

Financial Statements

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INCOME STATEMENT

CHF million	Note	2005	2004
Income			
Income from investments			
in group companies	1	342.5	76.3
Income from investments			
in associates and joint ventures		3.1	2.2
Income on sale of investments		0.9	-
Income on sale from investments in affiliated companies		-	1.4
Income from marketable securities		5.6	4.1
Income from sale of treasury shares		218.3	4.2
Interest income on loans receivable from group companies		5.0	2.6
Other finance income		2.0	2.2
Exchange gains		3.6	2.0
Result from unwinding of cross-shareholding		-	67.6
Income from recovery of receivables from group companies previously written-down		-	0.3
		581.0	162.9
Expenses			
Operating expenses		(9.4)	(38.7)
Other interest expenses		(0.3)	(0.9)
Interest expenses on liabilities			
towards group companies		(4.7)	(2.9)
Exchange losses		(6.2)	(8.7)
Write-down of investments in group companies	2	(433.0)	(10.4)
		(453.6)	(61.6)
Earnings before tax		127.4	101.3
Tax	3	(0.1)	(2.9)
Earnings for the year		127.3	98.4

BALANCE SHEET

CHF million	Note	31/12/2005	31/12/2004
ASSETS			
Investments in group companies	5	808.4	280.0
Non current assets		808.4	280.0
Prepayments		0.7	0.5
Receivables from group companies	6	356.7	428.3
Other receivables		5.2	2.3
Marketable securities	8	95.4	414.0
Cash and cash equivalents	9	100.8	79.9
Current assets		558.8	925.0
Total Assets		1,367.2	1,205.0

CHF million	Note	31/12/2005	31/12/2004
LIABILITIES AND EQUITY			
Share capital	10	120.0	120.0
Reserves	11	384.1	81.1
Reserve for treasury shares	12	95.4	398.3
Retained earnings	13	1.6	0.7
Earnings for the year		127.3	98.4
Equity		728.4	698.5
Provision for tax		2.4	2.7
Other provisions and accruals		2.4	11.7
Provisions		4.8	14.4
Liabilities towards group companies	7	634.0	492.1
Liabilities		634.0	492.1
Total Liabilities and Equity		1,367.2	1,205.0

Schindellegi, March 10, 2006

KUEHNE + NAGEL INTERNATIONAL AG

Klaus Herms
CEO

Gerard van Kesteren
CFO

NOTES TO THE FINANCIAL STATEMENTS 2005

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 paramount importance. The financial statements of Kuehne + Nagel International AG included in this part of the annual report were prepared in accordance with the provisions of Swiss commercial law and serve as complementary information to the group financial statements.

FINANCIAL STATEMENT PRESENTATION AND PRINCIPLES OF VALUATION

Financial investments

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

Receivables

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

Marketable securities

Marketable securities are valued at fair market value or at year end stock exchange value respectively, except for the treasury shares, which are valued at cost. Marketable securities having a year-end market value below or above their cost or book value are revalued or written-down as applicable. Unrealised gains and losses are recognised in the income statement.

Provision for tax

All Swiss taxes on income and capital are provided for in the year-end accounts.

Liabilities

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

NOTES TO THE INCOME STATEMENT

1 INCOME FROM INVESTMENTS IN CONSOLIDATED COMPANIES The income from investments in consolidated companies relates to dividends received.

2 WRITE-DOWN OF INVESTMENTS IN CONSOLIDATED COMPANIES The write-down of investments in consolidated companies is shown in the development of financial investments note 5.

3 TAX	CHF million	2005	2004
	Income tax	0.1	2.6
	Non recoverable foreign withholding tax	-	0.3
	Total income tax	0.1	2.9

NOTES TO THE BALANCE SHEET

4 NON CURRENT ASSETS The company's non current assets consist entirely of financial investments. The analysis of financial investments and their development in 2005 is shown on pages 162.

A schedule of the Group's main investments with indications of the paid-in share capital and Kuehne + Nagel's share in the respective equity is shown on pages 150-153 of the consolidated financial statements.

**5 DEVELOPMENT OF
INVESTMENTS**

CHF million	Investments in consolidated companies	Investments in associates and joint ventures	Investments in affiliated companies	Total
Cost				
Balance January 1, 2005	1,028.3	1.7	1.3	1,031.3
Additions	1,009.5	(48.1)	-	961.4
Disposals	(6.9)	(1.6)	-	(8.5)
Balance December 31, 2005	2,030.9	(48.0)	1.3	1,984.2
Cumulative depreciation				
Balance January 1, 2005	748.3	1.7	1.3	751.3
Additions	481.1	(48.1)	-	433.0
Disposals	(6.9)	(1.6)	-	(8.5)
Balance December 31, 2005	1,222.5	(48.0)	1.3	1,175.8
Book value				
at January 1, 2005	280.0	-	-	280.0
at December 31, 2005	808.4	-	-	808.4

In 2005 the reorganisation in the European region was finalized by selling an associate. As a result of the transfer to a Sub-Holding a gain on sale of CHF 48.1 million has materialized and was booked against the above mentioned depreciation expense of the year amounting to CHF 481.1 million. The net depreciation charge disclosed in the income statement amounts to CHF 433 million.

The tax impact of the reorganisation was reviewed by the tax authority (Steuerverwaltung Schwyz, Schweiz) and it has since been confirmed that the whole transaction would not trigger any income tax. However, according to Circulation No. 10 of the Swiss tax authority income tax would arise, if one or several investments are fully or partly sold or liquidated until December 31, 2006.

6 RECEIVABLES FROM GROUP COMPANIES	CHF million	31/12/2005	31/12/2004
Kuehne + Nagel Treasury AG, Schindellegi		193.5	19.7
Kuehne + Nagel Liegenschaften AG, Schindellegi		21.3	20.7
Kuehne + Nagel Management AG, Schindellegi		62.1	-
Nacora Holding AG, Schindellegi		26.9	29.7
Kuehne + Nagel Europe Holding B.V., Rotterdam		48.9	158.6
Kuehne + Nagel A/S, Copenhagen		2.6	8.3
Kuehne + Nagel Nakliyat Ltd. Sti., Istanbul		1.4	2.9
Kuehne + Nagel Investment S.L., Madrid		-	23.5
Kuehne + Nagel N.V., Rotterdam		-	122.9
Kuehne + Nagel Investment S.a.r.L., Luxembourg		-	42.0
		356.7	428.3

7 LIABILITIES TOWARDS GROUP COMPANIES	CHF million	31/12/2005	31/12/2004
Kuehne + Nagel Treasury AG, Schindellegi		0.1	-
Nacora Holding AG, Schindellegi		0.1	-
Kuehne + Nagel Management AG, Schindellegi		161.4	51.8
Kuehne + Nagel Asia Pacific Holding AG, Schindellegi		101.8	73.4
Kuehne + Nagel Internationale Transporte AG, Schindellegi		49.1	30.2
Nacora Agencies AG, Schindellegi		4.9	2.9
Ferroviasped Holding AG, Schindellegi		-	4.8
Nacora Insurance Brokers AG, Embrach (Zürich)		0.5	-
Kuehne + Nagel AG, Embrach (Zürich)		6.8	-
Kuehne + Nagel Services Ltd., Tortola		-	19.0
Transfluvia N.V., Rotterdam		-	9.9
Kuehne + Nagel Investment AB, Stockholm		-	15.4
Kuehne + Nagel Ltd., Bermuda		-	284.7
Kuehne + Nagel B.V. Antwerp		309.3	-
		634.0	492.1

8 MARKETABLE SECURITIES	CHF million	31/12/2005	31/12/2004
Marketable securities are in following currencies:			
• Swiss Francs		-	7.3
• EURO		-	8.4
Total marketable securities		-	15.7
Treasury shares ¹		95.4	398.3
		95.4	414.0

¹ See note 12

9 CASH AND CASH EQUIVALENTS	CHF million	31/12/2005	31/12/2004
The bank deposits are in the following currencies:			
• Swiss Francs		78.1	73.9
• EURO		21.8	3.4
• US Dollar		0.9	2.6
		100.8	79.9

10 SHARE CAPITAL	Registered shares at nominal CHF 5 each Number	CHF million
Balance 31/12/2005	24,000,000	120

For details refer to note 32 on page 134 of the consolidated financial statements.

The Annual General Meeting held on May 12, 2004 approved the Board of Directors proposal to realise an approved share capital increase of 4 million registered shares up to a maximum of CHF 20 million restricted for a period of 2 years.

The Annual General Meeting, held on May 2, 2005, approved the Board of Directors proposal to realise a conditional share capital increase of 2.4 million registered shares up to a maximum of CHF 12 million and to add section 3.4 in the article of incorporation.

So far no use has been made of these rights. There is no resolution of the Board of Directors outstanding for a further issuance of either approved or conditional share capital.

11 RESERVES	Reserve	Legal reserve	Total reserves and retained earnings brought forward
CHF million			
Balance 1/1/2005	21.1	60.0	81.1
Additions from release of reserve for treasury shares ¹	303.0	-	303.0
Balance 31/12/2005	324.1	60.0	384.1

¹ See note 12

12 RESERVE FOR TREASURY SHARES

CHF million

Balance 1/1/2005	2,394,000 shares (9.97 per cent)	398.3
Disposal of	(120,773) shares (0.50 per cent) employe share purchase and option plan	(20.1)
Sale of	(1,700,000) shares (7.08 per cent) public	282.8
Balance 31/12/2005	573,227 shares (2.39 per cent)	95.4

In agreement with the provisions of Swiss commercial law regarding the valuation of treasury shares, the company released a reserve equivalent to the purchase price of the treasury shares.

13 RETAINED EARNINGS

CHF million

Balance 1/1/2004 (before appropriation of available earnings)	0.7
Net income 2004	98.4
Distribution of earnings 2004 (according to the resolution of the ordinary shareholders' meeting of 2/5/2005):	
• Dividend to shares holders	(97.5)
Balance 31/12/2004 (after appropriation of available earnings)	1.6

OTHER NOTES**14 CONTINGENT LIABILITIES**

CHF million

	31/12/2005	31/12/2004
As at year end the following contingent liabilities existed:		
• Guarantees in favour of third parties	0.2	0.2
	0.2	0.2

15 PROPOSAL OF THE BOARD OF DIRECTORS TO THE ORDINARY ANNUAL GENERAL MEETING MAY 2, 2006 RE: APPROPRIATION OF THE AVAILABLE EARNINGS 2005

CHF million

Balance 1/1/2005 (before income for the year)	1.6
Net income 2005	127.3
Available earnings 31/12/2005	128.9
Distribution to the shareholders (representing CHF 5.50 per share ¹)	(128.8)
Balance 31/12/2005 (after appropriation of available earnings)	0.1

¹ The total dividend amount covers all outstanding registered shares. However registered shares still held in treasury on the date of the dividend declaration are not eligible for dividend payments. In consequence, the reported total dividend amount may be correspondingly changed.

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

As statutory auditors, we have audited the accounting records and the financial statements income statement, balance sheet, and notes on pages 155 to 165 of Kuehne + Nagel International AG for the year ended December 31, 2005.

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

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

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

KPMG Fides Peat

Günter Haag
Swiss Certified Accountant

Roger Neininger
*Swiss Certified Accountant
Auditor in Charge*

Zurich, March 10, 2006