

Financial Statements

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Income Statement

CHF million	Note	2003	2002
Income			
Income from investments			
in consolidated companies	1	89.6	81.6
Income from investments			
in associates and joint ventures		2.5	2.4
Income from investments			
in affiliated companies		0.8	1.2
Income from marketable securities		7.9	8.2
Income from treasury shares		0.4	–
Interest on loans receivable from consolidated companies	2	1.2	17.2
Other interest income		2.2	4.2
Exchange gains		4.7	0.9
Income on sale of consolidated companies		0.1	0.4
Income from recovery of receivables from consolidated companies previously written-down		0.1	1.9
		109.5	118.0
Expense			
Other operating expense		(1.7)	(2.1)
Write-down of investments			
in consolidated companies	3	(14.1)	(22.9)
Write-down of goodwill		(5.7)	(6.0)
Interest on liabilities towards consolidated companies		(1.6)	(2.8)
Other interest expense		(0.6)	(0.6)
Exchange losses		(5.2)	(17.3)
		(28.9)	(51.7)
Income before tax		80.6	66.3
Tax income net	4	0.7	2.7
Net earnings for the year		81.3	69.0

Balance Sheet

CHF million	Note	31/12/2003	31/12/2002
ASSETS			
Non current assets	5		
Intangible assets		–	5.7
Financial investments			
– Investments in consolidated companies	6	280.0	142.4
– Loans receivable from consolidated companies		1.4	2.0
		281.4	150.1
Current assets			
Prepayments and deposits		0.3	1.0
Receivables from consolidated companies		66.9	51.4
Other receivables		2.9	3.3
Marketable securities	7	90.6	105.7
Cash	8	365.8	500.7
		526.5	662.1
Total Assets		807.9	812.2

CHF million	Note	31/12/2003	31/12/2002
LIABILITIES			
Equity			
Share capital	9	120.0	120.0
Reserves	10	415.0	415.0
Reserve for treasury shares	11	64.4	64.7
Retained earnings brought forward	12	0.6	0.7
Net earnings for the year	13	81.3	69.0
		681.3	669.4
Provisions			
Provision for tax		0.1	0.9
Other provisions and accruals		5.0	1.7
		5.1	2.6
Liabilities			
Liabilities towards consolidated companies		121.5	75.2
Bank liabilities		–	65.0
		121.5	140.2
Total Liabilities		807.9	812.2

Schindellegi, March 25, 2004

KUEHNE & NAGEL INTERNATIONAL AG
 Klaus Herms Gerard van Kesteren
 CEO CFO

Notes to the Financial Statements 2003

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 companies and associates and joint ventures are recorded in the balance sheet at cost. Write-downs are effected using the maximum depreciation as allowed under Swiss commercial law. Once a write-down has been recorded, it is not reversed, even if the earning power and/or the year-end equity position subsequently improves.
- Loans receivable from consolidated companies are translated into CHF at year-end exchange rates.

Receivables

- From consolidated companies
The balances outstanding are recorded at their nominal value at year-end.
- Other
Other receivables are recorded at their nominal value at year-end.

Marketable securities

Marketable securities are valued at market value. Unrealised gains and losses are recognised in the income statement.

Provision for tax

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

Liabilities

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

NOTES TO THE INCOME STATEMENT

- 1 Income from investments in consolidated companies The income from investments in consolidated companies mainly consists of dividends received.
- 2 Interest on loans receivable from consolidated companies Interest income on loans receivable from consolidated companies relates to loans included under financial investments (see note 8) and 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 (note 7).

4 Tax	CHF million	2003	2002
	Income tax	0.7	2.9
	Non recoverable foreign withholding tax	–	(0.2)
	Tax income net	0.7	2.7

The company received legally binding tax assessments up to and including the tax year 2002. The provision for tax covers all unpaid income and capital taxes related to the net income, capital, reserve, retained earnings as well as to the reserve for treasury shares for the year 2003 based on the company's own calculation of the remaining tax liability.

NOTES TO THE BALANCE SHEET

- 5 Non current assets The company's non current assets consist entirely of financial investments and intangible assets. The analysis of financial investments and their development in 2003 is shown on page 140.

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 is shown on pages 130–133 of this annual report.

6 Development investments CHF million

	01/01/03	Exchange differences	Additions	Disposals	Additions initial consolidation	Adjustments/Transfers	31/12/03
Investments in:							
– Consolidated companies	361.0	–	151.1	–	–	–	512.1
– Associates and joint ventures	3.2	–	–	(0.1)	–	–	3.1
– Affiliated companies	98.4	–	0.6	–	–	–	99.0
Total	462.6	–	151.7	(0.1)	–	–	614.2
– Consolidated companies	218.6	–	13.5	–	–	–	232.1
– Associates and joint ventures	3.2	–	–	(0.1)	–	–	3.1
– Affiliated companies	98.4	–	0.6	–	–	–	99.0
Accumulated write-downs	320.2	–	14.1	(0.1)	–	–	334.2
Net book value	142.4	–	137.6	–	–	–	280.0

7 Marketable securities

CHF million

31/12/2003

31/12/2002

Marketable securities are denominated in following currencies: ¹		
– Swiss Francs	6.5	5.1
– Euro	13.5	35.9
– others	6.2	–
Total marketable securities	26.2	41.0
Treasury shares ²	64.4	64.7
	90.6	105.7

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

² In 2003 the company sold under the stock option scheme 46,290 shares at a nominal of CHF 5 each for a total consideration of CHF 3.5 million and adjusted the initial value of the Treasury shares bought in 2000 by CHF 3.2 million.

8 Cash

CHF million

31/12/2003

31/12/2002

The deposits are in the following currencies:		
– Swiss Francs	348.8	373.1
– Euro	16.5	91.2
– US Dollars	0.5	36.4
	365.8	500.7

9 Share capital	Registered shares at nominal CHF 5 each Number	CHF million
Balance 31/12/2003	24,000,000	120

For details refer to note 30 of the consolidated accounts on page 120 of the annual report.

10 Reserves	Capital reserve	Legal reserve	Capital and legal reserves
CHF million			
Balance 31/12/2003			
(before appropriation of profits)	355.0	60.0	415.0

11 Reserve for treasury shares	CHF million
Balance 1/1/2003 854,075 treasury shares	64.7
Subsequent purchase price for own shares	3.2
Disposal of 46,290 shares related to stock option scheme	(3.5)
Balance 31/12/2003 807,785 treasury shares	64.4

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 7).

Movements treasury shares	Sale Number	CHF per share
Third quarter 2003	46,290	75.80

12 Retained earnings	CHF million
Balance 1/1/2003 (before income of the previous year)	0.7
Net earnings 2002	69.0
Distribution of earnings 2002 (according to the resolution of the ordinary shareholder's meeting of 15/5/2003):	
Reclassification to Reserve for Treasury shares	(3.2)
Increase due to disposal of 46,290 shares related to stock option scheme	3.5
Distribution to the shareholders	(69.4)
Balance 1/1/2003 (after appropriation of profits)	0.6

13 Proposal of the Board of Directors to the Annual General Meeting 12/5/2004 re: appropriation of the available earnings 2003	CHF million
Balance 1/1/2003 (before income for the year)	0.6
Net earnings 2003	81.3
Available earnings 31/12/2003	81.9
Distribution to the shareholders representing a 70 per cent dividend on the share capital of CHF 116.0 million ¹	(81.1)
Balance 1/1/2004 (after appropriation of available earnings)	0.8

¹ Treasury shares with nominal value of CHF 4.0 million bear no dividend rights.

OTHER NOTES

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

15 Contingent liabilities	CHF million	31/12/2003	31/12/2002
As at year end the following contingent liabilities existed:			
– Guarantees in favour of third parties		0.2	0.2
– Pending claims		36.5	37.2
		36.7	37.4

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

As statutory auditors, we have audited the accounting records and the financial statements (income statement, balance sheet and notes on pages 135 to 142) of Kuehne & Nagel International AG for the year ended December 31, 2003.

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

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

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

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

KPMG Fides Peat

Roger Neininger
Swiss Certified Accountant
Auditor in Charge

Regula Wallimann
Swiss Certified Accountant

Zurich, March 25, 2004