Annual Report 2006

KUEHNE+NAGEL

From sunrise to sunset. Through blizzards and heat waves. From metropolis to remote village. Regardless of when or where across our 510 square kilometre planet we are needed – with a global network of approx. 46,000 employees at 830 locations in more than 100 countries, Kuehne + Nagel is there to support customers with innovative logistics solutions. **Around the clock. Around the world.**

Group Key Data >

Kuehne + Nagel Group Key Data

CHF million	2002	2003	2004	2005	2006
Turnover	8,805.0	9,548.0	11,563.1	14,048.9	18,194.1
Gross profit	1,911.2	2,064.3	2,322.5	2,769.0	5,252.5
% of turnover	21.7	21.6	20.1	19.7	28.9
EBITDA [1]	375.5	413.9	473.6	561.5	855.3
% of gross profit	19.6	20.1	20.4	20.3	16.3
EBIT	17.3	281.0	317.5	429.1	600.7
% of gross profit	0.9	13.6	13.7	15.5	11.4
EBT	4.5	286.1	344.1	445.9	601.4
% of gross profit	0.2	13.9	14.8	16.1	11.4
Net earnings for the year (Kuehne + Nagel share)	0.1	195.7	238.1	315.0	458.3
% of gross profit	0.0	9.5	10.3	11.4	8.7
Depreciation, amortisation and impairment of intangible assets	362.5	137.2	156.1	132.4	254.6
% of gross profit	19.0	6.6	6.7	4.8	4.8
Operational cash flow	364.5	426.5	487.7	574.5	856,7
% of gross profit	19.1	20.7	21.0	20.8	16,3
Capital expenditures for fixed assets [1]	115.3	159.8	106.7	189.6	246.2
% of operational cash flow [1]	31.6	37.5	21.9	33.0	28.7
Balance sheet total	2,693.9	2,719.9	2,843.1	4,221.4	5,714.9
Non-current assets	747.8	770.3	825.5	993.1	2,285.2
Equity [1]	881.7	1,018.1	802.3	1,601.0	1,975.3
% of total assets	32.7	37.4	28.2	37.9	34.6
Employees at year end	17,689	19,004	21,193	25,607	46,290
Personnel expense	1,042.8	1,130.1	1,271.9	1,499.9	2,960.9
% of gross profit	54.6	54.7	54.8	54.2	56.4
Gross profit in CHF 1000 per employee	108.0	108.6	109.6	108.1	113.5
Manpower expense in CHF 1000 per employee	59.0	59.5	60.0	58.6	64.0

Net earnings per share (nominal CHF 1) in CHF	2002	2003	2004	2005	2006
Consolidated net income for the year (Kuehne + Nagel share) [2]	0.00	1.69	2.20	2.69	3.89
Distribution in the following year [1]	0.60	0.70	0.90	1.10	1.50
in % of the consolidated net income for the year	n/a	41.0	41.0	41.0	39.0

Development of share price	2002	2003	2004	2005	2006
Zurich (high/low in CHF)	24/15	32/16	50/28	74/46	99/69
Average trading volume per day	46,550	24,050	47,545	118,095	161,664

[1] adjusted for comparison purposes
[2] excluding treasury shares

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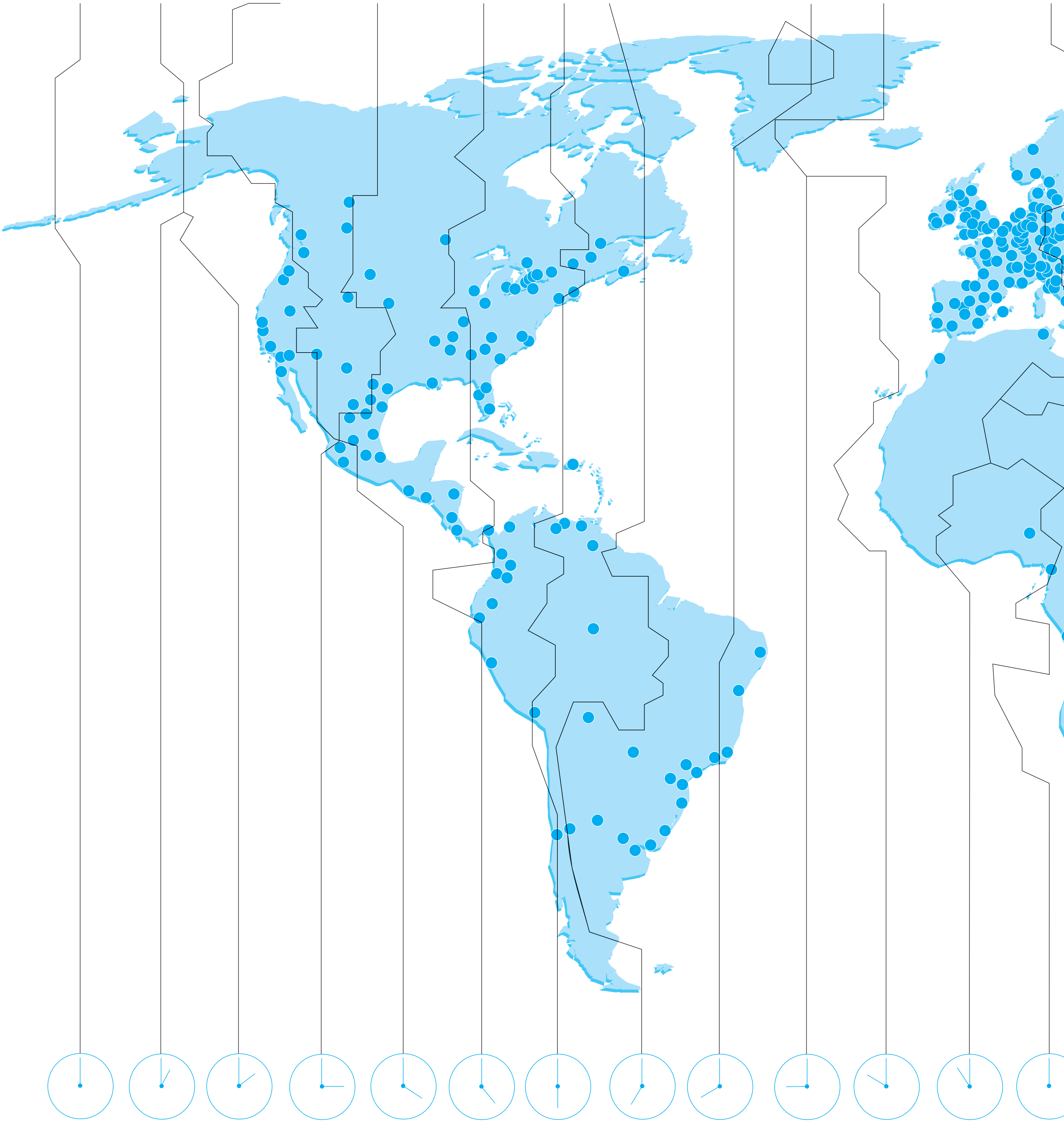


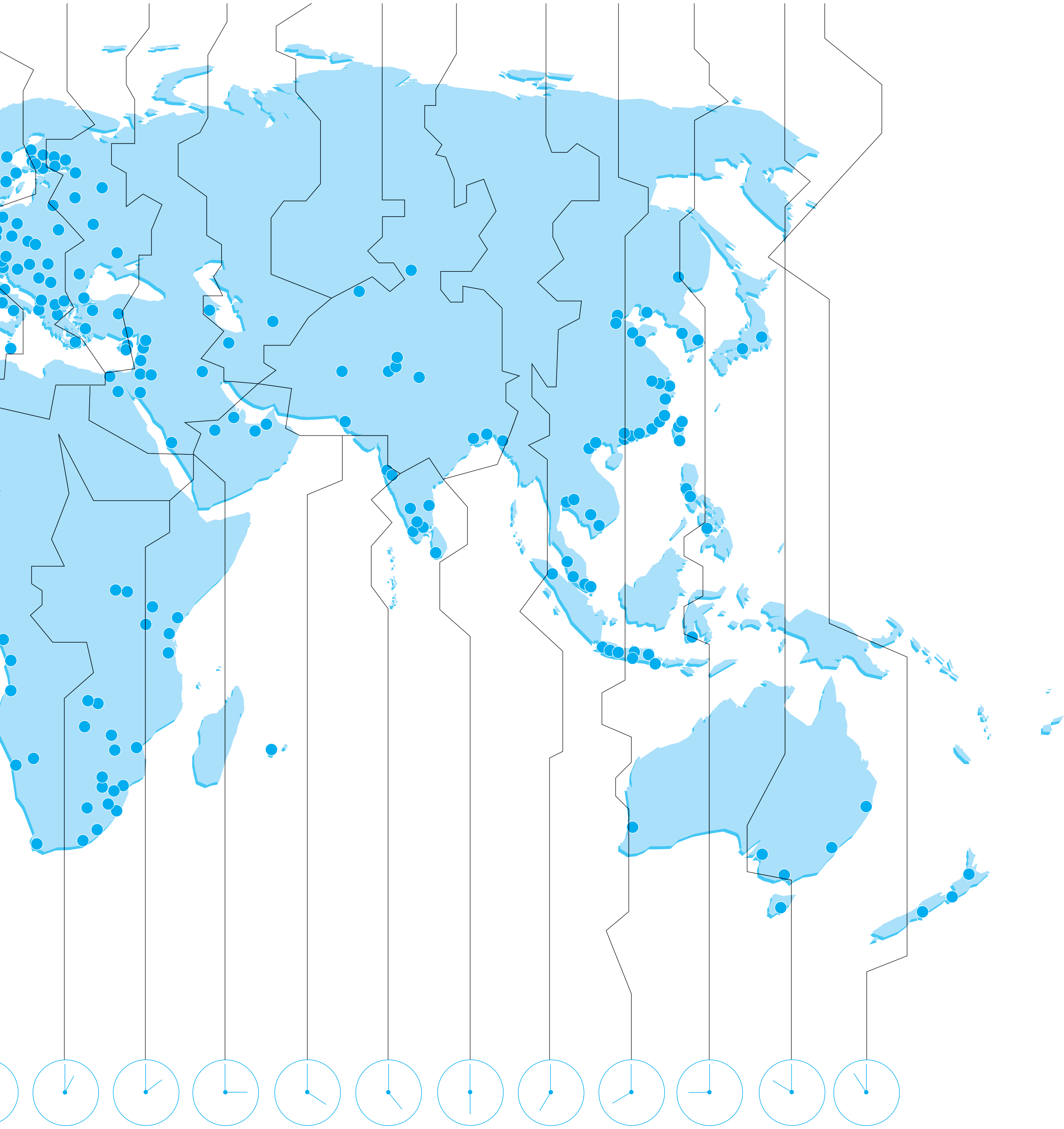
Afghanistan
Albania
Angola
Argentina
Australia
Austria
Azerbaijan
Bahrain
Bangladesh
Belarus
Belgium

Bolivia
Brazil
Bulgaria
Cambodia
Canada
Chile
China
Colombia
Costa Rica
Croatia
Cyprus

Czech Republic
Denmark
Dominican Republic
Ecuador
Egypt
El Salvador
Equatorial Guinea
Estonia
Finland
France
Germany

Greece
Guatemala
Honduras
Hungary
India
Indonesia
Iran
Iraq
Ireland
Israel
Italy

Japan
Jordan
Kazakhstan
Kenya
Korea
Latvia
Lebanon
Lesotho
Lithuania
Luxembourg
Macedonia



Malaysia
Malta
Mauritius
Mexico
Morocco
Mozambique
Namibia
Netherlands
New Zealand
Nicaragua
Nigeria

Norway
Pakistan
Panama
Peru
Philippines
Poland
Portugal
Romania
Russia
Saudi Arabia
Serbia

Singapore
Slovak Republic
Slovenia
South Africa
Spain
Sri Lanka
Sweden
Switzerland
Taiwan
Tanzania
Thailand

Tunisia
Turkey
Turkmenistan
Uganda
Ukraine
United Arab Emirates
United Kingdom
Uruguay
USA
Uzbekistan
Venezuela

Vietnam
Zambia
Zimbabwe

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Board of Directors and Management Board

Klaus-Michael Kuehne

Executive Chairman
of the Board of Directors
Kuehne + Nagel International AG

Kuehne + Nagel Group sustains successful performance

Kuehne + Nagel's determined growth strategy across all business areas, as well as the impact of the largest acquisition in the Group's history, generated an above-average increase in growth and earnings in 2006. Compared with the previous year, turnover improved by 29.5 per cent and the operational result (EBITDA) by 52.3 per cent. Net earnings increased by 45.5 per cent to CHF 458.3 million.

Shareholder structure

The shareholder structure for the past business year remains virtually unchanged:

• Kuehne Holding AG	55.75 per cent
• Free float	42.34 per cent
• Treasury shares	1.91 per cent
	100.00 per cent

Board of Directors

At the Annual General Meeting of May 2, 2006, Prof. Dr. Otto Gellert of Hamburg (Germany) and Dr. Alfred Pfeiffer of Trostberg (Germany) did not stand for re-election to the Board, which since then has comprised eight members. Klaus-Michael Kuehne remains the Executive Chairman of the Board of Directors, and Bernd Wrede its Vice Chairman.

Management Board

On December 1, 2006, Dr. Alexander Schmid-Lossberg was appointed to the Management Board of Kuehne + Nagel International AG. With his broad experience in personnel and legal issues, he has assumed responsibility as Head of Human Resources and Legal Affairs of the Group. He succeeds Klaus-Dieter Pietsch, who remains a member of the Management Board until December 31, 2007, assuming special tasks. The Management Board consists of eight members, headed by Chief Executive Officer Klaus Herms.

Major achievements

The acquisition of the European contract logistics provider ACR, agreed to in late 2005, came into effect on January 1, 2006. ACR's comprehensive activities covering 11 European countries were integrated into the respective national Kuehne + Nagel organisations. The merger increased the company's global headcount to around 43,000; by the end of the business year, the figure was approximately 46,000. Warehouse space under management was expanded from 2.5 million sqm to around 6 million sqm. The integration of ACR has been successfully concluded; all acquired companies and activities have been operating under the Kuehne + Nagel brand since the second quarter of 2006.

Results

Organic growth in all business units and the quantum leap in contract logistics through the ACR acquisition led to an above-average increase in turnover and earnings. As in previous years, seafreight performed strongest, followed by airfreight and the strengthened contract logistics business. The overland operations were characterised by continued investments.

Dividend

Reflecting the strong results, the Board of Directors of Kuehne + Nagel International AG will recommend a dividend increase from CHF 1.10 to CHF 1.50 at the Annual General Meeting on May 4, 2007.

Business performance

In seafreight, the number of container units shipped in 2006 rose to 2,275,000 TEUs – an increase of 19 per cent over the previous year. The major worldwide transport movements were on the trade lanes between the Far East and Europe and the Far East and North America. China again proved to be the strongest exporting country. Increasing growth was also registered from the strong Indian market.

In airfreight, volumes were up 10 per cent compared with the previous year, and good growth rates were achieved in all markets across the world.

Contract logistics successfully met the challenge of integrating the acquired ACR Group's activities into the respective Kuehne + Nagel national companies in 11 countries. This led to an appreciable expansion of the market position, particularly in Belgium, France, Great Britain, Italy, the Netherlands, Poland and Spain. The strategy of expanding warehousing and distribution activity also was confirmed by a series of significant business wins, as well as the opening of new facilities, for instance, in Geel (Belgium), Kiev (Ukraine) and Bratislava (Slovakia). In Memphis / Tennessee, the company completed the construction of its largest U.S. facility so far. In the Far East – particularly in China and India – expansion also gained momentum.

The development of European overland operations was further accelerated, and national companies in a number of Eastern European countries were connected to Kuehne + Nagel's groupage network. The promotion of railfreight activities continues to be one of the objectives of the Kuehne + Nagel Group's business policy. Good performance was reported particularly for traffic with Eastern and Southeastern Europe, as well as in the project business and hinterland seaport rail feeder services.

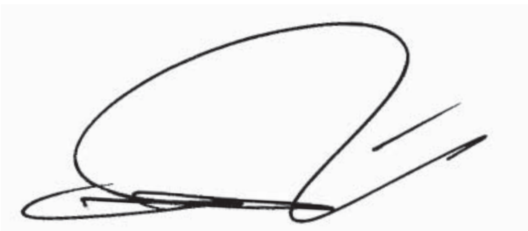
Effective as of January 1, 2006, the Real Estate business unit was established for the reporting of all Kuehne + Nagel Group real estate assets, including their management. The book value of all real estate owned by the Group amounts to CHF 923 million; its current value is significantly higher. Real estate is leased to the operational Kuehne + Nagel companies at customary market conditions.

The insurance broker subsidiary, the Nacora Group, continued to realise good results through its international brokerage firms.

Summary and outlook

Continued favourable economic development in nearly all parts of the world provides Kuehne + Nagel with unchanged strong growth opportunities. In all business areas, great efforts are being made to gain additional market share. Kuehne + Nagel's Global Logistics Network of around 830 offices in more than 100 countries is the optimal foundation, especially for the worldwide enhancement of sea- and airfreight activities. Meanwhile, contract logistics also benefits from operating across all five continents with its attractive, comprehensive service offering. Every endeavour is being made to advance European rail and road activities with the medium-term objective of joining the market leaders.

The Board of Directors expresses its appreciation to the Management Board of Kuehne + Nagel International AG and the entire staff worldwide for their excellent work and the many remarkable contributions to the company's performance throughout the year 2006. This appreciation is also extended to all customers and business partners with whom we enjoy strong ties of trust and cooperation.



Klaus-Michael Kuehne
Executive Chairman of the Board of Directors

Klaus Herms

Chief Executive Officer

Gerard van Kesteren

Chief Financial Officer

Martin Kolbe

Chief Information Officer

Ewald Kaiser

Rail & Road Logistics

Klaus-Dieter Pietsch
Human Resources

Reinhard Lange
Sea & Air Logistics

Dirk Reich
Contract Logistics

Dr. Alexander Schmid-Lossberg
Human Resources & Legal Affairs

Integrated logistics drives global expansion

Kuehne + Nagel again demonstrated its strength in 2006. The Group's comprehensive logistics network enabled the company to benefit from booming world trade and the resulting strong demand for logistics services to achieve sustained growth. Kuehne + Nagel's integrated logistics business model proved to be successful, creating value for customers.

Global trade levels, the economic upswing in domestic markets, and the willingness of companies in trade and industry to outsource complex logistics functions to a professional provider constituted the main external conditions for Kuehne + Nagel.

Correlating closely with the international logistics business, world trade grew between 8 and 10 per cent in 2006, while global gross domestic product showed an approx. 5 per cent rise and generated strong impulses in domestic markets. In 2006, China again was the driving force behind global trade, while India and Eastern Europe also demonstrated above-average growth.

In a globalised economy, logistics has become a key competitive factor. It is not surprising that companies are increasingly ready to outsource their logistics to external providers. This ranges from replicating services which are already outsourced in other regions or developing new activities, through to complete outsourcing of global logistics management. Logistics companies that offer truly global capabilities and the full scope of services across the supply chain are best positioned to benefit from this trend.

Seafreight

Kuehne + Nagel raised seafreight volumes by 19 per cent, compared with 2005, growing more than twice the market average. Despite mega mergers in the industry, the company's leading market position in this field of business remained undisputed. This performance, along with the high productivity and efficiency of its seafreight products, led to a significantly improved operational result. The operating margin increased to 4.5 per cent. Substantial new business was won in all regions, with Kuehne + Nagel's sophisticated information logistics and efficient transport management solutions proving a considerable competitive advantage.

Airfreight

Consolidation in the logistics industry led to increased competition in the airfreight business. In a hectic 2006 market, Kuehne + Nagel relied on its strengths – high quality and innovative IT-based products – and at 10 per cent growth doubled the market average. The operating margin rose to 4.9 per cent.

Rail & Road Logistics

Kuehne + Nagel continued to invest in the expansion of European overland operations to offer customers integrated services from a single source. Both organic and external growth contributed to the strengthened market position in many European regions. IT and process standardisation projects were initiated to enhance productivity. The launch of a European hub system through which all Kuehne + Nagel companies in Europe co-operate on an exclusive basis will optimise processes and help leverage economies of scale.

Contract Logistics

The rapid, seamless integration of the ACR Group, acquired effective as of January 2006, was given top priority and was successfully completed. Kuehne + Nagel thus fulfilled its target of becoming one of the top 3 global contract logistics providers. Due to the strategic fit of activities between the two companies, all resources could focus on meeting customer needs from "day one"; no business was lost in the course of the change in ownership. To the contrary: Intensified cross-selling appreciably enlarged the customer base.

Insurance Broker

Activities of the Nacora insurance broker group developed according to plan; turnover and earnings improved. Focus was on the expansion of the network and on cargo insurance product improvements.

Regions

In all parts of the world, additional market share was gained and the company's competitive position strengthened. In Europe, the new organisational structure, comprising 5 regions, boosted performance and allowed for consistent implementation of the company's strategy.

In North America, turnover and earnings were significantly raised, largely due to the increased sales activities for integrated logistics services and the ongoing outsourcing trend. In South America, Kuehne + Nagel successfully participated in the growth of exports to all regions of the world. The relocation of manufacturing plants from North to South America generated additional strong impulses for the logistics business in this region.

In Africa, the Middle East and Central Asia, enhanced focus on the oil and energy business, as well as specialisation in various niche products helped secure additional market share. However, a noticeable drop in the project business was reflected in the operational result.

Strong growth in transport volumes in Asia-Pacific – particularly in China, India and Japan – benefited the Kuehne + Nagel organisation worldwide. Contract logistics activities were expanded throughout the region, including Australia, China and New Zealand.

Outlook 2007

The company's objective is to grow twice the market average in sea- and airfreight, while maintaining stable operating margins. Acquisitions are being considered to strengthen niche products and individual traffic lanes.

The overland business plan envisages an ambitious growth target for the next two to three years: a turnover of CHF 5 billion. This will be realised partly by organic growth and partly by acquisitions in key European markets with the aim of consolidating the network and additionally boosting business volumes.

In contract logistics, the objective for 2007 is to achieve organic growth of 8 per cent, while maintaining stable margins, realised by the expansion of business activities in all regions, particularly Asia, South America and Eastern Europe.

All key performance indicators confirm that Kuehne + Nagel's strategy of increasing customer value through intelligent integrated solutions again proved successful in 2006. In 2007, strategic investments and development programmes will support the continuation of the positive performance and secure the company's market leadership in terms of growth and profitability.

The Management Board is confident that the strength of the Kuehne + Nagel Group along with the favourable economic forecasts will enable the company to raise turnover and earnings in the current business year yet again.

Klaus Herms
Chief Executive Officer

Reports of the Business Units

CAPETOWN, SOUTH AFRICA:
2006-02-02, 13.46.

HAMBURG, GERMANY:
2006-02-02, 13.46.

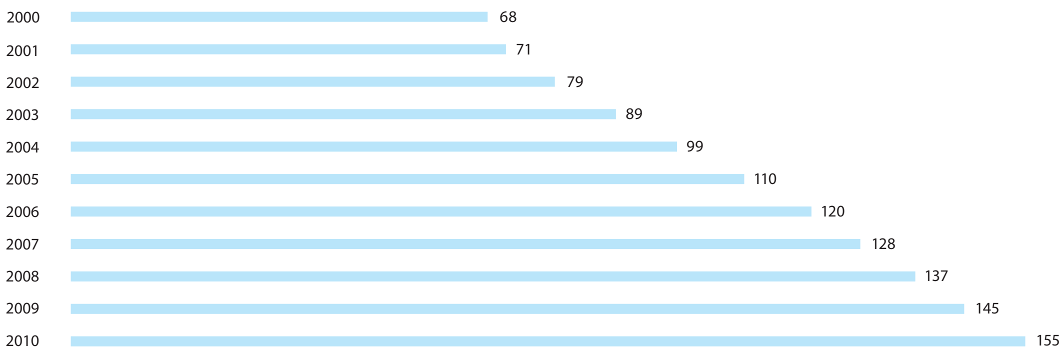
Market leadership maintained through organic growth

Kuehne + Nagel's seafreight business is characterised by strong, sustained organic growth. In 2006, the company handled 2,275,000 TEUs, equal to 19 per cent volume growth and representing an almost twofold increase over the past 3 years, i.e. more than 1 million TEUs. Higher productivity and an optimisation of processes returned a 41.4 per cent improvement in operational results to CHF 373.3 million.

Container market

The worldwide container market grew by 9 per cent in 2006. Most demand was generated by the Asia-Pacific region, primarily China. Compared with 2005, traffic from Asia to Europe increased again by 17 per cent, acting as growth engine for global container shipping. However, the strong rise in East-West trade highlighted the imbalance in container traffic: of two containers shipped on the main trade lanes, almost one had to be returned empty. On the transatlantic routes, cargo volume increased a moderate 5 per cent compared with the previous year.

World Container Traffic million TEU*



* Figures are based on Kuehne + Nagel market research and estimates.

Impressive rise in Kuehne + Nagel cargo volume

In 2006, Kuehne + Nagel again successfully met its target to grow at twice the global container market rate. The increase in Asian exports, especially to Northern Europe and the Mediterranean countries, which improved by 23 per cent over the previous year, was outstanding. As a consequence of dedicated sales efforts in important European countries, Kuehne + Nagel succeeded in raising exports from Europe to Asia by 17 per cent, despite the imbalance in traffic. With a 13 per cent increase in cargo volume in the transatlantic trades, growth outperformed that of the market by a factor of three.

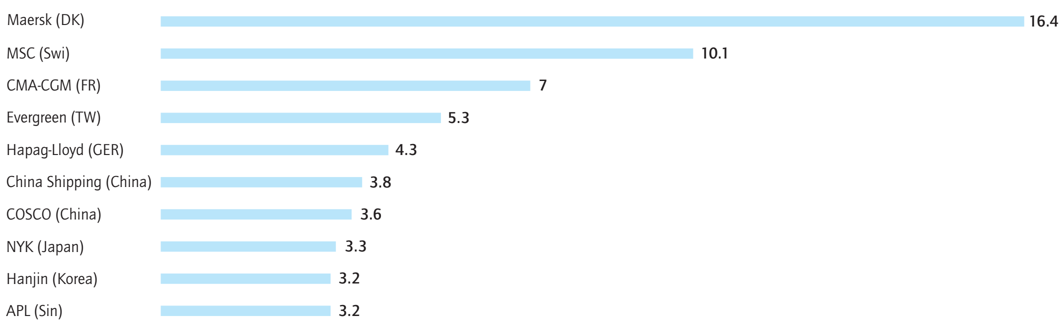
Freight rates

Expansion of shipping companies' transport capacities was expected to put prices under pressure in 2006. This occurred in the Asia-Europe trade, although rates climbed again in the second half as cargo volume increased. On other routes, demand was unable to match the increased capacities and rates fell severely in some cases.

Shipping companies

In 2005 and 2006, the worldwide shipping industry saw significant consolidation. Maersk Line, already market leader, took over P&O Nedlloyd, Hapag-Lloyd acquired CP Ships and CMA CGM bought Delmas. The top 10 carriers together now account for more than 55 per cent of the market, with the leading shipping company taking a share of approximately 16 per cent.

Global Capacity Top 10 Shipping Companies per cent*



* Source: Alphaliner, March 2007

Close strategic cooperation with selected shipping companies enabled Kuehne + Nagel to efficiently manage its constant growth and guarantee customers container slots in all shipping alliances. In 2006, Kuehne + Nagel extended capacities on numerous routes, allowing it to offer customers even greater flexibility.

More value added through intelligent IT solutions

Kuehne + Nagel again invested in information technology to continually raise cost efficiency and customer satisfaction. Amongst other measures, this included upgrades to the operational software. A considerably higher number of electronic orders were sent by Kuehne + Nagel as a result of further shipping companies linking to INTTRA, the industry's leading portal. Functionality of KN Login, the comprehensive logistics information system, was also extended, and new IT solutions tailored to the high-tech, automotive and retail industries were developed and introduced. A major project was initiated in 2006 to upgrade all operative IT systems to the latest technology and expand functionality over the coming years.

Niche products

Reefer and perishables traffic continued to perform successfully, with volumes in this segment again rising. Through ACES, a leading provider of logistics services in the U.S. forestry industry forming a part of the Kuehne + Nagel Group since December 2005, a considerable increase in activities in this market could be realised. In the wine and spirits segment, the share of business was also raised appreciably.

Significant LCL business

LCL (Less-than-Container Load) business is an important Kuehne + Nagel seafreight offering. Factors contributing to success in this segment are the company's own LCL network and its Multi-Country Consolidation Services. Via the latter, consignments from different countries are collected at central gateways in Asia, the Middle East and Europe, sorted by receiving stations, consolidated in containers and shipped. Designed to reduce transit times and simplify cost structures, new gateways were established and more than 2,000 additional routes created across this transport system.

River shipping

Higher demand for environmentally compatible transport has led to a renaissance in river shipping. Tonnage on the Main and Danube was increased by more than 25 per cent. In anticipation of a further expansion in Main-Danube traffic, Kuehne + Nagel has joined with an experienced partner. While container volumes on the Rhine remained stable, capacity overload at the port of Rotterdam caused some difficulties.

Aid and relief logistics

These activities continue to be awarded a high priority. Kuehne + Nagel sees it as an obligation, in cooperation with relief agencies, to help reduce suffering in the world. Confidence in the company's capability was underscored by several new contracts and contract extensions.

Oil, energy and project services

Turnover and freight volume in 2006 could be held at the previous year's high level. Kuehne + Nagel participated in numerous projects in the oil and gas industry, above all in the Middle East, in Asia-Pacific and in West Africa. Large orders from leading companies in the industry expanded the portfolio in this demanding business. The current relatively stable price of oil will continue to allow for a favourable development of this business.

Outlook 2007

The year ahead is expected to bring significant two-digit capacity increases. Shipping companies are reasonably confident that this capacity will be filled by a comparably high market demand. Against this background, Kuehne + Nagel anticipates to continue its positive business performance.

Performance Seafreight

CHF million	2006	Margin	2005	Margin	Variance 2006/2005 per cent
Turnover	8,305.8	100 %	7,503.2	100 %	+10.7
Gross profit	1,138.4	13.7 %	943.5	12.6 %	+20.7
EBITDA	373.3	4.5 %	264.0	3.5 %	+41.4
EBIT	345.2	4.2 %	243.3	3.2 %	+41.9
Number of operational staff	6,794		6,053		+12.2
TEU ‘000	2,275		1,910		+19.1

MEXICO CITY, MEXICO:
MEX – BENITO JUAREZ INTERNATIONAL AIRPORT,
2006-11-12, 08.15.

HONG KONG, CHINA:
HKG – INTERNATIONAL AIRPORT (CHEP LAK KOK),
2006-11-13, 22.15.

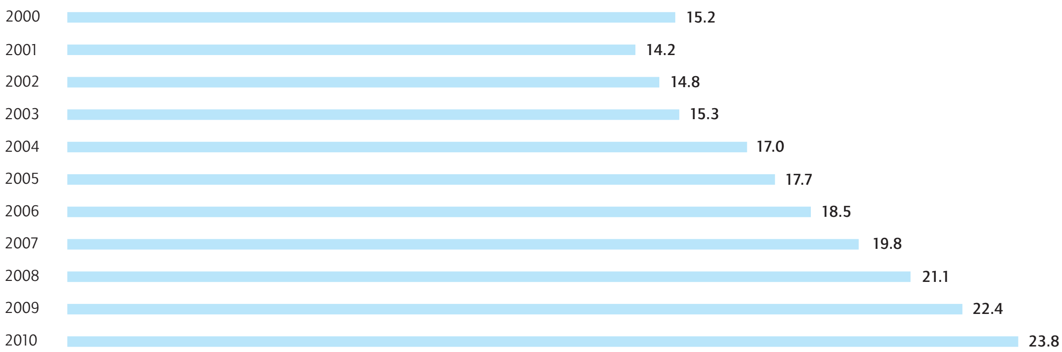
Success in a difficult market

Despite adverse market conditions, Kuehne + Nagel's airfreight division handled 720,000 tons in 2006. This represented a growth of more than 10 per cent; double that of the market average. Stringent cost management again proved effective and contributed significantly to the 19.1 per cent improvement in the operational result to CHF 165.6 million.

Market development

Global airfreight market growth failed to meet expectations at only 4.6 per cent. In particular, the high season – the fourth quarter – performed weaker than in previous years. 2006 was marked by increased imbalance in traffic movements, especially in the Asia-Europe-Asia and Asia-USA-Asia routes. Extra capacities were required for exports from Asia to Europe. Exports to Asia, primarily China, failed to meet expectations.

Global Intercontinental Airfreight Traffic million tons*



* Figures are based on Kuehne + Nagel market research and estimates.

Kuehne + Nagel business performance

The Asia-Pacific region remained the growth engine for Kuehne + Nagel's airfreight activities, though at a lower level than in previous years. Export volume increased by more than 13 per cent. A number of European countries also recorded strong growth, including Belgium with a 20 per cent rise, as well as Germany and Italy, each up 14 per cent. North America also developed favourably, with the US organisation raising volumes by 10 per cent, and Mexico by an outstanding 68 per cent.

Due to strong intra Latin American traffic, airfreight business in this region made healthy progress and managed to compensate for losses arising from business transferred to seafreight.

Transpacific lanes are among the largest and most attractive in the global airfreight market. Kuehne + Nagel's objective to participate more intensively in these trade lanes was backed by considerable investment in staff and infrastructure. Future acquisitions may be considered to accelerate growth on these routes.

Success factors: Standardised information technology and quality

Kuehne + Nagel's global IT standard enables the company to introduce new, more efficient processes at short notice and continually improve the quality of its products.

Currently, Kuehne + Nagel remains the only company able to automatically control and monitor door-to-door airfreight transportation in accordance with Cargo 2000 Phase 2 criteria. Based on this quality concept, Kuehne + Nagel launched its new product family (KN Express, KN Expert, and KN Extend) in the largest markets. These innovative, time-defined products, which differ mainly in their transit times, met with positive acceptance by customers who appreciate global standardisation and transparent billing. In a large-scale campaign, all airfreight employees were trained to the same level of knowledge with respect to Cargo 2000 and the unique benefits offered by the new products.

Aviation logistics

This special service for the aviation industry registered above-average growth in 2006. Thanks to the experienced global team of experts, activities were successfully launched in Eastern European and Asian markets. Further expansion in this business segment will be supported by the continued outsourcing trend in the aviation industry.

Hotel logistics

The successful global performance of hotel logistics has encouraged Kuehne + Nagel to allocate a separate segment to this activity within the airfreight business field. While former activities focused on complex projects in the Middle East, especially Dubai, and in Europe, in 2006, activities were significantly expanded above all in the Maldives, Seychelles and Zanzibar, all in the Indian Ocean, as well as Langkawi in Malaysia and Isla Margarita in Venezuela.

Kuehne + Nagel hotel logistics has moved on from focusing only on new hotels or hotel refurbishment to controlling the entire supply chain of day-to-day hotel chain consumables.

In 2007, new locations in Asia, including Macao, and North America are planned to open to satisfy customer demand and accommodate the sustained strong growth expected in this niche product.

Outlook 2007

For 2007, a similar growth as in 2006 is anticipated for the global airfreight market. New capacities from additional passenger aircraft (belly freight) and the extension of freighter capacities, especially in the imbalanced routes, will remain a big challenge to maintain stable freight rates.

Considering investment in airfreight traffic from Asia to North America, Kuehne + Nagel expects to continue to grow considerably above the market average in the current business year while maintaining stable margins. The leading edge the company possesses due to innovative products and higher efficiency in process development will be of benefit in achieving this goal.

Performance Airfreight

CHF million	2006	Margin	2005	Margin	Variance 2006/2005 per cent
Turnover	3,386.4	100 %	3,010.8	100 %	+12.5
Gross profit	598.9	17.7 %	527.3	17.5 %	+13.6
EBITDA	165.6	4.9 %	139.1	4.6 %	+19.1
EBIT	151.1	4.5 %	124.3	4.1 %	+21.6
Number of operational staff	3,397		3,167		+7.3
Tons '000	720		654		+10.1

WASSEN, SWITZERLAND:
+15°C,
2006-04-02, 11.26.

TURKU, FINLAND:
-5°C,
2006-04-02, 11.26.

Business expansion in all European regions

Integration of railfreight into the Kuehne + Nagel Rail & Road Logistics business unit was successfully completed in 2006. This, along with a focus on particular transport routes and industry sectors, contributed to higher utilisation of environment-friendly rail transport.

Strong growth of traffic with the CIS

Above-average growth rates were achieved in single railcar traffic with the Commonwealth of Independent States (CIS) and states in Central Asia. With a volume in excess of 500,000 tons, Kuehne + Nagel is among the market leaders in these transport relations. Some 4,500 TEUs were handled as intermodal transport.

New railports in Southeastern Europe

Traffic with Southeast European states benefited from the setting up of two new consolidation points for the formation or regrouping of freight trains: In the course of the year, train formation became possible in Cervignano (Italy) and Sturovo (Slovakia), while in the Belgrade-Makis marshalling terminal (Serbia) a new hub for train regrouping was established. Overall, more than 3,200 trains were dispatched in this region in 2006.

Port deliveries for sea containers transferred to rail

In line with strategic policy, overland pre- and on-carriage of Kuehne + Nagel's continually growing sea container traffic was increasingly transferred to rail; more than 150,000 TEUs were transported by rail to and from the continental North Sea ports alone. Both the transport share of company block trains, as well as the share of transport services from private rail companies increased. In Great Britain, Kuehne + Nagel handled 90,000 TEUs by rail.

Roundtrip transports for large-scale producers

In Austria, Kuehne + Nagel deployed block trains for a customer's daily raw material deliveries, which to a large extent returned loaded with manufactured products to the river port of Enns for final disposition.

Successful development of project and special transports

Competence in projects and specialised transports built up over recent years brought significant new business in the CIS and Central Asia in 2006. Additionally, business in the "rolling stock on own wheels" and "used rolling stock on low-loader wagons" segments could be increased.

Business focus for 2007

Promotion of rail traffic will remain a focus of the Kuehne + Nagel Group's corporate objectives. Aside from building new block train services and large intermodal flows, attention also will be placed on expanding single railcar traffic.

FRANKFURT, GERMANY:
TECHNICAL INSTRUMENTS,
2006-03-30, 03.08.

MUMBAY, INDIA:
TECHNICAL INSTRUMENTS,
2006-03-30, 07.38.

European network development

In 2006, efforts centred on a further systematic development of road transport activities and the establishment of a Europe-wide groupage network.

Strong growth and network integration in Germany

The German national organisation, which contributed significantly to this business field's turnover, raised national and international transport volumes by 12 per cent (6 per cent from acquisitions). Kuehne + Nagel again grew faster than the market in 2006.

Through acquisitions in 2005 and that of F.W. Deus GmbH & Co. KG, Oldenburg/Germany in 2006, the company strengthened its position within IDS, the leading German association of groupage forwarders, and meanwhile accounts for more than 30 per cent of the national and international consignments.

Consolidation and network integration in Europe

Kuehne + Nagel extended its activities in the Baltic area, taking over the business activities of the Estonian forwarding company E.M. Trans AS and its subsidiaries in Lithuania, Latvia and Finland. It now is able to offer customers in this region full access to the Kuehne + Nagel groupage network. In the course of network integration, 20 European Kuehne + Nagel countries were working together on an exclusive basis by the end of 2006.

Creation of a hub network

Intensive work was conducted to create a European hub system, which proceeded with the establishment of a central European hub in Haiger, Germany, and seven regional hubs in Barcelona (Spain), Birmingham (U.K.), Malmö (Sweden), Milan (Italy), Paris (France), Warsaw (Poland), and Vienna (Austria). The hub system now provides comprehensive coverage, linking 38 European countries with scheduled daily services.

Standardisation

In 2006, the decision was made to introduce a uniform IT system, which is already installed at major locations. Full conversion to the new standardised software in all European countries will be complete by the end of 2009. The resultant process harmonisation will bring significant increases in productivity and quality.

Outlook 2007

Expansion and consolidation of the network in 2006 laid the foundations for profitable growth in road transport. By the end of 2009, turnover in this business field is targeted to rise to CHF 5 billion, which will be achieved by a combination of organic and external growth. Higher volumes and further network consolidation can be expected to deliver significant cost reductions.

Performance Rail & Road Logistics

CHF million	2006	Margin	2005	Margin	Variance 2006/2005 per cent
Turnover	2,474.0	100 %	2,094.5	100 %	+18.1
Gross profit	458.2	18.5 %	400.1	19.1 %	+14.5
EBITDA	36.9	1.5 %	29.3	1.4 %	+25.9
EBIT	–15.3		–14.1		–8.5
Number of operational staff	3,294		3,628		–9.2

GEEL, BELGIUM:
KUEHNE + NAGEL LOGISTICS CENTRE,
2006-09-13, 16.04.

GEEL, BELGIUM:
KUEHNE + NAGEL LOGISTICS CENTRE,
2006-09-13, 05.30.

Acquisition of ACR brings quantum leap

For 2006, turnover of CHF 3.9 billion put the company amongst the top 3 global contract logistics providers for the first time. Achievements were endorsed by awards for innovative performance.

Acquisition of the ACR Group

The acquisitions of the U.S. contract logistics provider USCO Logistics in 2001 and the European ACR Group in 2006 demonstrate Kuehne + Nagel's active involvement in the industry's consolidation, over the course of which the company has significantly expanded its global capacities.

The takeover of the ACR Group has extended the company's traditional focus on automotive, chemicals, aviation, high-tech, pharmaceuticals, and industrial goods, to encompass the retail, consumer goods, and telecommunications industries. This now allows Kuehne + Nagel to offer integrated services to all important industry segments.

At the end of 2006, with the integration of the ACR Group into the Kuehne + Nagel contract logistics organisation completed, the company had more than 6 million square metres of warehouse space at over 400 locations under management, with approximately 25,000 permanent and 6,000 temporary staff. Systematic cross-selling, augmented management know-how, as well as enhanced IT competence, were factors leading to above-average growth.

Awards for innovation

The innovative power of the Kuehne + Nagel Group, above all in contract logistics, was acknowledged by the company being presented the Swiss Innovation Award. This leading edge in innovation, which constitutes one of the pillars of corporate strategy, is a comprehensive combination of product and process innovation, as well as a further development of the decentralised company structure. Winning the Italian Logistics Award for Innovative Services and the European Prize for Logistics Excellence confirms that the German Logistics Award in 2005 was no isolated case.

In England, the service portfolio was enlarged by the establishment of KN Drinks Logistics, a segment that offers the drinks industry a comprehensive logistics service and is another example of the company's successful transition from freight forwarder to provider of integrated industry solutions. This concept is planned to be transferred to other countries in the future.

Standardised information technology

The globally implementable, standardised Kuehne + Nagel warehouse management system was installed for more than 400 customers at 100 locations in 40 countries by the end of 2006. The supply chain management software "Logistar", an integrated system with enterprise resource planning, warehouse management and transport management functionality, acquired when ACR was taken over, is also to be implemented in countries outside Europe and in other industrial sectors. Both applications are linked to Kuehne + Nagel's standard global information system, KN Login, enabling customers to query all relevant control data (including consignment, inventory and order data) on one system.

Functionality will gradually be extended through further standardisation and integration of local applications, thereby facilitating the implementation of customer-specific solutions with a high degree of uniform processes and IT systems.

Regional developments

With activities in more than 50 countries, Kuehne + Nagel, along with one competitor, possesses the biggest geographical area coverage of all globally operating contract logistics providers. It should be noted that there are only a handful of companies with any presence in more than 25 countries. Customers demand a consistent quality level and transferral of best practices to developing markets; a requirement that also drives the importance of a global network in contract logistics. In addition to successive expansion of the network in the past five years, Kuehne + Nagel has, by its acquisition of the ACR Group, strengthened its activities in Western Europe, especially in Great Britain, France, Italy, Spain, the Netherlands and Belgium, and now ranks amongst the leading providers in these countries. Eastern Europe and the Far East also represented principal areas of growth.

Eastern Europe

One particular aspect to be emphasised is the dynamic development in Russia. The current presence in three locations in Moscow and St. Petersburg will be supplemented by the opening of three new logistics centres in Rostov, Kazan and Samara. For the next five years, a further 10 contract logistics locations are being planned. In Ukraine, where Kuehne + Nagel almost doubled its activities in 2006, the company is the market leader. In Poland, ACR operations were integrated and further growth realised, giving Kuehne + Nagel a position among the top 3 in the country.

Asia-Pacific

In the Far East, the growth programme commenced three years ago gathered momentum, with 19 new locations and three new national contract logistics offices being opened in 2006. In the process, available space was almost doubled from 80,000 to 150,000 square metres at 42 locations. In this context, the explicit growth in China and the development of activities in India at six new locations should be highlighted. In Japan, the commissioning of a logistics centre in Tokyo marked the initiation of contract logistics activities.

Outlook

In 2007, Kuehne + Nagel will follow the objective of growing by 8 per cent, faster than the market, while maintaining stable margins. Its lead through innovation is one of the key pillars in the company's corporate strategy and comprises ongoing product development and renewal, combined with continual optimisation of workflows.

A focus of future growth will include specific logistics and supply chain management solutions for customers from industry and trade.

Performance Contract Logistics

CHF million	2006	Margin	2005	Margin	Variance 2006/2005 per cent
Turnover	3,916.1	100 %	1,333.2	100 %	+193.7
Gross profit	3,018.7	77.1 %	864.9	64.9 %	+249.0
EBITDA	188.4	4.8 %	69.8	5.2 %	+169.9
EBIT	64.0	1.6 %	33.3	2.5 %	+92.2
Number of operational staff	25,169		7,078		+255.6

Real Estate

All Kuehne + Nagel Group real estate assets are brought together and managed by the Real Estate business unit. This increases transparency and helps distinguish between operational results of logistics and real estate activities, respectively.

The new Real Estate business unit is concerned with optimally managing the company's real estate portfolio in alignment with corporate strategy. The Kuehne + Nagel Group owns logistics centres, warehousing and cross-docking facilities, as well as office properties. These are leased to the company's operational divisions.

Company-owned real estate

Only around 20 per cent of the global portfolio of more than 6 million square metres of logistics space is in company possession, making the Kuehne + Nagel Group essentially an "asset-light company".

In logistics, the significance of strategically important locations must be taken into account; often these can only be secured by acquisition and ownership of the land. The biggest value increase potential in logistics real estate is found in well-developed sites with ideal traffic connections. Due to the method of construction and their usage, logistics buildings have shorter lifecycles than office or residential buildings.

Purchase versus lease

The Kuehne + Nagel Group attaches increasing importance to new markets in South America, Asia and Eastern Europe. Investing corporate capital in logistics facilities often is unavoidable in order to expand activities in these regions. Reasons for this include the absence of investors willing to participate in certain economic regions due to internal regulations, currency risks, high interest rates or unattractive market sizes.

Lease solutions in these new markets often are associated with extremely high rents, reflecting investor risk, as well as an underdeveloped or immature market with insufficient competition. Numerous logistics real estate markets in these economic regions are neither established nor transparent and are mostly dominated by local vendors, so that rental agreements can quickly become a risk factor.

While it may often be necessary to self-finance new logistics facilities in emerging markets to fulfil corporate objectives, the attractive value-added potential of such facilities should not be ignored – assuming good choice of location, market analysis and risk assessment.

Objectives

Professional management of the company's real estate portfolio and providing in-house service as an administrative department are the most important core tasks of the Real Estate business unit.

Performance Real Estate

CHF million	2006	2005	Variance 2006/2005 per cent
Gross profit	104.9	70.7	+48.4
EBITDA	74.7	48.4	+54.3
EBIT	39.6	31.6	+25.3

Sustained organic growth

The brokerage business performed positively, helping the globally operating Nacora Group maintain its organic growth. Diverse restructuring measures led to an above-average operational result increase. On the insurance side, integration of the ACR Group, acquired by the Kuehne + Nagel Group at the beginning of the year, was successfully completed.

The 2006 insurance market was characterised by a significant decline in the number of natural disasters. This aspect and fresh liquidity in the direct, as well as the re-insurance business, in part, caused a significant reduction in premiums, which benefited Nacora customers. The resulting drop in turnover was more than compensated by substantial new business.

Network expansion

Network expansion proceeded according to plan. Having established a new national company in Australia, the Nacora Group is now represented on all continents. An office also opened in Bilbao, Spain. This year, network expansion will be focused on Eastern and South-eastern Europe.

Focus on cargo insurance

For several years, the cargo insurance business has grown at above-average rates. Driven by demand-orientated products and determined sales efforts, and sustained by globalisation, business is expected to be appreciably boosted. A steady increase in turnover and profit may be anticipated in the coming years by executing this strategy.

High service level assures market shares

A further focus of the Nacora Group is on insurance solutions for trade, industry, and public sector customers. These primarily include medium-size enterprises with international operations and intermediate-sized municipal authorities. Customers consider high service levels a major factor in awarding a brokerage mandate. This presupposes competent and motivated employees in all areas, from consulting and sales to contract negotiation and claims settlement. The Nacora Group ensures high quality and optimum service from its employees through continuous training and further education.

Outlook 2007

To accelerate Nacora Group growth, acquisition possibilities in select markets are being evaluated. Most important in this context are complementary activities enabling maximisation of synergy effects.

Performance Insurance Broker

CHF million	2006	Margin	2005	Margin	Variance 2006/2005 per cent
Turnover	107.5	100 %	101.8	100 %	+5.6
Gross profit	34.0	31.6 %	27.8	27.3 %	+22.3
EBITDA	16.4	15.3 %	10.9	10.7 %	+50.5
EBIT	16.1	15.0 %	10.7	10.5 %	+50.5
Number of operational staff	138		131		+5.3

Status Report

Turnover

Exchange rate fluctuations between 2005 and 2006, based on average yearly exchange rates, led to a slightly higher valuation of the euro, the U.S. dollar and depending currencies (e.g. Hong Kong, Taiwan, Singapore, as well as a number of countries in South America) of 1.7 (euro) and 1.1 (U.S. dollar) per cent respectively against the Swiss franc. When comparing the turnover in the income statement, the currency impact of the Swiss franc of approximately plus 1.8 per cent in 2006 must be taken into consideration.

In 2006, Kuehne + Nagel's turnover amounted to CHF 18,194 million, representing an increase of 29.5 per cent or CHF 4,145 million. The impact from acquisitions amounted to CHF 2,580 million; from organic growth to CHF 1,249 million; and from the above-mentioned exchange rate impact to CHF 316 million.

At regional level, Europe increased its turnover mainly due to the acquisition of the ACR Group by 41.0 per cent. Favourable turnover increases through organic growth were achieved in the Americas (9.2 per cent), in Asia-Pacific (14.7 per cent), and in the Middle East, Central Asia and Africa (15.8 per cent).

Income

Gross Profit

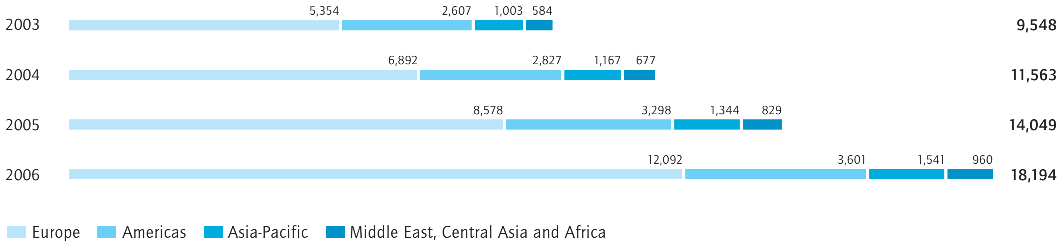
Gross profit, which in the logistics industry provides a better indication of performance than turnover, reached CHF 5,253 million in 2006, up by 89.7 per cent compared to the previous year. This increase is mainly due to acquisitions (CHF 1,933 million), but also to strong organic growth (CHF 453 million) and a positive exchange rate impact (CHF 97 million).

At a regional level, Europe was the largest contributor to gross profit (74.7 per cent), followed by the Americas (15.7 per cent), and Asia-Pacific (7.4 per cent). The remaining 2.2 per cent relate to the Middle East, Central Asia and Africa.

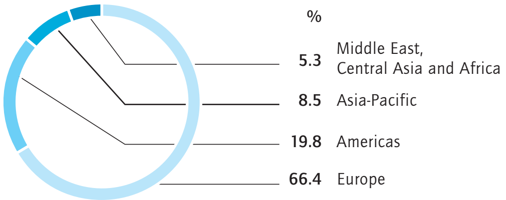
Operational Cash Flow

The operational cash flow – the sum of the net income for the year plus/minus non cash related transactions – increased by CHF 282 million to CHF 857 million (for further information, please refer to the cash flow statement section of the Consolidated Income Statement).

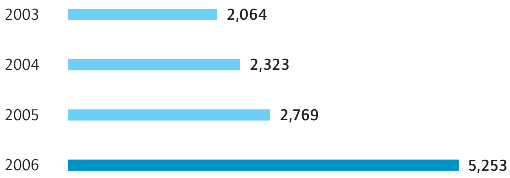
Regional Turnover CHF million



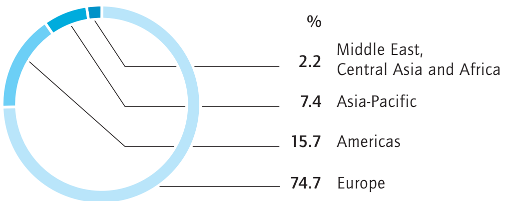
Regional Turnover



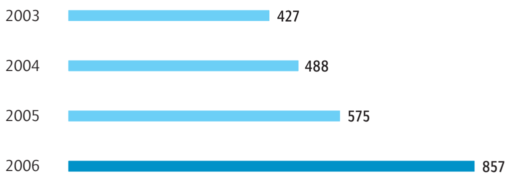
Gross Profit CHF million



Regional Gross Profit



Operational Cash Flow CHF million



EBITDA

Earnings before interest, tax, depreciation and amortisation on goodwill and other intangible assets increased by CHF 294 million or 52.3 per cent; the acquisition impact amounts to CHF 151 million, organic growth to CHF 128 million, and the exchange rate impact to CHF 15 million. Due to the acquisition of the ACR Group, Europe made the largest EBITDA contribution (CHF 529 million or 61.9 per cent), followed by Asia-Pacific (CHF 155 million), the Americas (CHF 154 million) and Middle East, Central Asia and Africa (CHF 17 million).

The EBITDA margin increased significantly to 4.7 per cent compared to 2005 (4.0 per cent). Apart from the acquisition of the ACR Group, this is mainly due to efficient cost management. The increase of manpower costs by CHF 1,461 million or 97.4 per cent is mainly due to the staff increase of 14,105 resulting from the acquisition of the ACR Group (46,290 staff compared to 25,607 in 2005).

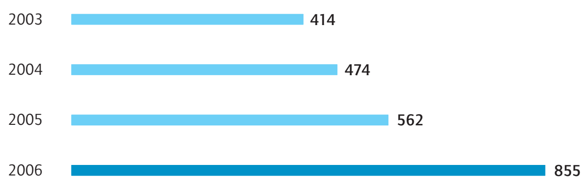
EBIT / Earnings for the year

The increase of earnings before interest and tax (EBIT) by CHF 172 million is mainly from organic growth (CHF 121 million), acquisitions (CHF 42 million), and a positive exchange rate impact (CHF 9 million).

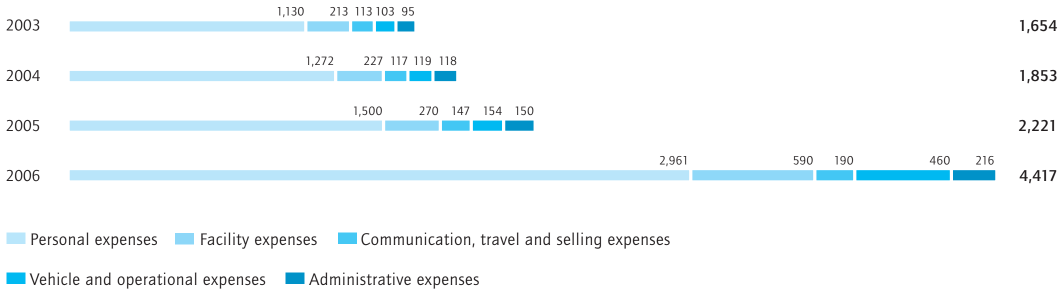
In 2006, EBIT increased considerably; EBIT in Europe grew by CHF 122 million (66.1 per cent), followed by the Americas (CHF 27 million or 25 per cent) and Asia-Pacific (CHF 28 million or 24 per cent). The strong EBIT margin increase (in per cent of invoiced turnover) from 3.1 per cent in 2005 to 3.3 per cent in 2006 is also pointed out.

The earnings for the period increased by CHF 143 million to CHF 458 million compared to the previous year, and also the margin (in per cent of the invoiced turnover) grew from 2.2 per cent to 2.5 per cent. This on the one hand is due to the strong growth and the improvement of cost efficiency, and on the other hand caused by a reduction of the tax rate from 28.6 per cent to 23.6 per cent (mainly due to the usage of tax loss carried forwards of the ACR Group).

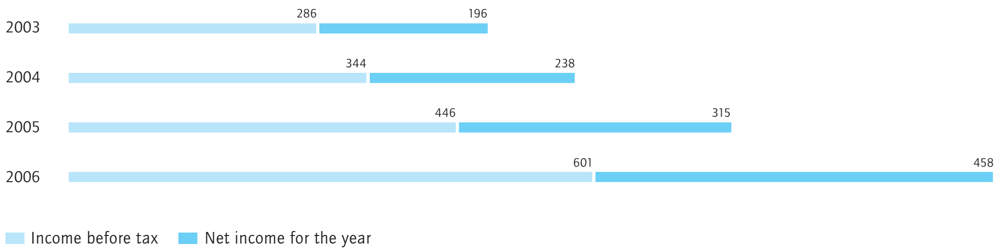
EBITDA CHF million



Operational Expense CHF million



Earnings Before Tax / Earnings for the Year CHF million



Financial Position

All assets and liabilities of the group increased substantially due to the acquisition of ACR. The increase of fixed assets by CHF 491 million, of goodwill by CHF 471 million, and intangible assets are shown in detail in the notes 24 / 25 to the consolidated income statement. The decrease of cash and cash equivalents by CHF 427 million is mainly due to the acquisition of the ACR-Group (CHF 689 million) – see note 40 of the consolidated financial statements.

Trade receivables amounting to CHF 2,162 million represent the most significant asset of the Kuehne + Nagel Group. The days outstanding of 38.8 days in 2005 increased to 41.4 days in 2006.

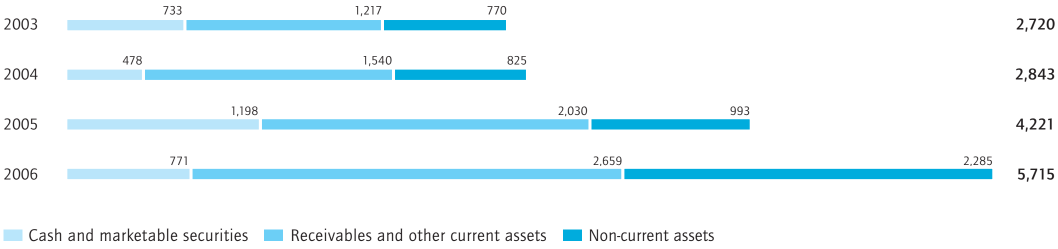
The equity grew by CHF 374 million to CHF 1,975 million. This represents an equity ratio of 34.6 per cent (2005: 37.9 per cent). Further, the reduction of working capital has to be pointed out; it is caused by an extension of the vendor terms (DPO) from 41.1 to 51.2 days. Developments of other key figures on capital structure are shown in the adjacent table.

Kuehne + Nagel Group Key Figures on Capital Structure

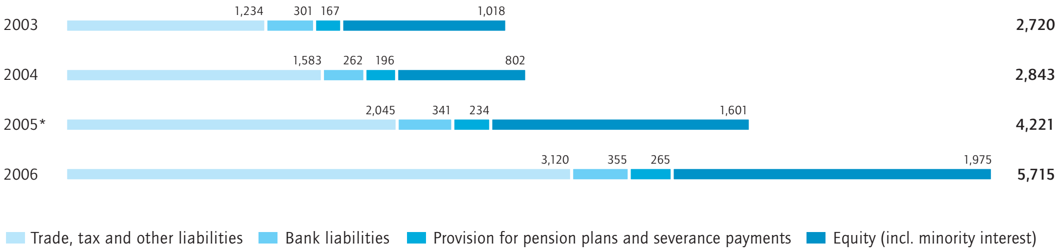
CHF million	2003	2004	2005	2006
1 Equity ratio	37.2 %	28.2 %	37.9 %	34.6 %
2 Return on equity	23.6 %	25.1 %	38.7 %	25.6 %
3 Debt ratio	62.6 %	71.8 %	62.1 %	65.4 %
4 Short-term ratio of indebtedness	56.0 %	64.2 %	55.7 %	55.7 %
5 Intensity of long-term indebtedness	6.6 %	7.5 %	6.4 %	9.7 %
6 Fixed assets coverage ratio	155.3 %	123.1 %	188.3 %	110.8 %
7 Working capital	426.1	191.0	875.1	246.8
8 Receivables terms (in days)	35.9	35.6	38.8	41.4
9 Vendor terms (in days)	39.6	38.4	41.1	51.2
10 Intensity of capital expenditure	28.3 %	29.1 %	23.5 %	40.0 %

1 Total equity in relation to total assets at the 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 Total liabilities – equity in relation to total assets
4 Short-term liabilities in relation to total assets
5 Long-term liabilities in relation to total assets
6 Total equity + long-term liabilities in relation to non-current assets
7 Total current assets less short-term liabilities; 2005 adjusted for comparison purposes
8 Turnover in relation to the receivables outstanding at the end of current year
9 Expenses for services from third parties in relation to trade liabilities / accrued trade expenses at the end of current year
10 Non-current assets in relation to total assets

Assets CHF million

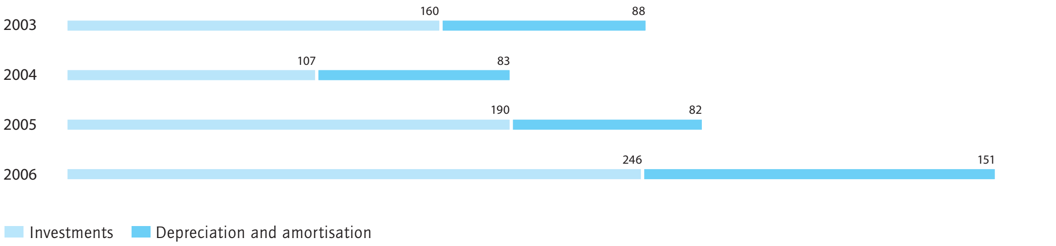


Liabilities CHF million



* 2005 adjusted for comparison purposes

Investments in Fixed Assets, Depreciation/Amortisation CHF million



Investments, Depreciation and Amortisation

In 2006, the Kuehne + Nagel Group invested a total of CHF 246 million for capital expenditures in fixed assets.

All capital expenditures in 2006 were financed by the operational cash flow of CHF 857 million generated during the current year.

CHF 111 million were invested in properties and buildings, and CHF 135 million for other fixed assets, operating and office equipment.

During the course of 2006, the following major investments were made in properties and buildings:

Region/Location	CHF million	
Europe		
Hamburg	33	Construction of the new logistics center "Hafen City"
Stuttgart	3	Extension of a logistics center by 28,500 sqm
Leipzig	2	Purchase of land
Oldenburg	5	Purchase of office building
Geel	33	Construction of a new logistics center (45,000 sqm warehouse space)
Roye	7	Extension of a logistics center
Givor + Mitry	2	Extension of a logistics center
Kiev	3	Construction of a new logistics center (6,695 sqm warehouse space)
	88	
Asia-Pacific		
Auckland	4	Construction of a new office building
Melbourne	1	Purchase of land for construction of a new logistics center
Total	93	

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

	CHF million
Operating equipment	57
Vehicles	14
Leasehold improvements	21
IT hardware	22
Office furniture and equipment	21
Total	**135**

The allocation by region is as follows:

	CHF million
Europe	92
Americas	29
Asia-Pacific	9
Middle East, Central Asia and Africa	5
Total	**135**

Depreciation and impairment losses in 2006 amounted to CHF 255 million (including impairment loss on intangible assets) and are recorded in notes 6 and 8 to the Consolidated Financial Statements.

Development of capital expenditure and depreciation of fixed assets over a period of 4 years

CHF million	2003	2004	2005	2006
Capital expenditure				
Properties and buildings	63	51	99	111
Operating and office equipment	97	56	91	135
Total	**160**	**107**	**190**	**246**
Depreciation				
Buildings	12	14	16	28
Operating and office equipment	76	69	66	123
Total	**88**	**83**	**82**	**151**

Information Technology

During 2006, efforts focused on expanding IT-based products, continuing harmonisation and standardisation programs, and preparing for global implementation of three consolidated data processing centres modelled on the "Follow the Sun" principle.

New technical platform for internet-based applications

Internet-based applications are being successively transferred to a new technical platform. Handling has been appreciably simplified by redesigning the user interface for the standardised KN Login logistics information system. The modular system structure enables industry- or customer-specific configuration, therefore flexibility to quickly and efficiently accommodate individual customer requirements.

New IT solution for the automotive industry

Working with one of the biggest automotive suppliers, an industry-specific solution was conceived, realised and successfully implemented. It took the form of an internet-based technology allowing all participants in the supply chain – customers, suppliers and logistics providers – to work together on a central system. The high transparency – delays or transport damages become immediately visible – provides the customer with a vivid real-time tool to efficiently control its own global supply chain.

Standardisation initiative for overland transport

IT is supporting the strategic expansion of road and rail activities. Within the scope of the project, which will last several years, the first major locations switched to new standardised systems and processes. The project centres on streamlining operations for cost savings and improved efficiency.

"Follow the Sun" – Around-the-clock global IT services

The “Follow the Sun” concept – by which a data processing centre operates in each of three different time zones to guarantee maximum availability and stability – will allow Kuehne + Nagel to meet its obligation of ensuring consistent information management 24 hours a day.

Customer data management

The current decentralised approach is being replaced by a central web-based application that reduces network load and enhances system administration. The commissioning of the first primary modules began in 2006; the complete changeover will be finished in 2007.

Electronic link to Kuehne + Nagel systems

Customer requests for an electronic link to Kuehne + Nagel IT systems increased significantly, pushing quality requirements with regard to data throughput and customer support. Capacity increases and automation measures were initiated to facilitate smooth data flows and avoid bottlenecks.

Outlook 2007

In 2007, as in previous years, Kuehne + Nagel will invest in innovative applications and system expansion. High priority will also be given to the full realisation of the "Follow the Sun" principle for operation of data processing centres, introduction of further standardised IT systems for European overland transport, and conception of the next generation of applications for sea- and airfreight.

Lead Logistics Solutions

Integrated logistics solutions for global markets

With dynamic growth of world trade pushing demand for integrated services, innovative solutions aimed at streamlining processes across the entire logistics chain are found in the focus of interest. Importance is also being attached to reducing logistics costs, controlling contracted service providers and maintaining high service levels. Kuehne + Nagel's specialist know-how, standardised products and processes, as well as sophisticated information logistics, in all core markets enabled it to benefit from this trend. Significant new business was acquired in Asia, Europe and North America.

Growth in key industries

The award of a contract to assume logistics management for a leading global pharmaceutical company underscores that the created structures satisfy this industry's high requirements. Combining integrated data, harmonised processes and specifically configured IT systems, Kuehne + Nagel controls the global distribution logistics of nine production sites, including areas where other logistics providers are used operatively.

Similarly, a key account in the high-tech sector transferred control of its entire transport and warehouse logistics to Kuehne + Nagel. In addition to significant savings accruing from process optimisation, the client benefits appreciably from a reduction in management complexity: instead of more than 100 service providers, Kuehne + Nagel is now solely responsible for logistics along the entire supply chain.

Continued success was evident in the attractive area of pan-European lead logistics solutions. Based on optimised networks and efficient procurement structures, the company was able to win logistics management contracts from several new customers, and realise considerable cost savings for these companies.

Growth through strengthened structures

In 2006, emphasis was placed on a consulting-orientated approach to selling lead logistics solutions. In all core regions, the teams responsible for conception and implementation of customer-specific solutions were strengthened. On the basis of analyses of networks and processes, the teams develop optimisation concepts, which are then put into practice by Kuehne + Nagel.

Comprised of specially appointed and dedicated employees, with the respective team leader holding responsibility for fulfilment of agreed targets, the teams accommodate the customer-specific nature of lead logistics solutions, and are strengthened corresponding to new business acquired.

Apart from extending the existing Lead Logistics Control Centers (LCCs) in Luxemburg, Raleigh (U.S.) and Singapore, a further location was established in Delhi (India), where similar services are performed for several customers at the same time. In addition to supporting Asian business, functions from the existing LCCs are increasingly being transferred to Delhi.

Sustainability: Quality, Safety, Health, Environment and Security

In 1995, the Kuehne + Nagel Group became one of the first logistics providers granted certification according to the recognised ISO 9001 quality standard, valid for all business activities and regions.

The quality management system has continually been improved and recertified, gradually expanding from "quality" to include the areas "safety", "health", "environment", and "security". It now represents an integrated QSHE management system, firmly anchored in the mind of every Kuehne + Nagel employee. Moreover, Kuehne + Nagel is the only logistics provider to gain certification according to the international Cargo 2000 Phase 2 standard for door-to-door airfreight transport.

Environment management

Aside from quality and reliability, environment-friendly transport increasingly is an issue for many Kuehne + Nagel customers. Consequently, environment management is the second QSHE constituent after quality. In 2006, the Kuehne + Nagel environment standard was introduced at a further 15 locations. Currently more than 115 Kuehne + Nagel locations in approximately 30 countries are ISO 14001 environment standard certified, with more following shortly.

Electronic file storage: For the benefit of environment and customer

Although the paperless office is not yet reality at Kuehne + Nagel, innovative solutions have helped increase the number of electronically archived documents from 25 million to more than 35 million in 2006. That meant significant paper savings, as well as improved service for Kuehne + Nagel customers. Electronically transmitted documents reach the recipient faster and more ecologically, enabling simpler, more convenient filing and forwarding to other business partners.

Safety and health management

Comprehensive safety and health management forms the third QSHE constituent. In its QSHE Statement put into force by the CEO at the end of 2005, Kuehne + Nagel not only obligates itself to abide by all relevant laws, regulations and self-defined standards, but, as far as possible, to avoid risks to people, goods and the environment.

As in other QSHE areas, diverse safety and health audits are performed. More than 100 Kuehne + Nagel locations in more than 20 countries have been certified according to the prevailing standard OHSAS 18001.

Social responsibility

Kuehne + Nagel takes social responsibility seriously. This is reflected in its environment management, the competent manner it handles dangerous goods, and its safety and health management.

There is also its sense of responsibility for people in need. After the 2004 tsunami disaster, Kuehne + Nagel Group employees and the company donated in roughly equal shares more than half a million Swiss francs, which amongst other projects enabled the establishment of an SOS Children's Village in Indonesia.

Following the 2005 earthquake in Pakistan, Kuehne + Nagel volunteered to conduct the entire logistics and transport for more than 200,000 pairs of shoes free of charge. Furthermore, the public-interest Kuehne Foundation finances diverse meaningful logistics initiatives and activities for the common good.

Bird flu preventative measures

In 2006, the QSHE management system proved beneficial in preparing for the danger of a possible worldwide bird flu pandemic. The necessary contingency plans were drawn up, beginning with internal and external communication on emergency plans, risk management and preventive measures, as well as database-aided control and local implementation by responsible management.

QSHE benefits for customers in the pharmaceutical and food sectors

In 2006, training schemes and pilot projects were held in several countries to consider the high demands made by pharmaceutical and food sectors customers. In the food sector, there are five locations in three countries with special external certification, attesting to conformity with "International Food Standards" (IFS), as well as successful realisation of the "HACCP" principles (Hazard Analysis and Critical Control Point).

A similar approach in training and pilot projects for the pharmaceutical/healthcare sector concentrated on fulfilment of the "Good Distribution Practice (GDP) for pharmaceutical products" specifications of the World Health Organisation (WHO).

Kuehne + Nagel security standard established

QSHE security management includes minimising the risk of theft of valuable goods and dangerous materials, organised crime and terrorist activities. Kuehne + Nagel was a signatory and certified member of the American "Customs-Trade-Partnership Against Terrorism" security initiative from the outset.

Under the auspices of a Corporate Security Officer – and with participation from security experts across all business fields, central IT and numerous regions – a global Kuehne + Nagel security standard was drafted in 2006. In the first part it covers minimum global requirements for more than 15 critical points, including access controls, training, employee selection, container security and IT security standards. The second, more comprehensive part, will focus on strategically important logistics centres and define specifications in line with high-tech customers' requirements for camera surveillance and additional far-reaching security measures.

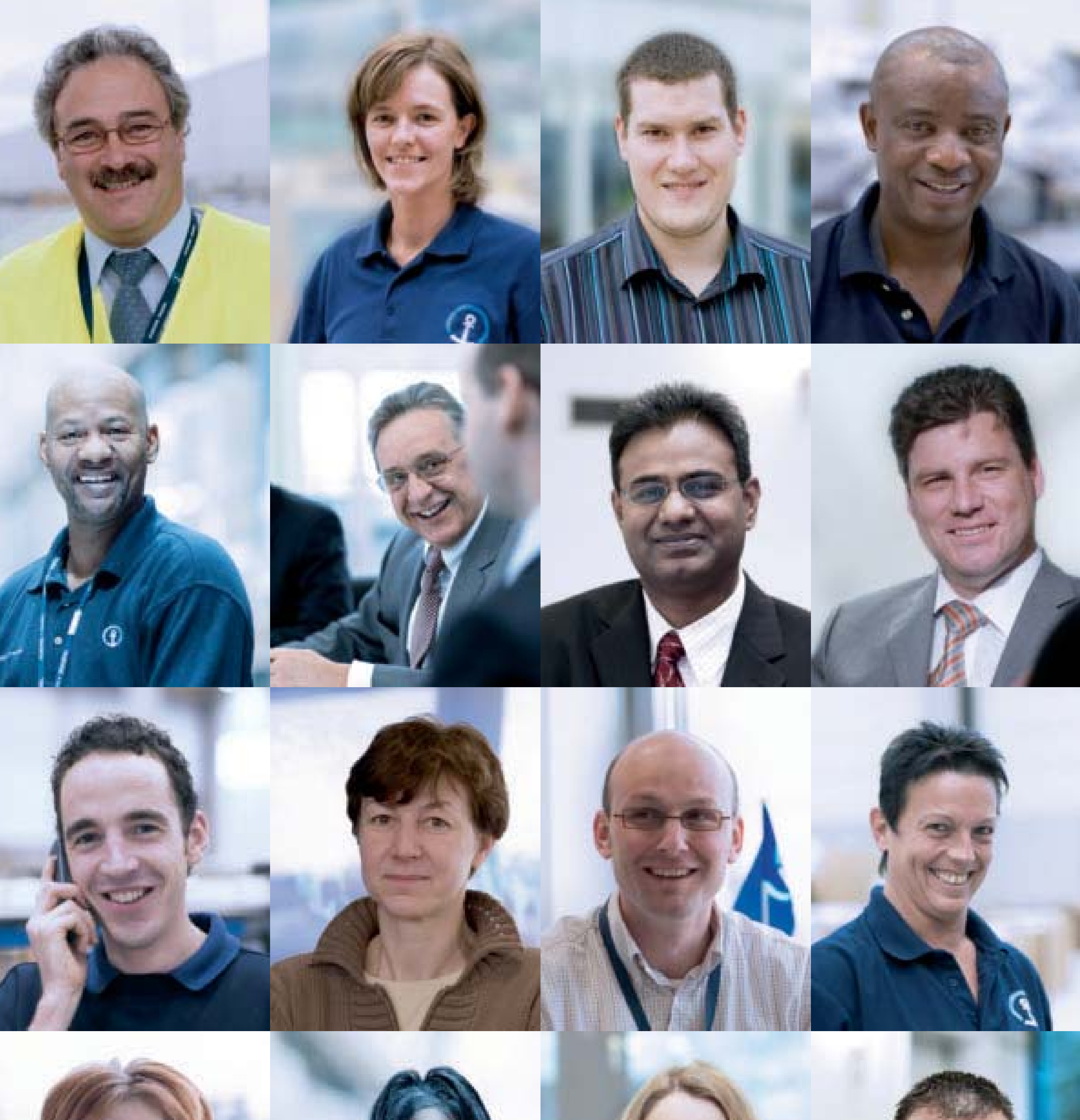
Security for the high-tech sector

At many locations, Kuehne + Nagel already fulfils the requirements of TAPA (Transported Asset Protection Association), a consortium of high-tech companies and their associates. Furthermore, Kuehne + Nagel is an active member in FFI (Freight Forward International), serving on its security committee for the harmonisation of security requirements at European and international levels. This benefits multinational customers, as well as all business partners across the supply chain.

Prizes and awards for innovation and excellence

Business partners and independent organisations rate Kuehne + Nagel, its innovative culture and QSHE-driven management approach positively, as confirmed by the management consulting firm A.T. Kearney in declaring Kuehne + Nagel overall Swiss winner of "Best Innovator 2006". Lufthansa Cargo AG also awarded Kuehne + Nagel its "Planet Award of Partner Excellence".

In October 2006, Kuehne + Nagel received two Asian prizes: the "Seafreight Forwarder of the Year" Award at the "Asia Logistics Awards" in Singapore (for the third time), and the distinction "Outstanding Enterprise in Labour Welfare" in Thailand (for the second time).



Human Resources

Above-average growth of the Kuehne + Nagel Group, partly due to the acquisition of ACR Logistics effective as of January 1, 2006, presented the company with considerable tasks in 2006. One of the biggest was integrating the 15,000 former ACR employees and familiarising them with Kuehne + Nagel's business and corporate culture.

International career development

The company's global presence with more than 46,000 employees offers outstanding development potential for qualified specialists and managers. Kuehne + Nagel strategically promotes international career opportunities, not least to further strengthen the company's worldwide logistics network in the long term, but also to raise Kuehne + Nagel's attractiveness as an employer. In 2006, 180 international staff transfers were made. The Kuehne + Nagel Group employs 250 expatriates in 55 countries.

A global assessment system will be launched shortly to help increase human resource management via standardised principles and objectives. In the foreground remain entrepreneurial thinking and acting.

Education and further training

Global competition – a challenge that faces employees at all levels – demands high professional competence and the motivation to deliver top performance at all times.

The Kuehne + Nagel Academy, the company's global training network, held more than 5,100 training events in 2006, including:
- Leadership training worldwide for managers at all levels
- Special training programmes to strengthen global cooperation within the company and with customers
- Specialised training focused on required industry know-how and high-quality customer service

Corporate Training expanded its use of e-learning platforms – which effectively support all training processes through IT-based administration – for specialised training. E-learning tools have accelerated information flows and enabled full transparency of supported training processes. They played an important role in the global launch of the new airfreight products and in training thousands of clerical staff on new seafreight-related software. Embedded knowledge checks in the process ensured that globally defined standards could be guaranteed.

Trainers also continue to play an essential role. More than 120 internal specialist trainers from all regions participated in an interactive "Train the Trainer" programme, familiarising them with the latest training methods.

Management trainee recruitment and development

The principal components of executive development at Kuehne + Nagel include campus recruitment at renowned universities and logistics academies, high potential programmes and individual coaching of high performers, as well as individualised executive education measures in preparation for higher managerial tasks.

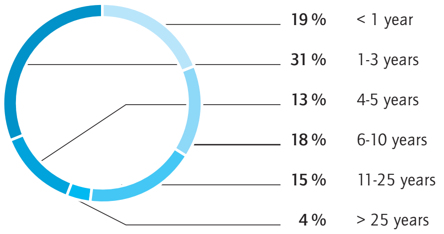
As a result of increased collaboration with select universities and business schools in 2006, more than 300 graduates were recruited globally. Company internships, which build early relationships with students and graduates interested in logistics sector employment, continued. In the context of individual career planning, qualified company managers were enrolled in specific education programmes with the possibility, amongst others, of graduating with the qualification "Master of Logistics".

More than 140 trainees currently belong to the pool of international high potentials, participating in a training programme of several years' duration conducted in cooperation with the WHU Graduate School of Management in Koblenz, Germany, and other institutions.

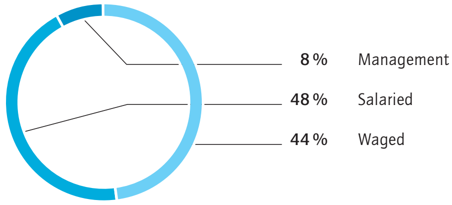
Headcount

The number of Kuehne + Nagel Group employees grew from 25,607 in 2005 to 46,290 in 2006, which is an increase of 80.8 per cent.

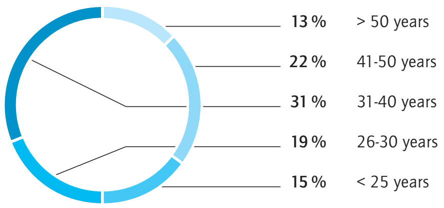
Duration of Employment



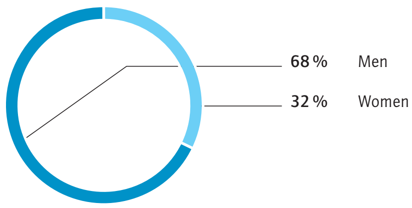
Personnel Structure



Age



Personnel Structure



KÜHNE-STIFTUNG

Personal commitment to logistics education and science

The Kuehne Foundation, established by the Kuehne family in 1976, celebrated its 30th anniversary in 2006. Its budget for the year amounted to CHF 8.5 million, most of which was allocated for sponsorship of logistics professorships, institutes and university research centres.

Principal sponsorships include the:
- Hamburg School of Logistics at the Technical University of Hamburg-Harburg, Germany
- Kuehne Centre for Logistics Management with a professorship at the WHU Graduate School of Management in Vallendar, Germany
- Centre for International Logistics Networks at the Technical University of Berlin, Germany,
- the Kuehne Institute for Logistics at the University of St.Gallen, Switzerland

Shortly before year's end, a cooperation agreement was reached with the Swiss Federal Institute of Technology in Zurich (ETH), creating a further sponsorship focus for the coming years.

In the field of medicine, the Kuehne Foundation concentrated on financing the "Centre for Allergy Research" at the University Children's Hospital, Zurich. In the field of cultural sponsorship, the Kuehne Foundation made a substantial donation towards the realisation of the project "Elbphilharmonie Hamburg".

Hamburg School of Logistics (HSL)

The Hamburg School of Logistics was founded in 2003 as a public-private partnership between the Kuehne Foundation and the Free and Hanseatic City of Hamburg. In October 2006, participants from 12 countries completed the second, full-time, English-language master's degree program in logistics management. The third course, with 19 participants from 15 nations, began in October.

In 2006, the HSL also started a part-time, German-language master's program in logistics management, which particularly attracted studious logisticians from Northern Germany. In 2006, for the first time, the HSL ran a successful compact logistics "summer school", which complemented existing education programmes, with subject matter being taught in day forums and seminars. For 2007, the Hamburg School of Logistics plans a study trip to China to provide students with first-hand insight into the logistical issues facing the rapidly expanding industrial nation.

Internationally, the HSL is working on a large joint project with the Baltic states, and has close contact with Eastern European, as well as South and Central American universities.

Kuehne Centre for Logistics Management at the WHU

The chair in logistics management established at the WHU in 2005 has enhanced the stature of the Kuehne Centre for Logistics Management. The research institute has made a name for itself internationally through outstanding projects; research primarily focused on logistics providers and supply chain controlling, with some new research projects looking into the management of logistics providers. The following projects were completed:

Cooperation as Success Factor for Logistics Outsourcing; Innovation Management amongst Logistics Service Providers; Management of Cooperation in Contract Logistics; Flexibility in Logistics – Potentials and Limits of Manpower Services; Success Development of Pricing Modules in Logistics.

A diploma thesis on promising innovation management concepts was awarded the respected "Koblenzer Hochschulpreis".

In logistics research, the professorship works closely with other university institutes sponsored by the Kuehne Foundation. Close ties also exist with the Ohio State University and the University of Kentucky, both in the United States.

Centre for International Logistics Networks at the Technical University of Berlin

The Centre performs international logistics research. One department focuses on quantifying and analysing the flow of global goods, and in 2006 collected extensive data that will be examined for special characteristics and their impact on future developments. The results will flow into the Centre's 2007 "World Transport Report".

A further research topic – supply chain security – highlights the vulnerability of global supply chains, compiles risk portfolios, calculates the probability of disturbances, and evaluates the scale of possible damage.

In 2006, the TU Berlin played an active part in the third Executive MBA in Logistics Management, offered jointly with the University of St.Gallen. The intention is to turn this into a dual degree. The joint course with 24 participants began in September 2006 and will run until February 2008. The competence centre sees itself increasingly as an institution promoting cooperation between business, society and universities, and providing its services at the juncture of science and practice.

Kuehne Institute for Logistics at the University of St. Gallen

The Kuehne Institute for Logistics at the University of St. Gallen was the initiator and organiser of the first Executive MBA in Logistics in Switzerland. In December 2006, graduates from the second course received their MBA diplomas. The third EMBA in Logistics Management began in September in cooperation with the Technical University of Berlin.

In its four years of activity, the Kuehne Institute has delivered a range of research projects, which last year included "Container Management", "Project Platform Advanced Optimal Shelf Availability", "Recognition of Vocationally Acquired Competences for University Programmes of Study", "Telematics in Seaport Hinterland Traffic" and "Logistics Services in the Future". A comprehensive internal training programme of several months' duration was conducted for a major logistics company.

ETH, Zurich – Forum SCM

Shortly before year's end, a cooperation agreement was concluded with the famous Swiss Federal Institute of Technology in Zurich (ETH) for sponsorship of a major professorship for logistics management. Announcement of the post will be made in 2007.

Cooperation has already commenced with Forum SCM, which is closely linked with the ETH and has run an English-language Executive MBA in supply chain management as a part-time course for several years. The Kuehne Foundation will financially support the excursion modules to Asia (Japan, Singapore, and China) and Russia.

Medical project: Centre for Allergy Research

The Centre for Allergy Research at the University Children's Hospital Zurich is supported by the Kuehne Foundation and undertakes research into allergology, immunology and inflammatory diseases, especially those affecting children. It examines how such diseases occur, what triggers them and what protects against them. The primary objective is to develop better diagnosis, treatment and prevention of these diseases. Results have been presented at numerous congresses, events and in publications, including the renowned "Journal of Allergy and Clinical Immunology."

Cultural projects

The benefactor's strong ties with his home city of Hamburg, Germany, are borne out by a substantial contribution made towards the realisation of the Hanseatic city's new landmark, the "Elbphilharmonie". Half the total donation of CHF 3.2 million was provided in the year under review; the remainder is enclosed in the 2007 budget. Other cultural sponsorships included the "Musical Summer on Lake Zurich" and the "Mecklenburg-Vorpommern Music Festival."

The public interest Kuehne Foundation has as its sole donor Klaus-Michael Kuehne, main shareholder of the Kuehne + Nagel Group.

Corporate Governance

Kuehne + Nagel is committed to good corporate governance

Good corporate governance is an important and integral part of the management culture of the Kuehne + Nagel Group (the Group). The principles of corporate governance, as defined in the Directive on Information Relating to Corporate Governance of the SWX Swiss Exchange, are laid down in the Articles of Association, the Organisational Rules and the Committee Regulations of the holding company of the Group, Kuehne + Nagel International AG, Schindellegi, Switzerland. Furthermore, Kuehne + Nagel follows the continuously evolving worldwide best practice recommendations.

1. Group structure and shareholders

1.1. Group structure

1.1.1. Group operational structure

The operational structure of the Group is divided into the following segments:

Primary segment, consisting of the business units:
- Seafreight
- Airfreight
- Rail & Road Logistics
- Contract Logistics
- Real Estate
- Insurance Broker

Secondary segment, consisting of the geographical regions:
- Europe
- the Americas
- Asia-Pacific
- the Middle East, Central Asia and Africa

For further information on the business fields, please refer to the sections "Reports of the Business Units" and the "Consolidated Financial Statements", respectively.

1.1.2. Listed companies of the Group

The only listed company within the scope of the Group's consolidation is the ultimate holding company, Kuehne + Nagel International AG (KNI). KNI has its registered office in Schindellegi, Switzerland, and its shares are listed on the SWX Swiss Exchange. The company's market capitalisation as of December 31, 2006 amounted to CHF 10,638 million (120,000,000 registered shares at CHF 88.65 per share).

Of the total KNI share capital, as of December 31, 2006,
– the free float consisted of 50,812,892 shares = 42.34 %,
– KNI-held treasury stock consisted of 2,287,108 shares = 1.91 %

KNI shares are traded under the symbol "KNIN", the security number is 2,523,886 and ISIN is CH0025238863.

1.1.3 Non-listed companies in the Group's consolidation

The main subsidiaries and associated companies of the Group are disclosed in the appendix to the Consolidated Financial Statements, "Main Investments" (pages 158–163), including particulars as to the country, name of company, location, share capital, Kuehne + Nagel's stake in per cent, and voting rights.

1.2. Main shareholders

The main shareholder of the Group is Kuehne Holding AG, Schindellegi, Switzerland, which holds 55.75 per cent of the KNI share capital and is 100 per cent owned by Klaus-Michael Kuehne.

1.3. Cross participations

As of December 31, 2006, there were no cross participations in existence.

2. Capital structure

2.1. Ordinary share capital as of December 31, 2006

The ordinary share capital of KNI amounts to CHF 120 million and is divided into 120 million registered shares of CHF 1 nominal value each.

2.2. Approved and conditional share capital

The Annual General Meeting of May 12, 2004, agreed to the Board of Director's proposal to create approved share capital of at most 4 million registered ordinary shares up to a maximum of CHF 20 million restricted until May 11, 2006. The Annual General Meeting held on May 2, 2006, extended its authorisation of approved share capital up to a maximum of CHF 20 million by a further two years.

At the Annual General Meeting held on May 2, 2005, the decision was made to create approved share capital of 2.4 million registered ordinary shares up to a maximum of CHF 12 million restricted for two years until May 1, 2007.

At the Annual General Meeting held on May 2, 2006, shareholders approved a 1:5 split of the registered shares and a commensurate increase in the number of Kuehne + Nagel shares. At the same time, the nominal value per share relating to approved share capital and conditional share capital was also lowered from CHF 5 to CHF 1.

2.3. Change in capital over the past three years

During the years 2004 through 2006, no changes in capital other than related to conditional and approved share capital as outlined in notes 2.1 and 2.2 respectively occurred.

2.4. Shares and participating certificates

As of December 31, 2006, 120 million registered shares of CHF 1 nominal value each were outstanding. At the same date, no participating certificates were outstanding.

2.5. Participating certificates (Genussscheine)

As of December 31, 2006, there were no participating certificates outstanding.

2.6. Restrictions on transfer of shares and registration of nominees

Each share has one vote. All shares have equal voting rights and no preferential rights or similar entitlements exist. The Articles of Association do not provide for any limitations on the transfer of the shares. Nominees are entered in the share register only upon their written agreement to declare the names, addresses and shareholdings of the respective persons on whose account they are holding shares.

2.7. Convertible bonds and options

No convertible bonds were outstanding as of December 31, 2006, other than related to the Employee Share Purchase and Option Plan; see 5.6. below.

3. Board of Directors

3.1. Members of the Board of Directors

3.2. Further activities and interests

3.3. Cross engagements

At the Annual General Meeting of May 2, 2006, Professor Dr. Otto Gellert and Dr. Alfred Pfeiffer – both long-time members of the Board of Directors –, whose respective tenures expired on the above date, retired form the Board of Directors.

As of December 31, 2006, the Board of Directors consisted of eight members.

Their biographical particulars are as follows:

Klaus-Michael Kuehne, Executive Chairman German, age 69

Trained as banker and freight forwarder. Member of the Advisory Board of Hapag Lloyd AG, Hamburg; of the Landesbeirat Hamburg of Deutsche Bank AG, Hamburg; and of Credit Suisse, Zurich.
Positions within the Kuehne + Nagel Group:

1958–1966	Entrance into the family business, followed by various management positions
1966–1975	Chief Executive Officer of the Group
1975–1992	Delegate and member of the Board of Directors
1992–today	Executive Chairman of the Board of Directors, elected until the Annual General Meeting 2009; Chairman of the Nomination and Compensation Committee

Bernd Wrede, Vice Chairman German, age 63

Studied at the Universities of Würzburg and Hamburg. From 1982 to 2001, member of the Board of Hapag-Lloyd AG, Hamburg, and its Chairman as of 1993. Currently an independent management consultant. He further is a member of the Supervisory Board of Bankgesellschaft Berlin AG, Berlin; of Landesbank Berlin AG, Berlin; and a member of the Board of Trustees of the ZEIT Foundation, Hamburg.
Positions within the Kuehne + Nagel Group:

1999–2002	Member of the Board of Directors
2002–today	Member of the Board of Directors, elected until the Annual General Meeting 2008; Member of the Nomination and Compensation Committee

Dr. Joachim Hausser German, age 62

Holds a PhD in economics from the Université de Genève. Former bank executive, currently an independent financial consultant.

Other significant positions: Chairman of the Supervisory Board of Ludwig Beck am Rathauseck Textilhaus Feldmeier AG, Munich; and member of the Advisory Board of GETRAG Getriebe- und Zahnradfabrik Hermann Hagenmeyer GmbH & Cie, Ludwigsburg.

Positions within the Kuehne + Nagel Group:

1992–today Member of the Board of Directors, elected until the Annual General Meeting 2009; Chairman of the Investment Committee

Dr. Willy Kissling Swiss, age 62

Holds a PhD in business administration from the University of Berne, and a PMD from Harvard Business School, Cambridge, USA. Former President and CEO of Landis & Gyr Corporation (1987–1996). From 1998 to 2005, Chairman and, until May 2002, CEO of Unaxis Holding AG, Pfäffikon (since September 2006: OC Oerlikon Corp. AG, Pfäffikon).

Other significant positions: member of the Board of Directors of Holcim AG, Jona; and of Schneider Electric S.A., Paris.

Positions within the Kuehne + Nagel Group:

2003–today Member of the Board of Directors, elected until the Annual General Meeting 2009; Member of the Investment Committee

Hans Lerch Swiss, age 57

Trained in tourism and longtime career at Kuoni Reisen Holding AG: from 1972–1985, assignments in the Far East, as well as various responsibilities at the company's headquarters; from 1999–2005, President and CEO of Kuoni Reisen.

Other significant positions: President and CEO of SR Technics Holding AG; President of the Administrative Board of Octagon Worldwide AG, Zurich; and President of the Board of Trustees of Movemed Foundation, Zurich.

Positions within the Kuehne + Nagel Group:

2005–today Member of the Board of Directors, elected until the Annual General Meeting 2008; Member of the Nomination and Compensation Committee

Dr. Georg Obermeier German, age 65

Holds a PhD in business administration from the University of Munich. From 1989–1998, member of the Board of Directors of VIAG AG, Berlin/Munich, and as of 1995 its Chairman. From 1999–2001, Executive Chairman of RHI AG, Vienna. Currently Managing Partner of Obermeier Consult GmbH, a consultancy for strategic issues.

Other significant positions include memberships on the Supervising Committees of the following companies: Energie-Control GmbH, Vienna; Regulierungsbehörde für Strom und Gas; Illbruck Elements GmbH, Munich; Arques Industries AG, Starnberg; Bilfinger Berger Industrial Services AG, Munich; and SKW Stahl-Metallurgie Holding GmbH, Unterneukirchen.

Positions within the Kuehne + Nagel Group:

1992–today	Member of the Board of Directors, elected until the Annual General Meeting 2009; Member of the Nomination and Compensation Committee; Member of the Audit Committee

Bruno Salzmann Swiss, age 72

Education and employment as auditor. Held positions as Chief Accountant, senior Auditor, Financial Controller and General Manager with various companies in Switzerland and abroad.

Positions within the Kuehne + Nagel Group:

1976–1979	Divisional Controller
1979–1982	Group Controller and Treasurer
1982–1999	General Director Finance and Controlling of the Group (until retirement)
1999–today	Member of the Board of Directors, elected until the Annual General Meeting 2008; Member of the Audit Committee; Member of the Investment Committee

Dr. Thomas Staehelin Swiss, age 59

Holds a PhD in law from the University of Basel. Lawyer.

Other significant positions include: Chairman of the Board of Directors of Kuehne Holding AG; Vice Chairman of the Board of Directors and Chairman of the Audit Committee of Siegfried Holding AG, Zofingen; member of the Board and Chairman of the Audit Committee of Inficon Holding AG, Bad Ragaz; Chairman of the Board of Directors of Swissport International SA, Opfikon, and of Scobag AG, Basel; Vice Chairman of the Board of Directors and Chairman of the Audit Committee of Lenzerheide Bergbahnen AG; member of the Administrative Board of Lantal Textiles, Langenthal; President of the Basel Chamber of Commerce; delegate to the Board of Directors of Vereinigung der Privaten Aktiengesellschaften; and member of the Swiss Foundation for Accounting and Reporting Recommendations (FER-SWISS GAAP).

Positions within the Kuehne + Nagel Group:

1978–today	Member of the Board of Directors, elected until the Annual General General Meeting 2009; Chairman of the Audit Committee

With the exception of the Executive Chairman of the Board of Directors, Klaus-Michael Kuehne, all members of the Board of Directors are non-executive directors and none of them serve as a member of the Management Board.

3.4. Election and duration of tenure

The election for board membership is carried out whenever the tenure expires. Instead of summary election of the whole Board of Directors, individual re-elections are held for each member. This allows shareholders to judge the contribution of each member of the Board of Directors separately.

Board members are elected for a period of three years. There are no limits regarding the number of terms of service or the age of the incumbents. For information on the year of first election for each Board member, as well as the remaining period of the term in office, see 3.1. above.

3.5. Internal organisation of the Board of Directors

According to the Articles of Association and Swiss corporate law, the main tasks of the Board of Directors comprise:

- the strategic direction and management of the company,
- accounting matters,
- financial control and planning,
- appointing and dismissing Management Board members and other senior executives,
- supervisory control of business operations, and
- submission of proposals to the Annual General Meeting, in particular the KNI and Group financial statements.

Executive Chairman of the Board of Directors is Klaus-Michael Kuehne. He has been assigned specified powers by the Board. This particularly applies to the areas of investments, finance and accounting, as well as personnel. The entire Board of Directors, however, is responsible for decisions on such above mentioned aspects that are of significant importance to KNI. The scope of responsibilities of the Board of Directors and the Executive Chairman are stipulated in the Organisational Rules.

The Board of Directors convenes at least four times annually, with the Management Board being at least represented by the CEO and CFO of the Group. The Board of Directors has the discretion to invite other members of the Management Board to attend these meetings. In 2006, four full-day meetings were held.

In urgent cases, the Board of Directors can also take decisions by written circular resolutions.

Audit Committee

The Audit Committee consists of three to five non-executive, predominantly independent members of the Board of Directors, elected for a period of three years. Re-election is possible. Members of the Management Board cannot be members of the Audit Committee.

The Audit Committee reviews and clears the quarterly financials prior to publication. As part of the regular contacts between the Audit Committee and both the internal and the external auditors, the quality and functioning of the internal control mechanisms are continually reviewed and evaluated on the basis of written reports from the internal audit department, as well as of "management letters" from the external auditors based on their interim audits, in order to set priorities for the year-end audit. Furthermore, regular contact with the external auditors throughout the year enables the Audit Committee to obtain knowledge of problem areas at an early stage. This allows it to propose to the Management Board the timely introduction of corrective measures.

With Dr. Otto Gellert's retirement from the Board of Directors on May 2, 2006, Dr. Thomas Staehelin took over as Chairman of the Audit Committee, and is assisted by its members Bruno Salzmann and Dr. Georg Obermeier.

The Audit Committee holds at least four full-day meetings annually. The Executive Chairman and Vice Chairman of the Board of Directors can take part in the meetings as advisors. Unless otherwise determined by the Audit Committee, the CEO, CFO and the audit partner-in-charge take part in all meetings, whilst the head of internal audit is invited as advisor whenever needed. In 2006, the Committee held seven meetings, four of which in attendance of the audit partner-in-charge.

The Committee's chairman reports in detail to the other members of the Board of Directors about the topics discussed and the decisions taken and/or to be submitted to the entire Board of Directors for approval.

The Nomination and Compensation Committee

The Nomination and Compensation Committee consists of three to five members of the Board of Directors, elected for a period of three years. Re-election is possible. The delegate of the Board of Directors is permitted to be part of the Compensation Committee as long as it still predominantly consists of non-executive and independent members.

In the area of nomination, the Committee is responsible for securing the competent staffing of the Management Board. For this purpose, the Nomination Committee on the one hand develops guidelines and criteria for the selection of candidates, and on the other provides the initiatory gathering of information, as well as the review of potential new candidates according to the aforementioned guidelines. The Committee prepares the adoption of a final resolution which is reserved to the Board of Directors.

In the field of compensation, the Committee defines the principles of compensation for the members of both the Board of Directors as well as the Management Board. The Committee recommends the amounts of compensation for each member of the Board of Directors. It further evaluates the individual performance of each member of the Management Board and approves their compensation in amount and composition.

As of December 31, 2006, Klaus-Michael Kuehne is the Nomination and Compensation Committee's chairman, with Bernd Wrede, Dr. Georg Obermeier and Hans Lerch as its additional members.

The Nomination and Compensation Committee convenes on invitation of the Chairman as often as business requires, but at least three times a year. Members of the Management Board can take part in Nomination and Compensation Committee meetings by invitation. In 2006, the Committee met four times.

The Board of Directors is informed by the Chairman of the Nomination and Compensation Committee about all issues discussed, in particular about all decisions within the competence of the Board of Directors.

The Investment Committee

On March 10, 2006, the Board of Directors discussed and approved the committee regulations of the newly founded Investment Committee without any objections.

The Investment Committee consists of three to five members of the Board of Directors, elected for a period of three years. Re-election is possible. The delegate of the Board of Directors may be part of the Investment Committee, as long as it consists of predominantly non-executive and independent members.

The Investment Committee advises the Board of Directors on investment planning of the Group and respective financing issues. Significant investments of the Group are reviewed by the Investment Committee as preparation to any decision made by the Board of Directors; in its advisory role, the Investment Committee thereby considers the strategy of the Management Board and impact on the budget.

As of December 31, 2006, Dr. Joachim Hausser has been chairing the Investment Committee, assisted by its members Dr. Willi Kissling and Bruno Salzmann.

The Investment Committee convenes on invitation of the Chairman as often as required by business, but at least four times a year. The Executive Chairman and Vice Chairman of the Board of Directors can take part in the meetings as advisors. On invitiation, members of the Management Board, usually the CEO, CFO and whoever is in charge of the business unit the respective investment is related to, may take part in Committee meetings. In 2006, the Committee held five meetings.

The Committee's chairman regularly reports in detail to the other members of the Board of Directors about the topics discussed and the decisions taken and/or to be submitted to the entire Board of Directors for approval.

3.6. Rules of competence between the Board of Directors and the Management Board

The Board of Directors executes the non-transferable and inalienable duties of the ultimate management of the Group. As far as the non-transferable and inalienable duties of the Board of Directors are not concerned, the management of the Kuehne + Nagel Group is in obligation of the delegate of the Board of Directors. He is entitled to transfer responsibilities and competences relating to the operational management to the Management Board. The Management Board is responsible for the development, execution and supervision of the day-to-day operations of the Group and the Group companies to the extent that they are not allocated to the Annual General Meeting, the Audit Committee, the Board of Directors or the delegate of the Board of Directors by law, by the Articles of Association or by the Organisational Rules. The Organisational Rules lay down which businesses can be approved by the Management Board and which businesses require the approval of the delegate of the Board of Directors or the Board of Directors pursuant to the approval requirements based on the extent and manner of the respective business.

3.7. Information and control system versus the Management Board

The Management Board informs the Board of Directors on a regular and timely basis about the course of business by means of a comprehensive financial MIS (management information system) report which provides monthly worldwide consolidated results by segment and country, including comparative actual, budgeted and prior-year figures, two weeks after a month's end at the latest.

The Executive Chairman of the Board of Directors regularly takes part in the Management Board meetings, while the CEO and CFO are generally invited to meetings of the Board of Directors, as well as the meetings of the Audit and Investment Committees. Members of the Management Board can take part in Nomination and Compensation Committee meetings by invitation. Depending on the agenda, the Board of Directors has the discretion to invite other members of the Management Board to attend its meetings.

4. Management Board

4.1. Members

4.2. Further activities

Effective as of December 1, 2006, Dr. Alexander Schmid-Lossberg has become a member of the Management Board, and after an introductory period will succeed Klaus-Dieter Pietsch as Head of Global Human Resources on April 1, 2007. Already upon joining the company, he took charge of Legal Affairs at Management Board level.

After having transferred his former responsibilities to Dr. Schmid-Lossberg, Klaus-Dieter Pietsch will continue to be a member of the Management Board until the end of 2007, and assume special tasks with regard to growth and integration processes across the Group.

The personal particulars of the members of the Management Board are as follows:

Klaus Herms — German, age 65

Graduated in business administration from DAV, Bremen.
Other significant positions: Member of the Advisory Board of Fraport, Frankfurt; and member of the Board of Directors of Swissport International AG, Opfikon.
Positions within the Kuehne + Nagel Group:

1968–1969	Trainee in Bremen, Germany
1969–1974	Sales representative for project business Far East in Hong Kong
1974–1988	Regional Manager Far East in Hong Kong, established Kuehne + Nagel organisations in Indonesia, Japan, Korea, Malaysia, the Philippines, Sri Lanka and Thailand, additionally assuming responsibility for Kuehne + Nagel Australia and New Zealand in 1980
1988–1999	Line Chief Executive Asia-Pacific and member of the Group Management of KNI, assuming additional responsibility for Kuehne + Nagel's operations on the Indian subcontinent in 1988
1999–today	Chief Executive Officer of the Group, Chairman of the Management Board of KNI

Ewald Kaiser German, age 45

Certified business economist and trained freight forwarder. 1991–1994 Chief Department Manager Rail & Road Logistics LEP International, Stuttgart. 1995–1998 Managing Director Birkart Int. in the UK and Netherlands.

Positions within the Kuehne + Nagel Group:

1979–1989	Trained as freight forwarder, thereafter various positions within the field of European overland transport based in Stuttgart, Germany
1998–2001	Chief Executive Officer, Kuehne + Nagel UK
2001–2006	Chief Executive Officer, Kuehne + Nagel Germany
2005–today	Chief Operating Officer (COO) Rail & Road Logistics of the Group

Gerard van Kesteren Dutch, age 57

Chartered accountant. Spent 17 years at Sara Lee Corporation in various management positions in finance, lastly as Director of Financial Planning and Analysis.

Positions within the Kuehne + Nagel Group:

1989–1999	Financial Controller Kuehne + Nagel Western Europe
1999–today	Chief Financial Officer (CFO) of the Group

Martin Kolbe German, age 45

Graduated computer scientist. Positions in IT management, including IT Field Manager with Deutsche Post World Net, responsible for DHL Europe and DHL Germany, as well as member of the Supervisory Board in several DPWN-associated companies.

Position within the Kuehne + Nagel Group:

2005–today	Chief Information Officer (CIO) of the Group

Reinhard Lange German, age 57

Trained freight forwarder.

Positions within the Kuehne + Nagel Group:

1971–1985	Head of Seafreight Import, Bremen, Germany
1985–1990	Regional Director Seafreight Asia-Pacific, Hong Kong
1990–1995	Member of the German Management Board, responsible for seafreight and industrial packing
1995–1999	President and Chief Executive Officer of Kuehne + Nagel Ltd., Toronto, Canada
1999–today	Chief Operating Officer (COO) Sea & Air Logistics of the Group

Klaus-Dieter Pietsch German, age 65

Graduated in business administration. Held various positions in industry in human resources and information technology.

Positions within the Kuehne + Nagel Group:

1987–today Executive Vice President Human Resources / Quality Management of the Group

Dirk Reich German, age 43

Graduated from the Koblenz School of Corporate Management in Germany, followed by positions at Lufthansa AG and VIAG AG.

Positions within the Kuehne + Nagel Group:

1995–2001 Senior Vice President Corporate Development

2001–today Executive Vice President Contract Logistics of the Group

Dr. Alexander Schmid-Lossberg German, age 46

Earned his Doctor (JD) from the University of Hamburg and held various managerial positions in human resources with international companies, lastly as Senior Vice President Human Resources & General Affairs / Legal at DSM Nutritional Products AG (formerly Roche Vitamins).

Positions within the Kuehne + Nagel Group:

2006–today Executive Vice President Legal Affairs

As of April 1, 2007: Executive Vice President Human Resources / Legal Affairs

5. Compensation

5.1. Remuneration program and Employee Share Purchase and Option Plan

The compensation of the Board of Directors and Management Board is regulated and periodically reviewed by the Nomination and Compensation Committee.

The Board of Directors regulates the compensation, allocation of shares and granting of loans to the Board of Directors, while the Board of Directors' Nomination and Compensation Committee regulates such matters for the Management Board.

For the 2006 business year, the incumbent members of the Board of Directors agreed to adopt a flat remuneration policy.

The members of the Management Board receive an income with a fixed and a profit-linked component and have the possibility to participate in the Employee Share Purchase and Option Plan.

5.2. Remuneration paid to current members of the Board of Directors and the Management Board of KNI

The total remuneration paid to members of the Board of Directors and the Management Board in financial year 2006 amounted to CHF 15,100,069, of which CHF 14,249,696 were paid to the executive member of the Board of Directors and the members of the Management Board, and CHF 850,373 to the non-executive members of the Board of Directors.

No termination allowances were paid to any of the previous members of the Board of Directors in 2006.

5.3. Remuneration paid to former members of the Board of Directors and the Management Board of KNI

In 2006, an amount of CHF 633,907 was paid to former members of the Management Board and CHF 244,762 was paid to two previous members of the Board of Directors.

5.4. Allocation of shares during 2006

In 2006, no shares were allocated to any members of either the Board of Directors or the Management Board and/or to parties closely associated with them other than disclosed under the Employee Share Purchase and Option Plan (see 5.6. below).

5.5. Shareholdings of members of the Board of Directors and the Management Board

As of December 31, 2006, the following numbers of KNI shares were held by members of the Board of Directors and the Management Board of KNI, distinguished between executive and non-executive members. No shareholdings were reported from parties closely associated with the mentioned Board members.

Executive members	Number of KNI shares
Klaus-Michael Kuehne	67,547,500
Klaus Herms	112,500
Ewald Kaiser	13,750
Gerard van Kesteren	105,625
Martin Kolbe	1,000
Reinhard Lange	21,250
Klaus-Dieter Pietsch	31,250
Dirk Reich	36,250
Dr. Alexander Schmid-Lossberg	–
Total	67,869,125

Non-executive members	Number of KNI shares
Dr. Joachim Hausser	1
Dr. Willy Kissling	1,000
Hans Lerch	5,000
Dr. Georg Obermeier	100
Bruno Salzmann	200
Dr. Thomas Staehelin	10,000
Bernd Wrede	–
Total	16,301
Total	67,885,426

5.6. Options

In 2001, KNI introduced an Employee Share Purchase and Option Plan for members of the KNI Management Board, by which they have the option to purchase registered shares. As of December 31, 2006, all members of the Management Board had participated and purchased shares at the agreed price of 90 per cent (plan 1 to 3), 95 per cent (plan 4), 96.5 per cent (plan 5) and 95 per cent (plan 6) of the average share closing price quoted on the SWX Swiss Exchange between April and June of the respective year of purchase. The sale of the shares acquired under this plan is blocked for a period of three years after the date of purchase. Each share purchased is linked with two options carrying the right to purchase one KNI share for each option at the average price as outlined above. The option is blocked for three years from the date of subscription and thereafter can be exercised within the period of another three years. The option lapses after expiry of that period.

The prices to exercise the above options are quoted in note 33 to the Consolidated Financial Statements on pages 142/143.

As of December 31, 2006, the members of the Management Board and parties closely linked to them held the following options.

Name	Date of allocation	Number of options	Year orf expiry of locked period
Klaus Herms	2003	15,000	2006
	2004	15,000	2007
	2005	20,000	2008
	2006	20,000	2009
Ewald Kaiser	2003	7,500	2006
	2004	7,500	2007
	2005	10,000	2008
	2006	10,000	2009
Gerard van Kesteren	2003	11,250	2006
	2004	11,250	2007
	2005	15,000	2008
	2006	15,000	2009
Martin Kolbe	2006	2,000	2009
Reinhard Lange	2003	25,000	2006
	2004	10,000	2007
	2005	7,500	2008
Dirk Reich	2004	11,250	2007
	2005	10,000	2008
	2006	15,000	2009
Klaus-Dieter Pietsch	2003	11,250	2006
	2004	11,250	2007
	2005	15,000	2008
	2006	10,000	2009
Total options allocated		**285,750**	

5.7. Additional fees and remuneration

Additionally, in the year 2006, the following remunerations requiring individual disclosure (amounts that equal or exceed half of the respective Board member's due compensation) were paid to members of the Board of Directors for other services rendered to Kuehne + Nagel Management AG, Schindellegi, an associated company:

	CHF
Bruno Salzmann	121,500
Bernd Wrede	175,000
Total	296,500

5.8. Loans

In 2006, no loans were granted to members of the Board of Directors nor the Management Board of KNI nor associated parties, and no such loans were outstanding as per December 31, 2006.

5.9. Highest remuneration in 2006

The highest remuneration drawn by a member of the Board of Directors in 2006 amounted to CHF 3,883,492. No allocations of shares or options were effected.

6. Shareholders' right of participation

6.1. Restrictions and delegation of voting rights

Each share equals one voting right. Restrictions on voting rights do not exist.

For resolutions concerning the discharge of the members of the Board of Directors, persons that currently take part in the company's management in any manner do not have a voting right. This restriction does not apply to members of the external auditing company.

Registered shares can only be represented at the Annual General Meeting either by shareholders or beneficiary owners whose personal particulars and size of shareholdings are listed in the KNI share register. Such shareholders and or beneficiary owners who are not in a position to attend the Annual General Meeting are entitled to nominate a representative by written proxy.

6.2. Statutory quorums

The legal rules on quorums and terms apply.

6.3. Calling of an Annual General Meeting

The calling of an Annual General Meeting is guided by the law. The agenda contains all necessary information needed to deliberate each item on the agenda. This particularly includes information for the appointment of new members to the Board of Directors and, in the event of changes to an article of memorandum, the announcement of the new wording.

6.4. Items to be added to the agenda of the Annual General Meeting

Shareholders owning shares with a total nominal value of at least CHF 1 million can request that items be added to the agenda up to 45 days prior to the date fixed for the Annual General Meeting by submitting details of their proposals in writing.

6.5. Registration of shareholders in the KNI share register

Registered shares can only be represented at the Annual General Meetings by either shareholders or beneficiary owners whose personal particulars and size of shareholdings have been entered in the KNI share register. Such shareholders and or beneficiary owners who are not in a position to attend the Annual General Meeting are entitled to nominate a representative by written proxy. The share register remains closed for any movements during eight calendar days preceding, and including, the date of the Annual General Meeting.

7. Change of control and defence measures

7.1. Offering obligation

There are no opting-out or opting-in rules provided for in the Articles of Association.

7.2. Clauses for change of control

No member of either the Board of Directors or the Management Board or other senior management staff has clauses on change of control in their employment contracts.

8. Statutory auditors

8.1. Duration of mandate

KPMG Fides Peat, Zurich, initially adopted the mandate for the business year 2002 as per declaration of acceptance dated May 8, 2002. The re-election for the business year 2006 was confirmed with the declaration of acceptance dated April 18, 2006.

The audit partner-in-charge and responsible for the mandate, Mr. Roger Neininger, started his assignment on July 1, 2002.

8.2. Audit fees

According to the Group's financial records, the fees charged for auditing services for the year 2006 amounted to CHF 4.2 million.

8.3. Additional fees

In addition to the fees mentioned under 8.2., the statutory auditors are asked on a very restrictive basis to provide certain consulting services beyond the mandate of the annual audit. In 2006, an amount of CHF 0.2 million was incurred in this connection.

8.4. Supervisory and controlling instruments towards the statutory auditors

The performance of the work performed by the external statutory auditors is supervised, controlled and duly monitored by the Board of Directors' Audit Committee. The statutory auditors report regularly to the Audit Committee and attend four Audit Committee meetings in the person of the audit partner-in-charge. In the year 2006, the audit partner-in-charge has attended one meeting of the Audit Committee. Main criteria for the selection of the external audit company are its worldwide network, its reputation and its competitive pricing.

9. Information policy

The Kuehne + Nagel Group aspires to ensure a comprehensive and consistent information policy. The ambition is to provide analysts, investors and other stakeholders with high levels of transparency that meet worldwide accepted best practice standards.

To this end, Kuehne + Nagel uses print media and, in particular, its corporate website, www.kuehne-nagel.com, where up-to-date information is available.

This information contains an overall presentation of the company, detailed financial data, as well as information on environmental and security matters, which are of increasing importance.

Furthermore, Kuehne + Nagel provides up-to-date information on significant, business-related occurrences and organisational changes, as well as continually updates of all general information on the company. The Annual Report covering the past financial year is available for download in extracts or in its entirety in English and German. In addition, detailed contact information per field of activity is available to any interested persons.

Kuehne + Nagel publishes its quarterly financial data on its corporate website. Prior to the first quarterly results being released, the financial calendar is published announcing the dates of the upcoming quarterly reports, as well as of the Annual General Meeting.

Consolidated Financial Statements of the Kuehne + Nagel Group

The original of this annual report is written in German. In case of inconsistencies between the German original and this English translation, the German version shall prevail.

Income Statement

CHF million	Note	2006	2005
Invoiced turnover	39	18,194.1	14,048.9
Customs duties and taxes		– 3,307.4	– 2,955.3
Net invoiced turnover		14,886.7	11,093.6
Net expenses for services from third parties		– 9,634.2	– 8,324.6
Gross profit	39	5,252.5	2,769.0
Personnel expenses	18	– 2,960.9	– 1,499.9
Selling, general and administrative expenses	19	– 1,455.8	– 721.7
Other operating income, net	20	19.5	14.1
EBITDA		855.3	561.5
Depreciation of property, plant and equipment, and amortisation of intangibles	24/25	– 248.2	– 107.6
EBITA		607.1	453.9
Impairment of goodwill and of other intangibles	25	– 6.4	– 24.8
EBIT		600.7	429.1
Financial income	21	18.5	23.4
Financial expenses	21	– 22.9	– 17.5
Result from joint ventures and associates	39	5.1	10.9
EBT		601.4	445.9
Income tax	22	– 142.2	– 127.5
Earnings for the year		459.2	318.4
Attributable to:			
Equity holders of the parent		458.3	315.0
Minority interest		0.9	3.4
Earnings for the year		459.2	318.4
Basic earnings per share in CHF	23	3.90	2.87 *
Diluted earnings per share in CHF	23	3.88	2.85 *

* Basic and diluted earnings per share were recalculated due to a share split in 2006, see further note 23.

Balance Sheet

CHF million	Note	Dec. 31, 2006	Dec. 31, 2005
Assets			
Property, plant and equipment	24	1,189.4	698.6
Goodwill	25	604.3	133.6
Other intangibles	25	329.5	70.0
Investments in joint ventures	26	14.1	18.6
Deferred tax assets	22	147.9	72.3
Non-current assets		**2,285.2**	**993.1**
Prepayments and deposits		113.9	54.6
Work in progress	27	283.0	270.7
Trade receivables	28	2,162.3	1,641.9
Other receivables	29	99.2	63.2
Cash and cash equivalents	30	771.3	1,197.9
Current assets		**3,429.7**	**3,228.3**
Total assets		**5,714.9**	**4,221.4**
Liabilities and equity			
Share capital	31	120.0	120.0
Reserves and retained earnings		1,391.0	1,160.1
Earnings for the year		458.3	315.0
Total equity attributable to the equity holders of the parent		**1,969.3**	**1,595.1**
Minority interest		6.0	5.9
Total equity		**1,975.3**	**1,601.0**
Provisions for pension plans and severance payments	32	264.9	219.7
Deferred tax liabilities	22	172.8	20.7
Bank liabilities	34	64.0	14.9
Finance lease obligations	34/35	55.0	11.9 *
Non-current liabilities		**556.7**	**267.2**
Bank and other interest bearing liabilities	34/35	291.1	329.6 *
Trade payables/accrued trade expenses/deferred income	36	2,061.8	1,537.0
Current tax liabilities		107.0	100.0
Provisions	37	96.3	60.0
Other liabilities	38	626.7	326.6
Current liabilities		**3,182.9**	**2,353.2**
Total liabilities and equity		**5,714.9**	**4,221.4**

* Certain comparatives were reclassified to conform to the current period's presentation.

Schindellegi, March 9, 2007
KUEHNE + NAGEL INTERNATIONAL AG

Klaus Herms CEO

Gerard van Kesteren CFO

Statement of Changes in Equity

CHF million	Share capital	Share premium	Treasury shares[1]	Cumulative translation adjustment	Retained earnings	Total equity attributable to the equity holders of parent	Minority interest	Total equity
Balance as of January 1, 2005	120.0	458.3	– 398.3	– 98.9	714.4	795.5	6.8	802.3
Foreign exchange differences	–	–	–	74.8	–	74.8	0.8 *	75.6
Net income recognised directly in equity	–	–	–	74.8	–	74.8	0.8	75.6
Earnings for the year	–	–	–	–	315.0	315.0	3.4	318.4
Total recognised income and expense for the year	–	–	–	74.8	315.0	389.8	4.2	394.0
Movements in treasury shares [1]								
a) Secondary placement [3]	–	201.2	282.8	–	–	484.0	–	484.0
b) Disposal of treasury shares								
(employee share purchase and option plan)	–	– 1.2	20.1	–	–	18.9	–	18.9
Dividend paid [2]	–	–	–	–	– 97.5	– 97.5	– 2.7	– 100.2
Expenses of employee share purchase and option plan	–	–	–	–	4.4	4.4	–	4.4
Changes in minority interest	–	–	–	–	–	–	– 2.4 *	– 2.4
Balance as of December 31, 2005	120.0	658.3	– 95.4	– 24.1	936.3	1595.1	5.9	1601.0
Balance as of January 1, 2006	120.0	658.3	– 95.4	– 24.1	936.3	1,595.1	5.9	1,601.0
Foreign exchange differences	–	–	–	7.6	–	7.6	– 0.3	7.3
Net income recognised directly in equity	–	–	–	7.6	–	7.6	– 0.3	7.3
Earnings for the year	–	–	–	–	458.3	458.3	0.9	459.2
Total recognised income and expense for the year	–	–	–	7.6	458.3	465.9	0.6	466.5
Disposal of treasury shares [1]	–	9.2	19.3	–	–	28.5	–	28.5
Dividend paid [2]	–	–	–	–	– 128.9	– 128.9	– 1.4	– 130.3
Expenses of employee share purchase and option plan	–	–	–	–	8.7	8.7	–	8.7
Changes in minority interest	–	–	–	–	–	–	0.9	0.9
Balance as of December 31, 2006	120.0	667.5	– 76.1	– 16.5	1,274.4	1,969.3	6.0	1,975.3

[1] Refer to note 31

[2] The proposed dividend payment subject to approval by the Annual General Meeting is as follows:

Year	per share	CHF million	
2007	CHF 1.50	176.6	(2006: CHF 1.10 per share amounting to CHF 128.9 million)

[3] Net of transaction costs.

* Certain comparatives were reclassified to conform to the current period’s presentation.

Cash Flow Statement

CHF million	Note	2006	2005
Cash flow from operating activities			
Earnings for the year		459.2	318.4
Non-cash transactions:			
Income tax	22	142.2	127.5
Financial income	21	– 18.5	– 23.4
Financial expenses	21	22.9	17.5
(Gain)/loss on sale of marketable securities		–	– 1.4
Result from joint ventures and associates	39	– 5.1	– 10.9
Impairment of goodwill and of other intangibles	25	6.4	24.8
Depreciation of property, plant and equipment, and amortisation of intangibles	24/25	248.2	107.6
Equity settled share based compensation expenses	18	8.7	4.4
Gain on disposal of property, plant and equipment	20	– 21.3	– 17.3
Loss on disposal of property, plant and equipment	20	1.8	3.2
Net addition to provisions for pension plans and severance payments		12.2	24.1
Total operational cash flow		856.7	574.5
(Increase)/decrease work in progress		– 13.1	– 40.8
(Increase)/decrease receivables, prepayments and deposits		– 154.5	– 278.6
Increase/(decrease) tax liabilities less tax assets		– 48.6	33.3
Increase/(decrease) other liabilities		– 6.4	74.2
Increase/(decrease) trade payables, accrued trade expenses		165.8	164.0
Income taxes paid		– 171.2	– 115.2
Total cash flow from operating activities		628.7	411.4
Cash flow from investing activities			
Capital expenditure			
– Property, plant and equipment	24	– 246.8	– 187.2
– Intangibles	25	– 20.6	– 22.6
Disposal of property, plant and equipment		62.5	109.8
Disposal of marketable securities		–	17.1
Acquisition of subsidiaries, net of cash acquired	40	– 655.4	– 84.3
Interest received	21	15.3	16.3
Dividend received from joint ventures and associates		4.9	10.4
Total cash flow from investing activities		– 840.1	– 140.5
Cash flow from financing activities			
Increase in interest bearing liabilities		23.6	61.7 *
Decrease in interest bearing liabilities		– 213.6	– 22.5 *
Interest paid	21	– 22.9	– 17.5
Disposal of treasury shares	31	28.5	514.9
Dividend paid to shareholders of the company		– 128.9	– 97.5
Dividend paid to minority shareholders		– 1.4	– 2.7
Total cash flow from financing activities		– 314.7	436.4
Exchange difference on cash and cash equivalents		1.7	19.8
Increase/(decrease) in cash and cash equivalents		– 524.4	727.1
Cash and cash equivalents at the beginning of the year	30	1,124.6	397.5
Cash and cash equivalents at the end of the year, net	30	600.2	1,124.6

* Certain comparatives were reclassified to conform to the current period's presentation.

Notes to the Consolidated Financial Statements

Accounting Policies

1 Organisation

Kuehne + Nagel International AG (the Company) is incorporated in Schindellegi (Feusisberg), Switzerland. The Company is one of the world's leading global logistics providers. Its strong market position lays in the Sea & Air Logistics, Rail & Road Logistics and Contract Logistics.

The consolidated financial statements of the Company for the year ended December 31, 2006 comprise the Company, its subsidiaries and its interests in joint ventures (the Group).

2 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

3 Basis of preparation

The consolidated financial statements are presented in Swiss francs (CHF) million. The consolidated financial statements are based on the individual financial statements of the consolidated companies as of December 31, 2006. Those financial statements have been prepared in accordance with uniform accounting policies issued by the Group which comply with the requirements of the International Financial Reporting Standards (IFRS) and with Swiss law. The consolidated financial statements are prepared on a historical cost basis except for certain financial instruments which are stated at fair value. Non-current assets and disposal groups held for sale are stated at the lower of the carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The true result may differ from these estimates. Judgments made by management in the application of IFRS that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 49.

The accounting policies are the same as those applied in the consolidated financial statements for the year ended December 31, 2005, except for the fact that the Group as of January 1, 2006 adopted amendments to IAS 19 "Employee benefits – actuarial gains and losses, group plans and disclosures" and IFRIC 4 "determining whether an arrangement contains a lease". Other new and revised standards and interpretations that were effective for financial periods starting on or after January 1, 2006 were not applicable to the Group, or did not have a significant impact on the consolidated financial statements.

IAS 19

The adoption of amended IAS 19 has an impact on the disclosures given, but not on the amounts recognised in the consolidated financial statements. The Group did not adopt the new alternative to recognise actuarial gains and losses directly in a statement of recognised income and expense.

IFRIC 4

In applying IFRIC 4, the Group analysed its arrangements to identify any arrangements that do not take the legal form of a lease, but in substance contain a lease. The analysis has not revealed any such arrangements that have to be accounted for under IAS 17.

New segments

Refer to note 7 for information about the Group's new segment reporting.

Adoption of new standards in 2007

The following new and revised Standards and Interpretations have been issued, but are not yet effective and are not applied early in these consolidated financial statements. Their impact on the consolidated financial statements of the Group has not yet been systematically analysed. The expected effects as disclosed below the table reflect a first assessment by Group management.

Standard/Interpretation	Assessment	Effective date	Planned application by Kuehne + Nagel Group
IFRS 7 – Financial instruments: Disclosures	**	January 1, 2007	Reporting year 2007
Amendment to IAS 1 – Presentation of financial statements: Capital disclosures	**	January 1, 2007	Reporting year 2007
IFRS 8 – Operating segments	***	January 1, 2009	Reporting year 2009
IFRIC 7 – Applying the restatement approach under IAS 29 financial reporting in hyperinflationary economies	*	March 1, 2006	Reporting year 2007
IFRIC 8 – Scope of IFRS 2	*	May 1, 2006	Reporting year 2007
IFRIC 9 – Reassessment of embedded derivatives	*	June 1, 2006	Reporting year 2007
IFRIC 10 – Interim financial reporting and impairment	*	November 1, 2006	Reporting year 2007
IFRIC 11 – Group and treasury share transactions	*	March 1, 2007	Reporting year 2008
IFRIC 12 – Service concession arrangements	*	January 1, 2008	Reporting year 2008

* No or no significant impacts are expected on the consolidated financial statements of the Group.

** Mainly additional disclosures are expected in the consolidated financial statements of the Group.

*** The impact on the consolidated financial statements of the Group can not yet be determined with sufficient reliability, but any impact would be limited to disclosure.

4 Scope of consolidation

The Group's significant subsidiaries and joint ventures are listed on pages 158 to 163. The significant changes in the scope of consolidation in 2006 relate to the following companies:

	Capital share * acquired in per cent equals voting rights	Currency	Share capital in 1,000 LC	Acquisition/ Incorporation date
Acquisitions				
ACR Group, France [1]	100	EUR	9,723	January 1, 2006
Transport Invest AG, Lichtenstein [2]	100	CHF	930	January 1, 2006
Arion Real Estate & Commercial S.A., Greece [3]	50	EUR	411	January 1, 2006
Flete Caribe SA, Costa Rica [4]	100	CRC	9	November 7, 2006
Incorporation				
Nacora S.A., Argentina	100	ARS	20	February 1, 2006
Nacora Brokers, Australia	100	AUD	300	March 1, 2006
Logistique Distribution de Gascogne SASU, France	100	EUR	37	May 1, 2006
SLGE SASU, France	100	EUR	37	May 1, 2006
Kuehne + Nagel, Bosnia	100	BAM	98	June 1, 2006
Kuehne + Nagel WLL, Kuwait	100	KWD	50	June 1, 2006
Kuehne + Nagel Drinklogistics Ltd., Great Britain	100	GBP	0	July 1, 2006
Societe Logistique du Nord Parisien, France	100	EUR	37	December 1, 2006
Kuehne + Nagel Information Center Ltd., China	100	CNY	1,008	December 1, 2006

* For capital share as per December 31, 2006, please refer to the list of the Group's significant subsidiaries and joint ventures on pages 158 to 163. There were no significant divestments in the year 2006.

1 The main activity of the ACR Group is contract logistics. ACR Logistics Holdings B.V. (ACR) is headquartered in Paris, France. ACR ranks among the leading contract logistics providers in Europe with a leading market position in Great Britain, France, Italy and the Benelux. ACR operates at 140 locations in 11 countries, where it manages 2.2 million sqm of warehouse space. ACR has a strong presence in the retail, telecommunication, industrial and fast moving consumer goods markets. ACR employed about 15,000 staff in 2005.

2 The company is holding an investment in a logistics company in Greece.

3 The Group previously owned 50 % of the share capital of Arion and applied the equity accounting method. The main activity is contract logistics.

4 The Group acquired 100 % of the share capital of Flete Caribe S.A., Costa Rica. The main activity is seafreight.

Significant changes in the scope of consolidation for the year 2005 related to the following companies:

	Capital share acquired in per cent equals voting rights	Currency	Share capital in 1,000 LC	Acquisition/ Incorporation date
Acquisitions				
Häring Group, Germany [2]	100	EUR	4,300	January 1, 2005
PT Kuehne + Nagel Sigma Trans, Indonesia [1]	45	IDR	389,000	January 1, 2005
Kuehne + Nagel (Mauritius) Ltd. [3]	10	MUR	4,000	January 1, 2005
Mönkemöller Group, Germany [2]	100	EUR	1,645	June 1, 2005
WM Cargonet Group, Germany [4]	60	EUR	750	July 1, 2005
Ziegler & Co. ApS, Denmark [5]	100	DKK	200	November 1, 2005
Nacora (Malaysia) Sdn. Bhd. [6]	30	MYR	100	December 1, 2005
Incorporation				
Kuehne + Nagel (Nigeria) Ltd.	100	NGN	0	January 1, 2005
Kuehne + Nagel (Equatorial Guinea) Ltd.	100	CFA	1,046	January 1, 2005
Kuehne + Nagel d.o.o., Slovenia	100	SIT	2,410	March 31, 2005
Kuehne + Nagel Ibrakom L.L.P, Kazakhstan	60	KZT	680	June 1, 2005
Kuehne + Nagel S.A, Nicaragua	100	NIO	10	June 21, 2005
Kuehne + Nagel Investments B.V., Netherlands	100	EUR	50	July 14, 2005
Pact Benelux B.V., Netherlands	60	EUR	18	August 1, 2005
Kuehne + Nagel (Pty) Ltd., Lesotho	100	ZAR	1	August 9, 2005
Kuehne + Nagel Logistics NV, Belgium	100	EUR	61	September 12, 2005
Kuehne + Nagel S.A, Honduras	100	HNL	25	November 1, 2005
Kuehne + Nagel Participations Sarl, France	100	EUR	5,300	December 14, 2005

There were no significant divestments in the year 2005.

1 The Group previously owned 50 % of the share capital in PT Kuehne + Nagel Sigma Trans, and applied the equity accounting method. The main activity is sea and air logistics.

2 The main activity of these companies is overland transport and contract logistics services.

3 The Group previously owned 51 % of the share capital in Kuehne + Nagel (Mauritius) Ltd. The main activity is sea and air logistics.

4 The Group previously owned 40 % of the share capital in WM Cargonet Group and applied the equity accounting method. The main activity is overland transport and contract logistic services.

5 The Group acquired 100 % of share capital of Ziegler & Co. ApS., Denmark. The main activity is sea and air logistics.

6 The Group previously owned 70 % of the share capital in Nacora (Malaysia) Sdn. Bhd. The main activity is insurance brokerage.

5 Principles of consolidation

Subsidiaries are all entities which Kuehne + Nagel International AG has the ability to control. Control exists when a company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are included in the consolidated financial statements by the full consolidation method. As a consequence, all assets, liabilities, expense and income are fully included. Subsidiaries acquired within the financial year are accounted for according to the purchase method as of the date of take-over of control. The difference between the purchase price and the Group's share of the fair values of the acquired net assets at the date of acquisition is recognised as goodwill.

The minority interest in equity as well as earnings for the period is reported separately in the consolidated financial statements.

Associates and joint ventures

Associates are those entities in which the Group is able to exercise a significant influence over the financial and operating policies. Joint ventures are those entities that are subject to contractually established joint control. Associates and joint ventures are accounted for under the equity method and carried in the balance sheet at the equity-accounted amount or, if lower, recoverable amount. The Group's share of income (loss) of associates and joint ventures is included in the income statement.

Transactions eliminated on consolidation

Intra-group balances, transactions, income, and expenses are eliminated in preparing the consolidated financial statements.

Foreign exchange translation

Year-end financial statements of consolidated companies are prepared in their respective functional currencies and translated into CHF (the Group's reporting currency) as of year-end. Assets and liabilities, including goodwill and fair value adjustments arising on consolidation, are translated at year-end exchange rates and all items included in the income statement are translated at average exchange rates for the year, which approximate actual rates. Exchange differences originating from such translation methods have no impact on the income statement since they are directly recognised in equity.

Transactions in foreign currencies within individual subsidiaries are translated into the functional currency at actual rates of the transaction day. Monetary assets and liabilities are translated at year-end rates. Non-monetary assets and liabilities that are stated at historical cost are translated at actual rates of the transaction day. Non-monetary assets and liabilities that are stated at fair value are translated at the rate at the date the values are determined. Exchange differences arising on the translation are included in the income statement.

The major foreign currency conversion rates applied are as follows:

Currency	2006 CHF	Variance per cent	2005 CHF
Income statement and cash flow (average rates for the year)			
EUR 1.–	1.5752	1.7	1.5486
USD 1.–	1.2570	1.1	1.2432
Balance sheet (year end rates)			
EUR 1.–	1.6078	3.2	1.5585
USD 1.–	1.2239	– 7.0	1.3159

6 Financial assets and liabilities

The accounting policy applied to financial instruments depends on how they are classified. Financial assets and liabilities are classified into the following categories:

- The category **financial assets or liabilities at fair value through profit or loss** only includes financial assets or liabilities held for trading. There are no financial assets or liabilities that upon initial recognition have been designated at fair value through profit or loss. As of December 31, 2006 and 2005, the Group did not have any financial assets or liabilities held for trading with the exception of a few derivative instruments (see below).
- **Loans and receivables** are carried at amortised cost calculated using the effective interest rate method, less allowances for impairment (see below).
- Financial assets/investments **available for sale** include all financial assets/investments not assigned to one of the above-mentioned categories. These include investments in affiliates that are not associates or joint ventures and investments in bonds and notes. Financial assets/investments available for sale are recognised at fair value, changes in value (after tax) are recognised directly in equity until the assets are sold, at which time the amount reported in equity is transferred to the income statement.
- **Financial liabilities** that are not at fair value through profit or loss are carried at amortised cost calculated using the effective interest rate method.

The fair value of investments held for trading and investments available for sale is their quoted bid price at the balance sheet date.

Derivatives and hedge accounting

Derivative financial instruments (foreign exchange contracts) are used to hedge the foreign exchange exposures on outstanding balances in the Group's internal clearing system, centralized at head office. Given that the Group's hedging activities are limited to hedges of recognised foreign currency monetary items, the Group does not apply hedge accounting. Derivatives held to hedge foreign currency exposures are carried at fair value, and all changes in fair value are recognised immediately in the income statement. All derivatives with a positive fair value are shown as other receivables, while all derivatives with a negative fair value are shown as other liabilities. No material open derivative contracts were outstanding as of December 31, 2006 and 2005.

Impairment of financial assets

If there is any indication that a financial asset (loan, receivable or financial asset/investment available for sale) may be impaired, its recoverable amount is calculated.

The recoverable amount of the Group's loans and receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

Trade receivables are reported at their anticipated recoverable amounts. The allowance for bad debts is determined based on individual basis, or on a portfolio basis, where there is objective evidence that impairment losses have been incurred.

Where an asset's recoverable amount is less than its carrying amount, the asset is written down to its recoverable amount. All resultant impairment losses (after, for available for sale equity securities, reversing previous revaluations recognised in equity) are recognised in the income statement.

An impairment loss in respect of a financial asset is reversed if there is a subsequent increase in recoverable amount that can be related objectively to an event occurring after the impairment loss was recognised. Reversals of impairment losses are recognised in the income statement, with the exception for reversals of impairment losses on available for sale equity securities.

7 Segment reporting

The segment reporting reflects the structure of the Group.

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Due to the expansion of contract logistics (ACR acquisition), real estate has become so significant that, as of the first half of 2006, it has been identified as a separate segment. It was part of the segments Contract Logistics and Insurance Broker/Other. Real Estate acts mainly as landlord towards the Contract Logistics segment. The new segment reporting reflects the Group's revised management structure. Segment information for the comparative period has been reclassified.

Furthermore, the previous segment of "Sea & Air Logistics" has been split into separate segments "Seafreight" and "Airfreight".

The primary segmentation covers the business fields "Seafreight", "Airfreight", "Rail & Road Logistics", "Contract Logistics", "Real Estate" and "Insurance Broker".

The secondary segmentation represents the main geographical areas.

Segment assets and liabilities cover all operating balance sheet positions which are directly, or on a reasonable basis, attributable to a segment.

8 Property, plant and equipment

Property, plant and equipment are included in the consolidated financial statements at cost less accumulated depreciation and accumulated impairment losses. The depreciation is calculated on a straight line basis considering the expected useful life of the individual assets. The following depreciation rates are applicable for the major categories:

	Per cent
Buildings	2 ½
Vehicles	20–25
Leasehold improvements	33 ⅓
Office machines	25
IT hardware	33 ⅓
Office furniture	20

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other expenditure is recognised in the income statement as an expense as incurred.

9 Leases

Leases that transfer substantially all the risks and rewards of ownership of the leased asset to the Group are classified as finance leases. Other leases are classified as operating leases.

Assets leased under finance leases are included at the present value of the future minimum lease payments or their fair value if lower, less accumulated depreciation and accumulated impairment losses. Leased assets are depreciated over the shorter of the lease term and their useful lives. The interest portion of the lease payments is expensed through the income statement based on the effective interest rate inherent in the lease.

Operating lease payments are treated as operating cost and charged to the income statement on a straight line basis over the lease period unless another basis is more appropriate to reflect the pattern of benefits to be derived from the leased asset.

10 Intangibles

Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill arising on an acquisition represents the excess of the cost of the acquisition over the fair value of the net identifiable assets acquired, and is allocated to cash generating units. Goodwill is stated at cost less accumulated impairment losses. Goodwill is tested annually for impairment. The impairment test may be performed at any time during an annual period, provided it is performed at the same time every year. The Group will test its goodwill for impairment at year-end. However, if there is an indication that goodwill would be impaired at any other point in time, an impairment test will be performed.

Negative goodwill arising on an acquisition is recognised directly in the income statement.

Other intangibles

Other identifiable intangibles (i.e. software, customer lists, customer contracts, etc.) purchased from third parties or acquired in a business combination are separately recognised as intangibles, and are stated at cost less accumulated amortisation and accumulated impairment losses. Intangibles acquired in a business combination are recognised separately from goodwill if they are subject to contractual or legal rights or are separately transferable and their fair value can be reliably estimated. Software is amortised over its estimated useful life, maximum 3 years. Other intangibles are amortised on a straight line basis over their estimated useful life (5 – 10 years maximum). There are no intangibles with indefinite useful life recognised in the Group's balance sheet.

11 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and in hand and short term deposits with a term of three months or less from the date of acquisition. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash at banks and in hand and short-term deposits less bank overdrafts.

12 Impairment

The carrying amounts of the Group's investments in consolidated companies, associates and joint ventures and its intangibles and property, plant and equipment, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Goodwill is tested for impairment every year. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment losses

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

13 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 and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

14 Pension plans, severance payments and share participation plans

Some consolidated companies 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.

Defined benefit plans

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. The calculation is performed by an independent, qualified actuary using the projected unit credit method.

In calculating the Group's obligation in respect of a plan, to the extent that any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in the income statement over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised.

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised in the income statement as an expense as incurred.

Severance payments

The Group provides severance benefits to employees, as legally required in certain countries, which are accounted for as defined benefit plan if material.

Share-based compensation

The Group has a share purchase and option programme that allows Group employees to acquire shares of the Company. The employees can buy shares with a small reduction of the actual share price. In addition, for each share purchased under this plan, the Company grants two options to the participants. Each option entitles the participant to purchase one share of Kuehne + Nagel International AG at a specified price. For further details about the programmes, refer to note 33.

For the share purchase programme, the difference between the fair value of the shares at purchase date and the purchase price of the shares is recognised as a personal expense with a corresponding increase in equity. The fair value of the shares granted is measured at the market price of the Company's shares, adjusted to take into account terms and conditions upon which the shares were granted.

The fair value of options granted is recognised as a personnel expense with a corresponding increase in equity. The fair value of the granted options is calculated using the lattice binominal model, taking into account the terms and conditions upon which the options were granted. The fair value of the options is measured at grant date and spread over the relevant vesting periods. The amount recognised as a personal expense is adjusted to reflect actual and expected levels of vesting.

15 Revenue recognition

The income statement presentation reflects the unique nature of the income generated by an entity operating in the logistics and forwarding business. Turnover from services rendered is recognised in the income statement when the related services are performed and invoiced. In case the order has not yet been completed and not invoiced, the incurred costs are deferred and included under work in progress.

The gross profit, which represents the difference between the turnover and the services rendered by third parties, provides a better indication of performance in the logistics industry than turnover.

16 Taxes

All taxes on income, profit, capital, and real estate are provided for. The level of the provision is calculated based on the tax rates enacted or substantially enacted at the balance sheet date.

Both current and deferred tax is recognised in the income statement, except to the extent that the tax relates to items recognised directly in equity, in which case it is recognised in equity.

The provision for deferred tax is recognised following the comprehensive balance sheet liability method. As a consequence, all temporary differences between the consolidated and fiscal balance sheets are considered in the preparation of the year end accounts.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

Non-recoverable withholding tax on anticipated or probable next year's profit distributions by subsidiaries is also recorded under deferred tax liabilities.

A deferred tax asset in respect of temporary differences or tax losses is recognised only to the extent that it is probable within 24 months that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

17 Non-current assets held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than from continuing use. The asset (or disposal group) must be available for immediate sale in its present condition and the sale must be highly probable. Immediately before classification as held for sale, the measurement of the assets (and all assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable IFRS. Then, on initial classification as held for sale, non-current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale are included in the income statement.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations, or is a company acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier.

As of the year end 2006 and 2005, the Group did not have any non-current assets classified as held for sale. It also did not have any discontinued operations during 2006 and 2005.

Notes to the Income Statement

18 Personnel expenses

CHF million	2006	2005
Salaries and wages	2,367.6	1,198.7
Social expenses and employee benefits	493.8	238.0
Expenses for employee share purchase and option plan	8.7	4.4
Pension plan expenses		
– Defined benefit plans	22.6	34.8
– Defined contribution plans	33.6	17.7
Other	34.6	6.3
Total	2,960.9	1,499.9

19 Selling, general and administrative expenses

CHF million	2006	2005
Administrative expenses	199.9	129.8
Communication expenses	102.2	80.9
Travel and promotion expenses	87.7	66.3
Vehicle expenses	270.2	78.3
Operating expenses	190.0	76.0
Facility expenses	589.7	270.1
Bad debt and collection expenses	16.1	20.3
Total	1,455.8	721.7

20 Other operating income, net

CHF million	2006	2005
Gain on disposal of property, plant and equipment	21.3	17.3
Loss on disposal of property, plant and equipment	– 1.8	– 3.2
Total	19.5	14.1

21 Financial income and expenses

CHF million	2006	2005
Interest income	15.3	16.3
Exchange differences, net	3.2	7.1
Financial income	18.5	23.4
Interest expenses	– 22.9	– 17.5
Financial expenses	– 22.9	– 17.5
Net financing result	– 4.4	5.9

22 Income tax

CHF million	2006	2005
Current tax expenses		
– in current year	169.1	124.3
– under/(over) provided in prior years	0.6	– 4.0
	169.7	120.3
Deferred tax expenses		
– changes in temporary differences	– 28.6	– 8.9
– changes in tax losses recognised	–	1.2
– write-down of deferred tax assets	1.1	14.9
	– 27.5	7.2
Income tax expenses in income statement	142.2	127.5

CHF million	2006	2005
Reconciliation of the effective tax rate		
Earnings before tax according to the income statement	601.4	445.9
Income tax	163.1	117.9
Expected tax rate	27.1 %	26.4 %
Tax effect on:		
– tax exempted income/expenses	– 0.9	3.9
– tax losses utilised	– 15.7	– 4.5
– impact of deferred tax assets not recognised	1.1	14.9
– changes in tax rate for previously recognised deferred tax assets	–	1.6
– under/(over) provision in prior years	0.6	– 4.0
– other	– 6.0	– 2.3
Income tax	142.2	127.5
Effective tax rate	23.6 %	28.6 %

22 Deferred taxes

CHF million	Assets		Liabilities		Net	
	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2005
Property, plant and equipment	41.8	16.0	– 68.9	– 1.6	– 27.1	14.4
Goodwill and other intangibles	17.6	0.9	– 94.4	– 12.0	– 76.8	– 11.1
Trade receivables	20.6	15.6	– 1.6	– 1.0	19.0	14.6
Other receivables	9.0	5.0	– 7.9	– 6.1	1.1	– 1.1
Finance lease obligation	22.6	3.9	–	–	22.6	3.9
Provisions for pension plans and severance payments	13.1	17.7	–	–	13.1	17.7
Other liabilities	16.2	6.2	–	–	16.2	6.2
Tax value of loss carry-forwards recognised	7.0	7.0	–	–	7.0	7.0
Tax assets/(liabilities)	147.9 *	72.3 *	– 172.8	– 20.7	– 24.9	51.6
* of which acquired in business combinations (opening balance sheet)	26.0	–	– 132.5	–	–	–

The recognised deferred tax assets relating to tax losses carried forward are expected to be used by the end of 2008 at the latest.

CHF million	Dec. 31, 2006	Dec. 31, 2005
Unrecognised deferred tax assets		
– on tax losses	40.4 *	16.7
– deductible temporary differences	98.5	101.5
Total	138.9	118.2

* of which acquired in business combinations (mainly ACR) CHF 19.6 million

It is not probable that future taxable profits will be available against which the unrecognised deferred tax assets can be used. The unrecognised deferred tax assets relating to tax losses expire by the end of the following years:

CHF million year	2006	2005
2006		0.7
2007	0.7	0.2
2008	0.3	0.1
2009	0.2	0.3
2010	0.2	15.4
2011 and later	39.0	
Total	40.4	16.7

23 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.

	2006	2005
Earnings for the year attributable to the equity holders of the parent in CHF million	458.3	315.0
Weighted average number of ordinary shares outstanding during the year	117,420,616	109,736,440
Effect of dilutive shares:		
Share options	814,478	691,910
Adjusted weighted number of ordinary shares applicable to diluted earnings per share	118,235,094	110,428,350
Basic earnings per share in CHF	**3.90**	**2.87**
Diluted earnings per share in CHF	**3.88**	**2.85**

During the Annual General Meeting on May 2, 2006, the shareholders approved a 1:5 split of the registered shares and a corresponding increase in the number of Kuehne + Nagel shares. At the same time, the nominal value per share relating to approved share capital and conditional share capital was also reduced from CHF 5 to CHF 1.

As a consequence of the split, basic and diluted earnings per share for the comparative period were recalculated as if the split had taken place as of January 1, 2005, as required under IFRS.

Notes to the Balance Sheet

24 Property, plant and equipment

2006

CHF million	Properties, including buildings on third parties' land	Properties, buildings under finance leases	Other operating and office equipment	Total
Cost				
Balance as of January 1, 2006	673.3	11.4	442.5	1,127.2
Additions through business combinations	145.1	143.2	128.4	416.7
Other additions	108.3	3.4	134.5	246.2
Disposals	– 28.1	– 10.8	– 66.1	– 105.0
Adjustments/transfers	– 12.9	0.2	12.7	–
Effect of movements in foreign exchange	15.1	6.7	1.3	23.1
Balance as of December 31, 2006	**900.8**	**154.1**	**653.3**	**1,708.2**
Accumulated depreciation and impairment losses				
Balance as of January 1, 2006	110.0	0.5	318.1	428.6
Depreciation charge for the year	24.6	2.5	123.9	151.0
Disposals	– 7.1	0.4	– 58.0	– 64.7
Adjustments/transfers	– 0.6	–	0.6	–
Effect of movements in foreign exchange	1.1	0.1	2.7	3.9
Balance as of December 31, 2006	**128.0**	**3.5**	**387.3**	**518.8**
Carrying amount				
As of January 1, 2006	**563.3**	**10.9**	**124.4**	**698.6**
As of December 31, 2006	**772.8**	**150.6**	**266.0**	**1,189.4**

Fire insurance value as of December 31, 2006: CHF 1,833 million.

No property, plant and equipment were pledged and no restriction on title exists as of December 31, 2006.

2005

CHF million	Properties, including buildings on third parties' land	Properties, buildings under finance leases	Other operating and office equipment	Total
Cost				
Balance as of January 1, 2005	617.6	65.8	385.7	1,069.1
Additions through business combinations	23.5	–	8.2	31.7
Other additions	100.0	–	89.6	189.6
Disposals	– 92.1	– 54.5	– 65.6	– 212.2
Adjustments/transfers	– 0.4	–	– 1.9	– 2.3
Effect of movements in foreign exchange	24.7	0.1	26.5	51.3
Balance as of December 31, 2005	**673.3**	**11.4**	**442.5**	**1,127.2**
Accumulated depreciation and impairment losses				
Balance as of January 1, 2005	120.5	33.8	285.1	439.4
Depreciation charge for the year	15.9	0.4	65.8	82.1
Disposals	– 32.8	– 33.8	– 52.5	– 119.1
Adjustments/Transfers	0.3	–	– 2.6	– 2.3
Effect of movements in foreign exchange	6.1	0.1	22.3	28.5
Balance as of December 31, 2005	**110.0**	**0.5**	**318.1**	**428.6**
Carrying amount				
As of January 1, 2005	**497.1**	**32.0**	**100.6**	**629.7**
As of December 31, 2005	**563.3**	**10.9**	**124.4**	**698.6**

Fire insurance value as of December 31, 2005: CHF 985 million

No property, plant and equipment were pledged and no restriction on title exists as of December 31, 2005.

25 Goodwill and other intangibles

2006

CHF million	Goodwill	Other intangibles *
Cost		
Balance as of January 1, 2006	195.2	122.8
Addition through business combinations **	462.3	336.3
Other additions	–	18.5
Disposals	–	– 6.3
Effects of movements in foreign exchange	– 8.5	14.7
Balance as of December 31, 2006	**649.0**	**486.0**
Accumulated amortisation and impairment losses		
Balance as of January 1, 2006	61.6	52.8
Amortisation charge for the year	–	97.2
Impairment loss ***	–	6.4
Disposals	–	– 3.2
Effect of movements in foreign exchange	– 16.9	3.3
Balance as of December 31, 2006	**44.7**	**156.5**
Carrying amount		
As of January 1, 2006	**133.6**	**70.0**
As of December 31, 2006	**604.3**	**329.5**

* Other intangibles mainly comprise customer contracts/lists and logistic networks based on contractual agreements as well as software.

** Goodwill arose upon acquisition of the ACR Group (CHF 448.3 million) and the other companies (CHF 14.0 million) because certain intangible assets did not meet the IFRS 3 criteria for recognition as intangible assets at the date of acquisition. These assets are mainly represented by management expertise, work force, distribution channels and geographic presence.

*** An impairment charge of CHF 6.4 million was recorded, relating to an impairment of a customer list recognised upon the acquisiton of Deus, Oldenburg, Germany. The anticipated level of profitability at the date of acquisition has not been achieved. Based on the impairment test performed, the total carrying amount of the intangible asset of CHF 6.4 million was fully written off. The estimate of the recoverable amount was based on value in use, determined using a pre-tax discount rate of 12.8 per cent.

25

2005

CHF million	Goodwill	Other intangibles *
Cost		
Balance as of January 1, 2005	423.8	39.3
Elimination of accumulated goodwill amortisation	– 318.1	–
Balance as of January 1, 2005, restated	**105.7**	**39.3**
Addition through business combinations **	36.6	63.3
Other additions	–	22.8
Disposals	–	– 6.0
Adjustments/transfers	–	2.3
Effects of movements in foreign exchange	52.9	1.1
Balance as of December 31, 2005	**195.2**	**122.8**
Accumulated amortisation and impairment losses		
Balance as of January 1, 2005	318.1	26.6
Elimination of accumulated goodwill amortisation	– 318.1	–
Balance as of January 1, 2005, restated	**–**	**26.6**
Amortisation charge for the year	–	25.5
Impairment loss ***	24.8	–
Disposals	–	– 2.7
Adjustments/transfers	–	2.3
Effect of movements in foreign exchange	36.8	1.1
Balance as of December 31, 2005	**61.6**	**52.8**
Carrying amount		
As of January 1, 2005	**105.7**	**12.7**
As of December 31, 2005	**133.6**	**70.0**

* Other intangibles mainly comprise customer contracts/lists and logistic networks based on contractual agreements as well as software.

** In 2005, goodwill arose upon the acquisition of the Häring Group and the Mönkemöller Group because certain intangible assets did not meet the IFRS criteria for recognition as intangible assets at the date of acquisition. These assets are mainly management expertise, work force, distribution channels and geographic presence.

*** In 2005, an impairment charge of CHF 24.8 million was recorded, relating to an impairment of goodwill that arose upon the acquisition of the Häring Group. The anticipated level of profitability at the date of acquisition at January 1, 2005, has not been achieved. The future expected cash flows were also worse than originally anticipated; this led the Group to assess the recoverable amount of the Häring operations. Based on the impairment test performed, the total carrying amount of goodwill of CHF 24.8 million was fully written off. The estimate of the recoverable amount was based on value in use.

25 Impairment testing of goodwill

The Group has performed impairment tests of goodwill at the end of the financial year 2006. For the purpose of impairment testing, goodwill is allocated to cash-generating units, which are expected to benefit from the synergies of the corresponding business combination. The following segments have cash-generating units with significant carrying amounts of goodwill allocated to them:

CHF million Cash-generating units within	2006	2005
Contract Logistics	571.8	120.5
Rail & Road Logistics	32.5	13.1
Total	**604.3**	**133.6**

For the goodwill allocated to the cash-generating units included in the above segments, the impairment tests are based on calculations of value in use. Cash flow projections are based on actual operating results and three-year business plans. Cash flows beyond the three-year period are extrapolated using estimated long-term growth rates. The growth rates do not exceed the long-term average growth rate for the logistic industry in which the cash-generating units operate. Future cash flows are discounted based on the Weighted Average Cost of Capital (WACC), taking into account risks that are specific to cash-generating units tested for impairment.

Key assumptions used for value-in-use calculations of goodwill:

Business acquired	Kuehne + Nagel Inc., USA (USCO)	Multiple units without significant goodwill	ACR-Group, Europe	Total
Year acquired	2001	2004–2006	2006	
Carrying amount of goodwill in CHF million	**108.0**	**32.5**	**463.8**	**604.3**
Cash-generating unit within segment	Contract Logistics	Rail & Road	Contract Logistics	
Basis for recoverable amount	Value in use	Value in use	Value in use	
Discount rate*	13.1 %	11.9–13.1 %	10.8–12.2 %	
Projection period	3 years	3 years	3 years	
Terminal growth rate	1.5 %	1.5 %	1.5 %	

* The discount rates applied are pre-tax rates.

The recoverable amounts significantly exceed its carrying amounts and consequently, there was no need for the recognition of any impairment of goodwill in the financial year 2006. In 2005, an impairment loss on goodwill relating to the Häring Group in the amount of CHF 24.8 million was recognised, as further described above.

25 Management considers that it is not likely for the assumptions used to change so significantly as to eliminate the excess. A sensitivity analysis for the two major acquisitions – USCO Group and ACR Group – has been prepared with following outcome:

Sensititivity analysis of goodwill – USCO Group

Amount of excess (+)/necessary impairment (–) in CHF million depending on:

					Discount rate
	–	13.1 %	14.0 %	15.0 %	16.0 %
Growth Rate	0.0 %	29.2	19.4	9.2	0.4
	0.5 %	34.9	24.3	13.5	4.1
	1.0 %	41.0	29.6	18.1	8.0
	1.5 %	47.6	35.4	22.9	12.2

Sensititivity analysis of goodwill – ACR Group

Amount of excess (+)/necessary impairment (–) in CHF million depending on:

					Discount rate
	–	13.1 %	14.0 %	15.0 %	16.0 %
Growth Rate	0.0 %	298.9	218.6	141.1	73.3
	0.5 %	316.2	233.7	153.3	83.3
	1.0 %	337.2	249.9	166.4	94.1
	1.5 %	358.7	267.5	180.3	105.3

26 Investments in joint ventures

As of December 31, 2006, the following investments in joint ventures are held (all with 50 % voting rights/KN share):

- KN-ITS S.A.L., Lebanon
- Orient Transport Company Ltd., Saudi Arabia
- Cologic S.A., Luxembourg
- Kuehne + Nagel Drinkflow Logistics, Ltd., United Kingdom
- Kuehne + Nagel Drinkflow Logistics (Holdings) Ltd., United Kingdom
- SRS Transport, Greece

The table below provides summary financial information on joint ventures (100 per cent)

CHF million	Dec. 31, 2006	Dec. 31, 2005
Total assets/liabilities	173.0	101.5
Net invoiced turnover	386.5	256.5
Earnings for the year	1.8	7.4

No investments in associates were held at December 31, 2006, and December 31, 2005.

27 Work in progress

This position increased from CHF 270.7 million in 2005 to CHF 283.0 million in 2006 which represents a billing delay of 5.5 working days against the previous year's 5.8 days, see note 15.

28 Trade receivables

Trade receivables outstanding as of the year-end averaged 41.4 days (2005: 38.8 days). 94.2 per cent (2005: 93.4 per cent) of the total trade receivables were outstanding between 1 and 90 days.

During the reporting period, CHF 9.8 million (2005: CHF 7.5 million) receivables have been written down. The majority of all billing is done in the respective Group companies' own functional currencies and is mainly in EUR, USD and GBP.

Trade receivables of CHF 120.1 million (2005: CHF 155.2 million) are pledged as security for own bank liabilities mainly in the United States and South Africa.

29 Other receivables

CHF million	Dec. 31, 2006	Dec. 31, 2005
Advances to employees	2.0	2.2
Receivables from tax authorities in respect of:		
– refundable withholding tax	3.2	1.2
– refundable VAT	35.5	26.7
– advance payments of tax	9.9	7.5
Receivables from social security authorities	4.7	3.2
Other	43.9	22.4
Total	**99.2**	**63.2**

30 Cash and cash equivalents

CHF million	Dec. 31, 2006	Dec. 31, 2005
Cash and cash equivalents	**771.3**	**1,197.9**
Bank overdraft	171.1	73.3
Cash and cash equivalents in the cash flow statement, net	**600.2**	**1,124.6**

The majority of the above mentioned amounts are held in commercial banks. The majority of cash and cash equivalents are managed centrally in order to limit currency risk. A netting system and a Group cash pool is in place which also further reduce the currency exposure. Most of the bank balances held by Group companies are in their respective functional currencies, which are mainly in CHF, EUR, USD and GBP.

31 Equity attributable to the equity holders of the parent

2006

	Balance Dec. 31, 2006				Sharesplit May 02, 2006	Jan. 1, 2006
Main shareholders	Registered shares of nominal CHF 1 each number	CHF million	Capital share per cent	Voting share per cent	Registered shares of nominal CHF 1 each number	Registered shares of nominal CHF 5 each number
Kuehne Holding AG, Schindellegi	66,900,000	66.9	55.75	56.83	66,900,000	13,380,000
Public shareholders	50,812,892	50.8	42.34	43.17	50,233,865	10,046,773
Entitled to voting rights and dividend	**117,712,892**	**117.7**	**98.09**	**100.00**	**117,133,865**	**23,426,773**
Treasury shares	2,287,108	2.3	1.91		2,866,135	573,227
Total	**120,000,000**	**120.0**	**100.00**		**120,000,000**	**24,000,000**

During the Annual General Meeting on May 2, 2006, the shareholders approved a 1:5 split of the registered shares and a corresponding increase in the number of Kuehne + Nagel shares. At the same time, the nominal value per share relating to approved share capital and conditional share capital was also lowered from CHF 5 to CHF 1.

As a consequence of the split, basic and diluted earnings per share for the comparative period were recalculated as if the split had taken place as of January 1, 2005, as required under IFRS.

In 2006, the Group sold 579,027 (2005: 603,865) treasury shares for CHF 28.5 million (2005: CHF 18.9 million) under the Employee Share Option and Purchase Plan.

On December 31, 2006, the Company had 2,287,108 treasury shares, of which 1,726,604 are blocked under the Employee Share Purchase and Option Plan; refer to note 33 for more information.

Furthermore, the Annual General Meeting extended its authorisation of approved share capital up to a maximum of CHF 20 million by a further two years until May 2008.

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.

2005

	Balance Dec. 31, 2005				Jan. 1, 2005
Main shareholders	Registered shares of nominal CHF 5 each number	CHF million	Capital share per cent	Voting share per cent	Registered shares of nominal CHF 5 each number
Kuehne Holding AG, Schindellegi	13,380,000	66.9	55.75	57.10	13,380,000
Public shareholders	10,046,773	50.2	41.86	42.90	8,226,000
entitled to voting rights and dividend	**23,426,773**	**117.1**	**97.61**	**100.00**	**21,606,000**
Treasury shares	573,227	2.9	2.39		2,394,000
Total	**24,000,000**	**120.0**	**100.00**		**24,000,000**

On December 31, 2005, the Company had 573,227 treasury shares, of which 303,978 are blocked under the Employee Share Purchase and Option Plan; refer to note 33 for more information.

31 In 2005, the Group sold 120,773 treasury shares for CHF 18.9 million under the Employee Share Option and Purchase Plan, and 1.7 million treasury shares were successfully offered to institutional investors for CHF 484 million to partly finance the purchase of ACR in 2006 (see note 40).

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 two 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.

32 Provisions for pension plans and severance payments

The Group maintains defined benefit pension plans predominantly in Germany, Benelux, USA and Switzerland, as well as defined contribution plans in some other countries. Retirements 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.

CHF million	Pension plans	Severance payments	Total
Balance as of January 1, 2005	169.1	13.0	182.1
Addition through business combinations	10.5	–	10.5
Provisions made	34.8	8.9	43.7
Provisions used	– 15.2	– 4.2	– 19.4
Effect of movements in foreign exchange	1.7	1.1	2.8
Balance as of December 31, 2005	**200.9**	**18.8**	**219.7**
Addition through business combinations	3.2	23.5	26.7
Provisions made	22.6	9.0	31.6
Provisions used	– 5.6	– 9.9	– 15.5
Effect of movements in foreign exchange	2.3	0.1	2.4
Balance as of December 31, 2006	**223.4**	**41.5**	**264.9**

CHF million	Dec. 31, 2006	Dec. 31, 2005
Present value of funded obligations	108.1	54.1
Present value of unfunded obligations	219.9	219.6
Fair value of plan assets	– 88.0	– 38.4
Present value of net obligations	**240.0**	**235.3**
Unrecognised actuarial gains and losses	– 16.6	– 34.4
Recognised liability for defined benefit obligations	**223.4**	**200.9**

The present value of the net obligation of CHF 240.0 million (2005: CHF 235.3 million), includes an amount of CHF 219.9 (2005: CHF 219.6 million) in Germany where the assets are not allocated specifically to the pension plan.

Pension plan assets		
Debt securities	34.6	16.1
Equity securities	24.4	15.4
Property	2.3	–
Others	26.7	6.9
Total	**88.0**	**38.4**

32

CHF million	Dec. 31, 2006	Dec. 31, 2005
Movements of fair value of plan assets		
Opening fair value of plan assets	38.4	48.3
Contributions paid in to the plan	5.3	7.9
Actuarial (gains)/losses	– 0.6	– 2.9
Benefits paid by the plan	– 1.4	– 5.4
Expected return on plan assets	3.5	0.1
Cash-inflow due to plan changes	45.6	– 12.1
Exchange differences	– 2.8	2.5
Closing fair value of plan assets	**88.0**	**38.4**

The Group expects to pay CHF 4 to 6 million in contributions to defined benefit plans in 2007.

CHF million	Dec. 31, 2006	Dec. 31, 2005
Movements of present value of defined benefit obligations		
Opening liability for defined benefit obligations	273.7	236.3
Liabilities assumed through business combinations	3.2	10.5
Current service costs	6.5	10.2
Interest costs	13.0	11.1
Benefits paid by the plan	– 10.6	– 9.8
Actuarial (gains)/losses	– 12.0	32.8
Amendments of plan at end of period	51.1	– 13.3
Exchange differences	3.1	– 4.1
Closing liability for defined benefit obligations	**328.0**	**273.7**
Expenses recognised in the income statement		
Current service costs	6.5	10.2
Interest costs	13.0	11.1
Expected return on plan assets	– 3.5	0.1
Past service cost	5.0	–
Actuarial (gains)/losses	1.6	13.4
Expenses recognised in Personnel expenses (refer note 18)	**22.6**	**34.8**
Actuarial assumptions		
Principal actuarial assumptions at the balance sheet (expressed as weighted averages):		
Discount rate in %	2.9–5.5	2–5.5
Expected rate of return on plan assets in %	2–4	1.5–4.5
Future salary increases in %	1–4.5	1–4.5
Future pension increases in %	1–3	1.5–4.5
Fluctuation rate in %	1.5–2	1.5–2

The expected long-term rate of return on assets is based on the portfolio assets as a whole rather than on the individual asset categories.

33 Employee share purchase and option plan

In 2001, Kuehne + Nagel International AG implemented an employee share purchase and option plan. This plan allows Group employees to acquire shares of the Company. The employees can buy shares with a small reduction of the actual share price. The price of the shares is 90–96.5 per cent of the share price corresponding to the average closing price of one share at the SWX Swiss Exchange during the months April to June. There are no vesting conditions. The shares are restricted for a period of three years before being released to the employees.

In addition, for each share purchased under this plan, the Company grants two options to the participants. Each option entitles the participant to purchase one share of Kuehne + Nagel International AG at a specified price. The exercise price is 100 per cent of the share price corresponding to the average closing price of one share at the SWX Swiss Exchange during the months April to June. The options vest three years after the grant date and can be exercised during the three-year period starting on the vesting date. The options cannot be settled in cash.

During the Annual General Meeting on May 2, 2006, the shareholders approved a 1:5 split of the registered shares (see note 31). As a consequence of the split, all numbers of options and shares were recalculated as if the split had taken place as of January 1, 2005.

Shares granted

The fair value of the shares granted is measured at the market price of the Company's shares, adjusted to take into consideration upon which the shares will be granted, such as blocking periods. 269,077 number of shares were granted in 2006 (2005: 225,615).

CHF per share	2006	2005
Fair value of shares granted at measurement date	89.0	53.4

The difference between the fair value of the shares at purchase date and the purchase price of the shares is recognised as a personnel expense (2006: CHF 1.7 million, 2005 CHF 0.5 million) with a corresponding increase in equity.

33 Options

The terms and conditions of the granted options are as follows:

Grant date	Exercise period	Number issued	Exercise price CHF	Number outstanding as of Dec. 31, 2006	Number outstanding as of Dec. 31, 2005
June 30, 2001	July 1, 2004 – June 30, 2007	439,000	18.52	–	16,750
June 30, 2002	July 1, 2005 – June 30, 2008	388,250	22.20	71,800	183,250
June 30, 2003	July 1, 2006 – June 30, 2009	462,900	18.90	272,150	455,400
June 30, 2004	July 1, 2007 – June 30, 2010	413,260	35.00	400,010	413,260
June 30, 2005	July 1, 2008 – June 30, 2011	451,230	51.80	445,230	451,230
June 30, 2006	July 1, 2009 – June 30, 2012	538,154	87.14	537,414	–
Total		**2,692,794**		**1,726,604**	**1,519,890**

The vesting condition is employment during the three-year vesting period. The number and weighted average exercise prices of shares options are as follows:

	2006		2005	
	Weighted average exercise price CHF	Number of options	Weighted average exercise price CHF	Number of options
Options outstanding as of January 1	33.44	1,519,890	24.28	1,454,410
Options granted during the year	87.14	538,154	51.80	451,230
Options cancelled during the year	41.97	– 19,990	22.20	– 7,500
Options exercised during the year	20.06	– 311,450	20.34	– 378,250
Options outstanding as of December 31	**52.49**	**1,726,604**	**33.44**	**1,519,890**
Options exercisable as of December 31		343,950		200,000

The weighted average contractual life of the options outstanding at December 31, 2006, is 4.1 years (2005: 3.8 years). The options outstanding at December 31, 2006, have an exercise price in the range of CHF 18.52 to CHF 87.14 (2005: CHF 18.52 to CHF 51.80).

CHF	2006	2005
Fair value of options granted at measurement date	28.22	15.36
Share price	89.00	53.40
Exercise price	87.14	51.80
Expected volatility in %	32.28	31.57
Option life	6 years	6 years
Dividend yield in %	1.37	1.56
Risk-free interest rate (based on Swiss government bonds) in %	2.93	1.81

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information. The share options are granted under a service condition. Service conditions are not taken into account in the grant date fair value measurement of the services received.

CHF million	2006	2005
Employee expenses		
Expenses arising from employee share purchase	1.7	0.5
Expenses arising from employee option plan	7.0	3.9
Total expenses recognised as personnel expenses	**8.7**	**4.4**

34 Bank and other interest bearing liabilities

CHF million	Dec. 31, 2006	Dec. 31, 2005
Less than 1 year	291.1	329.6
Between 1–5 years	54.8	3.5
After 5 years	9.2	11.4
Total	355.1	344.5

The current bank and other interest bearing liabilities include the short-term portion of non-current loans of CHF 7.8 million (2005: CHF 45.2 million) and finance lease liabilities due for payment within one year of CHF 11.1 million (2005: CHF 2.0 million). Current bank and other interest bearing liabilities less than 1 year in the amount of CHF 291.1 million also include bank overdrafts of which CHF 171.1 million (2005: CHF 73.3 million) is included in cash and cash equivalents for the purpose of the consolidated cash flow statement..

The majority of the loans and bank drafts are in USD, DKK and EUR and are on the terms of prevailing market conditions. The majority of bank overdraft facilities are repayable on notice or within one year of contractual term. The applicable interest rates are at prime interest rates of the respective country. Long term bank liabilities are repayable within the next 5 years with applicable fixed interest rates ranging from 3.75 to 6.25 %.

The non-current portion of finance lease liabilities amounts to CHF 55.0 million (2005: CHF 11.9 million) and is presented separately on the face of the balance sheet.

35 Finance lease obligations

	2006			2005 *		
CHF million	Payments	Interest	Principal	Payments	Interest	Principal
Between 2 and 5 years	60.6	12.4	48.2	4.4	2.1	2.3
After 5 years	7.2	0.4	6.8	13.8	4.2	9.6
Total	67.8	12.8	55.0	18.2	6.3	11.9

* Certain comparatives were reclassified to conform to the current period's presentation.

36 Trade payables/accrued trade expenses/deferred income

CHF million	Dec. 31, 2006	Dec. 31, 2005
Trade payables	1,110.7	829.9
Accrued trade expenses	852.7	626.3
Deferred income	98.4	80.8
Total	2,061.8	1,537.0

Trade payables, accrued trade expenses and deferred income outstanding as of the year-end averaged 51.2 days (2005: 41.1 days).

37 Provisions

The movements for provisions were as follows:

CHF million	Claim provision*	Provision for deductible transport liability insurance **	Other ***	Total provision
Balance as of January 1, 2005	29.8	9.0	9.5	48.3
Provisions used	– 13.4	–	– 10.5	– 23.9
Provisions made	6.9	10.8	16.4	34.1
Effect of movements in foreign exchange	0.6	–	0.9	1.5
Balance as of December 31, 2005	**23.9**	**19.8**	**16.3**	**60.0**
Balance as of January 1, 2006	23.9	19.8	16.3	60.0
Additions through business combination	14.1	–	24.2	38.3
Provisions used	– 14.4	–	– 17.2	– 31.6
Provisions reversed	– 6.4	– 2.8	– 14.2	– 23.4
Provisions made	12.5	6.3	33.8	52.6
Effect of movements in foreign exchange	0.5	–	– 0.1	0.4
Balance as of December 31, 2006	**30.2**	**23.3**	**42.8**	**96.3**

* Some companies are involved in legal cases based on forwarding and logistic operations. Some legal cases have been settled in the reporting period, and corresponding payments have been made.

** An additional provision for deductible transport liability has been recognised for the current year’s exposure.

*** Other provisions consist mainly of provisions for dilapidation costs amounting to CHF 11.7 million (2005: 1.1 million) and of provisions for onerous contracts amounting to CHF 10.5 million (2005: 5.4 million).

38 Other liabilities

CHF million	Dec. 31, 2006	Dec. 31, 2005
Personnel expenses incl. profit participation and untaken annual leave	275.0	157.7
Provisions for other tax liabilities	71.2	22.6
Other operating expenses	191.0	97.5
Social security	43.4	20.8
Other	46.1	28.0
Total	**626.7**	**326.6**

39 Segment reporting

a) Primary reporting

CHF million	Total 2006	Total 2005	Seafreight 2006	Seafreight 2005	Airfreight 2006	Airfreight 2005
Invoiced turnover (external customers)	18,194.1	14,048.9	8,305.8	7,503.2	3,386.4	3,010.8
Invoiced inter-segment turnover	–	–	1,472.0	1,219.0	1,838.2	1,436.8
Customs duties and taxes	– 3,307.4	– 2,955.3	– 2,291.9	– 1,932.3	– 638.0	– 527.3
Net invoiced turnover	14,886.7	11,093.6	7,485.9	6,789.9	4,586.6	3,920.3
Net expenses for services from third parties	– 9,634.2	– 8,324.6	– 6,347.5	– 5,846.4	– 3,987.7	– 3,393.0
Gross profit	5,252.5	2,769.0	1,138.4	943.5	598.9	527.3
Total expenses	– 4,397.2	– 2,207.5	– 765.1	– 679.5	– 433.3	– 388.2
EBITDA	855.3	561.5	373.3	264.0	165.6	139.1
Depreciation of property, plant and equipment, and amortisation of intangibles	– 248.2	– 107.6	– 28.1	– 20.7	– 14.5	– 14.8
EBITA	607.1	453.9	345.2	243.3	151.1	124.3
Impairment of goodwill and of other intangibles	– 6.4	– 24.8	–	–	–	–
EBIT	600.7	429.1	345.2	243.3	151.1	124.3
Financial income	18.5	23.4	–	–	–	–
Financial expenses	– 22.9	– 17.5	–	–	–	–
Result from joint ventures and associates	5.1	10.9	2.6	2.2	0.7	0.4
EBT	601.4	445.9	–	–	–	–
Income tax	– 142.2	– 127.5	–	–	–	–
Earnings for the year	459.2	318.4	–	–	–	–
Attributable to:						
Equity holders of the parent	458.3	315.0	–	–	–	–
Minority interest	0.9	3.4	–	–	–	–
Earnings for the year	459.2	318.4	–	–	–	–
Additional information						
Segment assets	5,714.9	4,221.4	1,088.3	930.4	674.9	556.5
Segment liabilities	3,739.6	2,620.4	953.5	913.2	518.0	419.5
Capital expenditure for property, plant and equipment	246.2	189.6	13.4	15.1	5.0	13.1
Capital expenditure other intangibles	18.5	22.8	3.8	5.9	6.5	3.7
Property, plant and equipment, goodwill and intangibles through business combinations	1,215.3	131.6	8.2	10.0	–	–
Depreciation of property, plant and equipment	151.0	82.1	17.8	14.8	6.0	9.1
Amortisation and impairment of intangible assets	103.6	50.3	10.3	5.9	8.5	5.7
Non-cash expenses	84.2	77.8	16.1	14.0	8.0	9.4

Prior period figures have been reclassified to reflect the new segment structure, see further note 7.

	Rail & Road Logistics		Contract Logistics		Real Estate		Insurance Brokers		Eliminations		Unallocated corporate	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	2,474.0	2,094.5	3,916.1	1,333.2	4.3	5.4	107.5	101.8	–	–	–	–
	474.9	298.0	211.7	88.4	100.6	65.3	42.8	36.9	– 4,140.2	– 3,144.4	–	–
	– 261.1	– 338.9	– 116.4	– 156.8	–	–	–	–	–	–	–	–
	2,687.8	2,053.6	4,011.4	1,264.8	104.9	70.7	150.3	138.7	– 4,140.2	– 3,144.4	–	–
	– 2,229.6	– 1,653.5	– 992.7	– 399.9	–	–	– 116.3	– 110.9	4,039.6	3,079.1	–	–
	458.2	400.1	3,018.7	864.9	104.9	70.7	34.0	27.8	– 100.6	– 65.3	–	–
	– 421.3	– 370.8	– 2,830.3	– 795.1	– 30.2	– 22.3	– 17.6	– 16.9	100.6	65.3	–	–
	36.9	29.3	188.4	69.8	74.7	48.4	16.4	10.9	–	–	–	–
	– 45.8	– 24.8	– 124.4	–30.3	– 35.1	– 16.8	– 0.3	– 0.2	–			
	– 8.9	4.5	64.0	39.5	39.6	31.6	16.1	10.7	–	–	–	–
	– 6.4	– 18.6	–	– 6.2	–	–	–	–	–	–	–	–
	– 15.3	– 14.1	64.0	33.3	39.6	31.6	16.1	10.7	–	–	–	–
	–	–	–	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–	–	–	–
	1.2	7.4	0.5	0.9	–	–	0.1	–	–	–	–	–
	–	–	–	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–	–	–	–
	414.2	417.9	1,623.2	397.7	921.0	577.4	60.0	52.7	–	–	933.3	1,288.8
	437.8	375.9	1,025.8	337.4	69.9	49.7	44.7	47.6	–	–	689.9	477.1
	24.0	22.9	91.5	38.2	111.7	100.0	0.6	0.3	–	–	–	–
	2.4	10.7	5.8	2.5	–	–	–	–	–	–	–	–
	48.5	86.1	798.7	12.0	359.9	23.5	–	–	–	–	–	–
	12.1	14.2	84.4	27.0	30.4	16.8	0.3	0.2	–	–	–	–
	40.1	29.2	40.0	9.5	4.7	–	–	–	–	–	–	–
	6.6	12.4	46.8	26.3	0.3	–	6.4	15.7	–	–	–	–

39 Segment reporting

b) Secondary reporting

CHF million	Total 2006	Total 2005	Europe 2006	Europe 2005	Americas 2006	Americas 2005
Invoiced turnover (external customers)	18,194.1	14,048.9	12,091.6	8,578.2	3,601.2	3,297.4
Invoiced inter-region turnover	–	–	2,335.6	1,700.8	594.1	457.1
Customs duties and taxes	– 3,307.4	– 2,955.3	– 2,049.9	– 1,836.1	– 692.0	– 660.0
Net invoiced turnover	14,886.7	11,093.6	12,377.3	8,442.9	3,503.3	3,094.5
Net expenses for services from third parties	– 9,634.2	– 8,324.6	– 8,453.6	– 6,830.4	– 2,679.3	– 2,365.5
Gross profit	5,252.5	2,769.0	3,923.7	1,612.5	824.0	729.0
Total expenses	– 4,397.2	– 2,207.5	– 3,394.4	– 1,321.4	– 670.3	– 605.9
EBITDA	855.3	561.5	529.3	291.1	153.7	123.1
Depreciation of property, plant and equipment, and amortisation of intangibles	– 248.2	– 107.6	– 216.7	– 82.0	– 18.5	– 14.9
EBITA	607.1	453.9	312.6	209.1	135.2	108.2
Impairment of goodwill and of other intangibles	– 6.4	– 24.8	– 6.4	– 24.8		
EBIT	600.7	429.1	306.2	184.3	135.2	108.2
Financial income	18.5	23.4	–	–	–	–
Financial expenses	– 22.9	– 17.5	–	–	–	–
Result from joint ventures and associates	5.1	10.9	4.0	9.9	–	–
EBT	601.4	445.9	–	–	–	–
Income tax	– 142.2	– 127.5	–	–	–	–
Earnings for the year	459.2	318.4	–	–	–	–
Attributable to:						
Equity holders of the parent	458.3	315.0	–	–	–	–
Minority interest	0.9	3.4	–	–	–	–
Earnings for the year	459.2	318.4	–	–	–	–
Additional information						
Segment assets *	5,714.9	4,221.4	3,695.4	1,731.7	688.8	672.7
Segment liabilities *	3,739.6	2,620.4	2,396.8	1,532.0	321.7	298.9
Capital expenditure for property, plant and equipment	246.2	189.6	188.7	166.5	37.8	11.5
Capital expenditure other intangibles	18.5	22.8	17.2	20.0	0.5	2.0
Property, plant and equipment, goodwill and intangibles through business combinations	1,215.3	131.6	1,213.0	126.2	2.3	5.4
Depreciation of property, plant and equipment	151.0	82.1	124.3	57.3	14.6	14.7
Amortisation and impairment of intangible assets	103.6	50.3	98.8	49.5	3.9	0.2
Non-cash expenses	84.2	77.8	72.3	59.4	9.4	17.1

* Certain comparatives were reclassified to confirm to the current period's presentation.

	Asia-Pacific		Middle East, Central Asia & Africa		Eliminations		Unallocated corporate	
	2006	2005	2006	2005	2006	2005	2006	2005
	1,541.2	1,344.2	960.1	829.1	–	–	–	–
	987.4	787.0	122.5	134.2	– 4,039.6	– 3,079.1	–	–
	– 169.2	– 137.8	– 396.3	– 321.4	–	–	–	–
	2,359.4	1,993.4	686.3	641.9	– 4,039.6	– 3,079.1	–	–
	– 1,973.1	– 1,671.1	– 567.8	– 536.7	4,039.6	3,079.1	–	–
	386.3	322.3	118.5	105.2	–	–	–	–
	– 231.4	– 197.3	– 101.1	– 82.9	–	–	–	–
	154.9	125.0	17.4	22.3	–	–	–	–
	– 8.2	– 6.5	– 4.8	– 4.2	–	–	–	–
	146.7	118.5	12.6	18.1	–	–	–	–
	–	–	–	–	–	–	–	–
	146.7	118.5	12.6	18.1	–	–	–	–
	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–
	–	–	1.1	1.0	–	–	–	–
	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–
	251.6	377.0	145.8	151.2	–	–	933.3	1,288.8
	240.9	223.8	90.3	88.6	–	–	689.9	477.1
	14.7	6.9	5.0	4.7	–	–	–	–
	0.8	0.6	–	0.2	–	–	–	–
	–	–	–	–	–	–	–	–
	7.4	6.0	4.7	4.1	–	–	–	–
	0.8	0.5	0.1	0.1	–	–	–	–
	1.4	1.2	1.1	0.1	–	–	–	–

Notes to the Cash Flow Statement

40 Acquisition of business

2006

During the year, a number of subsidiaries and additional shares in already consolidated companies were acquired (see note 4) which had the following effect on the Group's assets and liabilities:

CHF million							2006
			ACR			Other acquisitions	
	Carrying amounts	Fair value adjustments	Recognised values	Carrying amounts	Fair value adjustments	Recognised values	Total
Property, plant and equipment	435.8	– 56.7	379.1	30.0	7.6	37.6	416.7
Intangibles	4.9	295.1	300.0	8.8	27.5	36.3	336.3
Other non-current assets	3.4	21.4	24.8	3.8	–	3.8	28.6
Trade receivables	332.4	– 19.7	312.7	38.5	–	38.5	351.2
Other current assets	89.8	5.4	95.2	6.5	–	6.5	101.7
Acquired cash and cash equivalents	86.7	– 0.6	86.1	– 8.3	–	– 8.3	77.8
Subtotal assets	**953.0**	**244.9**	**1,197.9**	**79.3**	**35.1**	**114.4**	**1,312.3**
Trade payables	– 289.9	6.4	– 283.5	– 22.8	–	– 22.8	– 306.3
Other current liabilities	– 327.5	– 32.5	– 360.0	– 4.9	–	– 4.9	– 364.9
Non-current liabilities	– 206.6	– 107.3	– 313.9	– 4.6	– 9.9	– 14.5	– 328.4
Subtotal net identifiable assets and liabilities	**129.0**	**111.5**	**240.5**	**47.0**	**25.2**	**72.2**	**312.7**
Previous carrying amount of Investment	–	–	–	–	–	– 15.4	– 15.4
Goodwill	–	–	448.3	–	–	14.0	462.3
Total consideration	–	–	**688.8**	–	–	**70.8**	**759.6**
Contingent consideration	–	–	–	–	–	– 26.4	– 26.4
Purchase price, paid in cash	–	–	**688.8**	–	–	**44.4**	**733.2**
Acquired cash and cash equivalents	–	–	– 86.1	–	–	8.3	– 77.8
Net cash out-flow	–	–	**602.7**	–	–	**52.7**	**655.4**

Effective as of January 1, 2006, Kuehne + Nagel International AG, Switzerland, acquired 100 % of the shares of ACR Logistics Holdings B.V. (ACR). ACR is consolidated as per January 1, 2006. The purchase price of CHF 688.8 million for the shares of ACR was paid in cash. ACR contributed CHF 37.8 million of profit to the consolidated earnings in 2006.

Effective as of January 1, 2006, the Group also acquired the remaining 50 % of the shares of Arion Real Estate & Commercial S.A. and 100 % of the shares of Transport Invest AG for the total amount of CHF 52.5 million, partly paid in cash and partly as contingent consideration (based on best estimate). Furthermore, the book of business was acquired of an overland operation in Estonia for the amount of CHF 4.1 million. In June 2006, the book of business and other assets of Deus, Oldenburg, Germany, was acquired for an amount of CHF 11.7 million in cash. Effective as of November 7, 2006, 100 % of the shares of a forwarder in Costa-Rica was bought for the amount of CHF 2.5 million (of which contingent consideration CHF 1.4 million). These acquisitions contributed CHF 12.1 million of loss to the consolidated earnings in 2006.

If all the acquisitions had occurred on January 1, 2006, Group invoiced turnover would have been CHF 18,211.0 million and earnings for the year would have been CHF 458.3 million.

In 2006, goodwill arose on the acquisition of the ACR Group (CHF 448.3 million) and the other companies (CHF 14.0 million) because certain intangible assets did not meet the IFRS 3 criteria for recognition as intangible assets at the date of acquisition. For ACR, these assets are mainly management expertise, workforce and geographic presence. For the other companies, these assets are mainly management expertise, distribution channels and geographic presence.

In the 2006 interim condensed consolidated financial statements, the initial accounting for the acquisitions made in the first half of 2006 was only determined provisionally. No material adjustments to these values were deemed necessary after having finalised the purchase accounting in the second half of the year.

40

2005

In 2005, a number of subsidiaries and additional shares in already consolidated companies were acquired (see note 4) which had the following effect on the Group's assets and liabilities:

CHF million	Carrying amounts	Fair value adjustments	Recognised values
Property, plant and equipment	31.5	–	31.5
Intangibles	–	62.7	62.7
Financial investments	14.9	– 14.9	–
Trade receivables and other current assets	80.7	–	80.7
Acquired cash and cash equivalents	– 0.5	–	– 0.5
Subtotal assets	126.6	47.8	174.4
Trade payables and other current liabilities	– 97.9	–	– 97.9
Non-current liabilities	– 27.4	– 3.2	– 30.6
Subtotal net identifiable assets and liabilities	1.3	44.6	45.9
Previous carrying amount of investment	–	–	1.6
Goodwill	–	–	36.3
Purchase price, paid in cash	–	–	83.8
Acquired cash and cash equivalents	–	–	0.5
Net cash out-flow	–	–	84.3

The acquired subsidiaries accounted for CHF 37.9 million of losses to the consolidated earnings for the year. If all the acquisitions had occurred on January 1, 2005, Group invoiced turnover would have been CHF 14,194.8 million and earnings for the year would have been CHF 318.6 million.

In 2005, goodwill arose on the acquisition of the Häring Group and the Mönkemöller Group because certain intangible assets did not meet the IFRS 3 criteria for recognition as intangible assets at the date of acquisition. These assets are mainly management expertise, work force, distribution channels and geographic presence.

An impairment charge of CHF 24.8 million was recorded in the first half of 2005 relating to an impairment of goodwill that arose upon the acquisition of the Häring Group. Based on the impairment test performed, the total carrying amount of goodwill of CHF 24.8 million was fully written off.

In the 2005 interim condensed consolidated financial statements, the initial accounting for the acquisitions made in the first half of 2005 was determined provisionally. No adjustments to these values were deemed necessary after having finalised the purchase accounting in the second half of the year.

Other Notes

41 Personnel (year-end situation, unaudited)

Number	Dec. 31, 2006	Dec. 31, 2005
Europe	33,473	14,392
Americas	6,169	5,568
Asia-Pacific	4,828	3,946
Middle East, Central Asia and Africa	1,820	1,701
Total	46,290	25,607

42 Contingent liabilities

As of year-end, the following contingent liabilities existed:

CHF million	Dec. 31, 2006	Dec. 31, 2005
Guarantees in favour of clients and others	28.0	8.1
Contingency under unrecorded claims	1.8	12.1
Total	29.8	20.2

Some Kuehne + Nagel companies are defendants in various court cases. Based on respective legal advice, the management is of the opinion that the outcome of those proceedings will have no effect on the financial situation of the Kuehne + Nagel Group beyond the existing provision for pending claims (note 37) of CHF 30.2 million (2005: CHF 23.9 million).

43 Other financial commitments

As of year-end, the following financial commitments existed in respect of non-cancellable long-term operating leases and rental contracts.

As of December 31, 2006

CHF million Year	Properties and buildings	Operation and office equipment	Total
2007	275.7	155.2	430.9
2008–2011	580.3	175.9	756.2
Later	342.8	5.9	348.7
Total	1,198.8	337.0	1,535.8

As of December 31, 2005

CHF million Year	Properties and buildings	Operation and office equipment	Total
2006	163.1	26.5	189.6
2007–2010	376.6	25.5	402.1
Later	238.1	0.2	238.3
Total	777.8	52.2	830.0

The Group leases a number of warehouse facilities under operating leases. The leases run for a fixed period, and none of the leases includes contingent rentals.

44 Capital commitments

As of year-end, the following financial commitments existed in respect of non-cancellable purchase contracts.

CHF million	Dec. 31, 2006	Dec. 31, 2005
Australia	11.7	–
Great Britain	2.1	–
Germany	–	40.3
Belgium	–	29.1
Other	0.4	–
Total	14.2	69.4

45 Financial risk management objectives and policies

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

Interest rate risks

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's investments of excess cash in short-term deposits. The Group's interest rate exposure on its liabilities is limited due to the short-term nature of most of the borrowings. The Group does not use derivative financial instruments to hedge its interest rate risk in the investment portfolio.

Currency risks

The Group sells its services on a worldwide basis and, as a result, is exposed to movements in foreign currency exchange rates, mainly EUR, USD and GBP. Derivative financial instruments (foreign exchange contracts) are in use to hedge the foreign exchange exposure on recognised monetary items. As of year-end, there were no material derivative instruments outstanding. Monthly payments are conducted through a Group clearing system in EUR, which facilitates monitoring and control of group-wide exchange exposures. Forecast transactions are not hedged.

Market risks

Changes of fair values in financial assets or liabilities may have an impact on the profit and the equity of the Group. The exposures are not significant because the Group does not conduct significant financial or investing activities.

Credit risks

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

The Group has strict credit approval and monitoring procedures in place. Credit approval is necessary before credit is given to any customer. The Group conducts business on a worldwide basis and there are no significant concentrations of credit risks. In respect of trade receivables, it is considered that the credit insurance is sufficient to cover potential credit risk concentrations.

46 Fair value of financial assets and liabilities

The fair values of financial assets and liabilities are approximately equal to the carrying amounts.

47 Related party transactions

The Group has a related party relationship with its subsidiaries, joint ventures and with its directors and executive officers.

The Group's operations involve operating activities between the parent company and its subsidiaries and between the subsidiaries due to the nature of business. Overheads are to a certain extent also charged to the subsidiaries based on their use of services provided. All these transactions are eliminated upon consolidation. There were no significant transactions between the Group and its joint ventures and other related parties.

Transactions with related parties are conducted at arm's length.

The total remuneration paid to the members of the Board of Directors and of the Management Board of Kuehne + Nagel International AG, Schindellegi, Switzerland amounted in 2006 to:

- Management Board CHF 11.0 million
- Board of Directors CHF 5.3 million

As of December 31, 2006, no loans or any other commitments were outstanding towards members of the Board of Directors nor of the Management Board. Members of the Board and the Management Board control 57.7 % (2005: 57.4 %) of the voting shares of the Company.

Following compensation has been paid to key management personnel by category:

	Management Board		Board of Directors	
CHF million	2006	2005	2006	2005
Wages, salaries and other short-term employee benefits	9.3	8.2	5.3	5.7
Post-employment benefits	0.4	0.3	–	–
Equity compensation benefits	1.3	0.7	–	–
Total Key Management Compensation	**11.0**	**9.2**	**5.3**	**5.7**

For other related parties refer to note 31 outlining shareholder's structure, and pages 158 to 163 listing the Group's significant subsidiaries and joint ventures.

48 Post balance sheet events

There have been no material events between December 31, 2006, and the date of authorisation that would require adjustments of the consolidated financial statements.

49 Accounting estimates and judgments

Management has carefully considered the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates.

Purchase accounting

Intangible assets acquired in a business combination are required to be recognised separately from goodwill and amortised over their useful life if they are subject to contractual or legal rights or are separately transferable and their fair value can be reliably estimated. The Group has separately identified from goodwill recognised customer lists, customer contracts, extended geographical logistic networks based on contractual agreements in the acquisitions made in 2005 and 2006 (see note 25).

The fair value of these acquired intangible assets is based on valuation techniques. The valuation models require input based on assumptions about the future. Management uses its best knowledge to estimate fair value of acquired intangible assets of acquisition date. The value of intangible assets is tested for impairment when there is an indication that they might be impaired (see below). The management must also make assumptions about the useful life of the acquired intangible assets, which might be effected by factors such as increased competition.

Carrying amount of goodwill, other intangibles and property, plant and equipment

The Group tests its goodwill with a total carrying amount of CHF 604.3 million for impairment every year as disclosed in note 10. No impairment loss has been recognised in 2006. The Group also assesses annually whether there are any indicators that other intangible assets (as well as property, plant and equipment) are impaired. In such a case, the assets are tested for impairment. An impairment loss on other intangible assets of CHF 6.4 million was recognised in 2006. The carrying amount of other intangibles is CHF 329.5 million, and of property, plant and equipment CHF 1,189.4 million.

The impairment tests are normally based on value-in-use calculations. These calculations involve a variety of assumptions such as estimates of future cash in- and outflows and choice of a discount rate. Actual cash flows might for example differ significantly from management's current best estimate. Changes in assessed presence or absence of competitors, technological obsolescence etc. might make an impact on future cash flows and result in recognition of impairment losses.

Accrued expenses and deferred income

Freight forwarding orders which are completed and for which the costs are not fully received are accrued for expected costs based on best estimate. The orders which are not complete on account of pending service or orders for which revenue is earned and relevant costs can not be estimated, the related revenue is deferred. The Group management's judgment is involved in the estimate of costs and deferral of revenue and their completeness.

Income tax

Judgment and estimates are required when determining deferred, as well as current, tax assets and liabilities. Management believes that its estimates, based on for example interpretation of tax laws, are reasonable. Changes in tax laws and rates, interpretations of tax laws, earnings before tax, taxable profit etc. might have an impact on the amounts recognised as tax assets and liabilities.

The Group has recognised a deferred net tax liability of CHF 24.9 million. The Group also has unrecognised deferred tax assets relating to tax losses and deductible temporary differences of CHF 138.9 million (see note 22). Based on estimates of the probability of releasing these tax benefits, available taxable temporary differences, periods of reversals of such differences etc., management does not believe that the criteria to recognise deferred tax assets are met.

50 Resolution of the Board of Directors

The consolidated financial statements of the Kuehne + Nagel Group were authorised for issue by the Board of Directors on March 9, 2007. A resolution to approve the consolidated financial statements will be proposed at the Annual General Meeting of shareholders on May 4, 2007.

Report of the Group Auditors to the Annual General Meeting of Kuehne + Nagel International AG, Schindellegi, Switzerland

As group auditors, we have audited the consolidated financial statements (consisting of the consolidated income statement, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and the notes to the consolidated financial statements on (pages 113 to 155) of Kuehne + Nagel International AG for the year ended December 31, 2006.

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 Swiss Auditing Standards, and with the International Standards on Auditing (ISA), 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 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 the International Financial Reporting Standards (IFRS) and comply with Swiss law.

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

KPMG Ltd.

Günter Haag
Swiss Certified Accountant

Roger Neininger
Swiss Certified Accountant
Auditor in Charge

Zurich, March 9, 2007

Significant subsidiaries and joint ventures*

Holding and Management Companies

Country	Name of the company	Location	Share capital (in 1000)		KN share (in per cent)
Switzerland	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
	Kuehne + Nagel Asia Pacific Holding AG	Schindellegi	CHF	2,500	100

Operating Companies Europe

Country	Name of the company	Location	Share capital (in 1000)		KN share (in per cent)
Albania	Transalbania Ltd.	Tirana	ALL	9,300	100
Austria	Kuehne + Nagel Speditions AG	Vienna	EUR	1,090	100
	Kuehne + Nagel Ges.m.b.H.	Vienna	EUR	1,820	100
Belgium	Kuehne + Nagel NV	Antwerp	EUR	6,337	100
	Kuehne + Nagel Logistics NV	Antwerp	EUR	5,206	100
	Nacora Insurance Brokers NV	Brussels	EUR	155	100
	Logistics Kontich BVBA	Kontich	EUR	50	100
	Logistics Ternat BVBA	Ternat	EUR	50	100
	Logistics Nivelles NV	Nivelles	EUR	1,521	100
Bosnia and Herzegovina	Kuehne + Nagel doo	Sarajevo	BAM	97.8	100
Bulgaria	Kuehne + Nagel EOOD	Sofia	BGL	365	100
Croatia	Kuehne + Nagel d.o.o.	Zagreb	HRK	4,300	100
Cyprus	Nakufreight Ltd.	Nicosia	CYP	10	70
Czech Republic	Kuehne + Nagel spol. s.r.o.	Prague	CZK	11,000	100
Denmark	Kuehne + Nagel A/S	Copenhagen	DKK	5,200	100
	Kuehne + Nagel Holding (Denmark) A/S	Copenhagen	DKK	500	100
Estonia	Kuehne + Nagel AS	Tallinn	EEK	800	100
Finland	OY Kuehne + Nagel Ltd.	Helsinki	EUR	200	100
France	Kuehne + Nagel SAS	Paris	EUR	7,000	100
	Villenave Tassigny SCI	Ferrières	EUR	1	100
	Kuehne + Nagel Parts SASU	Trappes	EUR	87	100
	Transp Distr Prod Frais SASU	Ferrières	EUR	46	100
	Log Distr Sous Froid SASU	Ferrières	EUR	153	100
	Log Sous Froid du Bordelais SASU	Ferrières	EUR	37	100
	Lion France Holdings SASU	Paris	EUR	37	100
	Kuehne + Nagel DSIA France SAS	Nantes	EUR	360	100
	Kuehne + Nagel Logistics SASU	Ferrières	EUR	17,000	100
	Kuehne + Nagel Management SASU	Ferrières	EUR	570	100
	Olga Logistics Services SA	Paris	EUR	38	100
	Nacora France SAS	Paris	EUR	40	100
	Solutions Logistique Du Grans Est SASU	Ferrières	EUR	37	100
	Logistique Distribution de Gascogne SASU	Ferrières	EUR	37	100
	France Fret Financement SARL	Paris	EUR	8	100
	Societé Logistique du Nord Parisien	Paris	EUR	37	100
	Kuehne + Nagel Participations SARL	Paris	EUR	5,300	100
Germany	Kuehne + Nagel (AG & Co.) KG	Bremen	EUR	15,000	100

Operating Companies Europe

Country	Name of the company	Location	Share capital (in 1000)		KN share (in per cent)
	Pracht Spedition + Logistik GmbH & Co. KG	Haiger	EUR	7,700	100
	KN Airlift GmbH	Frankfurt	EUR	256	100
	Stute Verkehrs GmbH	Bremen	EUR	1,023	100
	CS Parts GmbH	Bremen	EUR	426	50
	Kuehne + Nagel Euroshipping GmbH	Regensburg	EUR	256	51
	Pact GmbH	Hamburg	EUR	50	100
	SPS Zweite Vermögensverwaltungs GmbH	Hamburg	EUR	25	90
	Cargopack Verpackungsgesellschaft für Industriegüter GmbH	Bremen	EUR	307	100
	Gebr. Mönkemöller GmbH & Co. KG	Bielefeld	EUR	827	100
	Gebr. Mönkemöller GmbH	Bielefeld	EUR	25.6	100
	Gebr. Mönkemöller & Rieck Speditionsges.mbH & Co. KG	Dietzenbach	EUR	767	100
	Gebr. Mönkemöller GmbH	Dietzenbach	EUR	26	100
	WM Cargonet GmbH & Co. KG	Bocholt	EUR	238	100
	WM Cargonet Beteiligungs GmbH	Bocholt	EUR	25	100
	WM Sea Air Transport GmbH	Duisburg	EUR	512	100
	VR Leasing Mandor GmbH & Co.	Bocholt	EUR	3	94
	KN Deus GmbH	Oldenburg	EUR	26	100
	Kuehne + Nagel Beteiligungs AG	Bremen	EUR	10,277	100
	Nacora Versicherungsmakler GmbH	Hamburg	EUR	79	100
	Gustav F. Hübener GmbH	Hamburg	EUR	31	100
	ACR Logistics Germany GmbH	Langenau	EUR	25	100
Greece	Arion Real Estate & Commercial S.A.	Athens	EUR	411	100
	Hellenic & International Transport Company 'Proodos' S.A.	Athens	EUR	3,900	100
	Sindos S.A. Warehousing & Logistics	Thessaloniki	EUR	4,549	100
	Kuehne + Nagel Hellas Monoprosopi EPE	Athens	EUR	611	100
	Nacora Brokers Greece	Athens	EUR	60	60
*	SRS Transport	Thessaloniki	EUR	3,038	50
Hungary	Kuehne + Nagel Kft.	Budapest	HUF	134,600	100
Ireland	Kuehne + Nagel (Ireland) Ltd.	Dublin	EUR	500	100
Italy	Kuehne + Nagel S.p.A.	Milan	EUR	4,589	100
Latvia	Kuehne + Nagel Latvia SIA	Riga	LVL	100	100
Lichtenstein	Transport Invest AG	Vaduz	CHF	930	100
Lithuania	Kuehne & Nagel UAB	Vilnius	LTL	800	100
Luxembourg	Kuehne + Nagel S.a.r.l.	Luxembourg	EUR	5,750	100
	Kuehne + Nagel AG	Luxembourg	EUR	31	100
	Kuehne + Nagel Investments S.a.r.l.	Luxembourg	EUR	50	100
*	Cologic SA	Luxembourg	EUR	0	50
Macedonia	Kuehne + Nagel d.o.o.e.l.	Skopje	MKD	8,232	100
Malta	Kuehne + Nagel Malta Ltd.	Hamrun	MTL	6	100
Netherlands	Kuehne + Nagel N.V.	Rotterdam	EUR	3,313	100
	KN Europe Holding B.V.	Rotterdam	EUR	18	100
	Stute International Benelux B.V.	Rotterdam	EUR	0	100
	Nether Cargo Services B.V.	Amsterdam	EUR	18	100
	Kuehne + Nagel Investments B.V.	Rotterdam	EUR	50	100
	Pact Benelux B.V.	Wijchen	EUR	18	60
	Nacora Assurantiekantoor B.V.	Rotterdam	EUR	45	100
	Kuehne + Nagel Logistics B.V.	Rotterdam	EUR	25	100
	Kuehne + Nagel Customs B.V.	Veghel	EUR	20	100
	Kuehne + Nagel Chilled Distribution B.V.	Veghel	EUR	32	100
Norway	Kuehne + Nagel AS	Oslo	NOK	3,100	100
Poland	Kuehne + Nagel Poland sp.z.o.o.	Poznan	PLN	18,350	100

Operating Companies Europe

Country	Name of the company	Location	Share capital (in 1000)		KN share (in per cent)
	Kuehne + Nagel sp.z.o.o.	Warsaw	PLN	17,517	100
Portugal	Kuehne + Nagel Lda.	Porto	EUR	160	100
Romania	Kuehne + Nagel Transport SRL	Bucharest	RON	100	100
Russia	ZAO Kuehne + Nagel	Moscow	RUR	274	100
	OOO Kuehne + Nagel	Moscow	RUR	4,107	100
	OOO Kuehne + Nagel Sakhalin	Sakhalin	RUR	500	100
	OOO Nakutrans	Moscow	RUR	278	100
	Kuehne + Nagel Vostok	Vostok	RUR	100	100
Serbia	Kuehne + Nagel d.o.o.	Belgrade	YUM	3,039	100
Slovakia	Kuehne + Nagel s.r.o.	Bratislava	SKK	9,150	100
Slovenia	Kuehne + Nagel d.o.o.	Ljubljana	SIT	2,410	100
Spain	Kuehne + Nagel S.A.	Madrid	EUR	60	100
	Nacora Correduria de Seguros S.A.	Barcelona	EUR	150	100
	Kuehne + Nagel Investments SL	Madrid	EUR	3	100
	Lion Spanish Iberia SL	Madrid	EUR	3	100
	Kuehne + Nagel Network SL	Madrid	EUR	60	100
Sweden	Kuehne + Nagel A/B	Stockholm	SEK	500	100
	Kuehne + Nagel Investment AB	Stockholm	EUR	112	100
	Nacora Assurans Finans Service AB	Stockholm	SEK	100	100
Switzerland	Kuehne + Nagel AG	Embrach	CHF	3,000	100
	Nacora Insurance Brokers AG	Embrach	CHF	100	100
	Max Renz AG	Embrach	CHF	100	100
Ukraine	Kuehne + Nagel Ltd.	Kiev	UAK	21,997	100
United Kingdom	Kuehne + Nagel (UK) Ltd.	London	GBP	5,120	100
	Kuehne + Nagel Ltd.	London	GBP	4,000	100
	Kuehne + Nagel (NI) Ltd.	Belfast	GBP	10	100
	Nacora Insurance Brokers Ltd.	London	GBP	150	100
	Kuehne + Nagel Logistics Ltd.	Milton Keynes	GBP	8,867	100
	Kuehne + Nagel Drinks Logistics Ltd.	Duston	GBP	0	100
*	Kuehne + Nagel Drinkflow Logistics Ltd.	Duston	GBP	0	50
*	Kuehne + Nagel Drinkflow Logistics (Holdings) Ltd.	Duston	GBP	0	50

Operating Companies North- and Central America

Country	Name of the company	Location	Share capital (in 1000)		KN share (in per cent)
Bermuda	Kuehne + Nagel Ltd.	Hamilton	USD	12	100
Canada	Kuehne + Nagel Canada Holding Inc.	Toronto	CAD	2,910	100
	Kuehne + Nagel Ltd.	Toronto	CAD	8,022	100
	Kuehne + Nagel Logistics Inc.	Toronto	CAD	–	100
	Nacora Insurance Brokers Ltd.	Toronto	CAD	–	100
Costa Rica	Kuehne + Nagel S.A.	San José	CRC	0	100
	Flete Caribe S.A.	San José	CRC	9	100
Cuba	Flete Caribe S.A.	Havana	CUC	0	100
El Salvador	Kuehne + Nagel S.A. de C.V.	San Salvador	USD	69	100
Guatemala	Kuehne + Nagel S.A.	Guatemala	GTQ	291	100
Honduras	Kuehne + Nagel S.A.	San Pedro Sula	HNL	25	100
Mexico	Kuehne + Nagel S.A de C.V.	México' D.F.	MXN	24,447	100
	Almacenadora Kuehne & Nagel S.A de C.V.	México' D.F.	MXN	35,440	100
	Kuehne + Nagel Servicios Administrativos S.A de C.V.	México' D.F.	MXN	50	100
Nicaragua	Kuehne + Nagel S.A.	Managua	NIO	10	100
Panama	Kuehne + Nagel S.A.	Panama	USD	1	100
USA	Kuehne + Nagel Investment Inc.	Jersey City	USD	1,400	100
	Kuehne + Nagel Inc.	Jersey City	USD	1,861	100
	Nacora Insurance Brokers Inc.	Wilmington	USD	25	100

Operating Companies South America

Country	Name of the company	Location	Share capital (in 1000)		KN share (in per cent)
Argentina	Kuehne + Nagel S.A.	Buenos Aires	ARS	3,196	100
	Nacora S.A.	Buenos Aires	ARS	20	100
Bolivia	Kuehne + Nagel Ltda.	Santa Cruz	BOB	260	100
Brazil	Kuehne + Nagel Servicos Logisticos Ltda.	Sao Paulo	BRL	8,728	100
	K + N Gerenciamento de Servicos Ltda.	Sao Paulo	BRL	25	100
	Nacora Corretagens de Seguros Ltda.	Sao Paulo	BRL	344	100
Chile	Kuehne + Nagel Ltda.	Santiago	CLP	575,000	100
Colombia	Kuehne + Nagel S.A.	Bogotá	COP	1,200,000	100
	KN Colombia Aduana Sia S.A.	Bogotá	COP	595,000	100
Ecuador	Kuehne + Nagel S.A.	Quito	USD	7	100
Peru	Kuehne + Nagel S.A.	Lima	PEN	481	100
	KN Peru Aduanas S.A.	Lima	PEN	173	100
Uruguay	Kuehne + Nagel S.A.	Montevideo	UYU	3,908	100
Venezuela	Kuehne + Nagel S.A.	Caracas	VEB	1,000,000	100
	K + N Venezuela Aduanas C.A.	Caracas	VEB	2,000	100

Operating Companies Asia-Pacific

Country	Name of the company	Location	Share capital (in 1000)		KN share (in per cent)
Australia	Kuehne + Nagel Pty Ltd.	Melbourne	AUD	2,900	100
	Nacora Insurance Brokers Pty Ltd.	Melbourne	UAD	300	100
Bangladesh	Kuehne + Nagel Ltd.	Dhaka	BDT	10,000	100
Cambodia	Kuehne + Nagel Ltd.	Phnom Penh	USD	5	100
China	Kuehne + Nagel Ltd.	Shanghai	CNY	12,103	100
	Kuehne + Nagel Logistics Ltd.	Shanghai	CNY	1,654	100
	Kuehne + Nagel Information Center Ltd.	Guangzhou	CNY	1,008	100
	Kuehne + Nagel Ltd.	Hong Kong	HKD	1,560	100
	Kuehne + Nagel (Asia Pacific) Management Ltd.	Hong Kong	HKD	100	100
	Transpac Container Systems Ltd.	Hong Kong	HKD	100	100
	Nacora Insurance Brokers Ltd.	Hong Kong	HKD	500	70
India	Kuehne + Nagel Pvt. Ltd.	New Delhi	INR	40,000	100
Indonesia	PT. K + N – Sigma Trans	Jakarta	IDR	865,000	95
Japan	Kuehne + Nagel Ltd.	Tokyo	JPY	80,000	100
Korea	Kuehne + Nagel Ltd.	Seoul	KRW	500,000	100
Macau	Kuehne + Nagel Ltd.	Macau	HKD	971	100
	Nacora Insurance Brokers Ltd.	Macau	HKD	53	51
Malaysia	Kuehne + Nagel Sdn. Bhd.	Kuala Lumpur	MYR	1,521	100
	Nacora (Malaysia) Sdn. Bhd.	Kuala Lumpur	MYR	100	100
New Zealand	Kuehne + Nagel Ltd.	Auckland	NZD	202	100
Pakistan	Kuehne + Nagel (Pvt) Ltd.	Karachi	PKR	9,800	100
Philippines	Kuehne + Nagel Inc.	Manila	PHP	5,000	100
	Ocean Sky Brokerage Inc.	Manila	PHP	0	100
Singapore	Kuehne + Nagel Pte. Ltd.	Singapore	SGD	500	100
	ST – KN PTE Ltd.	Singapore	SGD	200	51
	Nacora Insurance Agency Pte. Ltd.	Singapore	SGD	100	100
Sri Lanka	Kuehne + Nagel (Pvt) Ltd.	Colombo	LKR	2,502	100
Taiwan	Kuehne + Nagel Ltd.	Taipei	TWD	20,000	100
	Nacora Insurance Brokers Ltd.	Taipei	TWD	2,000	70
Thailand	Kuehne + Nagel Ltd.	Bangkok	THB	15,000	100

Operating Companies Middle East and Central Asia

Country		Name of the company	Location	Share capital (in 1000)		KN share (in per cent)
Bahrain		Kuehne + Nagel W.l.l.	Manama	BHD	200	100
Egypt		Kuehne + Nagel Ltd.	Cairo	EGP	1,000	100
Israel		Amex Ltd.	Tel Aviv	NIS	200	75
Iran		Kala Navgan Shargh Co. Ltd.	Teheran	IRR	2,000	60
		Caspian Terminal Services (Qhesm) Ltd.	Qhesm Island	IRR	200,000	57
Jordan		Orient Transport Company Ltd.	Amman	JOD	300	100
Kazakhstan		K+N Ibrakom L.L.P.	Almaty	KZT	680	60
Kuwait		Kuehne + Nagel Co. W.L.L.	Kuwait	KWD	50	100
Lebanon	*	KN-ITS S.A.L.	Beirut	LBP	113,000	50
Saudi Arabia	*	Orient Transport Company Ltd.	Jeddah	SAR	1,000	50
Turkey		Kuehne + Nagel Nakliyat Ltd. Sti.	Istanbul	TRL	5,195	100
UAE		Kuehne + Nagel L.L.C.	Dubai	AED	1,000	100
		Kuehne + Nagel L.L.C.	Abu Dhabi	AED	1,000	100
		KN Ibrakom FZCo., Jebel Ali Free Zone	Dubai	USD	273	60
		Ibrakom Cargo L.L.C.	Dubai	USD	82	60
		Lloyds Maritime & Trading Ltd.	London	USD	–	60

Operating Companies Africa

Country	Name of the company	Location	Share capital (in 1000)		KN share (in per cent)
Angola	Kuehne + Nagel (Angola) Transitarios Lda.	Luanda	AON	7,824	100
Equatorial Guinea	Kuehne + Nagel (Equatorial Guinea) Ltd.	Malabo	CFA	1,046	100
Kenya	Kuehne + Nagel Ltd.	Nairobi	KES	63,995	100
Lesotho	Kuehne + Nagel (Pty) Ltd.	Maseru	ZAR	1	100
Mauritius	KN (Mauritius) Ltd.	Port Louis	MUR	4,000	61
Mozambique	Kuehne + Nagel Moçambique Lda.	Beira	MZM	133	100
Namibia	Kuehne + Nagel (Pty) Ltd.	Windhoek	NAD	340	100
Nigeria	Kuehne + Nagel (Nigeria) Ltd.	Lagos	NGN	0	100
South Africa	Kuehne + Nagel (Pty) Ltd.	Johannesburg	ZAR	3,625	100
	KN Tsepisa Logistics (Pty) Ltd.	Johannesburg	ZAR	100	49
	Nacora Insurance Brokers (Pty) Ltd.	Johannesburg	ZAR	35	100
Tanzania	Kuehne + Nagel Ltd.	Dar es Salaam	TZS	525	100
Uganda	Kuehne + Nagel Ltd.	Kampala	UGX	418	100
Zambia	Kuehne + Nagel (Zambia) Ltd.	Lusaka	ZMK	85	100
Zimbabwe	Kuehne + Nagel (Zimbabwe) (Pvt) Ltd.	Harare	ZWD	–	100

Financial Statements
Kuehne + Nagel International AG

Income Statement

CHF million	Notes	2006	2005
Income			
Income from investments in group companies	1	188.7	342.5
Income from investments in associates and joint ventures		0.9	3.1
Income on sale of investments		6.5	0.9
Income from marketable securities		4.0	5.6
Income from sale of treasury shares		9.2	218.3
Interest income on loans receivable from group companies		9.8	5.0
Other financial income		3.6	2.0
Exchange gains		1.2	3.6
Total		223.9	581.0
Expenses			
Operating expenses		– 8.3	– 9.4
Other interest expenses		– 3.6	– 0.3
Interest expenses on liabilities towards group companies		– 13.2	– 4.7
Exchange losses		– 11.3	– 6.2
Write-down of investments in group companies	2/5	– 10.2	– 433.0
Total		– 46.6	– 453.6
Earnings before tax		177.3	127.4
Income tax	3	1.1	– 0.1
Earnings for the year		178.4	127.3

Balance Sheet

CHF million	Notes	Dec. 31, 2006	Dec. 31, 2005
Assets			
Financial investments	5	689.9	808.4
Non-current assets		689.9	808.4
Prepayments		–	0.7
Receivables from group companies		195.5	356.7
Other receivables		0.5	5.2
Treasury shares	6	76.1	95.4
Cash and cash equivalents	7	64.3	100.8
Current assets		336.4	558.8
Total assets		1,026.3	1,367.2
Liabilities and equity			
Share capital	8	120.0	120.0
Reserves	9	403.4	384.1
Reserves for treasury shares	10	76.1	95.4
Retained earnings	11	–	1.6
Earnings for the year		178.4	127.3
Equity		777.9	728.4
Provision for tax		1.2	2.4
Other provisions and accruals		4.7	2.4
Provisions		5.9	4.8
Liabilities towards group companies		242.5	634.0
Liabilities		242.5	634.0
Total liabilities and equity		1,026.3	1,367.2

Schindellegi, March 9, 2007

KUEHNE + NAGEL INTERNATIONAL AG

Klaus Herms
CEO

Gerard van Kesteren
CFO

Notes to the Financial Statements

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 the company's articles of incorporation 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 less valuation allowance

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

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

Liabilities

- **towards consolidated companies**
  Liabilities towards consolidated companies are recorded at their nominal value at year-end.

Notes to the Income Statement

1 Income from investments in Group companies

The income from investments in Group companies relates to dividends received.

2 Write-down of investments in Group companies

The write-down of investments in Group companies is shown in note 5.

3 Tax

CHF million	2006	2005
Income tax	– 1.1	0.1
Total income tax	**– 1.1**	**0.1**

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 2006 is shown in note 5.

A schedule of the Group's main investments and Kuehne + Nagel's share in the respective equity is shown on pages 158 to 163 of the consolidated financial statements.

5 Development of financial investments

CHF million	Investments in consolidated companies	Investments in associates and joint ventures	Investments in affiliated companies	Total
Cost				
Balance as of January 1, 2006	2,030.9	– 48.0	1.3	1,984.2
Additions	17.3	–	–	17.3
Disposals	– 127.0	–	–	– 127.0
Balance as of December 31, 2006	1,921.2	– 48.0	1.3	1,874.5
Accumulated depreciation				
Balance as of January 1, 2006	1,222.5	– 48.0	1.3	1,175.8
Additions	10.2	–	–	10.2
Disposals	– 1.4	–	–	– 1.4
Balance as of December 31, 2006	1,231.3	– 48.0	1.3	1,184.6
Carrying amout				
As of January 1, 2006	808.4	–	–	808.4
As of December 31, 2006	689.9	–	–	689.9

6 Treasury shares

CHF million	Dec. 31, 2006	Dec. 31, 2005
Treasury shares [1]	76.1	95.4
Total	76.1	95.4

[1] See note 12

7 Cash and cash equivalents

CHF million	Dec. 31, 2006	Dec. 31, 2005
The bank deposits are in following currencies:		
– Swiss francs	55.2	78.1
– Euro	4.0	21.8
– US dollar	5.1	0.9
Total	64.3	100.8

8 Share capital

	Registered shares at nominal CHF 1 each number	CHF million
Balance as of December 31, 2006	120,000,000	120

For details, refer to note 31 on pages 139 to 140 of the consolidated financial statements.

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.

During the Annual General Meeting on May 2, 2006, the shareholders approved a 1:5 split of the registered shares and a corresponding increase in the number of Kuehne + Nagel shares. At the same time, the nominal value per share relating to approved share capital and conditional share capital was also lowered from CHF 5 to CHF 1.

Furthermore, the Annual General Meeting extended its authorisation of approved share capital up to a maximum of CHF 20 million by a further two years until May 2008.

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.

9 Reserves

CHF million	Reserve	Legal reserve	Total reserves brought forward
Balance as of January 1, 2006	324.1	60.0	384.1
Addition from release of reserve for treasury shares [1]	19.3	–	19.3
Balance as of December 31, 2006	**343.4**	**60.0**	**403.4**

[1] See note 12

10 Reserves for treasury shares

		CHF million
Balance as of January 1, 2006	2,866,135 shares	95.4
Disposal of	– 579,027 shares (employee share purchase and option plan)	– 19.3
Balance as of December 31, 2006	**2,287,108 shares**	**76.1**

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

11 Retained earnings

	CHF million
Balance as of January 1, 2005 (before income for the year)	1.6
Net income 2005	127.3
Distribution of earnings 2005 (according to the resolution of the ordinary shareholders' meeting of May 2, 2006):	
– Dividend to shareholders	– 128.9
Balance as of December 31, 2005 (after appropriation of available earnings)	**–**

Other Notes

12 Personnel

The company has no employees and therefore utilises the central services of Kuehne + Nagel Management AG, Schindellegi for its administrative requirements. The respective costs are included in other operating expenses.

13 Contingent liabilities

CHF million	Dec. 31, 2006	Dec. 31, 2005
As of December 31, the following contingent liabilities existed:		
– Guarantees in favour of third parties	–	0.2
Total	**–**	**0.2**

14 Proposal of the Board of Directors to the Annual General Meeting on May 4, 2007, regarding appropriation of the available earnings 2006

	CHF million
Balance as of January 1, 2006 (before income for the year)	–
Net income 2006	178.4
Available earnings as of December 31, 2006	**178.4**
Distribution to the shareholders (representing CHF 1.50 per share) [1]	– 176.6
Balance as of December 31, 2006 (after appropriation of available earnings)	**1.8**

[1] The total dividend amount covers all outstanding registered shares (as of December 31, 2006: 117,712,892 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 adjusted.

Report of the Statutory Auditors to the Annual General Meeting of Kuehne + Nagel International AG, Schindellegi

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes on pages 165 to 173) of Kuehne + Nagel International AG for the year ended December 31, 2006.

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 of 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 Swiss law and the company's articles of incorporation.

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

KPMG Ltd.

Günter Haag
Swiss Certified Accountant

Roger Neininger
Swiss Certified Accountant
Auditor in Charge

Zurich, March 9, 2007

Corporate Timetable 2007

March 12, 2007	Press Conference 2006 result Analyst Conference 2006 result
April 23, 2007	Announcement 1st Quarter 2007 result
May 4, 2007	Annual General Meeting
May 10, 2007	Dividend distribution
July 23, 2007	Announcement Half Year 2007 result
October 22, 2007	Announcement Nine Months 2007 result

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