

JANUARY - MARCH 2017

CONDENSED
CONSOLIDATED
INTERIM FINANCIAL
STATEMENTS 2017
(UNAUDITED)

KUEHNE+NAGEL



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Schindellegi, April 19, 2017

1. INCOME STATEMENT

CHF million	January - March		Variance per cent
	2017	2016	
Net turnover	4,299	4,010	7.2
Net expenses for services from third parties	-2,651	-2,417	
Gross profit	1,648	1,593	3.5
Personnel expenses	-997	-965	
Selling, general and administrative expenses	-396	-376	
Other operating income/expenses, net	2	7	
EBITDA	257	259	-0.8
Depreciation of property, plant and equipment	-41	-36	
Amortisation of other intangibles	-7	-6	
EBIT	209	217	-3.7
Financial income	3	2	
Financial expenses	-1	-	
Result from joint ventures and associates	3	1	
Earnings before tax (EBT)	214	220	-2.7
Income tax	-49	-51	
Earnings for the period	165	169	-2.4
Attributable to:			
Equity holders of the parent company	164	168	-2.4
Non-controlling interests	1	1	
Earnings for the period	165	169	-2.4
Basic earnings per share in CHF	1.37	1.41	-2.8
Diluted earnings per share in CHF	1.37	1.40	-2.1

2. STATEMENT OF COMPREHENSIVE INCOME

CHF million	January - March	
	2017	2016
Earnings for the period	165	169
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Foreign exchange differences	-36	-9
<i>Items that will not be reclassified to profit or loss:</i>		
Actuarial gains/(losses) on defined benefit plans	-2	-27
Income tax on actuarial gains/(losses) on defined benefit plans	-	6
Total other comprehensive income, net of tax	-38	-30
Total comprehensive income for the period	127	139
Attributable to:		
Equity holders of the parent company	126	138
Non-controlling interests	1	1

3. BALANCE SHEET

CHF million	March 31, 2017	Dec. 31, 2016	March 31, 2016
Assets			
Property, plant and equipment	1,126	1,127	1,142
Goodwill	744	758	759
Other intangibles	77	82	92
Investments in joint ventures	29	27	29
Deferred tax assets	215	215	200
Non-current assets	2,191	2,209	2,222
Assets held for sale	-	66	-
Prepayments	142	106	152
Work in progress	311	300	225
Trade receivables	2,750	2,605	2,458
Other receivables	245	140	240
Income tax receivables	101	64	119
Cash and cash equivalents	844	841	914
Current assets	4,393	4,122	4,108
Total assets	6,584	6,331	6,330
Liabilities and equity			
Share capital	120	120	120
Reserves and retained earnings	2,006	1,322	1,974
Earnings for the period	164	718	168
Equity attributable to the equity holders of the parent company	2,290	2,160	2,262
Non-controlling interests	6	5	6
Equity	2,296	2,165	2,268
Provisions for pension plans and severance payments	409	407	417
Deferred tax liabilities	161	165	144
Finance lease obligations	6	7	10
Non-current provisions	55	60	57
Non-current liabilities	631	639	628
Bank and other interest-bearing liabilities	26	8	6
Trade payables	1,463	1,544	1,357
Accrued trade expenses/deferred income	1,066	968	951
Income tax liabilities	152	108	149
Current provisions	72	75	97
Other liabilities	878	824	874
Current liabilities	3,657	3,527	3,434
Total liabilities and equity	6,584	6,331	6,330

Schindellegi, April 19, 2017

KUEHNE + NAGEL INTERNATIONAL AG
 Dr. Detlef Trefzger Markus Blanka-Graff
 CEO CFO

4. STATEMENT OF CHANGES IN EQUITY

CHF million	Share capital	Share premium	Treasury shares	Cumulative translation adjustment	Actuarial gains & losses	Retained earnings	Total equity attributable to the equity holders of parent company	Non-controlling interests	Total equity
Balance as of January 1, 2016	120	532	-19	-959	-106	2,553	2,121	5	2,126
Earnings for the period	-	-	-	-	-	168	168	1	169
Other comprehensive income									
Foreign exchange differences	-	-	-	-9	-	-	-9	-	-9
Actuarial gains/(losses) on defined benefit plans, net of tax	-	-	-	-	-21	-	-21	-	-21
Total other comprehensive income, net of tax	-	-	-	-9	-21	-	-30	-	-30
Total comprehensive income for the period	-	-	-	-9	-21	168	138	1	139
Purchase of treasury shares	-	-	-3	-	-	-	-3	-	-3
Expenses for share-based compensation plans	-	-	-	-	-	6	6	-	6
Total contributions by and distributions to owners	-	-	-3	-	-	6	3	-	3
Balance as of March 31, 2016	120	532	-22	-968	-127	2,727	2,262	6	2,268
Balance as of January 1, 2017	120	511	-59	-966	-132	2,686	2,160	5	2,165
Earnings for the period	-	-	-	-	-	164	164	1	165
Other comprehensive income									
Foreign exchange differences	-	-	-	-36	-	-	-36	-	-36
Actuarial gains/(losses) on defined benefit plans, net of tax	-	-	-	-	-2	-	-2	-	-2
Total other comprehensive income, net of tax	-	-	-	-36	-2	-	-38	-	-38
Total comprehensive income for the period	-	-	-	-36	-2	164	126	1	127
Expenses for share-based compensation plans	-	-	-	-	-	4	4	-	4
Total contributions by and distributions to owners	-	-	-	-	-	4	4	-	4
Balance as of March 31, 2017	120	511	-59	-1,002	-134	2,854	2,290	6	2,296

5. CASH FLOW STATEMENT

CHF million	January - March		Variance
	2017	2016	
Cash flow from operating activities			
Earnings for the period	165	169	
Reversal of non-cash items:			
Income tax	49	51	
Financial income	-3	-2	
Financial expenses	1	-	
Result from joint ventures and associates	-3	-1	
Depreciation of property, plant and equipment	41	36	
Amortisation of other intangibles	7	6	
Expenses for share-based compensation plans	4	6	
Gain on disposal of property, plant and equipment	-2	-10	
Net addition to provisions for pension plans and severance payments	3	1	
Subtotal operational cash flow	262	256	6
(Increase)/decrease work in progress	-16	35	
(Increase)/decrease trade and other receivables, prepayments	-330	-146	
Increase/(decrease) provisions	-7	-5	
Increase/(decrease) other liabilities	62	85	
Increase/(decrease) trade payables, accrued trade expenses/deferred income	50	-49	
Income taxes paid	-43	-72	
Total cash flow from operating activities	-22	104	-126
Cash flow from investing activities			
Capital expenditure			
- Property, plant and equipment	-50	-40	
- Other intangibles	-2	-2	
Disposal of property, plant and equipment	69	19	
Dividend received from joint ventures and associates	-	1	
Interest received	1	1	
Total cash flow from investing activities	18	-21	39
Cash flow from financing activities			
Repayment of interest-bearing liabilities	-1	-1	
Interest paid	-1	-	
Purchase of treasury shares	-	-3	
Acquisition of non-controlling interests	-3	-	
Total cash flow from financing activities	-5	-4	-1
Exchange difference on cash and cash equivalents	-6	-6	-
Increase/(decrease) in cash and cash equivalents	-15	73	-88
Cash and cash equivalents at the beginning of the period, net	837	839	-2
Cash and cash equivalents at the end of the period, net	822	912	-90

6. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

6.1 ORGANISATION

Kuehne + Nagel International AG (the Company) is incorporated in Schindellegi (Feusisberg), Switzerland. The Company is one of the world's leading logistics providers. Its strong market position lies in the seafreight, airfreight, overland and contract logistics businesses.

The Condensed Consolidated Interim Financial Statements of the Company for the three months ended March 31, 2017, comprise the Company, its subsidiaries (the Group) and its interests in joint ventures.

The Group voluntarily presents a balance sheet as of March 31, 2016.

6.2 STATEMENT OF COMPLIANCE

The unaudited Condensed Consolidated Interim Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the Consolidated Financial Statements of the Group for the year ended December 31, 2016.

6.3 BASIS OF PREPARATION

The Condensed Consolidated Interim Financial Statements are presented in Swiss Francs (CHF) million. They 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 the Condensed Consolidated Interim Financial Statements in conformity with IFRS requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The actual result may differ from these estimates. Judgements made by the management in the application of IFRS that have a significant effect on the Condensed Consolidated Interim Financial Statements and

estimates with a significant risk of material adjustment in the next period were the same as those applied to the Consolidated Financial Statements for the year ended December 31, 2016.

Accounting policies

The accounting policies are the same as those applied in the Consolidated Financial Statements for the year ended December 31, 2016.

New, revised and amended standards that are effective for the 2017 reporting year are either not relevant for the Group, or do not have a material impact on the Condensed Consolidated Interim Financial Statements.

6.4 FOREIGN EXCHANGE RATES

Conversion rates of major foreign currencies are applied as follows:

Income statement and cash flow statement

(average rates for the period)

Currency	Jan. - March 2017 CHF	Variance per cent	Jan. - March 2016 CHF
EUR 1.-	1.0692	-2.0	1.0910
USD 1.-	1.0054	1.3	0.9922
GBP 1.-	1.2523	-11.9	1.4218

Balance sheet

(period end rates)

Currency	March 2017 CHF	Variance per cent	March 2016 CHF	Dec. 2016 CHF
EUR 1.-	1.0704	-1.9	1.0909	1.0742
USD 1.-	0.9864	1.1	0.9761	1.0282
GBP 1.-	1.2370	-10.6	1.3842	1.2615

6.5 SEASONALITY

The Group is not exposed to significant seasonal or cyclical variations in its operations.

6.6 CHANGES IN THE SCOPE OF CONSOLIDATION

Major changes in the scope of consolidation in the **first three months of 2017** related to the following companies:

2017	Capital share in per cent equals voting rights	Currency	Share capital in 1,000	Acquisition date
Acquisition				
Amex Ltd., Israel ¹	3	ILS	-	February 23, 2017

¹ The Group previously owned 87.5 per cent of the share capital and applied the full consolidation method. For further information refer to Note 6.7.

Major changes in the scope of consolidation in the **first three months of 2016** related to the following companies:

2016	Capital share in per cent equals voting rights	Currency	Share capital in 1,000	Incorporation date
Incorporation				
KN Shared Service Center S.A., Costa Rica	100	CRC	1	March 1, 2016

There were no significant divestments in the first three months of 2017 and 2016.

6.7 ACQUISITIONS

2017 acquisitions

In January 2017, the Group entered into an agreement to acquire 100 per cent of the shares of Ferlito Pharma S.r.l., Italy. Ferlito is a major player in pharma logistics, offering GxP compliant warehousing and forwarding services including local distribution. The acquisition is subject to customary closing conditions.

In March 2017, the Group entered into an agreement to acquire 100 per cent of the shares of Zet Farma, the Turkish market leader in pharma logistics. With 400 employees the company manages 56,000 square meters at four pharma grade warehouses in Istanbul. The acquisition is subject to customary closing conditions.

Effective February 23, 2017, the Group acquired the non-controlling interest of 3 per cent of the shares of Amex Ltd, Israel for a purchase price of CHF 2.5 million which has been paid in cash. The Group previously already owned 87.5 per cent of the shares of Amex Ltd. and applied the full consolidation method.

2016 acquisitions

There were no acquisitions of subsidiaries in the first three months of 2016.

6.8 SEGMENT REPORTING

a) Reportable segments

The Group provides integrated logistics solutions across customers' supply chains using its global logistics network.

The four reportable segments, **Seafreight**, **Airfreight**, **Overland** and **Contract Logistics**, reflect the internal management and reporting structure to the Management Board (the chief operating decision maker, CODM) and are managed through specific

organisational structures. The CODM reviews internal management reports on a monthly basis. Each segment is a distinguishable business unit and is engaged in providing and selling discrete products and services.

The discrete distinction between Seafreight, Airfreight and Overland is the usage of the same transportation mode within a reportable segment. In addition to common business processes and management routines, a single main transportation mode is used within a reportable segment. For the reportable segment Contract Logistics the services performed are related to customer contracts for warehouse and distribution activities, whereby services performed are storage, handling and distribution.

Pricing between segments is determined on an arm's length basis. The accounting policies of the reportable segments are the same as applied in the Consolidated Financial Statements.

Information about the reportable segments is presented on the next pages. Segment performance is based on EBIT as reviewed by the CODM. The column "eliminations" shows the eliminations of turnover and expenses between segments. All operating expenses are allocated to the segments and included in the EBIT.

b) Geographical information

The Group operates on a worldwide basis in the following geographical areas: **EMEA**, **Americas** and **Asia-Pacific**. All products and services are provided in each of these geographical regions. The regional revenue is based on the geographical location of the customers invoiced, and regional assets are based on the geographical location of assets.

c) Major customers

There is no single customer who represents more than 10 per cent of the Group's total revenue.

a) Reportable segments

January – March

CHF million	Total Group		Seafreight		Airfreight		Overland		
	2017	2016	2017	2016	2017	2016	2017	2016	
Turnover (external customers)	5,185	4,865	2,095	1,972	1,063	944	794	749	
Inter-segment turnover	-	-	543	455	588	482	311	296	
Customs duties and taxes	-886	-855	-549	-542	-155	-139	-64	-54	
Net turnover	4,299	4,010	2,089	1,885	1,496	1,287	1,041	991	
Net expenses for services	-2,651	-2,417	-1,752	-1,537	-1,255	-1,052	-815	-771	
Gross profit	1,648	1,593	337	348	241	235	226	220	
Total expenses	-1,391	-1,334	-238	-236	-165	-158	-209	-205	
EBITDA	257	259	99	112	76	77	17	15	
Depreciation of property, plant and equipment	-41	-36	-5	-4	-4	-4	-5	-6	
Amortisation of other intangibles	-7	-6	-1	-1	-	-	-5	-5	
EBIT (segment profit)	209	217	93	107	72	73	7	4	
Financial income	3	2							
Financial expenses	-1	-							
Result from joint ventures and associates	3	1	1	1	2	-	-	-	
Earnings before tax (EBT)	214	220							
Income tax	-49	-51							
Earnings for the period	165	169							
Attributable to:									
Equity holders of the parent company	164	168							
Non-controlling interests	1	1							
Earnings for the period	165	169							
Additional information not regularly reported to the CODM									
Allocation of goodwill	744	759	39	38	33	32	315	320	
Allocation of other intangibles	77	92	1	-	1	-	75	92	
Capital expenditure property, plant and equipment	50	40	5	3	4	2	8	4	
Capital expenditure other intangibles	2	2	1	2	-	-	-	-	

b) Geographical information

January – March

CHF million	Total Group		EMEA		Americas		
	2017	2016	2017	2016	2017	2016	
Turnover (external customers)	5,185	4,865	3,354	3,183	1,268	1,144	
Inter-regional turnover	-	-	941	860	275	208	
Customs duties and taxes	-886	-855	-627	-597	-183	-170	
Net turnover	4,299	4,010	3,668	3,446	1,360	1,182	
Net expenses for services	-2,651	-2,417	-2,505	-2,309	-1,044	-884	
Gross profit	1,648	1,593	1,163	1,137	316	298	
Total expenses	-1,391	-1,334	-1,012	-991	-264	-237	
EBITDA	257	259	151	146	52	61	
Depreciation of property, plant and equipment	-41	-36	-30	-28	-6	-5	
Amortisation of other intangibles	-7	-6	-4	-2	-3	-4	
EBIT	209	217	117	116	43	52	
Financial income	3	2					
Financial expenses	-1	-					
Result from joint ventures and associates	3	1	3	1	-	-	
Earnings before tax (EBT)	214	220					
Income tax	-49	-51					
Earnings for the period	165	169					
Attributable to:							
Equity holders of the parent company	164	168					
Non-controlling interests	1	1					
Earnings for the period	165	169					
Additional information not regularly reported to the CODM							
Allocation of goodwill	744	759	484	505	237	232	
Allocation of other intangibles	77	92	5	8	72	83	
Capital expenditure property, plant and equipment	50	40	33	32	13	6	
Capital expenditure other intangibles	2	2	1	2	1	-	

	Asia-Pacific		Eliminations	
	2017	2016	2017	2016
	563	538	-	-
	278	219	-1,494	-1,287
	-76	-88	-	-
	765	669	-1,494	-1,287
	-596	-511	1,494	1,287
	169	158	-	-
	-115	-106	-	-
	54	52	-	-
	-5	-3	-	-
	-	-	-	-
	49	49	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	23	22	-	-
	-	1	-	-
	4	2	-	-
	-	-	-	-

6.9 EQUITY

In the first three months of 2017, the Company didn't sell any treasury shares under the share-based compensation plans (2016: 3,490 treasury shares for CHF 0.4 million). The Company also

didn't purchase any treasury shares (2016: 25,000 treasury shares for CHF 3 million).

6.10 EMPLOYEES

Number	March 31, 2017	March 31, 2016
EMEA	51,840	49,598
Americas	10,901	10,245
Asia-Pacific	7,854	7,340
Total employees	70,595	67,183
Full-time equivalent	86,447	78,695

6.11 CAPITAL EXPENDITURE

The capital expenditure (excluding other intangible assets and property, plant and equipment from acquisitions) from January to March 2017 was CHF 52 million (2016: CHF 42 million).

6.12 LEGAL CLAIMS

The status of proceedings, disclosed in the notes 40 and 44 to the Consolidated Financial Statements for the year ended December 31, 2016, has not changed materially.

6.13 POST BALANCE SHEET EVENTS

These unaudited Condensed Consolidated Interim Financial Statements of Kuehne + Nagel International AG were authorised for issue by the Audit Committee of the Group on April 19, 2017.

There have been no material events between March 31, 2017, and the date of authorisation that would require adjustments of the Condensed Consolidated Interim Financial Statements or disclosure.

7. FINANCIAL CALENDAR

May 9, 2017	Annual General Meeting
May 15, 2017	Dividend payment for 2016
July 18, 2017	Half-year 2017 results
September 20, 2017	Capital Markets Day
October 16, 2017	Nine-months 2017 results
February 28, 2018	Full year 2017 results

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