

Status Report

32	Turnover
33	Income
36	Financial Position
38	Investments, Depreciation and Amortisation
41	Information Technology
43	Lead Logistics Solutions
45	QSHE: Quality, Safety, Health, Environment and Security
47	Human Resources

TURNOVER

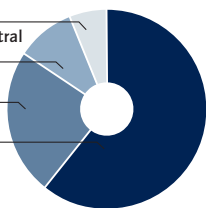
Exchange rate fluctuations, based on average yearly exchange rates, between 2004 and 2005 led to a slightly higher valuation of the Euro and the US Dollar and depending currencies (e.g. Hong Kong, Taiwan, Singapore as well as a number of countries in South America) of 0.2 per cent each against the Swiss Franc. When comparing the turnover in the income statement, the currency impact of the Swiss Franc in 2005 amounted to approximately plus 1.3 per cent.

In 2005, Kuehne + Nagel's turnover amounted to CHF 14,049 million (representing a 21.5 per cent increase versus 2004) and a net invoiced turnover of CHF 11,094 million (excluding customs duties and taxes) respectively. This increase was realised mainly by organic growth and partly by acquisitions (see note 41 of the Consolidated Financial Statements 2005).

REGIONAL TURNOVER

% CHF MILLION

5.9	829	Middle East, Central Asia and Africa
9.6	1,344	Asia Pacific
23.5	3,298	Americas
61.0	8,578	Europe



At regional level Europe increased its turnover by 24.5 per cent, the Americas by 16.6 per cent, Asia Pacific by 15.1 per cent and the Middle East, Central Asia and Africa by 22.4 per cent. At business unit level, Sea & Air Logistics reported a higher turnover of 20.7 per cent. Seafreight increased its turnover by 22.8, and the airfreight division by 15.7 per cent. Contract Logistics grew turnover by 14.0 per cent and Rail & Road Logistics by 31.9 per cent against the 2004 result.

REGIONAL TURNOVER CHF MILLION

Year	Europe	Americas	Asia Pacific	Middle East, Central Asia and Africa	Total
2001	4,696	2,430	847	462	8,435
2002	4,696	2,658	893	558	8,805
2003	5,354	2,607	1,003	584	9,548
2004	6,892	2,827	1,167	677	11,563
2005	8,578	3,298	1,344	829	14,049

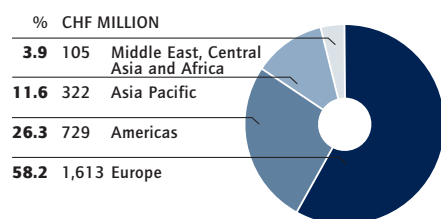
Europe
Americas
Asia Pacific
Middle East, Central Asia and Africa

INCOME

Gross profit, which in the logistic and forwarding industry provides a better indication of performance than turnover, reached CHF 2,769 million in 2005, up by 19.2 per cent compared to the previous year, of which plus 1.2 per cent were due to currency impact. Of the total gross profit, Sea & Air Logistics contributed 53.1 per cent, Contract Logistics, the other main pillar of the Group's business, 31.3 per cent and Rail & Road Logistics 14.4 per cent.

At regional level, Europe was the largest contributor to gross profit with 58.2 per cent, followed by the Americas with 26.3 per cent, and Asia Pacific with 11.6 per cent. The remaining balance of 3.9 per cent relates to the Middle East, Central Asia and Africa.

REGIONAL GROSS PROFIT



The operational cash flow – the sum of the net income for the year plus/minus non cash related transactions – increased from CHF 487.7 million in 2004 to CHF 574.5 million in 2005. EBITA in Rail & Road Logistics decreased by 84.5 per cent mainly due to acquisitions in Germany. Contract Logistics EBITA increased by 19.5 per cent (CHF 56.5 million versus CHF 47.3 million in 2004) realised by further recovery of its North America operation and improved profitability of the European network. The international business showed continued growth in both business fields (airfreight up by 8.7 per cent and seafreight by 32.9 per cent).

GROSS PROFIT CHF MILLION

2001	1,727
2002	1,911
2003	2,064
2004	2,323
2005	2,769

OPERATIONAL CASH FLOW CHF MILLION

2001	274
2002	365
2003 ¹	427
2004	488
2005	575

EARNINGS BEFORE TAX CHF MILLION

2001	228
2002	5
2003	286
2004 ¹	344
2005	446

¹ adjusted for comparison purposes

All regions were able to improve EBITA substantially. Major increases have been realised by the Americas (CHF 22.8 million or 26.7 per cent), by Europe (CHF 24.4 million or 13.2 per cent) and by Asia Pacific (CHF 17.7 million or 17.6 per cent).

The increase of expenses (including depreciation) has been compensated by the growth of gross profit of 19.2 per cent, resulting in a stable EBITA margin (as a percentage of gross profit) of 16.4 per cent in 2004 as well as in 2005.

REGIONAL RESULTS EBITA CHF MILLION

Year	Europe	Americas	Asia Pacific	Middle East, Central Asia and Africa	Total
2001	127	45	69	3	244
2002	154	33	84	6	277
2003	167	47	95	7	316
2004 ¹	185	85	101	10	381
2005	209	108	119	18	454

¹ adjusted for comparison purposes

EARNINGS BEFORE TAX / NET EARNINGS FOR THE YEAR CHF MILLION

2001	228	160
2002	5	0
2003	286	196
2004¹	344	238
2005	446	315

Income before tax
Net income for the year

¹ adjusted for comparison purposes

OPERATIONAL EXPENSE CHF MILLION

2001	956	173	108	81	97	1,415
2002	1,043	211	117	86	97	1,554
2003	1,130	213	113	103	95	1,654
2004¹	1,272	227	117	119	118	1,853
2005	1,500	270	147	154	150	2,221

Personnel expenses
Facility expenses
Communication, travel and selling expenses
Vehicle and operational expenses
Administrative expenses

¹ adjusted for comparison purposes

FINANCIAL POSITION

As a result of the sale of treasury shares (see statement of changes in equity) in the amount of CHF 484 million, the equity ratio increased from 28.2 per cent in 2004 to 37.9 per cent in 2005. Despite increased equity, the return on equity increased from 25.1 per cent in 2004 to 38.7 per cent in 2005, reflecting increased profitability on account of improved productivity.

The net-cash position (cash and cash equivalents less short term bank liabilities) amounted to CHF 1,124.6 million in 2005. The increase of CHF 727.1 million compared to 2004 was caused mainly by the sale of treasury shares as mentioned above. The main part of the total assets increase of almost 50 per cent to CHF 4,221.4 million is also related to the sale of treasury shares.

Trade receivables amounting to CHF 1,641.9 million represent the most significant asset of the Kuehne + Nagel Group. The days sales outstanding of 35.6 days in 2004 increased to 38.8 days in 2005.

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

	2001	2002	2003	2004	2005	Total
Cash and marketable securities	303	821	733	478	1,198	2,386
Receivables and other current assets	1,078	1,125	1,217	1,540	2,030	2,694
Non current assets	1,005	748	770	825	993	2,720
						2,843
						4,221

KUEHNE + NAGEL GROUP KEY FIGURES ON CAPITAL STRUCTURE

	2001	2002	2003	2004	2005
¹ Equity ratio	41.3%	32.6%	37.2%	28.2%	37.9%
² Return on equity	18.9%	0.0%	23.6%	25.1%	38.7%
³ Self-financing ratio	720.8%	630.9%	743.9%	562.9%	1229.3%
⁴ Debt ratio	58.6%	67.3%	62.6%	71.8%	62.1%
⁵ Short-term ratio of indebtedness	50.6%	60.9%	56.0%	64.2%	55.7%
⁶ Intensity of long-term indebtedness	8.0%	6.3%	6.6%	7.5%	6.4%
⁷ Fixed asset coverage ratio	117.2%	140.7%	155.3%	123.1%	188.3%
⁸ Working capital (CHF million)	173.3	304.6	426.1	191	877.1
⁹ Receivable terms (in days)*	37.8	37.7	35.9	35.6	38.8
¹⁰ Vendor terms (in days)*	42.6	41.9	39.6	38.4	41.1
¹¹ Intensity of capital expenditure	42.1%	27.8%	28.3%	29.1%	23.5%

¹ Total equity in relation to total assets at end of the year

² Net earnings for the year in relation to share + reserves + retained earnings as of 1.1. of the current year less dividend paid during the current year as of date of distribution + capital increase (incl. share premium) as of date of payment

³ Reserves + retained earnings + net earnings for the year in relation to share capital

⁴ Total liabilities + provisions in relation to total assets

⁵ Short-term liabilities in relation to total assets

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

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

⁸ Total current assets less short-term liabilities

⁹ Turnover in relation to the receivables outstanding at end of current year

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

¹¹ Non current assets in relation to total assets

* 2003 and 2004 are restated to conform to the current period's presentation.

LIABILITIES CHF MILLION

	2001	2002	2003	2004	2005
Trade, tax other liabilities	1,132	1,115	1,234	1,583	2,044
Bank liabilities	126	550	301	262	343
Provision for pension plans and severance payments	141	147	167	196	234
Equity (incl. minority interest)	987	882	1,018	802	1,601
	2,386	2,694	2,720	2,843	4,221

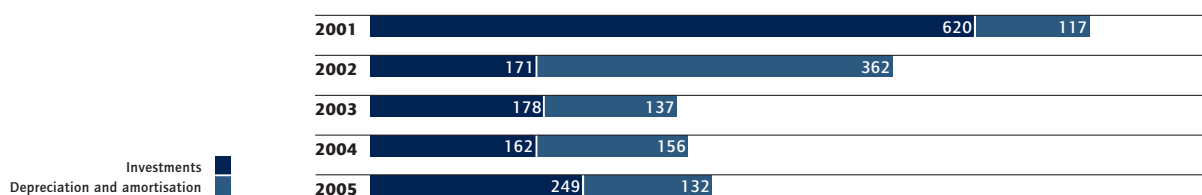
INVESTMENTS, DEPRECIATION AND AMORTISATION

In 2005, the Kuehne + Nagel Group invested a total of CHF 249.0 million for capital expenditures (CHF 189.6 million in fixed assets and CHF 22.8 million in software and other intangibles). Furthermore, CHF 36.6 million goodwill were acquired through business combinations.

All capital expenditures in 2005 were financed by the operational cash flow of CHF 574.5 million generated during the current year.

CHF 100.0 million were invested in properties and buildings, and CHF 89.6 million for other fixed assets, operating and office equipment.

INVESTMENTS AND AMORTISATION CHF MILLION



During the course of 2005 the following major investments were made in properties and buildings:

Region	CHF million	
Europe		
Bielefeld	15	Construction of a new logistics centre
Hamburg	14	Construction of the new logistics centre 'Hafen City'
Stuttgart	13	Extension of a logistics centre by 28,500 sqm of warehouse space
Stuttgart	8	Purchase of a logistics centre with 5,400 sqm of warehouse space
Leipzig	8	Construction of a new logistics centre
Bremen	5	Extension of the Airbus logistics centre
Geel	11	Construction of a new logistics centre with 45,000 sqm of warehouse space
Mejorada (Madrid)	10	Extension of a logistics centre by 8,000 sqm of warehouse space
Kiev	3	Extension of a logistics centre by 6,780 sqm of warehouse space
	87	
Asia Pacific		
Auckland	3	Construction of a new office building
Total	90	

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

	CHF million
Operating equipment	41
Vehicles	14
IT hardware	23
Office furniture and equipment	12
Total	90

The allocation by region is as follows:

	CHF million
Europe	59
Americas	19
Asia Pacific	7
Middle East, Central Asia and Africa	5
Total	90

Capital expenditures for intangibles amounted to CHF 59.4 million covering goodwill of CHF 36.6 million and other intangibles (customer lists, network, contracts and software) of CHF 22.8 million.

Depreciation and impairment losses in 2005 amounted to CHF 132.4 million and are recorded in the Consolidated Financial Statements as indicated in notes 8 and 10.

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

CHF million	2001	2002	2003	2004	2005
Capital expenditures					
Fixed assets					
Properties and buildings	48	46	63	51	100
Operating and office equipment	53	70	97	55	90
Intangible assets					
Goodwill	500	27	3	46	36
Intangible assets	19	27	15	10	23
	620	170	178	162	249
Depreciation and amortisation					
Fixed assets					
Buildings	12	15	12	14	16
Operating and office equipment	54	61	75	68	66
Intangible assets					
Goodwill	31	53	35	58	
Impairment of goodwill	-	206	-	6	25
Other intangibles	19	27	15	10	25
	116	362	137	156	132

INFORMATION TECHNOLOGY

2005 was characterised by considerably increased demands on Kuehne + Nagel's IT systems. Higher requirements for availability and quality of data and information accompanied strong growth in all business fields. Moreover, the volume of electronic data exchanged rose disproportionately, with the company's central computing centre processing more than 30 million EDI messages during the year. Kuehne + Nagel's standardised infrastructure, however, kept information logistics manageable and at a constantly high quality worldwide.

Consolidation of data centres continued

The year 2005 saw the successful consolidation of data centres in Europe and the Middle East. The company now operates three global IT centres. These and all Kuehne + Nagel branches are linked by a uniform and powerful network. Great importance has been attached to security; the company's security concept ranks among the leading systems in the industry.

Consistent system standardisation

Kuehne + Nagel remains committed to its strategy of standardising IT systems in all business fields. The introduction, for example, of new barcode-based overland transport software will enable rapid integration of newly acquired companies, creating the scale necessary to develop business successfully.

In contract logistics, the standardisation initiative was pursued with the introduction of the company's warehouse management system in North and South America as well as the Far East. A new transport management system was also launched to enable ongoing transport optimisation Europe-wide, thereby facilitating better resource utilisation and resulting in lower costs.

Expansion of web-based IT systems

Regarding the expansion of internet-based systems, the focus was on innovation and userfriendliness. It included completion and launch of the Web Supplier Portal, a system for retail and import sector customers that allows efficient supply chain monitoring and management. With this application, users can track all process steps in virtual realtime.

Worldwide, the functions of the electronic archive "KN e-File" were enhanced. A multitude of transport and transport-relevant documents can now be viewed and accessed via the internet.

Focus on customer needs

Kuehne + Nagel's IT strategy is strongly focused on its customers' needs. This requires – as does the strong growth experienced by individual business fields – continual adaptation of applications, infrastructure and organisation.

In 2006, as in the past, Kuehne + Nagel will concentrate on further system standardisation, as well as developing and introducing innovative web-based application software. The restructuring and consolidation of the IT platform will be continued with the objective of raising global productivity and catering to future growth.

LEAD LOGISTICS SOLUTIONS ON THE RISE

The trend of outsourcing logistics management functions to service providers continued in 2005. Many industrial and trading companies recognise the potential for added value that a specialised partner can deliver. The experience a lead logistics provider offers and, above all, the possibility to benefit from existing infrastructure and synergies are of considerable importance.

In 2005, the value of Kuehne + Nagel's lead logistics solutions was confirmed by the market, with contract awards from nine new customers for management of logistics services in Europe, America and worldwide. In addition, a leading international telecommunications company extended its contract with Kuehne + Nagel to manage global logistics operations by a further three years.

Optimisation and design

Tasks undertaken by Kuehne + Nagel as lead logistics provider include the optimisation of existing logistics structures. This entails analysing traffic flows and processes for managing procurement and distribution, redesigning networks and processes as well as integrating data flows. Through a combination of practical experience, conceptual know-how and IT-based simulation tools, an implementation plan is developed and accompanied by a cost-saving commitment. In addition, the logistics provider is increasingly taking on logistics management functions for new enterprises or their divisions. Last year, for example, a contract was signed with a leading aviation company that saw Kuehne + Nagel assume responsibility for the complete design of a new division's logistics processes.

Realisation and efficiency improvement

After design come realisation and implementation of identified processes for raising service levels and reducing costs. In 2005, extensive projects were implemented with several customers in the high-tech, chemical and industrial goods industries. These initially centred on logistics management based on the designed process flows and selection of sub-contracted service providers. EDI integration of the latter ensures that optimisation potential can be utilised in day-to-day operations. Kuehne + Nagel's IT systems have been continually advanced over recent years and play an important role in raising service levels and reducing long-term costs.

Integral component of global Kuehne + Nagel service offering

Kuehne + Nagel's lead logistics solutions benefit from the company's global network, which enables it to turn economies of scale into customer benefits.

In 2005, international teams focused on optimising processes and network structures were stationed in direct proximity to customer decision-making centres and logistics hubs. These teams work closely with the Lead Logistics Control Centres in Luxembourg and Raleigh, North Carolina. At these locations, similar services are undertaken for several customers, including call centre operations, freight auditing and service procurement.

Outlook

Established structures, existing contracts and advanced sales cycles with several large customers signal further expansion of business volume in 2006. Continued extension of the service offering will focus on the growing market of trade and compliance services. Regionally, in addition to Europe and America, the Asian market will grow in importance. Establishment of a Lead Logistics Control Centre in India has begun.

QSHE: QUALITY, SAFETY, HEALTH, ENVIRONMENT AND SECURITY

Kuehne + Nagel has integrated the areas of quality, safety, health, environment and security in a comprehensive management system under the name "QSHE".

Successful ISO 9001 recertification

Following intensive audits around the globe, the independent certification body BVQI confirmed that all Kuehne + Nagel Group business processes and locations meet the highest quality standards, and re-certified the company in accordance with ISO 9001 for another three years. This placed Kuehne + Nagel among the few global logistics providers awarded this recognised seal of quality without interruption since 1995.

In the airfreight business, Kuehne + Nagel currently is the only logistics company that globally fulfils Cargo 2000 Phase 2 quality criteria. This certification also has been extended until 2008.

Ongoing quality improvement

Within its integrated QSHE management system, Kuehne + Nagel carries out regular internal audits. In 2005, more than 1,000 quality audits were performed, with the aim of identifying possible weaknesses and improving operational quality in all fields of activity. The company has developed a software program that records and evaluates proposals made for improvement. This ongoing control and optimisation process has delivered a significant increase in customer satisfaction, as surveys in all regions have confirmed.

Awards for quality

In 2005, Kuehne + Nagel received a number of quality awards, for example Sun Microsystems' "Meritorious Supply Performance Award for 2005", awarded to the US Kuehne + Nagel organisation for the second time because of its high quality IT-based spare parts logistics solution. In China and Portugal, Kuehne + Nagel received the "Seafreight Forwarder of the Year" and "Best Seafreight Forwarder of the Year 2005" awards, respectively, for the high quality of its value added services.

Safety and health management

Kuehne + Nagel not only strives to achieve the highest quality standards in all fields of activity, but is also committed to the health and safety of its employees and all others involved in the process chain. Moreover, certain industry sectors have their own high demands in this respect, which the company is able to fulfil through its QSHE management system.

Increasing security standards

Kuehne + Nagel has long been a member of the Technology Asset Protection Association (TAPA), an initiative to increase security standards in storage and distribution of high value products as well as reduce risk of theft. Several Kuehne + Nagel locations were certified with the highest A rating; many others fully meet the TAPA requirements even without special certification.

The company was an early participant in, and received certification from, the American customs authorities' security initiative "Customs-Trade Partnership Against Terrorism" (C-TPAT). In 2005, Kuehne + Nagel was again audited to comply with the high security requirements.

Within the security committee of Freight Forward International (FFI), an interest group of the leading global logistics providers, Kuehne + Nagel is working to achieve international harmonisation of global security standards.

Certified environment management systems

Interest in certified environment management systems is rising in the Kuehne + Nagel Group and is by no means restricted to Europe. In 2005, the number of locations certified to the environmental standard ISO 14001 climbed to over 100 in more than 20 countries. Further audits and certifications will be undertaken in the current year.

Environment-friendly transport services

Kuehne + Nagel's strategy – efficient capacity utilisation for all modes of transport, the bundling of goods' flows at logistics hubs and the deployment of multi-modal traffic using rail and river barges – proved its worth from an ecological and an economic perspective.

Integration of the previously separately operating rail subsidiary Ferroviasset into the Kuehne + Nagel organisation in 2005 leveraged environment-friendly rail transport activities and strengthened the intermodal service offering. Transport volume was also raised in short sea and river shipping.

Facility ecology

New logistics centres beginning operation in 2005 take into consideration all aspects of resource preservation. In addition to ecological energy production, the company also attaches great importance to environmentally compatible waste disposal.

HUMAN RESOURCES

Kuehne + Nagel's corporate success is largely based on the dedication of its qualified, entrepreneurial employees. They are motivated to deliver top performance for customers and are proud to be part of one of the world's leading logistics companies.

Corporate culture

Professional skills, social competence, results-orientation and international mobility characterise Kuehne + Nagel's corporate culture. In accordance with the company's "Challenge and Promote" principle, employees at all levels are assigned responsibilities. In a challenging working environment, this allows talents to be developed to their fullest.

Human resource policy

At the core of Kuehne + Nagel's human resource policy is the systematic development and training of employees as well as the long-term retention of key performers.

The company supports professional development through career planning, international posting and job rotation. Its performance-based remuneration approach encourages results-orientation among employees. Executive staff receive a profit share and can participate in a long-term stock option programme.

The internationally implemented management model, "The Glocal Networker", provides the framework for Kuehne + Nagel's human resource management. It defines qualification criteria and ensures that, in addition to economic success, other factors are considered, such as achievements in improving and strengthening customer satisfaction, business development, leadership and process quality.

Education and further training

Lifelong learning is a basic requirement Kuehne + Nagel employees must accept in order to keep pace with rapidly changing customer demands and advances in technology. The Kuehne + Nagel Academy supports them in this by offering training programmes tailored to the respective business fields and their specific objectives. In 2005, 3,000 training events were held; they were offered either internationally, regionally or locally, depending on their type. An international team of career development specialists and coaches implements these training measures and ensures a uniform quality standard throughout the company. A programme for the systematic training of internal instructors was initiated in 2005.

Kuehne + Nagel also provides its employees with a web-based educational infrastructure offering more than 400 training modules. This learning platform additionally enables planning, execution and evaluation of online seminars, conferences and training sessions.

Management trainee recruitment and development

Career development begins with the identification of potential specialists and executives through campus recruitment. In 2005, Kuehne + Nagel hired more than 200 trainees from universities and colleges. Furthermore, 200 interns gained their first experience working in a global logistics company.

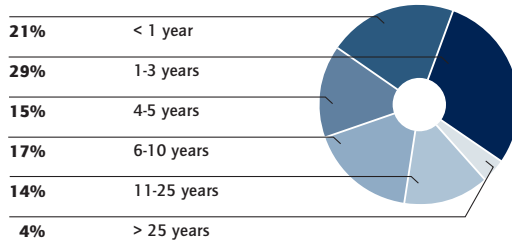
Currently, 100 trainees are taking part in Kuehne + Nagel's high potential programme, conducted in cooperation with the WHU Graduate School of Management in Koblenz-Vallendar. These trainees participate in a demanding performance-oriented selection process and represent a global talent pool for the Kuehne + Nagel Group.

In the year under review, numerous company managers were enrolled in MBA, MSc or comparable courses as a specific preparation for general management tasks. Kuehne + Nagel supports such part time postgraduate studies as an integral part of individual career and company-wide succession planning.

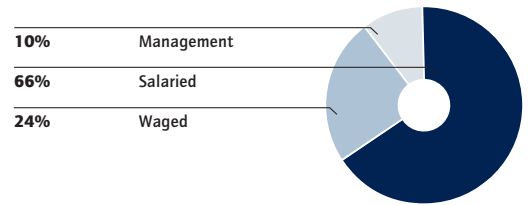
Headcount

The number of employees on the Kuehne + Nagel Group payroll increased from 21,193 in 2004 to 25,607 in 2005, a growth of 20.8 per cent.

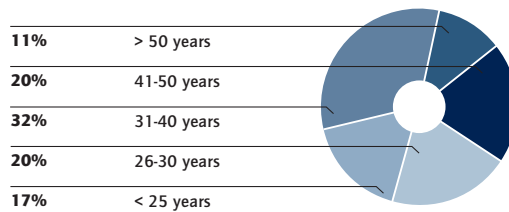
DURATION OF EMPLOYMENT



PERSONNEL STRUCTURE



AGE



PERSONNEL STRUCTURE

