Hansen, Klaus Herms, Chief Executive Officer of Kuehne & Nagel International AG, Thomas Engel, Klaus-Dieter Pietsch, Reinhard Lange, Dirk Reich and Heinz Janssen.

### Summary

The strong emphasis of the Kuehne & Nagel Group on global integrated logistics and supply chain management solutions has proven to be correct. However, the successful implementation of this strategy can only succeed with highly qualified and motivated employees, who give highest priority to quality and customer satisfaction, regardless of regional and organisational set up. For this commitment I wish to express my sincere thanks.

Klaus Herms  
Chief Executive Officer



# Status Report

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## Turnover

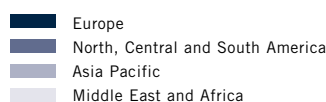
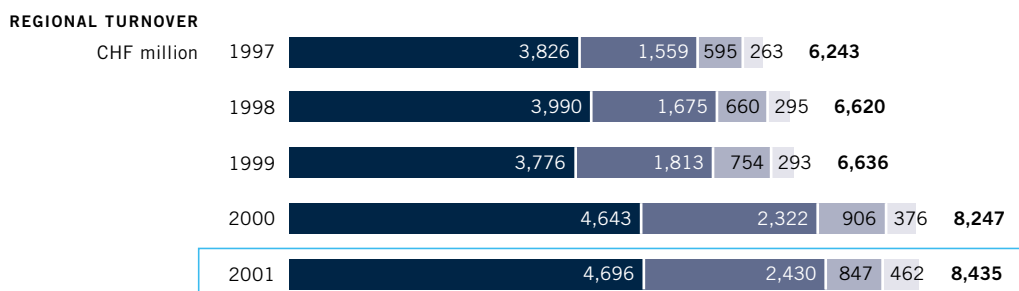
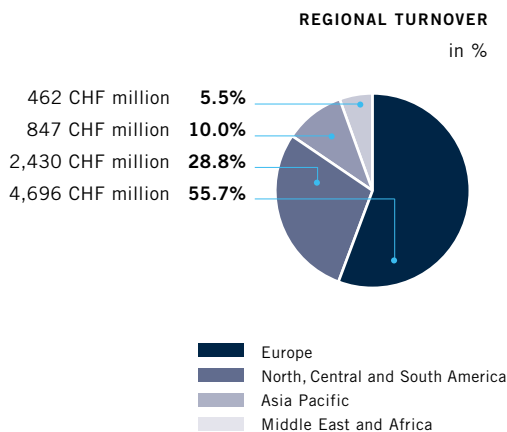
Exchange rate fluctuations based on average yearly exchange rates between 2000 and 2001 led to a lower valuation of the EURO against the Swiss Franc (minus 3.2 per cent), while the U.S. Dollar and currencies dependent on it (e.g. Hong Kong, Taiwan, Singapore, Mexico as well as a number of the countries in South America) strengthened slightly against the Swiss Franc over the same period by 0.1 per cent. When comparing the figures contained in the income statement, the average yearly depreciation of the Swiss Franc in 2001 amounted to approximately 4 per cent.

Kuehne & Nagel realised in 2001 a turnover of CHF 8,435 million (2.3 per cent) versus 2000 and a net turnover of CHF 6,661 million (excluding customs duties and taxes) respectively. This increase was realised by organic growth and by acquisitions.

At regional level Europe increased its turnover by 1.1 per cent, North, Central and South America increased its turnover by 4.7 per cent, Asia Pacific by minus 6.5 per cent, whereas in the Middle East and Africa turnover increased by 22.7 per cent.

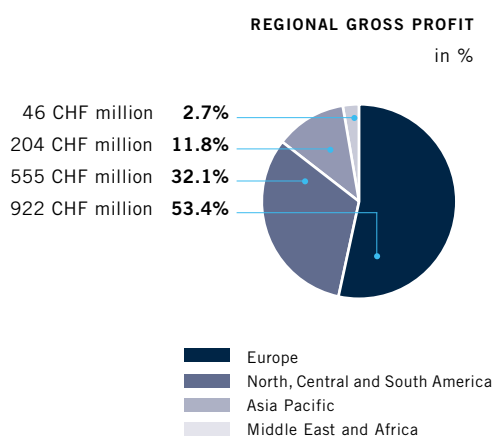
At business unit level, International Forwarding reported an increased turnover of 0.4 per cent (seafreight 6.4 per cent, airfreight 4.1 per cent, and customs brokerage minus 31.9 per cent), while Contract Logistics realised an increased turnover of 27.8 per cent (warehousing 52 per cent and distribution minus 5.1 per cent).

It should be noted however that in the forwarding industry – with its considerable outlays such as customs duties and freight charges – turnover provides only a limited indication of the way business is progressing, as is proven by the following remarks on income.



## Income

The gross profit, which in the forwarding industry provides a better indication of performance than turnover, reached CHF 1,727 million in 2001, an increase of 18.9 per cent, of which minus 3.5 per cent were due to currency effects. At business field level, seafreight and airfreight produced the largest share of gross profit with 53.2 per cent. Contract Logistics is the other main business unit with a gross profit contribution of 34.5 per cent.



At regional level, Europe was the largest contributor to gross profit with 53.4 per cent, followed by North, Central and South America with 32.1 per cent, and Asia Pacific with 11.8 per cent respectively. The balance of 2.7 per cent relates to Middle East and Africa.

With a net income for the year of CHF 160.5 million, Kuehne & Nagel shows once again the best result in its history representing an increase of 27.5 per cent compared to 2000.

The operational cash flow – the sum of the net income for the year plus non cash related transactions – increased from CHF 198.8 million in 2000 to CHF 274.6 million in 2001, i.e. by 38.1 per cent.

When considering the EBIT, the further improvements are remarkable, particularly in the business field seafreight from CHF 96.6 million in 2000 to CHF 109.8 million in 2001 (13.7 per cent); the business field airfreight showed the impact of September 11, 2001 event by a reduction from CHF 62.4 million in 2000 to CHF 54.3 million in 2001 (minus 13.0 per cent). The business field international overland showed a stable amount of CHF 6.9 million in 2001 and the business field rail experienced a reduction of CHF minus 1.4 million mainly due to goodwill and starting-up cost. The business field customs brokerage

**GROSS PROFIT**  
CHF million

1997	1,168
1998	1,216
1999	1,238
2000	1,453
2001	1,727

**OPERATIONAL CASH FLOW**  
CHF million

1997 <sup>1</sup>	139
1998 <sup>1</sup>	151
1999 <sup>1</sup>	155
2000	199
2001	275

**INCOME BEFORE TAX**  
CHF million

1997	126
1998	125
1999	134
2000	194
2001	228

<sup>1</sup> adjusted for comparison purposes

suffered from a reduction of 77.1 per cent mainly due to the erosion of margins in the USA. The business unit Contract Logistics achieved an EBIT of CHF 12.9 million in 2001 which is a reduction of 12.8 per cent mainly due to goodwill amortisation. This includes the impact of the newly acquired logistics group USCO, which is consolidated as of August 1, 2001. The related Goodwill will be amortised over a period of 15 years.

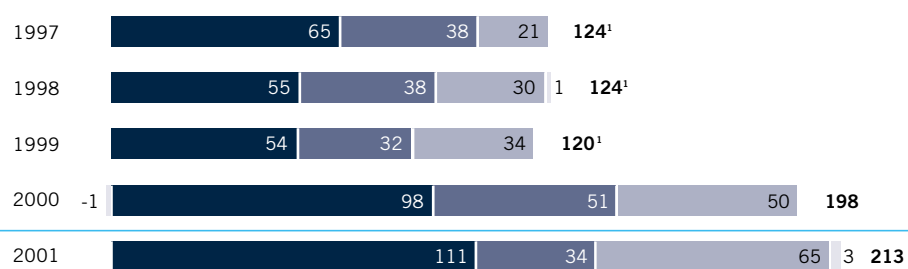
The business unit Special Logistics, which includes fairs & exhibitions, travel activities as well as port handling, includes the one off impact of CHF 10.9 million which is the result of the divesture of the non core business of porthandling in Rotterdam, the Netherlands.

All regions, except North, Central and South America, where a decrease of EBIT of CHF 17 million occurred, improved the results in 2001. Above average increases were realised in Europe (CHF 12.7 million or 13.0 per cent) as well as in Asia Pacific (CHF 15.2 million or 30.2 per cent).

The expense structure shows an increase of 15.2 per cent (manpower 19.6 per cent) versus an increase in gross profit of 18.9 per cent, resulting in an improvement of the EBITDA margin as a percentage of gross profit from 19.0 per cent in 2000 to 19.1 per cent in 2001.

#### REGIONAL RESULTS (EBIT)

CHF million

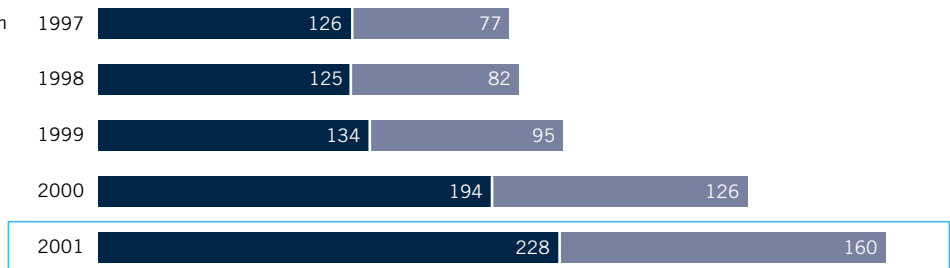


Europe  
 North, Central and South America  
 Asia Pacific  
 Middle East and Africa

<sup>1</sup> adjusted for comparison purposes

**INCOME BEFORE TAX/  
NET INCOME FOR THE YEAR**

CHF million

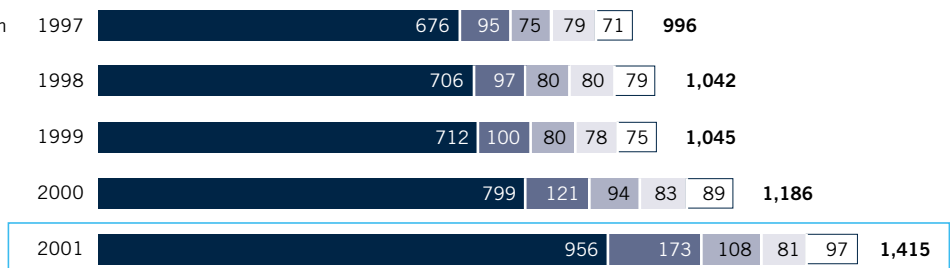


■ Income before tax  
■ Net income for the year

The net finance result amounted to CHF 14.7 million versus a loss of CHF 4.4 million in 2000. This positive result was realised due to the positive cash position during the first seven months of 2001, as a result of the share capital increase in December 2000.

**EXPENSE STRUCTURE**

CHF million



■ Personnel expense  
■ Facility expense  
■ Communication, travel and selling expense  
■ Vehicle and operational expense  
■ Administrative expense

## Financial Position

The equity ratio of the Kuehne & Nagel Group improved from 36.6 per cent in 2000 to 41.3 per cent in 2001, mainly due to the realised result in 2001.

The return on equity declined from 29.4 per cent in 2000 to 18.9 per cent in 2001 as a result of the increased equity level.

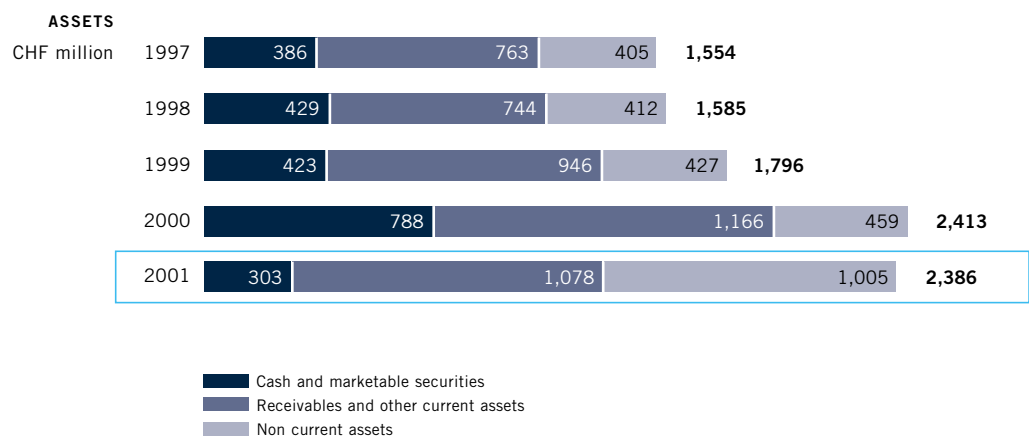
The net cash position (including marketable securities) amounts to CHF 177 million in 2001 versus CHF 653 million in 2000. The reduction is mainly due to the acquisitions in 2001.

The total assets of CHF 2,386 million decreased by 1.1 per cent in 2001.

Trade receivables (before provision for bad debts) amounting to CHF 886 million represent the most significant asset of the Kuehne & Nagel Group. Due to the rigid collection procedures applied in 2001, the days outstanding of 40.4 days in 2000 decreased to 37.8 days in 2001.

The development of the vendor terms decreased from 43.1 days in 2000 to 42.6 days in 2001.

### ASSETS AND CAPITAL STRUCTURE



**KUEHNE & NAGEL GROUP: KEY FIGURES ON CAPITAL STRUCTURE**

	1997	1998	1999	2000	2001
<sup>1</sup> Equity ratio	24.8%	25.8%	25.3%	36.6%	41.3%
<sup>2</sup> Return on equity	24.2%	22.9%	25.0%	29.4%	18.9%
<sup>3</sup> Self-financing ratio	281.3%	304.4%	350.4%	636.6%	720.8%
<sup>4</sup> Debt ratio	75.1%	74.0%	74.7%	63.3%	58.6%
<sup>5</sup> Short-term ratio indebtedness	60.2%	57.7%	61.2%	54.2%	50.6%
<sup>6</sup> Intensity of long-term indebtedness	14.9%	16.6%	13.5%	9.1%	8.0%
<sup>7</sup> Fixed asset coverage ratio	151.9%	162.8%	163.4%	240.6%	117.2%
<sup>8</sup> Working Capital (CHF million)	209.0	258.7	270.5	646.1	173.3
<sup>9</sup> Receivable terms (in days)	36.5	32.2	41.5	40.4	37.8
<sup>10</sup> Vendor terms (in days)	42.6	39.2	48.3	43.1	42.6
<sup>11</sup> Intensity of capital expenditure	26.2%	26.0%	23.8%	19.0%	42.1%

<sup>1</sup> Total equity in relation to total assets at end of current year.

<sup>2</sup> Net income for the year in relation to share capital + capital 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

<sup>3</sup> Capital reserves + retained earnings + net income for the year in relation to share capital

<sup>4</sup> Total liabilities + provisions in relation to total assets

<sup>5</sup> Short-term liabilities in relation to total assets

<sup>6</sup> Long-term liabilities + provisions for pension plans and severance payments in relation to total assets

<sup>7</sup> Total equity (including minority interest) + long-term liabilities + provisions for pension plans and severance payments in relation to non current assets

<sup>8</sup> Total current assets less short-term liabilities

<sup>9</sup> Turnover in relation to the receivables outstanding at end of current year

<sup>10</sup> Expenses for services from third parties in relation to trade liabilities / accrued trade expenses at end of current year

<sup>11</sup> Non current assets in relation to total assets

**LIABILITIES**

CHF million	1997	1998	1999	2000	2001
	768	778	942	1,248	1,132
	274	258	252	135	126
	127	140	148	144	141
	385	409	454	886	987
	<b>1,554</b>	<b>1,585</b>	<b>1,796</b>	<b>2,413</b>	<b>2,386</b>

Trade, tax and other liabilities  
 Bank liabilities  
 Provision for pension plans and severance payments  
 Equity (incl. minority interest)

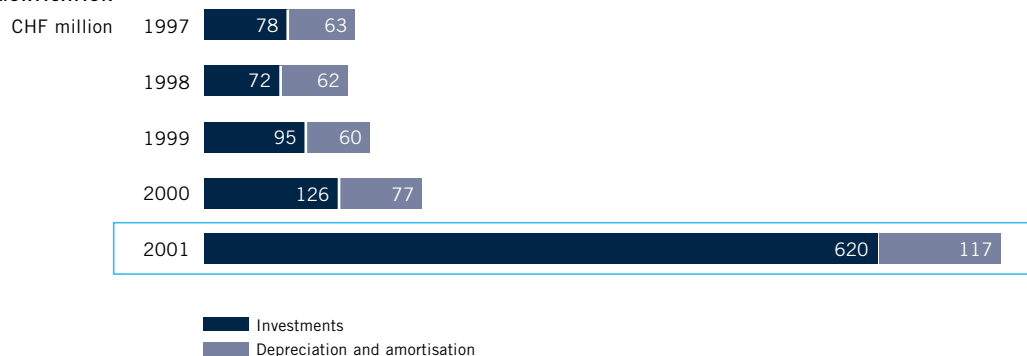
## Investments, Depreciation and Amortisation

In 2001 Kuehne & Nagel invested a total of CHF 620 million for capital expenditures (CHF 101 million in fixed assets, CHF 519 million in intangible assets).

The financing of these capital expenditures accounted for 225.9 per cent of the operational cash flow of CHF 274.6 million generated in the current year.

Investments in fixed assets comprised CHF 48 million for properties and buildings, and CHF 53 million for other fixed assets, operating and office equipment.

### INVESTMENTS AND AMORTISATION



The properties and buildings included the following:

Region	CHF million	Description
<b>Western Europe</b>		
Duisburg	5	Purchase of 50,000 sqm of land
Duisburg	1	Production line for dedicated customer
Bremen	3	Renovation existing office building
Frankfurt	2	Preparation cost new logistic center
Gaertringen (Stuttgart)	2	Extension of existing logistic center
	<b>13</b>	
<b>Eastern Europe</b>		
Kiev	4	Purchase of 55,000 sqm of land and 4,500 of warehousing space
Warszawa	8	Purchase of 22,400 sqm of land and construction of 8,600 sqm warehousing space
	<b>12</b>	
<b>Canada</b>		
Toronto	16	Extension of existing logistic center by 19,500 sqm
<b>Middle East</b>		
Istanbul	3	Additional consideration 50,000 sqm of land
<b>Asia Pacific</b>		
Auckland	2	Construction of a new logistic center with 6,300 sqm of warehousing space
Melborne	2	Extension of existing logistic center by 3,000 sqm
	<b>4</b>	
<b>Total</b>	<b>48</b>	

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

	CHF million
Operating equipment	13
Vehicles	6
IT hardware	18
Office furniture and equipment	16
Total	53

The allocation by region was as follows:

	CHF million
Europe	33
North, Central and South America	15
Asia Pacific	4
Middle East and Africa	1
Total	53

Capital expenditures for intangible assets amounted to CHF 519 million covering goodwill of CHF 500 million and software of CHF 19 million.

Depreciation and amortisation in 2001 amounted to CHF 117 million (CHF 50 million related to intangible assets) and were recorded in the income statement as indicated in note 4 to the consolidated financial statements.

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

CHF million	1997 <sup>1</sup>	1998 <sup>1</sup>	1999 <sup>1</sup>	2000 <sup>1</sup>	2001
<b>Capital expenditures</b>					
<b>Fixed assets</b>					
Properties and buildings	23	22	37	40	48
Operating and office equipment	41	43	44	66	53
<b>Financial investments</b>					
Equity in consolidated companies	1	–	1	–	–
Investments in associated companies	–	–	–	–	–
<b>Intangible assets</b>					
Goodwill in consolidated companies	8	2	6	5	500
Software	5	5	7	15	19
	<b>78</b>	<b>72</b>	<b>95</b>	<b>126</b>	<b>620</b>
<b>Depreciation and amortisation</b>					
<b>Fixed assets</b>					
Buildings	9	11	8	9	12
Operating and office equipment	34	35	39	48	54
<b>Intangible assets</b>					
Goodwill in consolidated companies	15	11	6	5	32
Software	5	5	7	15	19
	<b>63</b>	<b>62</b>	<b>60</b>	<b>77</b>	<b>117</b>

<sup>1</sup> adjusted for comparison purposes

## Corporate Development

### Industry trends

The worldwide economic downturn in the year 2001 reduced the dynamics of the global logistics industry and increased the pressure on margins. At the same time however, the trend amongst customers towards outsourcing and a reduction of contracted logistics providers strengthened. The consolidation process in the still highly fragmented logistics industry also maintained its pace throughout the year. Leading companies like Kuehne & Nagel with an integrated global network and special industry competence were able to profit above average from this development and expand their business share in partly stagnating markets.

### Acquisitions and market positioning

Further to the aggressive postal companies, integrators and carriers are seen to have joined the consolidation process by vertically integrating through major acquisitions.

Kuehne & Nagel has strengthened its organic growth by targeted acquisitions aimed at perfecting its geographic logistics network and extending its range of services.

The major acquisition of USCO Logistics Inc. in North America promoted Kuehne & Nagel into the top ten companies involved in global contract logistics. Smaller acquisitions of freight forwarding companies in the Nordics and France enabled further expansion of worldwide market leadership in seafreight and consolidated the company's position amongst the top five globally active airfreight service providers.

The synergetic growth of the partly complementary customer portfolios in the business units International Forwarding and Contract Logistics will be forced in 2002. The focus on external growth strategy for Contract Logistics is in Europe and South America, for International Forwarding the Asia-Pacific region and Europe.

Kuehne & Nagel's headquarters  
in Schindellegi, Switzerland



## Research and Development

### **Supply Chain Management Solutions**

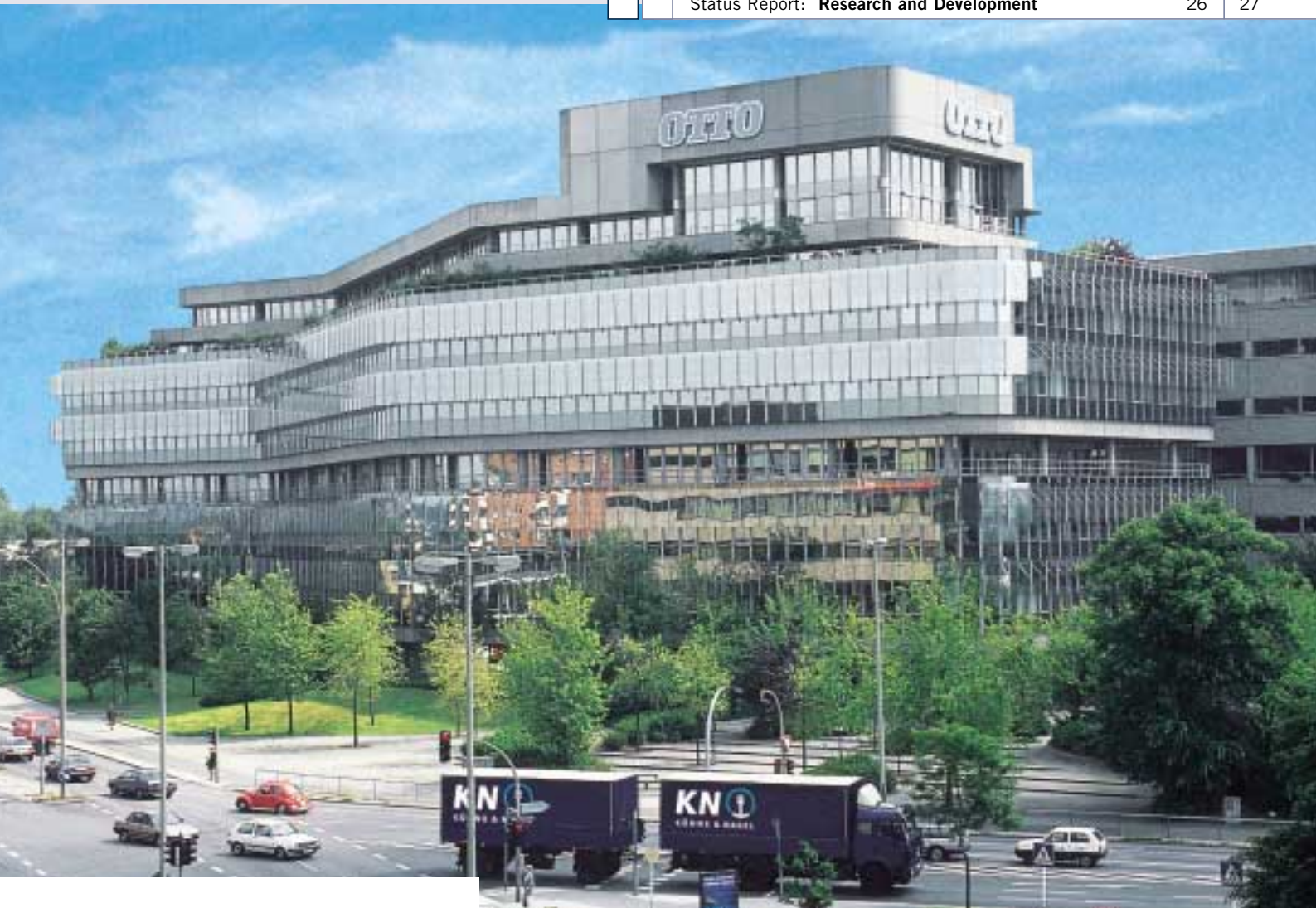
The trend towards outsourcing logistics functions continues. At the same time the complexity of service requirements rises permanently, and comprises tasks beyond the scope of traditional logistics providers. Companies now increasingly regard the entire management of logistics planning, control and optimisation as tasks to be fulfilled by external parties – a development reminiscent of warehousing around 20 years ago.

Kuehne & Nagel's strategy to position itself as Lead Logistics Provider, which, further to its offer of warehousing and freight forwarding services, is also able to manage the entire logistics chain, proved innovative and in line with its customers' requirement profile. Additional licenses acquired at the end of 2000 within the context of an agreement with i2 Technologies, served as a base for the introduction of more services that create added value through the management of data and processes in the supply chain. The modular structure of the Kuehne & Nagel Supply Chain Management product portfolio here is a prerequisite for flexibly adapting the service spectrum to changing customer needs.

In addition to pilot projects commenced in 2000 for customers in the retail sector, the year under review also saw projects conducted for customers from the sectors high-tech, industrial products and the chemical industry.

For a leading global IT company the first phase of an integrated Visibility & Monitoring System (integration of supply chain information with permanent data and quality control, and proactive intervention in the event of deviations) was successfully completed. This solution, which will be fully operating in the first quarter 2002, further strengthens Kuehne & Nagel as a preferred partner to high-tech companies.

A further focus was the development of consulting competence and contracts for logistics network design. With this Supply Chain Management product Kuehne & Nagel primarily aims at strategically optimising the design of customer-specific networks, regularly checking their structure in the course of further cooperation, and continually adapting them to current requirements. On behalf of reputable companies in the chemical industry and the packaging material sector, network analyses and optimisations were performed, which serve as a platform for the



Leading edge information technology provides transparency for customers

adaption and further development of transport management. The IT-based consulting competence here is expanded into a qualified general offer by the many years of operational experience Kuehne & Nagel possesses, along with inherent skills of assessing project feasibility.

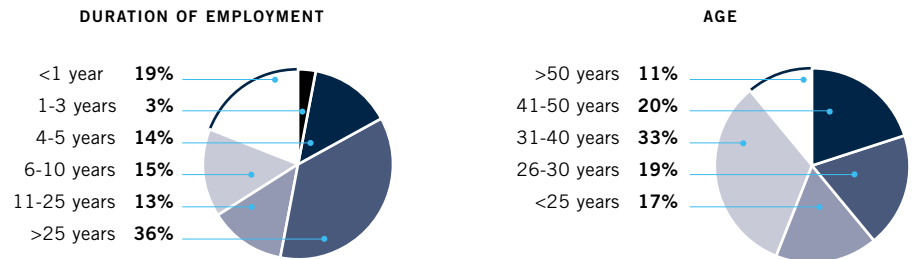
Since mid 2001 Supply Chain Management has been managed as a business field, with the goal to further develop a new line of business, the Lead Logistics Provider concept. At the same time, the initiative aims to secure and expand the traditional core business. For this, sales-oriented centres in Rotterdam (high-tech) and London (retail) were established to supplement the central team in the corporate headquarters, whose activities concentrate on development, piloting and implementation support for Supply Chain Management solutions.

## Human Resources

The worldwide Kuehne & Nagel Group employed 17,412 staff at year-end 2001. The considerable increase in the number of employees is largely due to the acquisition of USCO Logistics, whose 2,754 employees have been integrated into the Kuehne & Nagel organisation. As a consequence of the business expansion in various Kuehne & Nagel national companies, staff was also recruited or taken over.

As in previous years the comprehensive training and education programmes for the employees were of high strategic importance. A key success factor is the systematic development of future managers and specialists, supported by specific training measures.

### EMPLOYMENT OF PERSONNEL:



Global logistics processes demand specialised know-how and international collaboration amongst employees



**PERSONNEL STRUCTURE:**

In addition, the realisation of the corporate strategy and the complexity of global logistics processes require expertise, but also process-oriented thinking, as well as intercultural and interdisciplinary cooperation skills. Joint learning processes in multinational teams therefore form a core element of Kuehne & Nagel's training programmes.

New accents were set by a training module, specifically designed for Kuehne & Nagel, based on case studies about methods to efficiently implement the corporate strategy.

Further training activities focused on the subjects of supply chain management, key account sales and executive training.

In the year under review Kuehne & Nagel, for the first time, introduced an e-Learning programme. Without leaving their desks, the employees can benefit from an efficient training infrastructure for fast mediation of job-related knowledge, and also for the virtual exchange of know-how and experience.



## Quality Management

As a result of various quality initiatives a significant improvement in data, process and service quality was achieved within all business units.

### **Successful quality re-certification**

A high level of operational quality in all fields of activity generates competitive advantages for both Kuehne & Nagel and its customers. For this reason the company again underwent intensive examination of its quality management system. On March 29, 2001 Bureau Veritas Quality International once again confirmed that the Kuehne & Nagel Group completely fulfils all ISO Norm 9001 requirements worldwide – an achievement uninterrupted since 1995. Numerous other awards further underscored this seal of quality. For example, in June 2001 Kuehne & Nagel (New Zealand) Ltd. was presented the prestigious “Westpac Trust Manakau Business Excellence Award” in the category transport, warehousing and distribution.

### **Data quality examination in the Internet**

All information posted on the Internet for shipment tracking and tracing is ongoing subject to extensive reviews with respect to completeness, plausibility and topicality, and comprehensively evaluated. The derived quality benchmarks serve, amongst others, as a central control instrument to ensure consistent data quality as well as its continual improvement.

### **Quality, safety, health and environment**

With the integrated QSHE Management System, which embraces quality, safety, health and environment, Kuehne & Nagel meets the requirements of major international customers, e.g. in the chemical industry. Comprehensive corporate principles for the four areas were determined and documented in 2001, and are compulsory for all employees.

High operational quality delivers  
competitive advantages



## Environment

### **Certification in Sweden**

Following certification awarded to the national companies in the United Kingdom and Luxembourg, in autumn 2001 Bureau Veritas Quality International certified that Kuehne & Nagel in Sweden is in accordance with the international environmental standard ISO 14001. In addition to the Stockholm location, this confirmation also applies to the sites at Göteborg, Malmö and Norrköping. Moreover, in all certified national companies, further ecological improvements, e.g. energy saving measures, were implemented.

### **More economy through ecology**

An environmental management system is also being installed in the Swiss logistics centre in Embrach, which is expected to be granted ISO 14001 certification shortly. Already in the year 2001 ecological actions brought benefits: a new waste disposal concept reduced total waste disposal costs by more than 15 per cent.

To optimise capacity utilisation of transport modes by efficient freight consolidation provides ecological benefits, but also contributes to higher profitability. Computer-aided cargo management to avoid unnecessary transport movements is an important instrument here. In the year under review seafreight cargo management in the German port of Bremen dispatched every day more than 200 import containers so efficiently that they could be loaded again with export goods in a minimum period of time. Cutting the move of empty containers substantially saved time, costs and resources.

In the year under review Kuehne & Nagel addressed the challenge of organising the flow of goods in order to reduce road traffic. In comparison with the previous year the freight volume forwarded by rail increased.



## Information Technology

Kuehne & Nagel made remarkable progress in the further realisation of its IT strategy. Here, the focus has been placed on standardisation, centralisation and the enhancement of its Internet-based service products.

More than 90 per cent of all locations in the global Kuehne & Nagel organisation use a standard system for managing shipment orders. By centralising all data, a uniform processing of business and a high quality provision of information is now guaranteed worldwide. The year under review also saw the finalisation of the implementation of the standard accounting and controlling system. Particular attention was paid to data and system security. The communication and data network has been designed for assuring the highest possible availability.

### **KNLogin service products**

Significant developments were made to the information-based service products based on KNLogin, Kuehne & Nagel's proprietary logistics information system. In addition to tracking and tracing, the portrayal of consignment information was refined to such a degree as to permit access to all details on items in the supply chain. Apart from the possibility to conduct order management from the producer to final delivery, the system also contains information and analysis components,

Advanced technologies enable  
innovative logistics solutions



which, for example, enable the customer to view and print out relevant documents on site. In addition the system allows for reports to be automatically printed in accordance with individual customer requirements and sent as e-mail at specified times.

### IT Tools for Supply Chain Management

Based on licenses from i2 Technologies a number of new Internet-based IT tools have been applied to various supply chain management projects in the year under review. One example is the "Global Logistics Monitor" for supply chain visualisation and monitoring, which also found application in complex airfreight projects. Further IT instruments such as "Transportation Modeler" and "Supply Chain Strategist" enable optimal choice of transport mode, freight consolidation and utilisation of facilities.

### [www.kuehne-nagel.com](http://www.kuehne-nagel.com)

The Kuehne & Nagel website was subject to redesign and extensive expansion. In addition to quotation and booking requests, comprehensive product and supply chain information, the customer-oriented system also provides a detailed insight into the global logistics network. The content of the KN Portal and the internal KNet are administered and maintained using a very flexible and modular content management tool.



## Outlook

The Kuehne & Nagel Group's strategy of providing high value integrated logistics services will be of decisive importance to the future development of the company.

The trend towards outsourcing logistics services continues. Intensified cost pressure in international competition is forcing companies in trade and industry to concentrate on their core competence. The demand for logistics services from a single source and a "Lead Logistics Provider", able to generate savings potential and increased efficiency by management, coordination and optimisation of the global supply chain is growing. For Kuehne & Nagel this represents a new and highly promising business potential.

In the year 2002 Kuehne & Nagel will demonstrate its ability as Lead Logistics- or so-called "Fourth Party Logistics Provider". The conclusion of a comprehensive contract with a leading global company in the high-tech industry at the end of January 2002, confirmed the confidence customers have in this new product development and increases the interest in innovative services.

Although overcapacities and pressure on margins still characterise the business in sea, air, and overland transportation, Kuehne & Nagel will further expand its leadership status in sea- and airfreight by continually extending its range of products and value added services. New accents will be set this year by a reorganisation of overland transportation in Europe, particularly between Western and Eastern Europe.

The global alliance in contract logistics will focus on special solutions for selective industries, which shall be marketed on a worldwide basis. The sector healthcare / pharmaceuticals – which has been added to the market segment strategy – offers strong prospects for growth. The comprehensive logistics network and advanced IT-solutions are preconditions to global competitiveness.

Kuehne & Nagel will continue to expand its global presence and increase its market share worldwide in the year 2002. In particular, the activities in South America – with Brazil acting as engine for growth – shall be extended. In Africa high priority will be given to the expansion of the oil and energy business.



Industry competence, focus on customer needs and streamlined processes ensure future growth for the Kuehne & Nagel Group

In European countries, which are well positioned both in the international forwarding business and contract logistics, aggressive marketing of high quality integrated solutions will be the focal point. Niche products such as airport, fair and exhibition, and hotel logistics will also be of growing importance.

Global presence, advanced information logistics, flexibility and high value integrated logistics and supply chain management solutions give a competitive edge both to Kuehne & Nagel and its customers and lay the foundations for sustained growth. Therefore the Management Board is confident about a further positive development of the business in the future.





# Business Units

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[49](#) Contract Logistics

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[56](#) Insurance Broker

## Seafreight

With shipping more than 850,000 TEUS Kuehne & Nagel increased the volume of the previous year by 7 percent and managed to confirm its leading position in the global seafreight business. EBIT improved by 13.7 per cent.

### **Seafreight volume and container business**

Whilst in the year 2000 the global seafreight volume grew by 12 per cent to its highest ever level, container volume increased only around 2 per cent in 2001. At the same time the carriers' cargo capacities increased heavily, causing a drop in freight rates. In the year under review, Kuehne & Nagel again was able to grow more than the market. The successful development of an extensive sales organisation, including global key account management, and the widely accepted seafreight products contributed to this remarkable achievement. Growth was realised not just on the traditional Transatlantic and Far East/Europe routes, but also on the Latin America and Transpacific traffic lanes, where volume increased by 18 per cent each. In Europe, the Nordics and Eastern European companies achieved above average growth rates.

### **Product focus**

The concentration on special product areas was pushed and recorded positive results. The growth of global transportation in the forestry products sector (paper, cellulose and timber) was significant. Kuehne & Nagel strengthened this special service by taking over the French company SEMT S.A.

The volume of reefer containers and other goods requiring special temperature conditions could also be considerably increased. The acquisition of the Norwegian company Sunnmøre Gods A/S, an expert in the reefer container business, proved extremely fruitful for further extension of this special product.

In the year under review a higher market share was achieved in providing freight forwarding and logistics services to international automobile manufacturers and their suppliers.

Concentration on the industry segments high-tech and retail led to major new contracts.

**Worldwide LCL (Less than Container Load) business**

Customer demands on logistics providers for LCL shipments are continually growing. Here, the focus is on process optimisation, and a crucial element is the seamless worldwide information flow via EDI and Internet. Standardised processes and the Internet based KNLogin service products guarantee a high quality standard. Access to all information for shipment tracking and tracing round the clock is particularly valued by global key accounts.

The increased number of orders confirms the effectiveness of Kuehne & Nagel's strategy to pay special attention to this business segment.

**High transparency through advanced information logistics**

Kuehne & Nagel's information logistics products, summarised under the umbrella KNLogin, were further enhanced in the year under review. They provide the customer with detailed transparency and a complete worldwide information flow.

All countries in the Kuehne & Nagel network have access to an efficient standardised, operational IT system, therefore data quality improved considerably. Integration of IT systems with shipping lines was also further developed. Today, Kuehne & Nagel is partner and shareholder of INTTRA, one of the leading ocean freight portals. Together with major ocean carriers Kuehne & Nagel will simplify processes in the transport chain and be able to provide customers around the clock up-to-date data on the INTTRA portal.

**River shipping**

In the year 2001 Kuehne & Nagel was able to increase the volume of handled cargo to 3.8 million tons. A stake in the company Euro-Rijn, the Netherlands, supported to significantly strengthen its activities on the Rhine.

Standardised processes and the Internet-based KNLogin products create transparency, high quality standards and a seamless worldwide information flow for seafreight





Customers throughout the world value Kuehne & Nagel's first class integrated logistics services.

#### **Project Business / Oil & Energy**

The international project business developed very favourably in 2001. Worthwhile mentioning is the increased volume of large scale industrial projects. Amongst them are, for example, the handling of transports of heavy lifts to India and Brazil.

Kuehne & Nagel offers companies from the oil and gas industry comprehensive logistics services far beyond traditional freight forwarding. In the year 2001 the already existing network of special oil and energy centres was expanded by further locations in Stavanger, Rotterdam and on Sachalin. The global presence of Kuehne & Nagel in particular meets the requirements of companies active in this sector and has led to a considerable number of contracts with major new customers.

The "Houston Express", a service to supply oil centres in Angola, which Kuehne & Nagel has been operating with the Angolan airline Sonair for 18 months, is set to be expanded in 2002. Malabo, Port Harcourt and other oil centres in West Africa will be integrated in this regular delivery service from Houston, Texas.

**PERFORMANCE SEAFREIGHT**

<b>CHF million</b>	<b>2001</b>	<b>per cent</b>	<b>2000</b>	<b>per cent</b>	<b>Variance 2001/2000 per cent</b>
Turnover	3,925.9	100.0	3,688.3	100.0	6.4
Gross profit	531.7	13.5	456.0	12.4	16.6
EBITDA	141.8	3.6	118.6	3.2	19.6
EBIT	109.8	2.8	96.6	2.6	13.7
Number of operational staff	3,163	–	2,687	–	17.7

**Aid & Relief**

Also in the year 2001 Kuehne & Nagel supported the efforts and operations of well-known international aid organisations as well as private companies in a number of crisis regions. Large quantities of relief supplies were delivered to their destination by sea, air and land under Kuehne & Nagel's direction. Seafreight alone accounted for substantial container volumes and approx. 1,200 vehicles for loading. In the LCL sector the amount exceeded 80,000 tons.

These special Kuehne & Nagel services above all focused on the crisis regions in the Balkans, East Africa and Iraq. In Ethiopia Kuehne & Nagel specialists supported on location the distribution logistics; in Dubai so-called "Emergency Warehouses" were set up to enable deliveries to be made in the region as quickly as possible. A team of experts was even on hand in Pakistan to cope with warehousing and transit logistics of large volumes of relief supply to Afghanistan.

By providing these special services the IT-based KNLogin products have been of advantage, which provide round the clock tracking and tracing and status information via the Internet.

Kuehne & Nagel plans to further expand the segment aid and relief. Even today teams of specialists from a number of national companies have been formed in Copenhagen, London, New York, Karachi, Dubai, Dar Es Salaam and Johannesburg to handle these challenging special operations.

**Industrial Packing**

Cargopack Verpackungsgesellschaft für Industriegüter m.b.H., a 100 per cent subsidiary of Kuehne & Nagel, again returned high growth rates in the year under review. This favourable development was supported by the trend that export-oriented companies increasingly outsource the packing of their goods. The high-quality packing services for specific products and transport methods offered by Cargopack therefore enabled the company to considerably increase the number of customers in 2001. Cargopack also profited from these services being integrated in complex Kuehne & Nagel logistics projects.

## Airfreight

For the airfreight industry, 2001 was a particularly challenging year. As airfreight volume correlates very strongly with the respective economic development, a worldwide decline was evident even prior to September 11. The market faced overcapacities in cargo space and low profit margins – even escalating after the tragic events in the USA. Although an impact of this development can be seen in the results of the Kuehne & Nagel airfreight business, the effects could be kept within limits.

In a year in which several crises were experienced, the strategy of close cooperation with selected carriers proved successful, permitting flexible use of cargo space and at the same time guaranteeing best possible capacities for customers.



**PERFORMANCE AIRFREIGHT**

<b>CHF million</b>	<b>2001</b>	<b>per cent</b>	<b>2000</b>	<b>per cent</b>	<b>Variance 2001/2000 per cent</b>
Turnover	1,984.6	100.0	1,906.6	100.0	4.1
Gross profit	387.2	19.5	356.6	18.7	8.6
EBITDA	74.2	3.7	79.1	4.1	(6.2)
EBIT	54.3	2.7	62.4	3.3	(13.0)
Number of operational staff	2,345	–	2,041	–	14.9

Positive effects arose from the intensified focus on key accounts, which led to major contracts in the Europe, North America and the Asia-Pacific triad. Besides goodwill amortisation on newly acquired companies, a reduced average weight per shipment affected the EBIT.

**Regional business development**

In the second half of the year, the economic situation caused a significant performance weakening in some countries in North and South America. Moreover, in the aftermath of September 11 the airfreight business was adversely affected by surcharges and more stringent security measures.

In Europe, the activities developed positively, especially in a number of Scandinavian countries. The Dutch airfreight organisation continued to make progress; Kuehne & Nagel in Germany has assumed a leading position as airfreight forwarder, even though results in the year under review are behind expectations. In France Kuehne & Nagel boosted its airfreight activities by taking over Sodetair S.A., the former freight forwarding arm of Air France Cargo.

Results in the Asia-Pacific region remained stable in spite of a clear drop in volume in some countries.



Airfreight activities between Asia and North America registered substantial growth

### **Growth rates in the Transpacific airfreight business**

In 2001 Kuehne & Nagel concentrated on the further expansion of the airfreight activities between Asia and North America and was able to achieve positive growth despite a fall in volume of 15 to 20 per cent in the market. The creation of an integrated hub system in the USA supported the favourable development of the Kuehne & Nagel business on these routes.

### **Aviation Logistics**

Kuehne & Nagel has made quite a name for itself with this niche product, providing intelligent solutions for the supply of spare parts to airlines. Although the worldwide crisis in the aerospace industry has been felt to a degree in this segment, further business opportunities were opened as a result of increased trends to outsource this activity.

### **Ships spares Logistics**

Value added services in the form of spare parts provision for globally operating shipping lines established themselves exceptionally well. The complete integration of KN Flydistribusjon A/S in Norway enhanced these activities. Worldwide marketing of the product shall be intensified.

### **Hotel Logistics**

Hotel logistics activities were further expanded in 2001. Kuehne & Nagel's innovative product comprises tailor-made logistics solutions associated with the construction and furnishing of hotel and tourist facilities.

Apart from warehousing, the service portfolio further includes the entire management of suppliers and transport.

In the year under review comprehensive services for hotel projects were realised in Dubai, Singapore, Doha and Madeira, supervised by a central project team from Kuehne & Nagel.

Overland activities in the USA and Canada continued their positive business development



## International Overland

In the year 2001 overland transport activities developed according to expectations.

The European overland transportation business continued to be characterised by fierce competition with low-level margins. Despite a slight decline in turnover, the operational result (EBIT) could be kept stable.

Especially the Eastern European countries faced an above average drop in margins and their performance fell short of expectations. In contrast, several Western European national companies were able to increase their activities, a result not least due to the integration of overland transportation in complex supply chain management solutions.

Positive developments were also registered in the area of full truckload business, which was particularly forced in the Benelux countries. Concerning overland transportation activities of Kuehne & Nagel subsidiaries in the USA and Canada, the positive trend could be continued.

### PERFORMANCE INTERNATIONAL OVERLAND

CHF million	2001	per cent	2000	per cent	Variance 2001/2000 per cent
Turnover	472.4	100.0	484.9	100.0	(2.6)
Gross profit	81.4	17.2	82.8	17.1	(1.7)
EBITDA	10.1	2.1	9.7	2.0	4.1
EBIT	6.9	1.5	6.9	1.4	–
Number of operational staff	618	–	598	–	3.3

## Rail

Kuehne & Nagel's rail activities, which are combined in the Ferroviasset Group, expanded further in 2001.

The Kuehne & Nagel organisation attaches great importance to the development of rail transport. By integrating all rail activities in the Ferroviasset Group – a 100 per cent Kuehne & Nagel subsidiary – turnover and operative efficiency was again raised in the year under review. Ferroviasset Group's Europe wide network, access to over 100 rail siding warehousing facilities and to the comprehensive logistics portfolio offered by the Kuehne & Nagel business units, were key aspects resulting in the positive development of services complementing pure rail transport. Rail customers can now be offered integrated door-to-door logistics solutions throughout Europe.

### Further network extension

In order to complete the European network, in the business year 2001 Ferroviasset established a new representation in Russia, whilst in Scandinavia and France agencies were set up. In Austria Ferroviasset strengthened its market position by taking over and integrating the Fürnitz-based rail logistics company EURAIL Spedition GmbH, whose 100 per cent goodwill amortisation affected the operational result (EBIT).



Intensive efforts increased the amount of freight transferred from road to rail



**PERFORMANCE RAIL**

<b>CHF million</b>	<b>2001</b>	<b>per cent</b>	<b>2000</b>	<b>per cent</b>	<b>Variance 2001/2000 per cent</b>
Turnover	229.5	100.0	198.9	100.0	15.4
Gross profit	21.0	9.2	17.1	8.6	22.8
EBITDA	7.6	3.3	8.7	4.4	(12.6)
EBIT	4.8	2.1	6.2	3.1	(22.6)
Number of operational staff	134	–	121	–	10.7

**Growth rates in contract logistics and project business**

Ferroviasped could obtain the largest increases in providing supply and contract logistics for major European customers. Complex logistics projects for large scale plants, heavy goods and modules for house building were successfully realised on rail. Ferroviasped established a high performance standard in these segments. Within the bulk material field, in particular the recycling and works transports could be extended, whilst in the building material and agrarian sectors the development stagnated.

**Collaboration with private rail transport companies**

Equally successful in the year under review was the collaboration with privately owned rail transport companies. In May 2001 a cooperation agreement was concluded in Munich, Germany, with Connex Cargo Logistics GmbH to open up business areas left vacant by state-owned rail companies following restructuring measures. Several regional rail logistics projects have already been developed within the framework of this cooperation.

## Customs brokerage

The decline in economic activity is reflected in the results of the customs clearance activities.

Import volumes in the respective countries in the Kuehne & Nagel network decisively influence growth in this business field. Due to the economic slowdown particularly North and Central America experienced a substantial drop of customs clearance activities in the second half of the year, while in the USA a restructuring of the customs brokerage activities took place, resulting in a higher cost level. In Canada, customs duties and taxes are paid directly by the customers, this new procedure contributed also to the reduction in turnover of this business field. In Europe the results could be kept stable.

In the year under review customs brokerage activities were extended to further countries in South America, and caused some start-up losses. In Africa and the Middle East several national companies round off their product portfolio with this service.

### Electronic customs clearance

Kuehne & Nagel also invested in the IT systems for this business field. Electronic customs clearance, for which a strong demand is in the market, deliver significant improvements in efficiency and productivity.

#### PERFORMANCE CUSTOMS BROKERAGE

CHF million	2001	per cent	2000	per cent	Variance 2001/2000 per cent
Turnover	658.3	100.0	966.6	100.0	(31.9)
Gross profit	53.9	8.2	51.4	5.3	4.9
EBITDA	1.2	0.2	4.4	0.5	(72.7)
EBIT	0.8	0.1	3.5	0.4	(77.1)
Number of operational staff	442	–	376	–	17.6

## Contract Logistics

Restructuring and global expansion caused significant growth rates in the business unit Contract Logistics. Gross profit improved by 48.2 per cent to CHF 595.0 million and EBITDA increased by 50.4 per cent to CHF 69.8 million, however due to additional goodwill amortisation, EBIT was 12.8 per cent lower.

### Global expansion

In the year under review growth rates were particularly achieved in the USA, Canada and Mexico. With the acquisition of USCO Logistics, Kuehne & Nagel completed the global logistics network and virtually doubled the number of customers. As one of the largest providers of logistics and supply chain management solutions in North America, USCO ideally complements Kuehne & Nagel's presence in Europe and Asia. 2,754 logistics specialists further strengthen Kuehne & Nagel's competence in the warehousing and distribution business.

The step-by-step acquisition of the Canadian niche provider Virtual Integration Associates (VIA) has led to a build-up of know-how in the field of procurement logistics for contract manufacturers and suppliers of the electronics industry. This product is also to be marketed in Europe and Asia in the year 2002.

By the takeover of USCO Logistics and the partnership with SembCorp Logistics Kuehne & Nagel has now become a global player in contract logistics



By setting up its own logistics operations in Argentina, Chile, Brazil and Uruguay, Kuehne & Nagel today manages a comprehensive contract logistics network in North and South America.

In the Asia-Pacific region the collaboration with SembCorp Logistics was strengthened by mutual cross-selling activities. The strategic alliance formed between Kuehne & Nagel and SembCorp Logistics at the end of 2000, enables Kuehne & Nagel to access the partner's regional logistics network. A special focus lies on the expansion of the contract logistics business in Singapore, China and India. With SembCorp Logistics founding new logistics centres in Cheney, Bombay and Puna, the market position in India shall be decisively strengthened.

A small acquisition in Italy and the development of activities in South Africa round off the global expansion of the Kuehne & Nagel Group.

#### **Industry-specific solutions**

The focus on market segments in the year under review contributed substantially to the growth of the business. By concentrating on such markets as high-tech, automotive and chemicals, as well as retail and healthcare / pharmaceuticals, the service offering could be tailored to the special needs of each respective industry sector. The value-focused approach represented a major factor in boosting customer demand.



Kuehne & Nagel customers have access to almost 3 million sqm of warehouse and distribution space



**PERFORMANCE CONTRACT LOGISTICS**

<b>CHF million</b>	<b>2001</b>	<b>per cent</b>	<b>2000</b>	<b>per cent</b>	<b>Variance 2001/2000 per cent</b>
Turnover	941.4	100.0	736.4	100.0	27.8
Gross profit	595.0	63.2	401.5	54.5	48.2
EBITDA	69.8	7.4	46.4	6.3	50.4
EBIT	12.9	1.4	14.8	2.0	(12.8)
Number of operational staff	6,257	–	3,633	–	72.2

Highest growth was achieved in the healthcare / pharmaceuticals segment. For well-known customers in the USA, but also in Europe, Kuehne & Nagel provides comprehensive contract logistics solutions.

New business relations were established in the areas of high-tech, electronics and telecommunications, with activities in the latter intensified by successful conclusion of contracts with network manufacturers and providers.

For customers in the automotive industry, as well as in mechanical engineering the emphasis was placed on just-in-time delivery to production facilities. In order to meet future requirements Kuehne & Nagel has expanded the competence centre at Stute Verkehrs-Gesellschaft m.b.H., a 100 per cent Kuehne & Nagel subsidiary, in Bremen, Germany. A team of experienced industry specialists are available to plan and realise customised logistics concepts.

For one well-known customer in the automotive industry expansion of the existing on site logistics centre is due for completion end of March 2002.



### **Extension of the service range**

Contract logistics activities now also include the operation of call-centres, a service principally initiated by USCO Logistics. For one key account in the high-tech industry a customised call-centre and logistics solution for delivery of spare parts within the USA is operated in Hamden, CT. The product range was additionally extended by light manufacturing activities and the operation of vendor hubs for selected customers. Kuehne & Nagel's value added services can thus be seen to extend far beyond traditional logistics and forwarding services, as such leading to higher benefits and increased efficiency for the customers. Moreover, the services differentiate through a high degree of flexibility and innovation.

### **Warehousing**

Kuehne & Nagel operates more than 250 logistics centres in 45 countries, which cover approximately 90 per cent of the world's gross national product. Customised solutions range from regional to global warehousing and distribution concepts.

### **Distribution**

Distribution comprises not only the countries in which Kuehne & Nagel is represented with its own logistics centres, but extends over the entire Kuehne & Nagel network in 90 countries. Warehousing and distribution concepts are regarded by Kuehne & Nagel as central components of industry-specific solutions, with upstream and downstream air- and seafreight activities also integrated into flexible services.



## Special Logistics

In mid 2001 the business unit Special Products was renamed to Special Logistics. Beyond providing innovative, customised special products, Kuehne & Nagel offers customers value added logistics functions such as consulting or planning demanding projects.

### Fairs, exhibitions, events

The German Kuehne & Nagel organisation contributed substantially to the positive result achieved by this business field. Accredited at the fair grounds in Frankfurt, Hanover and Munich, Kuehne & Nagel is one of leading fairs and exhibition forwarders in Germany. In the year 2001 the German team alone handled approximately 12,000 orders, including complex and special services for major events such as the International Automobile Exhibition (IAA), Bauma or CeBIT.

Kuehne & Nagel's services were also in demand on the international fair and exhibition scene, winning major contracts, amongst others in Egypt, Spain and China.

The range of services encompassed standard tasks like loading, transport, unloading and customs clearance, up to customised logistics service packages for exhibitors.



Customised logistics services  
for different market segments  
are of growing importance



### **Defence Logistics**

At the beginning of 2001, Stute Verkehrs-Gesellschaft m.b.H. commenced operating a field exercise centre in Letzlingen, Germany. The scope of logistics services includes transports with own vehicles and fleet management, as well as warehousing at two locations. Approximately 50 Stute employees are involved in this project.

Within the framework of the German armed forces' privatisation initiatives, the trend towards outsourcing of logistics activities continues. Kuehne & Nagel joined associative partners in pitching for a number of outsourcing project tenders.

In the year under review Kuehne & Nagel conducted supply transportation for diverse national military organisations. In December a contract was signed with respect to food transportation for units of the German army in Kosovo.



### Airport Logistics

With this innovative niche product Kuehne & Nagel offers airport management companies, construction firms, consultancies and suppliers within this industry customised logistics services. These comprise all relevant logistics services for newly constructed airports, for the expansion and maintenance of airports. The marketing and sales activities for this new product commenced at the beginning of the year, focussing initially on the European region. For various customers at airport locations new concepts for spare parts logistics for run- and taxiways, luggage conveyor systems, etc. were developed.

### Divestiture of Uniport Multipurpose Terminals B.V., Rotterdam

The one off income out of the sale of the non-core business of Uniport Multipurpose Terminals B.V., Rotterdam contributed for CHF 10,9 million to the result of this business unit, and at the same time reduced the turnover versus last year.

#### PERFORMANCE SPECIAL LOGISTICS

CHF million	2001	per cent	2000	per cent	Variance 2001/2000 per cent
Turnover	146.6	100.0	242.9	100.0	(39.6)
Gross profit	31.3	21.4	64.5	26.6	(51.5)
EBITDA	13.5	9.2	–	–	–
EBIT	12.9	8.8	(0.5)	–	–
Number of operational staff	294	–	444	–	(33.8)

## Insurance Broker

The worldwide operating Nacora Group significantly increased both turnover and profits in the year under review, in an insurance market characterised by a trend towards higher premiums across the board. The Nacora Group's strategic focussing on the customer segments trade, transport and logistics proved a success.

In recent years the technical results of industrial insurers had been negative, i.e. more was paid out in compensation than received as premiums. This development prompted reinsurers to realign and increase premiums worldwide in 2001 for property, liability and marine cargo insurance. The events of September 11 reinforced this trend to adjust premiums.

Customers expect a first-class service from insurance brokers, which in some cases can be of quite a sophisticated nature. The Nacora concept is based on service, customised and individual solutions as a platform to realise high customer loyalty. Nacora's standards of consultation, the quality of operative services and claims handling met with such high acceptance that almost no losses in business were noted. By strengthening the sales organisation in the individual Nacora offices, additional business in all fields of the organisation could be generated.

### PERFORMANCE INSURANCE BROKER

CHF million	2001	per cent	2000	per cent	Variance 2001/2000 per cent
Turnover	76.3	100.0	22.8	100.0	234.6
Gross profit	25.5	33.4	22.8	100.0	11.8
EBITDA	11.5	15.1	8.9	39.0	29.2
EBIT	10.6	13.9	8.3	36.4	27.7
Number of operational staff	120	–	121	–	(0.8)

The success achieved by strategically focussing on the customer areas trade, transport and logistics is largely due to the offered services and products being designed specifically for this target group and the provision of risk management solutions at the highest qualitative level.

In the period under review all 21 offices in 19 countries were able to raise their market shares and attract more international customers via the company's global network. Particularly gratifying and profitable were developments in the USA, Hong Kong, the Netherlands, United Kingdom and Spain.

Its business focus and international scope have positioned Nacora well in the current market. Depending on market developments and customer requirements, the existing network is set for further gradual expansion in the coming years.





# Consolidated Financial Statements

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## Income Statement

CHF '000	Note	2001	2000
<b>Turnover</b>	36	<b>8,434,986</b>	<b>8,247,432</b>
Customs duties and taxes		(1,773,493)	(1,917,193)
<b>Net turnover</b>		<b>6,661,493</b>	<b>6,330,239</b>
Net expense for services from third parties		(4,934,451)	(4,877,502)
<b>Gross profit</b>	36	<b>1,727,042</b>	<b>1,452,737</b>
Personnel expenses	10	(955,847)	(799,243)
Selling, general and administrative expenses	11	(459,208)	(386,463)
Result from associated companies		3,337	6,625 <sup>1</sup>
Other operational income	12	14,362	2,112 <sup>1</sup>
<b>EBITDA</b>		<b>329,686</b>	<b>275,768</b>
Depreciation fixed assets	13	(66,385)	(57,345)
Amortisation intangible assets		(50,292)	(20,191)
<b>EBIT</b>		<b>213,009</b>	<b>198,232</b>
Finance result	14	14,729	(4,430)
<b>Income before tax</b>		<b>227,738</b>	<b>193,802</b>
Income tax	15	(67,068)	(67,192)
<b>Income after tax</b>		<b>160,670</b>	<b>126,610</b>
Minority share		(208)	(758)
<b>Net income for the year</b>		<b>160,462</b>	<b>125,852</b>
Basic earnings per share	16	6.951	5.457
Diluted earnings per share	16	6.952	N.A.

<sup>1</sup> adjusted for comparison purposes

## Balance Sheet

CHF '000	Note	31/12/2001	31/12/2000
<b>ASSETS</b>			
<b>Non current assets</b>			
Fixed assets	18	490,649	414,621
Intangible assets	19	468,672	–
Investments in associated companies	20	20,404	20,342
Investments in affiliated companies	20	10,959	–
Financial instruments	21	–	9,840
Deferred tax assets	15	14,720	14,670
		<b>1,005,404</b>	<b>459,473</b>
<b>Current assets</b>			
Prepayments and deposits		28,241	23,039
Work in process	22	151,819	186,819
Trade receivables	23	835,912	879,882
Other receivables	24	49,445	76,263
Marketable securities	25	56,119	56,579
Forward currency contracts	26	12,208	–
Cash and cash equivalent	27	246,610	731,017
		<b>1,380,354</b>	<b>1,953,599</b>
<b>Total Assets</b>		<b>2,385,758</b>	<b>2,413,072</b>

CHF '000	Note	31/12/2001	31/12/2000
<b>LIABILITIES</b>			
<b>Equity</b>			
Share capital	28	120,000	120,000
Capital reserves and retained earnings	29	704,491	638,124
Net income for the year		160,462	125,852
		<b>984,953</b>	<b>883,976</b>
<b>Minority interest</b>	30	<b>1,730</b>	<b>1,682</b>
<b>Long term liabilities and provisions</b>			
Provisions for pension plans and severance payments	31	140,610	144,195
Deferred tax liabilities	15	12,146	18,310
Bank liabilities	32	12,155	27,016
Financial lease obligations	33	27,131	30,348
		<b>192,042</b>	<b>219,869</b>
<b>Short term liabilities</b>			
Bank liabilities		86,525	77,227
Trade liabilities / Accrued trade expenses /			
Deferred trade income	34	854,533	877,005
Current tax liabilities	15	32,118	32,847
Other liabilities	35	233,857	320,466
		<b>1,207,033</b>	<b>1,307,545</b>
<b>Total Liabilities</b>		<b>2,385,758</b>	<b>2,413,072</b>

Schindellegi, March 22, 2002

KUEHNE &amp; NAGEL INTERNATIONAL AG

Klaus Herms  
CEOGerard van Kesteren  
CFO

## Statement of Changes in Equity

CHF '000	Share capital	Treasury shares <sup>3</sup>	Net unrealised loss on financial instrument/ assets available for sale	Share premium, net re: capital increases	Revaluation reserve <sup>1</sup>	Exchange difference	Retained earnings	Total equity
<b>Balance 1/1/2000</b>	<b>100,000</b>	<b>(24,236)</b>		<b>55,321</b>	<b>6,310</b>	<b>(7,901)</b>	<b>320,954</b>	<b>450,448</b>
Exchange difference					(320)	(3,093)		(3,413)
Depreciation					(504)			(504)
Disposals					(138)			(138)
Decrease deferred tax liabilities on depreciation, disposals and change in tax rate					719			719
Disposals of treasury shares		3,063						3,063
Purchase of treasury shares		(49,840)						(49,840)
Capital increase	20,000			484,801				504,801
Dividend paid							(58,500)	(58,500)
Fair value difference on put-option for 5% SembCorp. shares			(87,315)					(87,315)
Changes in the scope of consolidation, net							(1,197)	(1,197)
Net income for the year							125,852	125,852
<b>Balance 1/1/2001</b>	<b>120,000</b>	<b>(71,013)</b>	<b>(87,315)</b>	<b>540,122</b>	<b>6,067</b>	<b>(10,994)</b>	<b>387,109</b>	<b>883,976</b>
Exchange difference					(190)	(12,989)		(13,179)
Depreciation					(481)			(481)
Reserve deferred tax liabilities on revaluation <sup>2</sup>					3,904			3,904
Purchase of treasury shares		(1,984)						(1,984)
Disposal of treasury shares		3,328						3,328
Dividend paid							(51,892)	(51,892)
Adjustment valuation 5% SembCorp. shares			1,119					1,119
Changes in the scope of consolidation, net							(300)	(300)
Net income for the year							160,462	160,462
<b>Balance 31/12/2001</b>	<b>120,000</b>	<b>(69,669)</b>	<b>(86,196)</b>	<b>540,122</b>	<b>9,300</b>	<b>(23,983)</b>	<b>495,379</b>	<b>984,953</b>

<sup>1</sup> The revaluation reserve relates to revaluation of certain properties and buildings in Germany less disposals and accumulated depreciation as of December 31, 2001.

<sup>2</sup> In 2001, the deferred tax liability provided for in previous years was reversed against the revaluation reserve. After having merged two holding companies in Germany, the tax bases for these properties and buildings have been adjusted and therefore no deferred income tax liabilities exists anymore.

<sup>3</sup> For movements in 2001 see note 15 on page 105.

Proposed dividend payment subject to approval by the ordinary annual Shareholders' meeting

	Per share	Dividend CHF '000
2001	2.90	67,010
2000	22.50	51,892

The legal bases for any profit distribution are the retained earnings of the unconsolidated financial of Kuehne & Nagel International AG.

The capital reserve and retained earnings of the group may not be paid out as a dividend to the shareholders.

## Cash Flow Statement

CHF '000	Note	2001	2000
<b>Cash flow from business activities</b>			
Net income for the year		160,462	125,852
<u>Add/(deduct) non cash related transactions:</u>			
Minority share of net income for the year		208	628
Increase/(decrease) minority interest		280	(1,763)
Add/(deduct) result from associated companies		(1,637)	(3,916)
Depreciation fixed assets		66,385	57,345
Profit on disposal of fixed assets, net		(2,095)	(7,262)
Profit/(loss) on disposal of associated companies, net		706	3,812
Amortisation goodwill		31,326	5,496
Amortisation software		18,966	14,695
Net addition to provision for pension plans and severance payments	31	(27)	4,011
<b>Total operational cash flow</b>		<b>274,574</b>	<b>198,898</b>
(Increase)/decrease work in process		29,977	(64,813)
(Increase)/decrease receivables, prepayments and deposits		112,526	(193,658)
Increase/(decrease) tax liabilities less tax assets		(24,485)	13,462
Increase/(decrease) other liabilities		(86,273)	46,155
Increase/(decrease) trade liabilities/accrued trade expenses		(32,834)	196,882
<b>Total cash flow from business activities</b>		<b>273,485</b>	<b>196,926</b>
<b>Cash flow from investing activities</b>			
Capital expenditures			
– Fixed assets		(106,945)	(110,427)
– Intangible assets			
– Goodwill on purchase of consolidated companies		(17,853)	(5,496)
– Investment in software		(18,966)	(14,695)
– Acquisition of USCO Logistics Group (net of cash)	37	(542,571)	–
– Investment in associated companies		–	(73)
<b>Total capital expenditures</b>		<b>(686,335)</b>	<b>(130,691)</b>
Disposal of fixed assets		32,315	16,739
Disposals of marketable securities		386	3,309
<b>Total cash flow from investing activities</b>		<b>(653,634)</b>	<b>(110,643)</b>
<b>Cash flow from financing activities</b>			
Increase/(decrease) bank liabilities		(51,293)	(111,247)
Capital increase (including paid in surplus)		–	504,801
Purchase of treasury shares		(1,984)	(49,840)
Disposal of treasury shares		3,328	3,063
Dividend paid to Kuehne & Nagel shareholders		(51,892)	(58,500)
Profit distribution to minority shareholders		(440)	(928)
<b>Total cash flow from financing activities</b>		<b>(102,281)</b>	<b>287,349</b>
Exchange difference on cash		(1,977)	(5,335)
<b>Increase/(decrease) in cash</b>		<b>(484,407)</b>	<b>368,297</b>
<b>Cash at the beginning of the year</b>		<b>731,017</b>	<b>362,720</b>
<b>Cash at the end of the year</b>		<b>246,610</b>	<b>731,017</b>
Tax paid for previous years		17,922	8,519
Tax paid for current year		46,191	35,994
Dividend received from associated/affiliated companies		2,140	3,384
Interest received		24,442	8,087
Interest paid		11,554	14,207

# Notes to the Consolidated Financial Statements

## PRINCIPLES OF CONSOLIDATION AND VALUATION

- 1 General** The consolidated financial statements of the Kuehne & Nagel Group for the year ended December 31, 2001 were authorized for issue in accordance with a resolution of the Board of Directors on March 22, 2002. The ultimate parent company of the Kuehne & Nagel Group is Kuehne & Nagel International AG, a limited company incorporated in Schindellegi (Switzerland).

The nature of the business consists of international freight forwarding and contract logistic activities.

- 2 Summary of significant accounting policies** The consolidated financial statements of the Group are based on the individual financial statements of the consolidated subsidiaries as of December 31, 2001. Those financial statements have been prepared in accordance with uniform accounting policies issued by the Kuehne & Nagel Group which are conform with the requirements of the International Accounting Standards (IAS) and with the interpretations issued by the Standing Interpretations Committee of the International Accounting Standard Board (IASB) and with Swiss law. The consolidated financial statements of the Group have been prepared on a historical cost basis except for real estate properties in Germany (Revaluation in 1989), certain financial instruments and marketable securities which were included at fair market value.

No new standards have been introduced, as the standard IAS 39 Financial Instruments, has already been applied for in 2000. IAS 40, Investment Property, is not applicable for Kuehne & Nagel Group. Newly enacted interpretations of Standard Interpretation Committee (SIC) were also applied.

The financial statements under IAS contain certain assumptions and estimates which affect the figures shown in the present report. The true result may differ from these estimates.

**3 Scope of consolidation**

The major consolidated and associated companies are listed on pages 90–93. The material changes in the scope of consolidation in 2001 relate to the following companies:

	KN capital share acquired in per cent	Share capital in 1,000	
<b>Additions</b>			
<b>Acquisitions</b>			
KN Flydistribusjon A/S, Oslo	50	NOK	2,800
Ameritel Marketing Services LLC, Hamden	100		–
USCO Contract Logistics LLC, Hamden	100		–
USCO Logistics Services Inc., Hamden	100	USD	4,720
USCO Distribution Services Inc., Hamden	100	USD	119
USCO Inc., Montreal	100		–
USCO Logistics (Canada) Inc., Calgary	100		–
Almacenadora USCO Logistics de Mexico S.A. DE C.V., México' D.F.	100	MXP	57,987
KN VIA Inc., Toronto	100	CAD	1,021
KN VIA (US) Inc., Jersey City	100	USD	655
Virtual Integration Associates México S.A. DE C.V., México' D.F.	100	MXP	645
Eurail Spedition Ges.m.b.H, Fuernitz	100	EUR	36
S.E.M.T. International SA, Paris	100	FRF	250
Sodetair S.A., Paris	100	EUR	460
Nacora & Weichert, Sao Paulo	55	BRL	60
Nacora Insurance Brokers Ltd., Singapore	30	SGD	100
<b>Incorporations</b>			
Kuehne & Nagel (NI) Ltd., Belfast	100	GBP	10
Nakutrans o.o.o., Moscow	100	RUR	278
ST – KN PTE Ltd., Singapore	51	SGD	200
KN Mars W.L.L., Bahrain	51	BHD	100
KN Europe Holding B.V. Rotterdam	100	EUR	18
<b>Divestments</b>			
Uniport Multipurpose Terminals B.V., Rotterdam	100		
Cargo Concept GmbH, Bad Hersfeld	51		

**4 Principles of consolidation**

The consolidated financial statements comprise the accounts of Kuehne & Nagel International AG (the ultimate parent company) and its subsidiaries in which the parent directly or indirectly holds more than 50 per cent of the voting rights or which are otherwise controlled by Kuehne & Nagel International AG. These subsidiaries are included in the consolidated financial statements according to the method of full consolidation. As a consequence, all assets, liabilities, expense and income are fully included. Intercompany turnover, expense and profit as well as receivables and payables are eliminated. Subsidiaries acquired within the financial year are accounted for according to the purchase method as of the date of takeover of control. The difference between the purchase price and the equity of the acquired subsidiary evaluated at the date of acquisition according to the group accounting policies, is capitalised as goodwill under “intangible assets” and written-off through the income statement.

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

Associated companies (including joint ventures) in which Kuehne & Nagel International AG holds directly or indirectly an interest between 20 per cent and 50 per cent are accounted for under the equity method and carried in the balance sheet at the equity-accounted amount or the lower recoverable amount. The share of income (loss) of associated companies is included in the income statement.

Investments in affiliated companies in which the group holds an interest of less than 20 per cent are recorded at fair value, less necessary depreciation as and when applicable. Since in numerous cases neither reliable nor timely presented year end reports from such companies are available, these companies are recorded at cost less immediate write-down. Income from such investments is included in the income statement under “other operational income” at the time respective profit distributions are actually received.

**5 Foreign exchange translation**

Year end accounts of subsidiaries which are prepared in local currencies were translated into CHF (group 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 at average exchange rates for the year. Exchange differences originating from such translation methods have no impact in the income statement since they are directly posted to equity. Unrealised currency differences occurring at group level are also treated without impact in the income statement. Transactions in foreign currencies within individual subsidiaries are translated into local currency at actual rates of the day of transaction, assets and liabilities at year end rates. Exchange differences originating thereof are included in the income statement.

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

The major foreign currency conversion rates applied are as follows:

**INCOME STATEMENT AND CASH FLOW**

(Average rates for the year)

Currency	2001 CHF	Variance per cent	2000 CHF	Variance per cent
EURO 1.–	1.51009	(3,2)	1.56022	(2,4)
USD 1.–	1.68862	0,1	1.68656	12,4

**BALANCE SHEET** (year end rates)

Currency	2001 CHF	Variance per cent	2000 CHF	Variance per cent
EURO 1.–	1.48060	(2,7)	1.52130	(5,1)
USD 1.–	1.67830	2,5	1.63700	2,6

**6 Financial assets and liabilities**

Financial assets and liabilities are classified into the following categories:

- Financial assets held for trading are valued at their market value. Any value adjustments are recorded in the income statement (finance result) for the respective reporting period
- Financial investments held to maturity. These are investments with a fixed term which the company intends to hold to maturity which are valued at amortised cost.
- Financial instruments/investments available for sale, which include all financial instruments/investments not assignable to one of the above-mentioned categories. Financial instruments/investments available for sale are recognised at market value, changes in value (after tax) are being recorded in the equity.

**7 Financial risk management objectives and policies**

The company 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 company does not hold or issue derivative financial instruments for trading purposes.

**Interest rate risk**

The company's exposure to market risk for changes in interest rates relates primarily to the company's investment portfolio. The company does not use derivative financial instruments to hedge its interest rate risk in investment portfolio. The portfolio includes mainly bonds with active markets to insure portfolio liquidity.

**Currency risk**

The company sells its services on a worldwide basis and, as a result, is exposed to movements in foreign currency exchange rates. Derivative financial instruments (foreign exchange contracts) are in use to hedge the foreign exchange exposure, in relations to the monthly payments in order to settle the outstanding balances to the Kuehne & Nagel internal clearing system, centralised at head office which are not material for the Group, and a CHF denominated intercompany loan.

**Market risk**

Changes of fair values in financial assets, liabilities or financial instruments may have an impact on the earnings and the equity of the group.

**Credit risk**

The company considers its credit risk to be minimal as excess liquidity is invested in bonds and short term deposits with first class financial institutions. 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.

**8 Segment Reporting**

The segment reporting reflects the structure of the Kuehne & Nagel Group. The primary segmentation covers the business fields “Seafreight”, “Airfreight”, “International Overland”, “Rail”, “Customs Brokerage”, “Warehousing”, “Distribution”, “Special 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.

**9 Financial statement presentation and method of valuation****Fixed assets (owned)**

Properties and buildings are included in the balance sheet at cost less accumulated depreciation. Deviating from this principle, a number of selected properties and buildings in Germany were revalued in 1989 due to a restructuring of the German operations and based on prudent valuation at fair market values. All other fixed assets are also included in the consolidated accounts at cost less accumulated depreciation. The depreciation is calculated on a straight line basis considering the expected useful lifetime of the individual fixed asset items. The carrying amounts are reviewed at each balance sheet date undergoing an impairment test and where required a respective impairment charge is booked. Interest expense on loans for buildings under construction, as well as cost of maintenance without value increasing effect are charged directly to the income statement. The following depreciation rates are applicable for the major fixed asset categories:

	per cent
Buildings	2 <sup>1</sup> / <sub>2</sub>
Vehicles	25
Leasehold improvements	33 <sup>1</sup> / <sub>3</sub>
Office machines	25
IT hardware	33 <sup>1</sup> / <sub>3</sub>
Office furniture	20

**Financial leases**

Properties and buildings not owned by the Group, for which through the provisions contained in the long-term lease contracts a majority of risks and rewards incident to ownership are conveyed to the lessee, are included at cost less accumulated depreciation. The interest and depreciation portion of the lease payments is expensed through the income statement.

Operating lease payments are treated as operating cost and charged to the income statement as incurred.

**Intangible assets**

Expenses for software are capitalised and fully written-off in the year of purchase, because useful life is considered to be less than one year, due to the fast technological development.

Goodwill from acquisitions of financial investments is capitalised and in case of smaller acquisitions with a goodwill of less than CHF 5 million completely written-off in the year of purchase. The goodwill of the acquisition of USCO is capitalised and amortised over a period of 15 years, which is considered the useful life of this acquisition.

**Work in process**

Disbursement relating to business transactions neither concluded nor invoiced to clients at year end, are capitalised at cost. This asset consists of short term transactions only which will be billed to clients within one month at the latest.

**Trade receivables**

Trade receivables are reported at the anticipated realisation value. The required amount of provision for bad debts is determined based on an ageing analysis by applying the following allowances:

		per cent
outstanding accounts	0–180 days	2
outstanding accounts	181–360 days	50
outstanding accounts	over 360 days	100
doubtful accounts		100

**Marketable securities**

Marketable securities are carried at market value. Exchange differences were recorded in the income statement.

**Cash and cash equivalents**

Cash and cash equivalent comprise of cash at bank and in hand and short term deposits with an original maturity of three months or less. For the purpose of the cash flow statement, cash and cash equivalent consist as defined above.

**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 which can be estimated.

**Pension plans, severance payments and share participations plans**

All major 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. In Germany legal requirements call for the companies to directly carry the pension plan commitments, and therefore a respective liability is to be included in the balance sheet. The level of the provision for pension plans is determined in an opinion issued by independent actuaries respecting recognised rules of actuarial mathematics.

The anticipated cost for probable severance payments, as legally requested in certain countries, are also provided for.

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

**Derivative financial instruments**

Derivative financial instruments are carried at market value.

**Revenue recognition**

The revenue is recognised after completion and billing of a business transaction to the client.

### 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.

The provision for deferred tax liabilities is recorded following the “comprehensive liability” method. As a consequence, all temporary differences between fiscal rules and group accounting policies are considered in the preparation of the year end accounts. Non recoverable withholding tax on anticipated or probable next year’s profit distributions by subsidiaries are also recorded under deferred tax liabilities.

Deferred tax assets originate from temporary differences between the consolidated and the fiscal balance sheet. They include income tax on additions to the provision for pension plans which are at present not tax deductible as well as tax on provisions effected at group level. Deferred tax assets from losses carried forward in subsidiaries, as well as from other timing differences are only capitalised, if their realisation is expected in the foreseeable future.

### NOTES TO THE INCOME STATEMENT

10	Personnel expenses	CHF '000	2001	2000
		Salaries and wages	739,714	618,650
		Social expense and employee benefits	189,639	158,886
		Pension plan expense (including portion of defined contribution plans)	26,494	21,707
			955,847	799,243

11	Selling, general and administrative expenses	CHF '000	2001	2000
		Administrative expense	84,872	70,171
		Communication expense	59,330	54,585
		Travel and promotion expense	49,026	39,610
		Vehicle expense	42,718	44,433
		Operational expense	38,648	38,807
		Facility expense	172,457	120,725
		Provision for bad debt and collection expense <sup>1</sup>	12,157	18,132
			459,208	386,463

<sup>1</sup>Specification Provision for bad debt and collection expense

	2001	2000
Addition to provision for bad debts (note 23)	8,616	16,255
Recovery of receivables previously written-off	(831)	(1,396)
Expense for credit inquiries	1,491	1,358
Expense for premiums to credit insurers	2,581	1,352
Collection expense	300	563
	12,157	18,132

12 Other operational income	CHF '000	2001	2000
	Gain on sale of fixed assets	2,995	7,888
	Profit on sale of consolidated companies	11,715	419
	Dividend received from affiliated companies	2,293	2,446
	Loss on sale of fixed assets	(900)	(626)
	Write-down of affiliated companies	(1,515)	(3,908)
	Write-down loans	(226)	(4,107)
	Income/(Expense)	14,362	2,112

13 Depreciation and amortisation The depreciation of fixed assets and the amortisation of goodwill and software are shown in the notes 18 and 19 (pages 76 and 77).

14 Finance result	CHF '000	2001	2000
	Interest income	24,442	20,087
	Interest expense	(11,554)	(14,207)
	Exchange difference, net	1,841	(10,310)
	Income/(Expense)	14,729	(4,430)

15 Income Tax	CHF '000	31/12/2001	31/12/2000
	Deferred tax assets		
	– on provision for pension plans	7,618	8,387
	– on losses carry forward	4,367	2,583
	– on other liabilities	2,735	3,700
		14,720	14,670

Deferred tax assets for unused tax losses carry forward and expected tax credits from timing differences are only recognised to the extent that it is probable that future taxable profits will be available against which the assets can be utilised.

The recognised deferred tax assets related to tax losses carry forward, used by the end of 2002 at the latest.

CHF '000	31/12/2001	31/12/2000
Unrecognised deferred tax assets		
– on losses carry forward	25,464	28,527
– on valuation and timing differences	31,275	22,569
	56,739	51,096

In view of the fact that the realisation of the essential part of the deferred tax assets are considered to be unlikely, a capitalisation of the respective amounts was not effected.

The unrecognised deferred tax assets related to tax losses carried forward, expire by the end of the following years:

Year	CHF '000
2002	245
2003	972
2004	409
2005	444
2006 and later	23,394
	25,464

CHF '000	31/12/2001	31/12/2000
Deferred tax liabilities		
– on non recoverable withholding tax relating to anticipated distributions from subsidiaries	3,336	6,121
– on depreciation of financial investments	5,090	4,171
– on depreciation of fixed assets and provision for bad debts	3,720	4,035
– on 1989 revaluation of properties and buildings in Germany	–	3,983
	12,146	18,310

CHF '000	2001	2000
Expense related to current income tax	72,258	62,636
Expense related to deferred income tax	(5,190)	4,556
	67,068	67,192

Calculation of the applicable tax rate CHF '000	2001	2000
Income before tax according to the income statement as of December 31	227,738	193,802
add non tax allowable depreciation of goodwill	16,216	5,496
less tax free gain on sale of subsidiary	(10,911)	–
add current year losses to be taxwise compensated with future profits	17,760	22,072
less current year income taxwise compensated with losses carried forward from previous years	(22,372)	(10,782)
<b>Adjusted income before tax</b>	<b>228,431</b>	<b>210,588</b>
<u>Tax</u>		
according to income statement	67,068	67,192
in relation to income before tax according to the income statement of TCHF 227,738 and TCHF 193,802 respectively		
<b>= effective tax rate</b>	<b>29.4%</b>	<b>34.7%</b>
in relation to the adjusted income before tax of TCHF 228,431 and TCHF 210,588 respectively		
<b>= applicable tax rate</b>	<b>29.4%</b>	<b>31.9%</b>

The applicable tax rate in 2000 resulted to be 2.8 per cent below the effective tax rate. This is mainly due to the effect of reduction of income tax rates mainly in European countries.

**16 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 '000	2001	2000
Net profit	160,462	125,852
Weighted average number of ordinary shares on issue applicable to basic earnings per share	23,083,182	23,063,200
Effect of dilutive securities:		
Share options	(2,242)	N.A.
Adjusted weighted number of ordinary shares applicable to diluted earnings per share	23,080,940	N.A.
Basic earnings per share	6,951	5,457
Diluted earnings per share	6,952	N.A.

## Notes to the Balance Sheet

### 17 Non current assets

The development of non current assets in 2001 is shown on pages 76 and 77 of the Financial Statements.

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

### 18 Fixed assets

CHF '000	1/1/2001	Exchange difference	Additions	Disposals	Additions from initial consolidation	Adjustments/Transfers	31/12/2001
Properties, including buildings on third parties' properties	374,287	(10,482)	47,737	(19,855)	37,815	–	429,502 <sup>2</sup>
Properties, buildings under financial leases	87,317	(2,336)	–	(12,277)	–	–	72,704
Other fixed assets, operating and office equipment	279,409	(6,259)	53,523	(47,105)	101,240	–	380,808
<b>At cost<sup>1</sup></b>	<b>741,013</b>	<b>(19,077)</b>	<b>101,260</b>	<b>(79,237)</b>	<b>139,055</b>	<b>–</b>	<b>883,014<sup>6</sup></b>
Properties, including buildings on third parties' properties	91,807	(2,352)	10,341	(4,199)	7,476	481	103,554 <sup>3</sup>
Properties, buildings under financial leases	44,747	(1,235)	1,934	(7,795)	–	–	37,651
Other fixed assets, operating and office equipment	189,838	(4,474)	54,110	(37,494)	49,180	–	251,160
<b>Accumulated depreciation</b>	<b>326,392</b>	<b>(8,061)</b>	<b>66,385<sup>5</sup></b>	<b>(49,488)</b>	<b>56,656</b>	<b>481</b>	<b>392,365</b>
<b>Net book value</b>	<b>414,621</b>	<b>(11,016)</b>	<b>34,875</b>	<b>(29,749)</b>	<b>82,399<sup>7</sup></b>	<b>(481)</b>	<b>490,649<sup>4</sup></b>

<sup>1</sup> at historical cost

<sup>2</sup> thereof revaluation in 1989 of properties and buildings in Germany TCHF 15,078, credited to the capital reserve

<sup>3</sup> of which accumulated depreciation on revaluation of properties and buildings in Germany TCHF 5,778 debited to the capital reserve

<sup>4</sup> fire insurance value as of December 31, 2001 TCHF 697,763

<sup>5</sup> in agreement with income statement

<sup>6</sup> of which pledged assets to secure own liabilities:

– net book value of properties and buildings TCHF 16,113

– mortgages:

total nominal value and deposited TCHF 15,250

outstanding liabilities (note 32) TCHF 7,336

<sup>7</sup> of which acquisition USCO TCHF 79,504 (see note 37) and TCHF 2,895 for other small acquisitions.

**19 Intangible assets<sup>2</sup>**

CHF '000	1/1/2001	Exchange difference	Additions	Disposals	Additions from initial consolidation	Adjustments/Transfers	31/12/2001
Goodwill from acquisitions of consolidated companies	5,496	–	499,998	–	–	–	505,494
Software	21,213	–	18,966	–	–	–	40,179
<b>At cost</b>	<b>26,709</b>	<b>–</b>	<b>518,964</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>545,673</b>
Goodwill from acquisitions of consolidated companies	5,496	–	31,326	–	–	–	36,822
Software	21,213	–	18,966	–	–	–	40,179
<b>Accumulated amortisation</b>	<b>26,709</b>	<b>–</b>	<b>50,292<sup>1</sup></b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>77,001</b>
<b>Net book value</b>	<b>–</b>	<b>–</b>	<b>468,672</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>468,672</b>

<sup>1</sup> in agreement with income statement

<sup>2</sup> valuation of intangible assets (note 9)

**20 Financial assets**

CHF '000	1/1/2001	Exchange difference	Additions	Disposals	Additions from initial consolidation	Adjustments/Transfers	31/12/2001
Investments in associated companies <sup>2</sup>	22,900	(869)	–	(706)	–	1,637 <sup>1</sup>	22,962
Investments in affiliated companies	–	–	–	–	–	10,959 <sup>4</sup>	10,959
<b>At cost</b>	<b>22,900</b>	<b>(869)</b>	<b>–</b>	<b>(706)<sup>3</sup></b>	<b>–</b>	<b>12,596</b>	<b>33,921</b>
Investments in associated companies	2,558	–	–	–	–	–	2,558
Investments in affiliated companies	–	–	–	–	–	–	–
<b>Accumulated amortisation</b>	<b>2,558</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,558</b>
<b>Net book value</b>	<b>20,342</b>	<b>(869)</b>	<b>–</b>	<b>(706)</b>	<b>–</b>	<b>12,596</b>	<b>31,363</b>

<sup>1</sup> KN share of 2001 result of TCHF 3,337 net of dividends received TCHF 1,700

<sup>2</sup> investments valued applying the equity method

<sup>3</sup> transfer to consolidated investments due to purchase of remaining 50 per cent

<sup>4</sup> transfer from financial instruments TCHF 9,840 and revaluation adjustment of TCHF 1,119

**21 Financial instruments**

In December 2000 the company entered into a put- and call-option agreement for the purchase of 5 per cent of the stock of SembCorp Logistics Ltd., Singapore at a fixed price. The fair value of the put-option was classified in the financial statement 2000 as financial instrument held for sale. The put-option was executed by the seller in February 2001. The purchase price amounted to TCHF 97,155. As the acquired shares are blocked for a period of 5 years and therefore cannot be sold or traded, the share price as traded at Singapore stock exchange cannot be considered to be the fair value. The fair value of SembCorp Logistics had been calculated based on earnings, considering risk factors such as investments in emerging markets, foreign currency transfer risks and restructuring costs in the capitalization rate and amounted to TCHF 9,840 (December 31, 2000). The difference between the cost and the fair market value had been charged to the capital reserves (net unrealised loss on financial instrument/assets available for sale).

In 2001 this financial instrument has been reclassified as investment in affiliated companies held for sale. The fair value has been recalculated as mentioned above using a capitalisation rate of 16.5 per cent and amounts to TCHF 10,959. The difference in fair value has been added to the capital reserves.

## Market value of financial assets and liabilities

CHF million	2001		2000	
	Net book value	Fair value	Net book value	Fair value
Cash	247	247	731	731
Marketable securities	56	56	57	57
Forward currency contracts	12	12	–	–
Trade receivables	836	836	880	880
Other receivables	49	49	76	76
Prepayments	34	34	23	23
Investments in affiliated companies	11	11	–	–
Financial Instruments	–	–	10	10
Bank liabilities	99	99	104	104
Accounts payable	855	855	877	877
Other liabilities	222	222	320	320

**22 Work in process**

This position decreased in 2001, as a result of the continuous supervision of the invoicing procedures, from TCHF 186,819 in 2000 to TCHF 151,819 which represents a decreased billing delay of 5.4 working days (basis: 240 working days per year) against the previous year's 6.6 days.

- 23 Trade receivables** Trade receivables outstanding as of year end averaged 37.8 days (2000: 40.4 days). The ageing of the receivables outstanding changed as follows:

Ageing Outstanding Account	2001 per cent	2000 per cent
0–180 days	95.5	96.1
181–360 days	1.6	1.6
over 360 days	0.6	0.5
Doubtful accounts	2.3	1.8
	100.0	100.0

The provision for bad debts increased in 2001 by TCHF 2,988 to TCHF 49,618. It represents 5.6 per cent of outstanding receivables as at of December 31, 2001 (2000: 5.0 per cent).

The movements in the provision for bad debts were as follows:

CHF '000	2001	2000
Balance 1/1	46,630	36,398
add exchange difference	1,511	385
less write-off of non collectible receivables	(7,139)	(6,408)
add addition to provision (note 11)	8,616	16,255
Balance 31/12	49,618	46,630

24 Other receivables	CHF '000	31/12/2001	31/12/2000
	Receivables from associated and affiliated companies	22,052	38,529
	Advances to employees	3,412	1,113
	Receivables from tax authorities		
	– refundable withholding tax	2,115	10,585
	– refundable VAT	16,431	10,982
	– advance payments of tax	2,228	4,138
	Receivables from social security authorities	872	1,771
	Receivables from insurance companies	945	629
	Other receivables	1,390	8,516
		49,445	76,263

- 25 Marketable securities** Marketable securities consist nearly exclusively of fixed rate interest bearing debentures in EUR (58.7 per cent), in USD (29.8 per cent) due from a major Swiss bank in CHF (11.5 per cent). 96 per cent of those securities lie in custody at major Swiss and German banks. The marketable securities have been valued at fair market value. All marketable securities are held as trade financial assets.

26 Derivative financial instruments The standard requires to recognise all derivatives at fair market value.

CHF million	Contract or underlying amount		Positive fair value	
	2001	2000	2001	2000
Forward currency contracts	415	N.A.	427	N.A.

27 Cash and cash equivalent	CHF '000	31/12/2001	31/12/2000
Cash on hand		1,999	2,110
Current and deposit accounts with banks (incl. postal accounts)		244,611	728,907
		246,610	731,017

28 Share capital	Balance 31/12/2001				1/1/2001
	Registered shares of nominal CHF 5 each Number	CHF '000	Capital share per cent	Voting share per cent	Registered shares of nominal CHF 50 each Number
<u>Main shareholders</u>					
K. M. Kuehne, Schindellegi	13,380,000	66,900	55.75	57.91	1,338,000
SembCorp Logistics Ltd., Singapore	4,800,000	24,000	20.00	20.77	480,000
Public shareholders	4,927,100	24,636	20.53	21.32	488,320
<b>entitled to voting and dividend</b>	<b>23,107,100</b>	<b>115,536</b>	<b>96.28</b>	<b>100.00</b>	<b>2,306,320</b>
Treasury shares	892,900	4,464	3.72	–	93,680
<b>Total</b>	<b>24,000,000</b>	<b>120,000</b>	<b>100.00</b>	<b>100.00</b>	<b>2,400,000</b>

Following the approval by the ordinary annual general assembly of Kuehne & Nagel International AG, Schindellegi/CH on May 15, 2001, the share split from CHF 50.– to CHF 5.– was completed in July 2001. The share capital now consists of 24 million shares of CHF 5.– nominal each.

#### Employee Share Purchase and Option Plan

During 2001, Kuehne & Nagel International AG implemented an Employee Share Purchase and Option Plan under which a maximum of 76,500 registered shares will be offered to members of Top Management. There will be four share offerings under this plan, the first having taken place at July 1, 2001, the other offerings being made available once a year, through 2004. The purchase price for the shares offered under this plan amounts to 90 per cent of the price corresponding to the average closing prices for one share at the SWX Swiss Exchange during the months of April to June. The shares are restricted for a period of three years before being released to the employee. In addition, for each share purchased under this plan, the company grants two options to the participants for the average price April to June. Each option entitles the participant to purchase one share of Kuehne & Nagel International AG. The vesting period starts with the day of grant and ends three years from that date. The options granted may be exercised after the vesting period during three years until the end of the option term.

The following table summarises information about share options outstanding at December 31, 2001:

	Exercise price	Number outstanding	Remaining life	Exercisable options
	CHF 92.60	87,800	5.5 years	0

- 29 **Capital reserves and retained earnings** The development of the capital reserves and retained earnings in 2000 and 2001 is recorded in the consolidated statement of changes in equity on pages 64.

30	Minority interest	CHF '000	2001	2000
		Balance 1/1	1,682	3,745
		Dividends paid	(440)	(928)
		Additions		
		– Capital increases	–	14
		– Acquisitions of shares in equity	471	80
		Exchange difference	(2)	15
		Disposals		
		– Shares in equity	(189)	–
		– Change in the scope of consolidation	–	(1,872)
		Share in net income for the year	208	628
		Balance 31/12	1,730	1,682

31	Provisions for pension plans and severance payments	CHF '000	Pension plans	Severance payments	Total
		Balance 1/1/2001	131,309	8,837	140,146
		Exchange difference	(4,234)	(614)	(4,848)
		Usage	(9,563)	(1,949)	(11,512)
		Additions	14,226	2,598	16,824
		Balance 31/12/2001	131,738	8,872	140,610

#### Pension plans

The Group has some defined benefit pension plans predominantly in Germany and USA, 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 principal assumptions used in determining pension obligation for the Company's plans are shown below:

Principal assumptions used in determining pension obligation	2001 per cent	2000 <sup>1</sup> per cent
Discount rate	2.5–6.0	2.5–6.0
Expected rate of return on plan assets	1.5–3.0	2.0–3.0
Future compensation and pension increases	2.0–4.0	2.0–4.0
Fluctuation rate	1.1–1.6	1.1–1.6

#### Development in CHF '000

	2001	2000 <sup>1</sup>
Net benefit expense		
– Current service cost	6,568	4,654
– Interest cost	10,058	8,526
– Contributions paid	–	(675)
– Actuarial (gains)/losses	1,100	(2,897)
– Expected return on net assets	(3,500)	(262)
Net benefit expense	14,226	9,346
Benefit liability		
– Present value of benefit obligation	175,347 <sup>2</sup>	147,182
– Fair value of plan assets	(39,846)	(12,591)
– Funded status	135,501	134,591
– Unrecognized actuarial gains – net	(3,763)	767
Benefit liability	131,738	135,358
Movement in net benefit liability		
– Opening benefit liability	131,309 <sup>3</sup>	139,559
– Net benefit expense (as above)	14,226	9,346
– Currency difference	(4,234)	(7,533)
– Benefits paid	(9,563)	(6,014)
Closing net benefit liability (as above)	131,738	135,358

<sup>1</sup> adjusted for comparison purposes

<sup>2</sup> thereof unfounded TCHF 136,224

<sup>3</sup> including addition of (TCHF 4,049) from acquisition

#### Severance payments

In certain European countries (such as Austria, Italy and the Netherlands) and in Turkey the recording of a provision for probable severance payments based on the years of service with the company of each employee is legally required.

32	Bank liabilities	CHF '000	31/12/2001	31/12/2000
		– Between 2–5 years	4,283	9,794
		– After 5 years	7,872	17,222
			<b>12,155</b>	<b>27,016</b>
		Of which secured by mortgages	7,336	4,676

33	Financial lease obligations <sup>1</sup>	CHF '000	31/12/2001	31/12/2000
		– Between 2–5 years	21,539	12,049
		– After 5 years	5,592	18,299
			<b>27,131</b>	<b>30,348</b>

<sup>1</sup> Current portion amounting to TCHF 20,825 in 2001 included in short term bank liabilities

34 Trade liabilities / Accrued trade expenses / Deferred trade income	CHF '000	31/12/2001	31/12/2000
	– Trade liabilities	450,955	449,054
	– Accrued trade expenses	342,802	364,397
	– Deferred trade income	60,776	63,554
		854,533	877,005

35 Other liabilities	CHF '000	31/12/2001	31/12/2000
	Provision for other liabilities		
	– Personnel expense, profit participation and untaken annual leave	89,585	71,440
	– Other operational expense	61,299	48,679
	– Interest payable	7,273	9,766
	– Pending claims <sup>1</sup>	30,229	31,220
	Liabilities due to associated and affiliated companies	7,168	6,683
	Bills of exchange payable	206	101
	Short term liabilities to SembCorp Logistics Ltd., Singapore	–	97,155
	Other liabilities	38,097	55,422
		233,857	320,466

<sup>1</sup> The movements in the provision for pending claims were as follows:

CHF '000	31/12/2001	31/12/2000
Specification of pending claims		
Balance 1/1	31,220	22,259
– Payments/release of provision	(23,764)	(7,019)
– Additions	22,773	15,980
Balance 31/12	30,229	31,220

Some companies are defendant in multiple legal cases based on forwarding and logistic operations. In case the risk of a negative outcome has been considered to be more than likely by the corresponding legal advisers, the probable amount of future payments less insurance coverage has been accrued for. The statement of the timing of the corresponding settlements is not practicable, as the timing of final court decisions is unknown and dependent on long legal procedures. Some legal cases have been settled in the reporting period and corresponding payments have been made.

## a) Primary reporting

CHF million	Turnover		Gross profit		EBITDA		EBIT	
	2001	2000	2001	2000	2001	2000	2001	2000
Seafreight	3,925.9	3,688.3	531.7	456.0	141.8	118.6	109.8	96.6
Airfreight	1,984.6	1,906.6	387.2	356.6	74.2	79.1	54.3	62.4
International Overland	472.4	484.9	81.4	82.8	10.1	9.7	6.9	6.9
Rail	229.5	198.9	21.0	17.1	7.6	8.7	4.8	6.2
Customs Brokerage	658.3	966.6	53.9	51.4	1.2	4.4	0.8	3.5
<b>International Forwarding</b>	<b>7,270.7</b>	<b>7,245.3</b>	<b>1,075.2</b>	<b>963.9</b>	<b>234.9</b>	<b>220.5</b>	<b>176.6</b>	<b>175.6</b>
Warehousing	644.5	423.8	501.2	302.4	57.9	36.2	6.7	8.3
Distribution	296.9	312.6	93.8	99.1	11.9	10.2	6.2	6.5
<b>Contract Logistics</b>	<b>941.4</b>	<b>736.4</b>	<b>595.0</b>	<b>401.5</b>	<b>69.8</b>	<b>46.4</b>	<b>12.9</b>	<b>14.8</b>
Special Logistics	146.6	242.9	31.3	64.5	13.5	0.0	12.9	(0.5)
Insurance Broker	76.3	22.8	25.5	22.8	11.5	8.9	10.6	8.3
<b>Total KN Group</b>	<b>8,435.0</b>	<b>8,247.4</b>	<b>1,727.0</b>	<b>1,452.7</b>	<b>329.7</b>	<b>275.8</b>	<b>213.0</b>	<b>198.2</b>

## b) Secondary reporting

CHF million	Turnover		Gross profit		EBITDA		EBIT	
	2001	2000	2001	2000	2001	2000	2001	2000
Europe	4,695.5	4,642.7	922.2	885.0	178.6	147.9	110.7	98.0
North, Central and South America	2,430.2	2,322.0	554.8	354.7	71.2	64.7	34.2	51.2
Asia Pacific	847.3	906.2	203.5	186.0	76.1	61.9	65.5	50.3
Middle East and Africa	462.0	376.5	46.5	27.0	3.8	1.3	2.6	(1.3)
<b>Total KN Group</b>	<b>8,435.0</b>	<b>8,247.4</b>	<b>1,727.0</b>	<b>1,452.7</b>	<b>329.7</b>	<b>275.8</b>	<b>213.0</b>	<b>198.2</b>

CHF million	Assets		Liabilities		Investments		Depreciation		Non cash expenses	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
Seafreight	542.8	543.1	383.4	427.4	20.6	20.6	21.8	14.8	10.9	8.2
Airfreight	390.0	422.3	299.9	366.1	13.9	15.9	12.4	10.7	6.6	8.7
International Overland	78.2	90.9	74.1	86.2	4.2	3.7	3.3	2.9	1.7	1.0
Rail	37.1	33.6	38.7	39.7	3.4	2.3	3.4	0.8	0.3	2.1
Customs Brokerage	16.6	14.1	13.5	16.9	1.4	2.4	1.4	1.2	0.0	0.1
<b>International Forwarding</b>	<b>1,064.7</b>	<b>1,104.0</b>	<b>809.6</b>	<b>936.3</b>	<b>43.5</b>	<b>44.9</b>	<b>42.3</b>	<b>30.4</b>	<b>19.5</b>	<b>20.1</b>
Warehousing	831.7	349.8	311.6	291.3	565.8	71.0	64.9	38.9	8.5	2.8
Distribution	117.9	92.0	72.9	69.0	8.8	6.1	7.6	4.6	0.7	0.6
<b>Contract Logistics</b>	<b>949.6</b>	<b>441.8</b>	<b>384.5</b>	<b>360.3</b>	<b>574.6</b>	<b>77.1</b>	<b>72.5</b>	<b>43.5</b>	<b>9.2</b>	<b>3.4</b>
Special Logistics	20.8	37.2	16.3	28.3	1.2	3.0	1.0	3.0	0.8	0.2
Insurance Broker	27.1	27.8	14.2	18.4	0.9	0.9	0.9	0.6	0.1	0.1
<b>Total KN Group</b>	<b>2,062.2</b>	<b>1,610.8</b>	<b>1,224.6</b>	<b>1,343.3</b>	<b>620.2</b>	<b>125.9</b>	<b>116.7</b>	<b>77.5</b>	<b>29.6</b>	<b>23.8</b>

CHF million	Assets		Liabilities		Investments		Depreciation		Non cash expenses	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
Europe	952.6	1,101.2	863.0	989.3	85.7	92.6	71.9	59.4	22.2	19.1
North, Central and South America	849.2	292.0	191.1	180.8	522.4	16.6	36.5	10.1	4.1	1.9
Asia Pacific	207.6	157.0	131.4	128.3	7.4	9.4	5.9	6.4	1.8	1.4
Middle East and Africa	52.8	60.6	39.1	44.9	4.7	7.3	2.4	1.6	1.5	1.4
<b>Total KN Group</b>	<b>2,062.2</b>	<b>1,610.8</b>	<b>1,224.6</b>	<b>1,343.3</b>	<b>620.2</b>	<b>125.9</b>	<b>116.7</b>	<b>77.5</b>	<b>29.6</b>	<b>23.8</b>

NOTES TO THE CASH FLOW STATEMENT

- 37 **Acquisition of the USCO Logistics Group** The fair value of the assets acquired and liabilities assumed of the consolidated USCO Logistics Group in the US, Canada and Mexico as at August 1, 2001 were:

CHF '000	2001
Acquired cash	2,231
Trade receivables and current assets	77,509
Fixed assets	79,504
<b>Subtotal assets</b>	<b>159,244</b>
Trade payables and other short term liabilities	(39,275)
Bank liabilities	(22,508)
Long term liabilities	(37,686)
<b>Subtotal net assets</b>	<b>59,775</b>
Goodwill	485,027
<b>Purchase price</b>	<b>544,802</b>
Acquired cash	(2,231)
<b>Cash flow from USCO acquisition</b>	<b>542,571</b>

OTHER NOTES

38 Personnel	31/12/2001 Number	31/12/2000 Number
Europe	8,603	8,167
North, Central and South America	5,957	3,132
Asia Pacific	1,964	1,867
Middle East and Africa	888	599
	17,412	13,765

39 Contingent liabilities	31/12/2001 CHF '000	31/12/2000 CHF '000
As of year end the following contingent liabilities existed:		
Guarantees in favour of third parties	11,487	17,111
Contingent liabilities under unrecorded claim	37,850	–
	49,337	17,711

Some Kuehne & Nagel companies are defendants in various court cases. Based on respective legal advice, the management is of the opinion that the possible 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 TCHF 30,229 (2000: TCHF 31,220).

In addition to the purchase price paid to the previous shareholders of USCO, an earnout payment maybe due in 2003 based on 2001 and 2002 EBITDA of the acquired companies.

- 40 Other financial commitments** As of year end the following financial commitments existed in respect of long term leases and rental contracts.

CHF '000	Year	Properties and buildings	Operating and office equipment	TOTAL
	2002	122,148	21,854	144,002
	2003	87,854	14,343	102,197
	2004	78,821	4,863	83,684
	2005	73,858	1,363	75,221
	2006	36,835	439	37,274
	2007–2011	194,426	54	194,480
<b>Total</b>		<b>593,942</b>	<b>42,916</b>	<b>636,858</b>

- 41 Other information** The total remuneration paid to the members of the Board of Directors and of the Management Board of Kuehne & Nagel International AG, Schindellegi, Switzerland (see page 13) amounted in 2001 to:

– Board of Directors	TCHF 597
– Management Board	TCHF 9,236

The above amounts include pension plan contributions.

As of December 31, 2001 neither loans nor any other commitments were outstanding towards members of the Board of Directors. Five members of the Management Board received interest bearing loans amounting to TCHF 916 to be repaid in May 2002.

- 42 Related parties transactions** Freight forwarding and logistics transactions with associated companies are conducted at arms length.

**Report of the Group Auditors  
to the General Meeting  
of Kuehne & Nagel  
International AG,  
Schindellegi, Switzerland**

As auditors of the group, we have audited the consolidated financial statements consisting of the consolidated balance sheet, consolidated statement of income, consolidated cash flow statement, consolidated statement of changes in equity and the notes to the consolidated financial statements (pages 61 to 93) of Kuehne & Nagel International AG for the year ended December 31, 2001.

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) issued by the International Federation of Accountants (IFAC) 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 International Accounting Standards (IAS) and comply with the Swiss law.

We recommend that the consolidated financial statements submitted to you to 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)



## Major Consolidated and Non-Consolidated\* Investments

Country	Name of the company	Registered office	Share capital in 1000	KN share in per cent
<b>HOLDING- AND MANAGEMENT COMPANIES</b>				
<b>Switzerland</b>	Kuehne & Nagel International AG	Schindellegi	CHF 120,000	100
	Kuehne & Nagel Management AG	Schindellegi	CHF 1,000	100
	Kuehne & Nagel Internationale Transporte AG	Schindellegi	CHF 750	100
	Kuehne & Nagel Liegenschaften AG	Schindellegi	CHF 500	100
	Kuehne & Nagel Treasury AG	Schindellegi	CHF 1,500	100
	Nacora Holding AG	Schindellegi	CHF 500	100
	Nacora Agencies AG	Schindellegi	CHF 400	100
	Nakurail AG	Schindellegi	CHF 100	100
	Ferroviasped Holding AG	Schindellegi	CHF 1,500	100
Kuehne & Nagel Asia Pacific Holding AG	Schindellegi	CHF 100	100	
<b>OPERATING COMPANIES</b>				
Europe				
<b>Albania</b>	Transalbania Ltd.	Tirana	ALL 9,000	51
<b>Austria</b>	Kuehne & Nagel Speditions-AG	Vienna	EUR 1,820	100
	Kuehne & Nagel Ges.m.b.H.	Vienna	EUR 1,090	100
	Ferroviasped Internationale Transporte Ges.m.b.H.	Vienna	EUR 73	100
	Eurail Spedition Ges.m.b.H.	Fürnitz	EUR 36	100
<b>Belgium</b>	Kuehne & Nagel N.V.	Antwerp	BEF 260,000	100
	Stute-Montan B.V.B.A.	Antwerp	BEF 1,000	100
	Ferroviasped Benelux N.V.	Antwerp	EUR 75	100
<b>Bulgaria</b>	Kuehne & Nagel e.o.o.d.	Sofia	BGL 15,000	100
	Ferroviasped e.o.o.d.	Sofia	BGL 120	100
<b>Croatia</b>	Kuehne & Nagel d.o.o.	Zagreb	HRK 3,000	100
<b>Cyprus</b>	Nakufreight Ltd.	Nicosia	CYP 10	70
<b>Czech Republic</b>	Kuehne & Nagel spol. s.r.o.	Prague	CZK 11,000	100
	NHN spol.s.r.o.	Olomouc	CZK 5,000	60
<b>Denmark</b>	Kuehne & Nagel A/S	Copenhagen	DKK 22,000	100
<b>Finland</b>	OY Kuehne & Nagel Ltd.	Helsinki	FMK 250	100
<b>France</b>	Kühne & Nagel (France) S.A.	Paris	EUR 7,000	100
	S.E.M.T. International S.A.	Paris	FRF 250	100
	Sodetair S.A.	Paris	EUR 460	100
	* Pact (Pan European Alliance for Computer Transportation) S.A.	Paris	EUR 45	50
<b>Germany</b>	Transalfra S.A.R.L.	Paris	EUR 45	100
	Cargopack Verpackungsgesellschaft für Industriegüter mbH	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
	Transcharter GmbH	Munich	EUR 51	100
	<b>Great Britain</b>	Kuehne & Nagel (UK) Ltd.	London	GBP 5,120
Kuehne & Nagel Ltd.		London	GBP 4,000	100
Kuehne & Nagel (NI) Ltd.		Belfast	GBP 10	100
<b>Greece</b>	* Arion S.A.	Athens	GRD 140,000	50
	* Hellenic & Intern. Transport Company 'Proodos' S.A.	Athens	GRD 1,300,000	50
	* Sindos S.A.	Thessaloniki	GRD 660,000	50

Country	Name of the company	Registered office	Share capital in 1000	KN share in per cent	
<b>Hungary</b>	Kuehne & Nagel Kft.	Budapest	HUF 292,000	100	
	KN Logisztikai es Szolgáltató Kft.	Budapest	HUF 492,000	100	
<b>Ireland</b>	Kuehne & Nagel (Ireland) Ltd.	Dublin	EUR 500	100	
<b>Italy</b>	Kuehne & Nagel S.p.A.	Milan	ITL 8,825,000	100	
<b>Latvia</b>	Kuehne & Nagel Latvia SIA	Riga	LVL 100	100	
<b>Luxembourg</b>	Kuehne & Nagel Spedition S.a.r.l.	Luxembourg	LUF 230,000	100	
	Kuehne & Nagel AG	Luxembourg	LUF 1,250	100	
	Transfluvia GmbH	Luxembourg	LUF 10,000	100	
<b>Macedonia</b>	Kuehne & Nagel d.o.o.	Skopje	MKD 8,232	100	
<b>Malta</b>	Kuehne & Nagel Malta Ltd.	Hamrun	MTL 6	100	
<b>Netherlands</b>	Kuehne & Nagel N.V.	Rotterdam	NLG 7,301	100	
	KN van Vliet B.V.	Nieuwegein	NLG 40	100	
	KN Europe Holding B.V.	Rotterdam	EUR 18	100	
	Stute International (Benelux) B.V.	Rotterdam	EUR 19	100	
	Stute Logistics Netherland B.V.	Rotterdam	EUR 250	100	
<b>Norway</b>	Faaberg Shipping A/S	Oslo	NOK 50	100	
	Kuehne & Nagel A/S	Oslo	NOK 3,100	100	
<b>Poland</b>	Faaberg Shipping A/S	Szczecin	PLZ 4	100	
	Ferroviasped sp.z.oo	Warszawa	PLZ 100	100	
	Kuehne & Nagel sp.z.o.o.	Poznan	PLZ 8,000	100	
	Nakutrans-Poland sp.z.o.o.	Poznan	PLZ 10	100	
	Kuehne & Nagel Lda.	Porto	PTE 32,000	100	
<b>Portugal</b>	Kuehne & Nagel Lda.	Porto	PTE 32,000	100	
<b>Romania</b>	Kuehne & Nagel Transport SRL	Bucharest	ROL 1,000,000	100	
<b>Russia</b>	Kuehne & Nagel ZAO	Moscow	RUR 274,000	100	
	Nakutrans o.o.o.	Moscow	RUR 278	100	
<b>Slovakia</b>	Kuehne & Nagel spol.s.r.o.	Bratislava	SKK 9,140	100	
<b>Spain</b>	Kuehne & Nagel S.A.	Madrid	EUR 3,191	100	
<b>Sweden</b>	Kuehne & Nagel A/B	Stockholm	SEK 500	100	
<b>Switzerland</b>	Kuehne & Nagel AG	Embrach	CHF 3,000	100	
	Kuehne & Nagel Oilfield Services AG	Schindellegi	CHF 100	100	
	Ferroviasped Bahnmarketing AG	Buchs	CHF 2,000	100	
	KN E-Solution AG	Embrach	CHF 100	100	
	Kuehne & Nagel GmbH	Kiev	UAK 568	100	
<b>Ukraine</b>	Ferroviasped Ltd.	Kiev	UAK 232	100	
North and Central America					
<b>Canada</b>	Kuehne & Nagel Canada Holding Inc.	Toronto	CAD 2,910	100	
	Kuehne & Nagel International Ltd.	Toronto	CAD 7,000	100	
	Kuehne & Nagel Travel Inc.	Toronto	CAD 150	100	
	USCO Inc.	Montreal	CAD -	100	
	USCO Logistics (Canada) Inc.	Calgary	CAD -	100	
<b>USA</b>	KN VIA Inc.	Toronto	CAD 1,021	100	
	Kuehne & Nagel Investment Inc.	Jersey City	USD 1,400	100	
	Kuehne & Nagel Inc.	Jersey City	USD 1,668	100	
	Ameritel Marketing Services LLC	Hamden	USD -	100	
	USCO Contract Logistics LLC	Hamden	USD -	100	
	USCO Logistics Services Inc.	Hamden	USD 4,720	100	
	USCO Distribution Services Inc.	Hamden	USD 119	100	
	KN VIA (US) Inc.	Jersey City	USD 655	100	
	Lloyd International Shipping Inc.	Jersey City	USD -	100	
	Kuehne & Nagel de Guatemala S.A.	Guatemala City	GTQ 291	100	
<b>Mexico</b>	Kuehne & Nagel de México S. de R.L.	México' D.F.	MXP 1,900	100	
	Almacenadora USCO Logistics de Mexico S.A. DE C.V.	México' D.F.	MXP 57,987	100	
<b>El Salvador</b>	Virtual Integration Associates México S.A. DE C.V.	México' D.F.	MXP 6,045	100	
	Kuehne & Nagel S.A. de C.V.	San Salvador	SVC 600	100	

Country	Name of the company	Registered office	Share capital in 1000	KN share in per cent	
South America					
<b>Argentina</b>	Kuehne & Nagel S.A.	Buenos Aires	ARS	2,000	100
	Kuehne & Nagel (South America) Mgt. S.A.	Buenos Aires	ARS	12	100
<b>Bolivia</b>	Kuehne & Nagel Bolivia Ltda.	Santa Cruz	BOB	260	100
<b>Brazil</b>	* KN Deicmar Transportes Ltda.	Sao Paulo	BRL	362	50
	KN-D Automotivo Ltda.	Curitiba	BRL	2,431	75
<b>Chile</b>	Kuehne & Nagel Ltda.	Santiago	CLP	575,000	100
<b>Columbia</b>	KN Colombia Ltda.	Bogotá	COP	1,035,650	100
	KN Sia (Customs)	Bogotá	COP	595,000	100
<b>Ecuador</b>	Kuehne & Nagel S.A.	Quito	ECS	7	100
<b>Peru</b>	Kuehne & Nagel S.A..	Lima	PEN	481	100
<b>Uruguay</b>	KN Cargo Systems International S.A.	Montevideo	UYU	1,040	55
<b>Venezuela</b>	Kuehne & Nagel S.A.	Caracas	VEB	10,000	100
	Asesoria Aduanal Contecnica, C.A. (Customs)	Caracas	VEB	2,000	100
Asian Pacific					
<b>Australia</b>	Kuehne & Nagel (Australia) Pty Ltd.	Sydney	AUD	2,900	100
<b>Bangladesh</b>	Kuehne & Nagel Bangladesh Ltd.	Dhaka	BDT	10,000	100
<b>Cambodia</b>	Kuehne & Nagel (Cambodia) Ltd.	Phnom Penh	USD	5	100
<b>Hong Kong</b>	Kuehne & Nagel (Hong Kong) Ltd.	Hong Kong	HKD	1,560	100
	Kuehne & Nagel (Asia Pacific) Management Ltd.	Hong Kong	HKD	100	100
	Transpac Container System Ltd.	Hong Kong	HKD	100	100
<b>India</b>	Kuehne & Nagel (India) Pvt. Ltd.	New Delhi	INR	40,000	100
<b>Indonesia</b>	PT. KN –Sigma Trans	Jakarta	US\$	100	50
<b>Japan</b>	Kuehne & Nagel (Japan) Ltd.	Tokyo	JPY	80,000	100
<b>Korea</b>	Kuehne & Nagel (Korea) Ltd.	Seoul	KRW	500,000	100
<b>Macau</b>	Kuehne & Nagel (Macau) Ltd.	Macau	MOP	1,000	100
<b>Malaysia</b>	Kuehne & Nagel (Malaysia) Sdn. Bhd	Kuala Lumpur	MYR	1,000	100
<b>New Zealand</b>	Kuehne & Nagel (New Zealand) Ltd.	Auckland	NZD	1,650	100
<b>Pakistan</b>	Kuehne & Nagel Pakistan (Pvt) Ltd.	Karachi	PKR	2,000	100
<b>Philippines</b>	Kuehne & Nagel Inc.	Manila	PHP	2,500	100
<b>Singapore</b>	Kuehne & Nagel (Singapore) Logistics Pte. Ltd.	Singapore	SGD	600	100
	ST – KN PTE Ltd.	Singapore	SGD	200	51
<b>Sri Lanka</b>	Kuehne & Nagel Lanka (PVT)	Colombo	LKR	2,502	100
<b>Taiwan</b>	Kuehne & Nagel (Taiwan) Ltd.	Taipei	TWD	20,000	100
<b>Thailand</b>	Kuehne & Nagel (Thailand) Ltd.	Bangkok	THB	10,000	100
Middle East					
<b>Bahrain</b>	KN Mars W.L.L.	Manama	BHD	100	51
<b>Egypt</b>	* Orient Transport Company Ltd.	Cairo	EGP	1,000	50
<b>Jordan</b>	Orient Transport Company Ltd.	Amman	JOD	200	50.25
<b>Lebanon</b>	* KN-ITS S.A.L.	Beirut	LBP	113,000	50
<b>Saudi Arabia</b>	* Orient Transport Company Ltd.	Jeddah	SAR	1,000	50
<b>Turkey</b>	Kuehne & Nagel Nakliyat Ltd. Sti.	Istanbul	TRL	1,440,000,000	100
	Kuehne & Nagel Lojistik Servis ve Ticaret Ltd. Sti.	Istanbul	TRL	500,000	100
	H.W. Feustel Nakliyat ve Seyahat A.S.	Istanbul	TRL	5,000,000	100
<b>UAE</b>	Kuehne & Nagel L.L.C.	Dubai	AED	1,000	100
	Kuehne & Nagel L.L.C..	Abu Dhabi	AED	1,000	100

Country	Name of the company	Registered office	Share capital in 1000	KN share in per cent	
Africa					
<b>Angola</b>	Cargo Aérea Fretamentos Expresso-Transitos, Lda.	Luanda	AON	264	100
<b>Kenya</b>	KN Airlink Ltd.	Nairobi	KES	16,000	100
<b>Malawi</b>	Kuehne & Nagel Ltd.	Blantyre	MWK	500	100
<b>Mozambique</b>	Kuehne & Nagel Mozambique, Lda.	Beira	MZM	115,279	100
<b>Namibia</b>	Kuehne & Nagel (Pty) Ltd.	Windhoek	NAD	340	100
<b>South Africa</b>	Kuehne & Nagel (Pty) Ltd.	Johannesburg	ZAR	1,651	100
	KN Perishables Logistics (Pty) Ltd.	Johannesburg	ZAR	–	100
	KN Tsepisa (Pty) Ltd.	Johannesburg	ZAR	100	60
	Kuehne & Nagel Travel Service Ltd.	Johannesburg	ZAR	385	100
<b>Tanzania</b>	DAL Forwarding (T) Ltd.	Dar es Salaam	TZS	25,000	80
<b>Uganda</b>	Kuehne & Nagel (Uganda) Ltd.	Uganda	UGX	20,000	100
<b>Zambia</b>	Kuehne & Nagel (Zambia) Ltd.	Lusaka	ZMK	85,000	100
<b>Zimbabwe</b>	Kuehne & Nagel (Zimbabwe) Ltd.	Harare	ZWD	–	100
<b>INSURANCE BROKER</b>					
Europe					
<b>Belgien</b>	Nacora Insurance Brokers N.V.	Brussels	BEF	6,250	100
<b>France</b>	Nacora (France) S.A.	Paris	FRF	250	100
<b>Germany</b>	Internacora Versicherungsm. GmbH	Hamburg	DEM	150	100
	Gustav F. Hübener GmbH	Hamburg	DEM	50	100
<b>Great Britain</b>	Nacora Insurance Brokers Ltd.	London	GBP	150	100
<b>Netherlands</b>	Nacora Assurantiekantoor B.V.	Rotterdam	NLG	100	100
<b>Spain</b>	Nacora Correduria de Seguros SA	Barcelona	ESP	25,000	100
<b>Sweden</b>	Nacora Assurans Finans Service AB	Stockholm	SEK	100	60
<b>Switzerland</b>	Nacora Insurance Brokers AG	Embrach	CHF	100	100
North America					
<b>Canada</b>	Nacora Insurance Brokers Ltd.	Toronto	CAD	–	100
<b>USA</b>	Nacora Insurance Brokers Inc.	Wilmington	USD	25	100
Asian Pacific					
<b>Hong Kong</b>	Nacora Insurance Brokers Ltd.	Hong Kong	HKD	500	70
<b>Macau</b>	Nacora Insurance Brokers Ltd.	Macau	MOP	53	51
<b>Malaysia</b>	Nacora Risk Management Sdn. Bhd.	Kuala Lumpur	MYR	100	52.5
<b>Singapur</b>	Nacora Insurance Brokers Ltd.	Singapur	SGD	100	100
<b>Taiwan</b>	Nacora Insurance Brokers Ltd.	Taipei	TWD	2,000	70
Africa					
<b>South Africa</b>	Nacora (Pty) Ltd.	Johannesburg	ZAR	25	100
South America					
<b>Brazil</b>	Nacora & Weichert	Sao Paulo	BRL	60	55



# Financial Statements

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[101](#) Notes to the Financial Statements



## Income Statement

CHF '000	Note	2001	2000
<b>Income</b>			
Income from investments in consolidated companies	1	60,732	72,601
Income from investments in associated companies		5,832	4,289
Income from investments in affiliated companies		501	–
Income from marketable securities		7,555	2,373
Interest on loans from consolidated companies	2	16,159	3,374
Other interest income		12,898	6,510
Exchange gains		4,209	7,557
Income from recovery of receivables from consolidated companies previously written-down		80	5,393
		<b>107,966</b>	<b>102,097</b>
<b>Expense</b>			
Other operational expense		(2,580)	(1,933)
Write-down of investment in consolidated companies	3	(10,095)	(17,644)
Write-down of investments in associated companies		–	(405)
Write-down of investments in affiliated companies		(11,115)	(781)
Write-down of goodwill		(1,637)	(2,533)
Write-down of subsidies in consolidated companies		(663)	–
Interest on liabilities towards consolidated companies		(2,120)	(1,041)
Other interest expense		(1,185)	(801)
Exchange losses		(8,121)	(13,733)
		<b>(37,516)</b>	<b>(38,871)</b>
<b>Income before tax</b>		<b>70,450</b>	<b>63,226</b>
Tax	4	(3,172)	(3,525)
<b>Net income for the year</b>		<b>67,278</b>	<b>59,701</b>

## Balance Sheet

CHF '000	Note	31/12/2001	31/12/2000
<b>ASSETS</b>			
<b>Non current assets</b>	5		
Financial investments			
– Investments in consolidated companies	6	142,400	p.m.
– Loans receivable from consolidated companies	7	455,884	39,635
– Financial instruments	8	–	9,840
		<b>598,284</b>	<b>49,475</b>
<b>Current assets</b>			
Prepayments and deposits		2,600	2,050
Receivables from consolidated companies	9	62,274	116,309
Other receivables	10	4,104	11,108
Marketable securities	11	123,535	117,825
Cash	12	11,680	517,779
		<b>204,193</b>	<b>765,071</b>
<b>Total Assets</b>		<b>802,477</b>	<b>814,546</b>

CHF '000	Note	31/12/2001	31/12/2000
<b>LIABILITIES</b>			
<b>Equity</b>			
Share capital	13	120,000	120,000
Capital and legal reserves	14	409,344	400,709
Reserve for treasury shares	15	69,669	71,013
Retained earnings	16	1,103	585
Net income for the year	17	67,278	59,701
		<b>667,394</b>	<b>652,008</b>
<b>Provisions</b>			
Provision for tax		3,871	2,112
Other provisions		831	870
	18	<b>4,702</b>	<b>2,982</b>
<b>Liabilities</b>			
Liabilities towards consolidated companies	19	84,377	50,321
Bank liabilities		45,694	6,908
Other liabilities	20	310	102,327
		<b>130,381</b>	<b>159,556</b>
<b>Total Liabilities</b>		<b>802,477</b>	<b>814,546</b>

Schindellegi, March 22, 2002

**KUEHNE & NAGEL INTERNATIONAL AG**

Klaus Herms  
CEO

Gerard van Kesteren  
CFO

## Cash Flow Statement

CHF '000	2001	2000
<b>Cash flow from business activities</b>		
Net income for the year	67,278	59,701
<u>Add/deduct non cash related transactions:</u>		
– Write-down of investments	21,210	20,582
– Amortisation of Goodwill	1,637	2,533
<b>Total operational cash flow</b>	<b>90,125</b>	<b>82,816</b>
(Increase)/decrease receivables, prepayments	60,489	(4,538)
Increase/(decrease) provision for tax	1,759	2,065
Increase/(decrease) other provisions	(39)	32
Increase/(decrease) liabilities	(29,175)	33,888
<b>Total cash flow from business activities</b>	<b>123,159</b>	<b>114,263</b>
<b>Cash flow from investing activities</b>		
Additions of investments	(153,770)	(20,582)
Addition of goodwill	(1,637)	(2,533)
Addition of loans receivable to consolidated companies	(455,884)	(75,725)
Partial repayment of loans receivable from consolidated companies	39,635	6,942
Purchase of treasury shares	(1,984)	(49,840)
Disposal of treasury shares	3,328	3,063
(Additions)/disposal of marketable securities	(7,054)	1,014
<b>Total cash flow from investing activities</b>	<b>(577,366)</b>	<b>(137,661)</b>
<b>Cash flow from financing activities</b>		
Capital increase (including share premium)	–	504,801
Dividend paid	(51,892)	(58,500)
<b>Total cash flow from financing activities</b>	<b>(51,892)</b>	<b>446,301</b>
<b>Increase/(decrease) in cash</b>	<b>(506,099)</b>	<b>422,903</b>

## 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).

<b>4</b> Tax	CHF '000	2001	2000
	Income tax <sup>1</sup>	3,172	3,525
	<sup>1</sup> 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
<b>Investments in:</b>						
– Consolidated companies		283,535	152,495 <sup>2</sup>	(102,189)	2,574	336,415
– Associated companies		5,705	–	–	(277)	5,428
– Affiliated companies		–	1,275	(128)	97,283	98,430
<b>At Cost<sup>1</sup></b>		<b>289,240</b>	<b>153,770</b>	<b>(102,317)</b>	<b>99,580</b>	<b>440,273</b>
– 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
<b>Accumulated depreciation</b>		<b>289,240</b>	<b>21,210<sup>3</sup></b>	<b>(102,317)</b>	<b>89,740</b>	<b>297,873</b>
<b>Net book value</b>		<b>p.m.</b>	<b>132,560</b>	<b>–</b>	<b>9,840</b>	<b>142,400</b>

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

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

<sup>3</sup> 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
<b>Loans receivable from consolidated companies</b>						
		<b>39,635</b>	<b>455,884</b>	<b>(39,635)</b>	<b>–</b>	<b>455,884<sup>1</sup></b>

<sup>1</sup> 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)	–
<b>Net book value</b>		<b>9,840</b>	<b>–</b>	<b>–</b>	<b>(9,840)</b>	<b>–</b>

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 <sup>1</sup>		
		– 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 <sup>2</sup>	69,669	71,013
			123,535	117,825

<sup>1</sup> 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.

<sup>2</sup> 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)	<b>348,000</b>	<b>60,000</b>	<b>408,000</b>
Addition due to relief of reserve for treasury shares re:			
Disposal of 43,900 shares in 2001	3,328 <sup>1</sup>	–	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

<sup>1</sup> 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 <sup>1</sup>	(67,010)
Balance 31/12/2001 (after appropriation of available earnings)	715

<sup>1</sup> 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 <sup>1</sup>	237	438
	– Guarantees in favour of third parties	252	245
	– Pending Claim	37,850	–
		38,339	683

<sup>1</sup> 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)





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