Annual Report 2018

KUEHNE+NAGEL

Kuehne + Nagel Group Key Data

CHF million	2018	2017	2016	2015	2014	2013	2012
Turnover	24,825	22,220	19,985	20,283	21,291	20,929	20,753
Net turnover	20,774	18,594	16,525	16,731	17,501	17,178	17,120
Gross profit	7,709	7,023	6,550	6,251	6,288	6,257	6,094
In per cent of net turnover	37.1	37.8	39.6	37.4	35.9	36.4	35.6
EBITDA	1,209	1,150	1,110	1,041	1,005	962	855
In per cent of net turnover	5.8	6.2	6.7	6.2	5.7	5.6	5.0
EBIT	987	937	918	850	819	761	633
In per cent of net turnover	4.8	5.0	5.6	5.1	4.7	4.4	3.7
In per cent of gross profit (conversion rate)	12.8	13.3	14.0	13.6	13.0	12.2	10.4
EBT	994	955	935	878	824	767	644
In per cent of net turnover	4.8	5.1	5.7	5.2	4.7	4.5	3.8
Earnings for the year	772	740	720	679	644	607	492
In per cent of net turnover	3.7	4.0	4.4	4.1	3.7	3.5	2.9
Earnings for the year (Kuehne + Nagel share)	770	737	718	676	633	597	484
In per cent of net turnover	3.7	4.0	4.3	4.0	3.6	3.5	2.8
Depreciation, amortisation and impairment of intangible assets and goodwill	222	213	192	191	186	201	222
In per cent of net turnover	1.1	1.1	1.2	1.1	1.1	1.2	1.3
Operational cash flow	1,156	1,148	1,062	1,045	1,000	966	849
In per cent of net turnover	5.6	6.2	6.4	6.2	5.7	5.6	5.0
Capital expenditures for fixed assets	315	225	239	241	186	181	163
In per cent of operational cash flow	27.2	19.6	22.5	23.1	18.6	18.7	19.2
Total assets	7,878	7,457	6,331	6,099	6,603	6,374	6,279
Non-current assets	2,793	2,445	2,209	2,231	2,175	2,133	2,203
Equity	2,324	2,327	2,165	2,126	2,453	2,558	2,425
In per cent of total assets	29.5	31.2	34.2	34.9	37.1	40.1	38.6
Total employees at year end	81,900	75,876	70,038	67,236	63,448	62,744	63,248
FTEs of employees at year end	77,416	71,263	65,718	63,343	59,484	58,575	59,273
FTEs at year end including temporary staff	99,072	92,372	85,887	80,056	74,497	72,036	72,399
Personnel expenses	4.736	4,243	3,957	3,741	3,764	3,735	3,606
In per cent of net turnover	22.8	22.8	23.9	22.4	21.5	21.7	21.1
Gross profit in CHF 1,000 per FTE	78	76	76	78	84	87	84
Personnel expenses in CHF 1,000 per FTE	48	46	46	47	51	52	50
Basic earnings per share (nominal CHF 1) in CHF							
Consolidated earnings for the year (Kuehne + Nagel share) [1]	6.43	6.16	5.99	5.64	5.28	4.98	4.05
Distribution in the following year	6.00	5.75	5.50	5.00	4.00 [2]	3.85 [2]	3.50
In per cent of the consolidated net income for the year	93.3	93.4	91.8	88.6	75.8	77.4	86.6
Development of share price							
SIX Swiss Exchange (high/low in CHF)	181/123	181/133	144/124	148/118	136/115	122/99	125/95
Average trading volume per day	217,865	206,266	190,820	204,420	149,896	164,482	160,403

1 Excluding treasury shares.
2 Excluding extraordinary dividend.

CONTENTS

ECONOMIC ENVIRONMENT

In 2018, Kuehne + Nagel expanded its global leading position in Seafreight with 4.7 million TEUs managed in container traffic. The Group confirmed with 1.7 million tons in Airfreight its global number 2 position, reported on significant growth and profitability improvement in Overland and gained substantial business in Contract Logistics.

Kuehne + Nagel has specialised in complex end-to-end supply chain solutions, which are managed in the global network of Logistics Control Towers and performed in cooperation with all Kuehne + Nagel business units. These integrated logistics solutions not only increase transparency and efficiency in the supply chain but also optimise information flows between the participating partners and customers. This allows Kuehne + Nagel to support its customers' value chain, a decisive factor in a highly competitive and fast growing market.

In 2018, the world economy grew by estimated 3.0 per cent (2017: 3.1 per cent) due to continued good levels of industrial activities and a robust global trade. The United States, Japan, China, and the European Union contributed to the global growth. However, the year was characterized by a slowing down growth dynamic due to first signs of the implementation of trade barriers in the second quarter and profit warnings from companies in the automotive and high tech industry that were published in the fourth quarter. This uncertainty has also impacted the outlook for 2019 that is more cautious for the growth in trade volumes based on the fear for new trade tariffs and the uncertainty of implications from Brexit.

Mature economies have shown signs of a decline in growth rates in the light of these heightened policy uncertainties resulting in a slightly reduced growth rate for 2018 at 2.2 per cent versus 2.3 per cent in 2017.

Emerging markets are estimated to have grown by 4.3 per cent in 2017 and 4.2 per cent in 2018, to a large extent based on stable conditions for large commodity shippers and increased domestic consumption. (Based on: World Bank, Global Economic Prospects, January 2019)

In 2018, the international logistics industry experienced world trade volume growth below the level of 2017. The global world trade volume growth has slowed to 4.0 per cent in 2018 versus 5.3 per cent in 2017.

Advanced economies' world trade volume grew at 4.3 per cent in 2017 and is estimated at 3.2 per cent in 2018. In emerging markets and developing economies these indicators were at 7.1 per cent in 2017 and at 5.4 per cent in 2018. (Based on: IMF, World Economic Outlook Update, January 2019)

On the carrier side, the market in 2018 was characterised by volatile freight rates as a result of the continued imbalance of capacity and demand of carriers and ongoing consolidation in the shipping industry.

Kuehne + Nagel's volume growth was significantly above the market despite the changes in market growth dynamics in 2018, resulting in an overall strong turnover growth of 11.7 per cent. These gains in market share were made possible through the industry specific service offering in all business units. Against margin pressure due to consolidation in the supplier market and a more competitive market environment, the Group was able to increase gross profit by 9.8 per cent and grew its EBIT by 5.3 per cent in 2018.

The Group's strategy Roadmap 2022 was presented at the Capital Markets Day 2017 with the focus on creating superior value through customer excellence and expansion into new services and leveraging the Group's strengths to extend from supply chain to value chain services. The ambition is formulated as growing twice as fast as the market in the Group's core business, creating substantial growth in gross profit with new value chain services and selective acquisitions to leverage synergies and know-how.

The overall aim is to reach an EBIT to gross profit margin (conversion rate) for the entire Group in excess of 16 per cent. The Group will reach this through cost control to ascertain leverage benefits, digitisation as game changer for productivity improvements, investments in new opportunities connected to value expansion and acquisitions as an accelerator for reaching the strategic goals.

KEY FINANCIAL FIGURES

CHF million	2018	2017	Variance in per cent
Turnover	24,825	22,220	11.7
Net turnover	20,774	18,594	11.7
Gross profit	7,709	7,023	9.8
Gross profit in per cent of net turnover	37.1	37.8	
EBITDA	1,209	1,150	5.1
EBIT	987	937	5.3
EBIT in per cent of net turnover	4.8	5.0	
EBIT in per cent of gross profit	12.8	13.3	
Earnings for the year	772	740	4.3
Earnings for the year (Kuehne + Nagel share)	770	737	4.5
Earnings per share basic (in CHF)	6.43	6.16	4.5
Operational cash flow	1,156	1,148	0.7
Capital expenditures for fixed assets	315	225	40.0
Total employees at year-end	81,900	75,876	7.9
Total full-time equivalents of employees at year-end	77,416	71,263	8.6

Kuehne + Nagel's net turnover increased in 2018 by CHF 2,180 million or 11.7 per cent and gross profit increased by CHF 686 million or 9.8 per cent compared to the previous year.

In 2018, EBIT increased by CHF 50 million or 5.3 per cent. At constant exchange rates and excluding acquisitions the increase would have been CHF 44 million or 4.6 per cent. The Group increased earnings for the year 2018 by CHF 32 million or 4.3 per cent compared to 2017, in constant currencies and excluding acquisitions by CHF 30 million or 4.1 per cent.

Capital expenditure in fixed assets increased by CHF 90 million or 40.0 per cent to CHF 315 million compared to the previous year with investments related to new business and state of the art warehousing space in Contract Logistics.

In 2018, the Kuehne + Nagel Group increased the number of employees year-on-year by 6,024 or 7.9 per cent from 75,876 to 81,900 employees. The number of full time equivalents of employees reached 77,416 versus 71,263, which is an increase of 6,153 or 8.6 per cent.

INCOME STATEMENT

Turnover

In 2018, Kuehne + Nagel's turnover amounted to CHF 24,825 million representing an increase of 11.7 per cent or CHF 2,605 million compared to the previous year. Organic business growth resulted in an increase in turnover of CHF 2,344 million (10.5 per cent) and acquisitions contributed CHF 261 million (1.2 per cent). The turnover increase was driven by the significant volume growth in all business units and regions.

Volumes in Seafreight increased by 7.7 per cent (+ 335,000 TEUs) whereas turnover per TEU decreased by 1.2 per cent to CHF 1,997 per TEU (2017: CHF 2,022). In Airfreight, the volume increase was 11.0 per cent (+ 173,000 Tons), and the freight rate increase was at 6.4 per cent per 100 kg to CHF 322 (2017: CHF 303). Significant volume increases were also achieved in Overland and Contract Logistics.

From a regional view, Europe, Middle East, Central Asia and Africa "EMEA" (9.1 per cent), the Americas (18.5 per cent) and Asia-Pacific (12.0 per cent) reported an increased turnover in 2018.

Exchange rate fluctuations between 2017 and 2018, based on average yearly exchange rates, led to an increased valuation of the Euro and the British Pound by 3.9 and 2.7 per cent respectively, a decreased valuation of the US Dollar as well as dependent currencies by 0.9 per cent, against the Swiss Franc, resulting in a positive impact of CHF 181 million (0.8 per cent) on turnover.

Net turnover

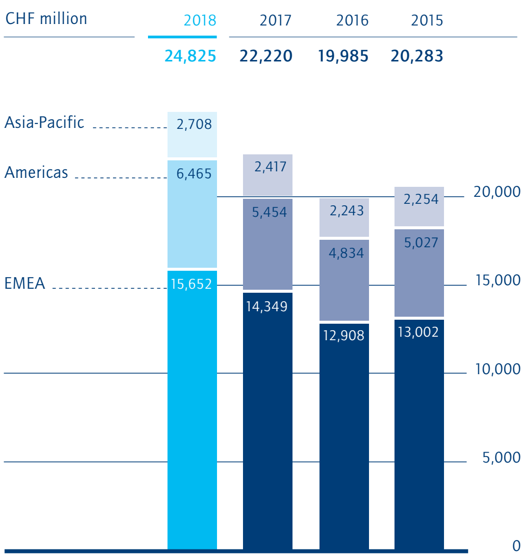
In 2018, Kuehne + Nagel's net turnover amounted to CHF 20,774 million representing an increase of 11.7 per cent or CHF 2,180 million compared to the previous year. Organic business growth resulted in an increase in net turnover of CHF 1,783 million (9.6 per cent) and acquisitions contributed CHF 261 million (1.4 per cent). The exchange rate fluctuation had a positive impact of CHF 136 million (0.7 per cent).

From a regional view, EMEA (9.3 per cent), the Americas (17.0 per cent) and Asia-Pacific (13.5 per cent) reported an increased net turnover in 2018.

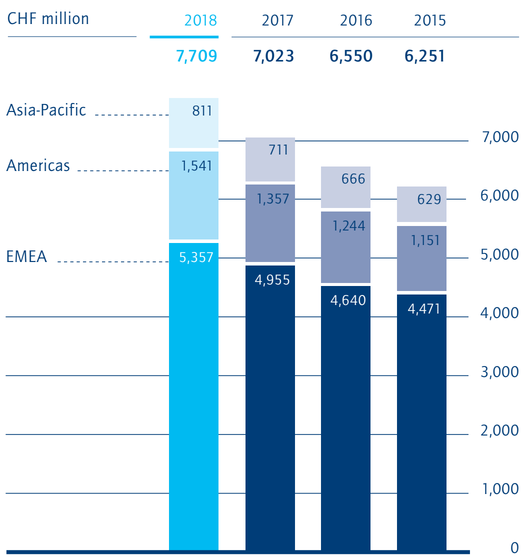
Gross profit

Gross profit reached CHF 7,709 million in 2018, which represents an increase of 9.8 per cent or CHF 686 million compared to the previous year. Organic business growth resulted in an increase in gross profit of CHF 528 million (7.5 per cent), mainly in the business unit Contract Logistics (+ CHF 318 million).

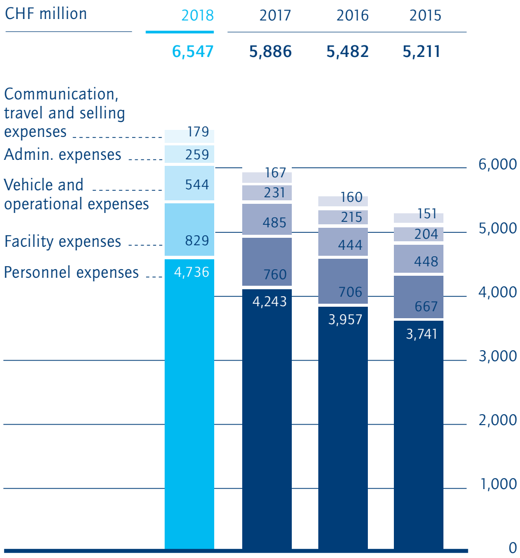
Regional turnover



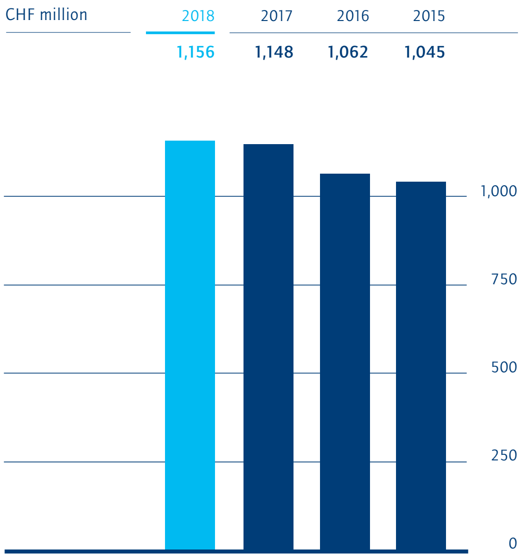
Regional gross profit



Operational expenses



Operational cash flow



The positive effect from volume growth in Sea and Airfreight was partially offset by lower yields in a competitive market environment with volatile supplier rates. Exchange rate fluctuation had a positive impact of CHF 96 million (1.4 per cent) and acquisitions contributed CHF 62 million (0.9 per cent).

From a regional view, EMEA (8.1 per cent), the Americas (13.6 per cent) and Asia-Pacific (14.1 per cent) reported an increased gross profit in 2018.

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 8 million to CHF 1,156 million in 2018 (for further information, please refer to the cash flow statement in the Consolidated Financial Statements 2018 on page 43).

EBITDA

In 2018, earnings before interest, tax, depreciation, amortisation and impairment of property, plant and equipment, goodwill and other intangible assets, increased by CHF 59 million or 5.1 per cent compared to the previous year; EBITDA of organic business increased by CHF 39 million, acquisitions contributed CHF 5 million, and positive exchange rate development accounted for EBITDA of CHF 15 million.

EMEA generated the largest EBITDA contribution with CHF 693 million (57.3 per cent), followed by the Americas with CHF 263 million (21.8 per cent), and Asia-Pacific with CHF 253 million (20.9 per cent).

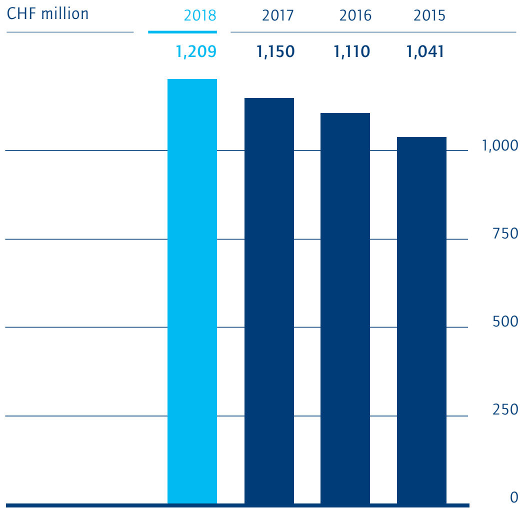
EBIT / Earnings for the year

In 2018, earnings before interest and tax (EBIT) increased by CHF 50 million to CHF 987 million (2017: CHF 937 million). The increase was mainly due to higher contribution from the organic business by CHF 44 million, whereas acquired business volumes had a negative impact of CHF 5 million, after accounting for the amortisation of intangible assets of CHF 8 million; the exchange rate development had a positive impact of CHF 11 million. The EBIT margin to net turnover for the Group decreased slightly to 4.8 per cent compared to 5.0 per cent in 2017. EBIT in per cent of gross profit (conversion rate), an important KPI for the Group, decreased from 13.3 per cent in 2017 to 12.8 per cent in 2018.

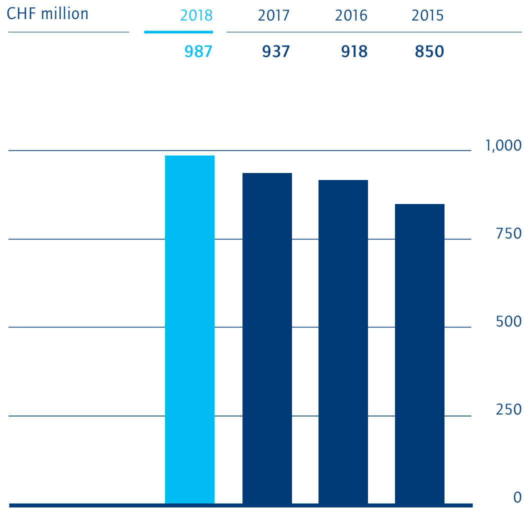
In 2018, the region EMEA contributed CHF 545 million (55.2 per cent) to the Group's EBIT, followed by Asia-Pacific with CHF 232 million (23.5 per cent), and the Americas with CHF 210 million (21.3 per cent).

Earnings for the year 2018 increased by CHF 32 million to CHF 772 million compared to the

EBITDA

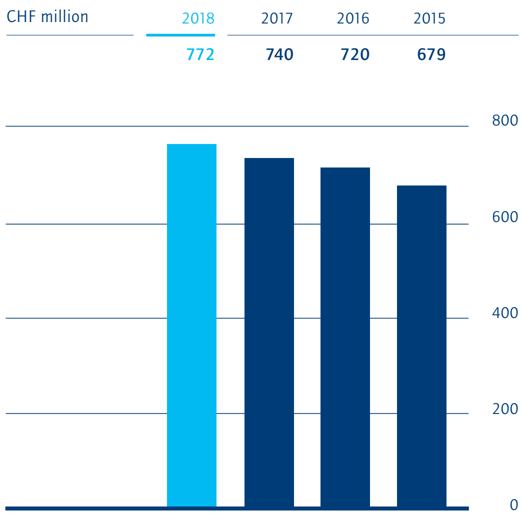


EBIT



previous year's CHF 740 million, whereby the margin decreased to 3.7 per cent (in per cent of net turnover) compared to the previous year's 4.0 per cent.

Earnings for the year



FINANCIAL POSITION

In 2018, total assets and liabilities of the Group increased by CHF 421 million to CHF 7,878 million compared to 2017. The amount of cash and cash equivalents decreased by CHF 221 million, mainly due to changes in working capital through strong volume growth in Sea and Airfreight and higher capital expenditure in Contract Logistics. For the acquisition of Quick International Courier, a transaction that closed on December 31, 2018, the Group has entered into a short term bank loan agreement. For details of changes in the balance sheet and cash flow statement, please refer to the Consolidated Financial Statements.

Trade receivables amounting to CHF 3,872 million represent the most significant asset of the Kuehne + Nagel Group. The days of trade receivables outstanding remained stable with 54.2 days of December 2018, compared to 53.9 of December 2017.

As of December 31, 2018, the equity of the Group remained largely unchanged at CHF 2,324 million compared to CHF 2,327 million as of December 31, 2017, which represents an equity ratio of 29.5 per cent (2017: 31.2 per cent).

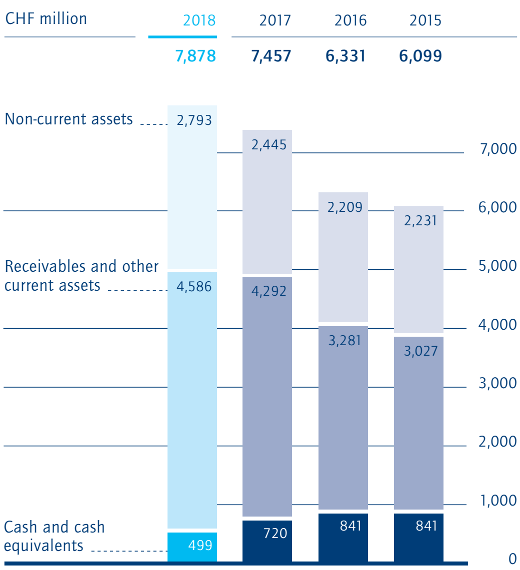
Developments of other key financial indicators on capital structure are shown in the following table:

Kuehne + Nagel Group key figures on capital structure

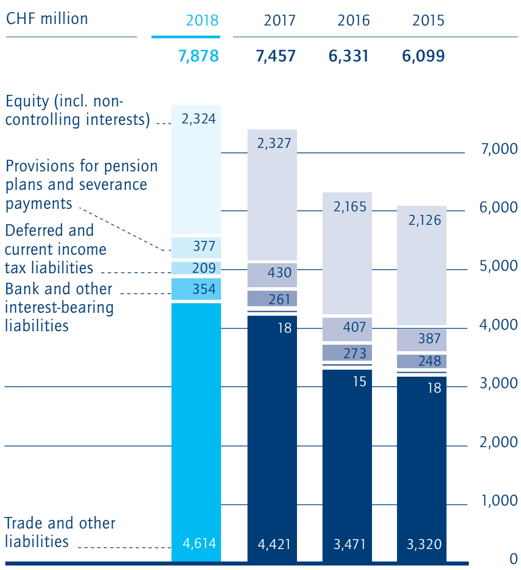
Key figures on capital structure	2018	2017	2016	2015	2014
1 Equity ratio (in per cent)	29.5	31.2	34.2	34.9	37.1
2 Return on equity (in per cent)	32.4	32.1	32.8	28.7	24.9
3 Debt ratio (in per cent)	70.5	68.8	65.8	65.1	62.9
4 Short-term ratio of indebtedness (in per cent)	61.9	60.5	55.7	55.3	52.7
5 Intensity of long-term indebtedness (in per cent)	8.6	8.3	10.1	9.9	10.2
6 Fixed assets coverage ratio (in per cent)	107.4	120.5	126.9	122.2	143.6
7 Working capital (in CHF million)	206	502	595	496	949
8 Receivables terms (in days)	54.2	53.9	46.6	44.4	44.4
9 Vendor terms (in days)	61.5	69.0	60.2	55.1	54.9
10 Intensity of capital expenditure (in per cent)	35.5	32.8	34.9	36.6	32.9

1 Total equity in relation to total assets at the end of the year.
2 Net earnings for the year in relation to share capital + reserves + retained earnings as of January 1 of the current year less dividend paid during the current year as of the date of distribution + capital increase (incl. share premium) as of the 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 (including non-controlling interests) + long-term liabilities in relation to non-current assets.
7 Total current assets less current liabilities.
8 Turnover in relation to receivables outstanding at the end of the current year.
9 Expenses for services from third parties in relation to trade liabilities/accrued trade expenses at the end of the current year.
10 Non-current assets in relation to total assets.

Assets



Liabilities



INVESTMENTS, DEPRECIATION AND AMORTISATION

In 2018, the Kuehne + Nagel Group invested a total of CHF 315 million (2017: CHF 225 million) in fixed assets. Investments in properties and buildings amounted to CHF 73 million (2017: CHF 48 million), of which the most substantial amount into a new large-scale pharma logistics facility in Moehlin, Switzerland and into the construction of a new office building in Bremen, Germany. CHF 242 million (2017: CHF 177 million) were invested in other fixed assets, operating and office equipment.

All capital expenditure in 2018 was financed through operational cash flow.

In 2018, the following major investments were made in properties and buildings:

Investments in fixed assets/depreciation

Location	CHF million	Centres
Moehlin, Switzerland	19	Construction of a large-scale pharma logistics facility
Bremen, Germany	17	Construction of a new office building
Dubai, UAE	6	Extension of a logistics centre
Derrimut, Australia	4	Extension of a logistics facility
Others	27	
Total	**73**	

The allocation of investments in other fixed assets, operating and office equipment by category is as follows:

CHF million	2018	2017
Operating equipment	78	74
Vehicles	27	13
Leasehold improvements	83	46
IT hardware	38	34
Office furniture and equipment	16	10
Total Group	**242**	177

The allocation by region is as follows:

CHF million	2018	2017
EMEA	147	116
Americas	68	40
Asia-Pacific	27	21
Total Group	**242**	177

The allocation by business unit is as follows:

CHF million	2018	2017
Seafreight	26	19
Airfreight	22	18
Overland	34	23
Contract Logistics	160	117
Total Group	**242**	177

Depreciation and amortisation in 2018 amounted to CHF 222 million and was allocated in the income statement as indicated in notes 26 and 27 to the Consolidated Financial Statements.

The Group continued to operate an asset-light business model and invests only into strategically important locations with high demand for state of the art logistics space.

SHAREHOLDER RETURN

Dividend

For 2018, the Board of Directors is proposing a dividend amounting to CHF 6.00 per share for approval at the Annual General Meeting. If the dividend proposal is approved by the shareholders, the dividend payment on the shares will amount to CHF 718 million (2017: CHF 688 million) resulting in a payout ratio of 93.3 per cent (2017: 93.4 per cent) of the earnings for the year attributable to the equity holders of the Company. Based on the share price at year-end 2018 the dividend yield on the Kuehne + Nagel share is 4.6 per cent (2017: 3.2 per cent).

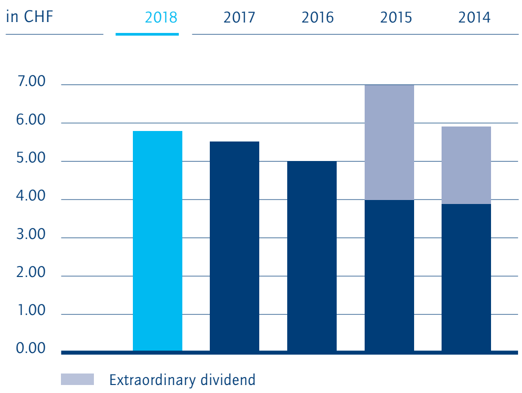
Share price and market capitalisation (December 31)

Share price and market capitalisation	2018	2017	2016	2015	2014
Share price (in CHF)	126.35	172.50	134.60	137.80	135.30
Market capitalisation (in CHF million)	15,162	20,700	16,152	16,536	16,236

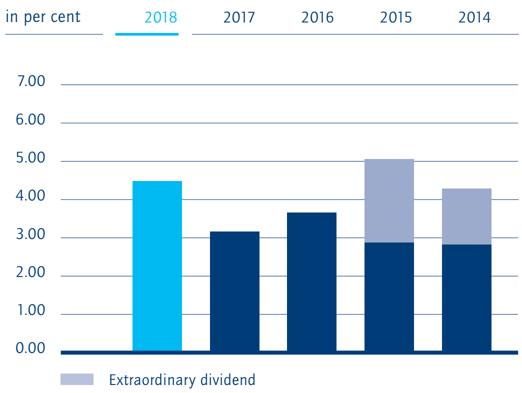
Total shareholder return development

in CHF	2018	2017	2016	2015	2014
Increase/(decrease) of share price year over year	–46.15	37.90	–3.20	2.50	18.20
Dividend per share	5.75	5.50	5.00	7.00	5.85
Total return	–40.40	43.40	1.80	9.50	24.05
Dividend yield in per cent	4.55	3.19	3.71	5.08	4.32

Dividend per share



Dividend yield



RISK MANAGEMENT, OBJECTIVES AND POLICIES

Group risk management
Risk management is a fundamental element of the Group's business practice on all levels and is embedded into the business planning and controlling processes of the Group. Material risks are monitored and regularly discussed within the Risk and Compliance Committee and the Audit Committee of the Board of Directors.

The Risk and Compliance Committee headed by the CEO and having the CFO, the Chief Compliance Officer, the Head of Internal Audit, and the Group General Counsel as members, monitors the risk profile of the Group and the development of essential internal controls to mitigate these risks.

A risk is defined as the possibility of an adverse event which has a negative impact on the achievement of the Group's objectives.

The Group carries out an annual risk assessment and in conformity with the Swiss Code of Best Practice for Corporate Governance, the Group's risk management system covers both financial and operational risks.

Risk management as an integral part of the Internal Control System (ICS) for financial reporting
Risk management is incorporated within the ICS. Preventive, risk-mitigating measures to control risks are proactively taken at different levels and are an integral part of management responsibility.

Risk assessment in 2018
An independent risk assessment procedure is implemented for operational risks review. The Regional Management is interviewed in order to assess the risks for each country in their respective region. In addition, each Management Board member assesses

the overall strategic risk exposure of the Group. Within the framework of the Corporate Governance process, the updated risk assessment is presented to the Audit Committee of the Board of Directors.

Financial risks analysis and assessment are carried out by the finance and accounting department.

The following risk areas have been identified amongst others for which mitigating actions have been implemented:

- Financial risks such as development of interest rates, credit and financial markets and currency risks are constantly monitored and controlled by the corporate finance and accounting department.
- Risks of unstable macroeconomic developments as well as the uncertainties in the financial markets. These risks are mitigated by appropriate risk diversification and avoidance of regional and industry clustering.
- Risks related to IT network availability, IT data and security are managed by the permanent monitoring of systems, redundant infrastructure as well as interlinked data centers with back-up structures and business continuity plans.
- The increase of regulations, growing complexity and customer expectations have led to rising security requirements and risks; such risks and requirements are considered in the planning of supply chain solutions and worldwide operation.
- Organised crime, terrorism, legal and non-compliance risks such as fraud, intentional and unintentional violations of the law and internal regulations are counteracted by comprehensive and worldwide staff training and a network of compliance officers at regional and national levels.

Organisation of risk management

A continuous dialogue between the Management Board, Risk and Compliance Committee and Audit Committee ensures the Group's effective risk management. The risk management system is governed by the Risk Assessment Guideline defining risk groups and sub-groups, the structure and the process of risk assessments. The risk catalogue is reviewed regularly and critical analysis ensures a continuous development of the risk management system.

Summarised assessment of the risk situation

In 2018, no significant risks were identified that would have the potential to substantially negatively impact the Group and its future development. The most material risks remain the uncertainty of the global economic development, the geopolitical instability, volatile currency fluctuations and the financial markets, thus all of those factors being in focus of the management.

BUSINESS UNITS

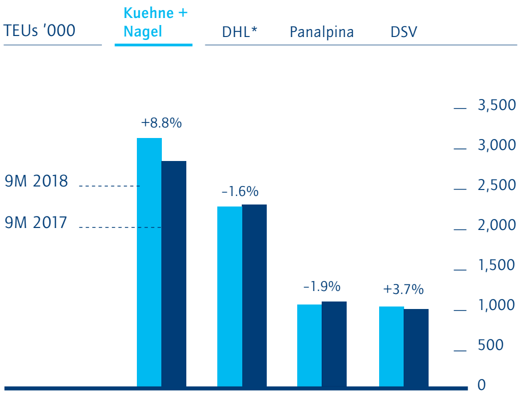
The main contributor to the Group's result is the business unit Seafreight. In 2018, major profitability improvements were generated in the Airfreight and Overland business units. In Contract Logistics strong growth has been achieved with e-commerce fulfilment customers, but expenses for the implementation of a new Warehouse Management System and various other technological improvements have put pressure on the results in 2018, which remained below last years' achievements.

Seafreight

Seafreight volumes increased by 7.7 per cent to 4,690,000 TEUs significantly exceeding the market growth in 2018 and thereby further expanding the Group's global leadership position in Seafreight. Services for temperature controlled cargo in reefer containers and order management business have significantly contributed to the growth. Customers from the pharma and healthcare industry use Kuehne + Nagel to handle temperature-sensitive products. The exports from Asia to Europe and the US as well as the intra-Asia trade contributed to the strong volume growth. In 2018, EBIT increased by 1.0 per cent compared to the previous year, while the ratio of EBIT to gross profit (conversion rate) declined slightly to 28.2 per cent (2017: 29.2 per cent).

It remains the Group's target to achieve volume growth rates that are substantially above the market and thereby gaining market shares. Simultaneously, the Group's focus is on the Sea and Airfreight profitability and continuous efficiency gains through productivity improvements.

Seafreight volumes: *Market growth ~3%*



* Seafreight export TEU's not separately reported
Source: quarterly Company publications

Performance Seafreight

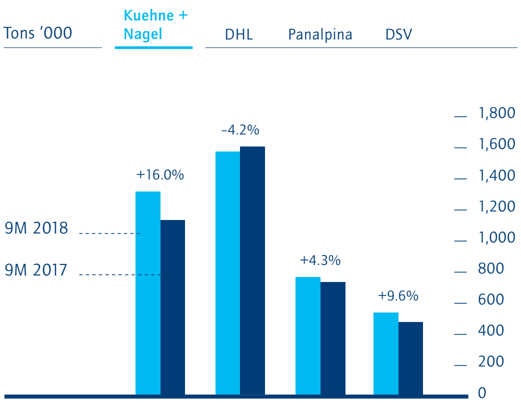
CHF million	2018	2017	2016
Turnover	9,366	8,805	7,981
Net turnover	7,129	6,583	5,814
Gross profit	1,482	1,416	1,416
EBITDA	441	437	465
EBIT	418	414	445
EBIT in per cent of gross profit (conversion rate)	28.2	29.2	31.4
Number of operating staff	10,025	9,543	9,154
TEUs '000	4,690	4,355	4,053

Airfreight

Airfreight increased volumes by 11.0 per cent to 1,743,000 tons, confirming the Group's position as the number two global airfreight provider. Acquisitions, including Commodity Forwarders Inc. (CFI), a company based in Los Angeles (USA), which was consolidated as of October 2017, contributed 7.6 per cent to the year-to-date volume growth. The focus on industry-specific Airfreight services like KN EngineChain, a specialised service for production, spare parts, and maintenance of aircraft engines for the aerospace industry, has significantly contributed to this success. The strategic direction to invest into such industry specific services has been consistently pursued with the acquisition of Quick International Courier as of December 31, 2018. Quick is a global market leader in time critical shipments and serves mainly the pharma and healthcare as well as the aerospace industry. Substantial new business has been gained through Kuehne + Nagel's state of the art services for temperature-sensitive goods, pharmaceutical and perishables products. EBIT-to-gross-profit margin remained at an industry leading 29.5 per cent in 2018 (2017: 30.2 per cent). EBIT improved by 13.4 per cent compared to the previous year.

The Group has developed world class expertise in industry- and product-specific supply chain services through various strategic programs. Organic growth in areas such as perishables, pharma, and aerospace logistics, together with selected bolt-on acquisitions, continue to ascertain the Group's leading position.

Airfreight volumes: *Market growth ~3%*



Source: quarterly Company publications

Performance Airfreight

CHF million	2018	2017	2016
Turnover	5,620	4,759	3,935
Net turnover	4,870	4,080	3,347
Gross profit	1,202	1,036	964
EBITDA	380	333	315
EBIT	355	313	298
EBIT in per cent of gross profit (conversion rate)	29.5	30.2	30.9
Number of operating staff	7,412	6,693	5,734
Tons '000	1,743	1,570	1,304

Overland

Overland increased its net turnover by 13.1 per cent in 2018, with a strong performance of its land transport activities in Europe. The key performance indicator EBITDA to net turnover margin improved to 3.3 per cent from the previous year's 3.0 per cent. EBIT increased to CHF 76 million (2017: CHF 49 million). With the expansion of services to industry-specific solutions, Overland has significantly contributed to the success of the Group's integrated logistics offering.

Performance Overland

CHF million	2018	2017	2016
Turnover	4,009	3,356	3,130
Net turnover	3,526	3,117	2,898
Gross profit	1,088	952	895
EBITDA	118	92	70
EBIT	76	49	28
EBIT in per cent of gross profit (conversion rate)	7.0	5.1	3.1
Number of operating staff	8,456	8,040	7,894

Contract Logistics

The focus on specialised end-to-end solutions for industries such as automotive, high-tech, consumer goods, aerospace, pharmaceuticals, healthcare, and e-commerce fulfilment led to numerous new customer contracts. This resulted in a (net of currency impact) net turnover growth of 7.1 per cent for 2018. More than 100 new logistics projects were implemented for customers in 2018, enabling the Company to manage 11.6 million square meters of warehouse and logistics space worldwide. Expenses for the implementation of a new global Warehouse Management system and deployment of technology supported operational enhancements in 2018 led to a decrease of the EBITDA to net turnover margin to 5.1 per cent versus 6.0 per cent in 2017 and a decrease of EBIT by 14.3 per cent.

Kuehne + Nagel further strengthened its global leading position in the field of integrated logistics. The Group offers specialised end-to-end supply chain management solutions, which are managed from Logistics Control Towers and performed in seamless operation with other business units, supporting customers to improve their value chain. Integrated Logistics experts develop, implement and manage solutions that streamline the customer's supply chain to make it lean, agile and demand-driven.

Performance Contract Logistics

CHF million	2018	2017	2016
Turnover	5,830	5,300	4,939
Net turnover	5,249	4,814	4,466
Gross profit	3,937	3,619	3,275
EBITDA	270	288	260
EBIT	138	161	147
EBIT in per cent of gross profit (conversion rate)	3.5	4.4	4.5
Number of operating staff	43,694	39,957	35,866
Warehousing and logistics space in sqm	11,587,597	10,631,779	10,021,688
Idle space in sqm	343,081	283,690	364,035
Idle space in per cent	3.0	2.7	3.6

CORPORATE GOVERNANCE

Kuehne + Nagel is committed to good corporate governance which is an integral part of the management culture of the Kuehne + Nagel Group (the Group).

Corporate Governance guides the structure and operational practices within the Group. It aims at creating sustainable value for all stakeholders and safeguards the management's decision-making capability and efficiency. Accountability through clearly assigned duties to the Boards and Committees and transparency in financial reporting ensure that the Group acts responsibly.

PRINCIPLES

The principles of corporate governance, as defined in the Directive on Information Relating to Corporate Governance (RLCG) of the SIX Swiss Exchange, are the basis for the Articles of Association, the Organisational Rules, and the Committee Regulations of the holding company of the Group, Kuehne + Nagel International AG, Schindellegi (Feusisberg), Switzerland (the Company). The Group follows best practice recommendations and standards established in the "Swiss Code of Best Practice for Corporate Governance".

The Articles of Association (AoA) and the Code of Conduct are available on Kuehne + Nagel's website under the following link: http://www.kn-portal.com/about_us/investor_relations/corporate_governance/

GROUP STRUCTURE AND SHAREHOLDERS

Under Swiss company law the Group is organised as a limited company that has issued shares of common stock to shareholders. Kuehne + Nagel International AG is the ultimate holding company of the Group.

Operational group structure

Kuehne + Nagel's operating businesses are organised into the following four business units:

- Seafreight
- Airfreight
- Overland
- Contract Logistics

Additionally, operating performance is presented in the following geographical regions:

- Europe, Middle East, Central Asia and Africa (EMEA)
- Americas
- Asia-Pacific

Business performance is reported according to this operational structure. For further information on the business units, please refer to the "Status Report" and the "Consolidated Financial Statements" respectively.

Listed companies of the Group

Kuehne + Nagel International AG, the ultimate holding company, is the only company listed on the Stock Exchange within the scope of the Group's consolidation. Kuehne + Nagel International AG has its registered office in Schindellegi (Feusisberg), Switzerland, and its shares are listed on the SIX Swiss Exchange, Zurich. The Company's market capitalisation amounted to CHF 15,162 million (120 million registered shares of nominal value CHF 1 at CHF 126.35 market value per share) on the closing date December 31, 2018.

Of the total Kuehne + Nagel International AG share capital on the closing date:

- the free float consisted of 55,834,531 shares = 46.5 per cent, and
- treasury shares consisted of 265,469 shares = 0.2 per cent

Kuehne + Nagel International AG shares are traded under the symbol "KNIN", the security number is 2,523,886 and ISIN is CH0025238863.

Non-listed companies in the Group's consolidation

The main subsidiaries and associated companies of the Group are disclosed in appendix "Significant consolidated subsidiaries and joint ventures" to the Consolidated Financial Statements (pages 103 to 110), including particulars as to the country, name of the company, location, share capital, and the Group's stake in per cent.

Major shareholders

According to the share register as of December 31, 2018, the following registered shareholders held more than three per cent of the total share capital of Kuehne + Nagel International AG:

- Kuehne Holding AG, Schindellegi (Feusisberg), Switzerland, held 53.3 per cent; all voting rights of Kuehne Holding AG are held by Klaus-Michael Kuehne.
- Kuehne Foundation, Schindellegi (Feusisberg), Switzerland, held 4.7 per cent.

In addition, disclosure notifications pertaining to shareholdings in excess of three per cent in Kuehne + Nagel International AG that were filed with the Company and the SIX Swiss Exchange were:

- BlackRock Inc.
- Harris Associates L.P.

Notifications are published on the SIX Swiss Exchange electronic publication platform, and can be accessed via the following link: https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html

On December 31, 2018, shares of unregistered owners amounted to 19 per cent of the issued shares.

Cross-shareholdings

On the closing date there were no cross-shareholdings in place.

CAPITAL STRUCTURE

Ordinary share capital on the closing date

The ordinary share capital of Kuehne + Nagel International AG amounts to CHF 120 million and is divided into 120 million registered shares of a nominal value of CHF 1 each.

Authorised and conditional share capital

The Annual General Meeting held on May 8, 2018, extended its approval of authorised share capital up to a maximum of CHF 20 million by a further two years until May 8, 2020.

The Annual General Meeting held on May 2, 2005, approved a conditional share capital increase up to a maximum of CHF 12 million and to add the respective section in the Articles of Association.

The Annual General Meeting held on May 5, 2015, approved a conditional share capital up to a maximum of CHF 2 million for the provision of the employee share-based compensation plans of the company.

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

A description of the group of beneficiaries and of the terms and conditions of the authorised and conditional share capital can be found in the Articles of Association, Art. 3.3, 3.4 and 3.5, which are available on the Company website (http://www.kn-portal.com/about_us/investor_relations/corporate_governance).

Change in capital over the past three years

During the years 2016 through 2018 no changes in capital occurred other than related to authorised and conditional share capital as outlined above.

Shares and participating certificates

On the closing date, 120 million registered shares of a nominal value of CHF 1 each were outstanding. At the same date, no participating certificates were outstanding.

Profit sharing certificates

There were no profit sharing certificates outstanding at the closing date.

Limitations on transferability and nominee registrations

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 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.

Convertible bonds and warrants/options

No convertible bonds, warrants or options were outstanding as at the closing date.

BOARD OF DIRECTORS

At the Annual General Meeting of May 8, 2018, Klaus-Michael Kuehne, Dr. Joerg Wolle, Karl Gernandt, Dr. Renato Fassbind, Juergen Fitschen, Hans Lerch, Dr. Thomas Staehelin, Hauke Stars, and Dr. Martin Wittig were re-elected to the Board of Directors for a one-year term. Dr. Joerg Wolle was re-elected Chairman of the Board of Directors for a one-year term.

On the closing date the Board of Directors comprised nine members. Their biographical particulars are as follows:

Klaus-Michael Kuehne, Honorary Chairman, German, 1937

Commercial apprenticeship in banking industry. Other significant activities: Chairman of the Board of Trustees of the Kuehne Foundation, Schindellegi (Feusisberg), and the Klaus-Michael Kuehne Foundation, Hamburg; Member of the Supervisory Board of Kuehne Logistics University GmbH (KLU), Hamburg.

Positions within the Kuehne + Nagel Group:

1958	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
1992–2009	Executive Chairman of the Board of Directors Chairman of the Nomination and Compensation Committee
2009–2011	Chairman of the Board of Directors Chairman of the Nomination and Compensation Committee
2010–2011	Chairman of the Chairman's Committee
2011–today	Honorary Chairman of Kuehne + Nagel International AG Member of the Board of Directors elected until the Annual General Meeting 2019 Member of the Chairman's Committee Member of the Nomination and Compensation Committee elected until the Annual General Meeting 2019

Dr. Joerg Wolle, Chairman, German/Swiss, 1957

Holds a PhD in engineering sciences. From March 2017 to March 2019 he was Chairman of the Board of Directors of DKSH Holding Ltd, Zurich, Switzerland, where he served as President and CEO since 2000. Since June 6, 2013, Dr. Joerg Wolle is member of the Board of Directors of the Kuehne Holding AG, Schindellegi (Feusisberg), Switzerland.
Other significant activities: Chairman of the Board of Directors of Klingelnberg Ltd., Switzerland.

2010–2012	Member of the Board of Directors
2011–May 2016	Chairman of the Nomination and Compensation Committee
2013–May 2016	Vice Chairman of the Board of Directors
May 2016–today	Chairman of the Board of Directors elected until the Annual General Meeting 2019 Chairman of the Chairman's Committee

Karl Gernandt, Vice Chairman, German, 1960

After graduating as Master in business administration at the University of St. Gallen, Switzerland, Karl Gernandt worked for Deutsche Bank AG from 1988 to 1996. There he held positions in corporate and/or retail banking in Germany, Asia and the USA. From 1997 to 1999 he set his mark on the Financial Institution Group of A.T. Kearney GmbH. In 1999, Karl Gernandt moved to Holcim (Deutschland) AG as CFO, in 2000, he was appointed CEO and at the same time member of the European Board of Holcim Ltd, Switzerland. In 2007, he became CEO of Holcim Western Europe, Brussels. On October 1, 2008, Karl Gernandt has been nominated as Delegate and as of May 2016 as Executive Chairman of the Board of Directors of Kuehne Holding AG, Schindellegi (Feusisberg). He is also member of the Board of Trustees of the Kuehne Foundation, Chairman of the Supervisory Board of Kuehne Logistics University GmbH (KLU), Hamburg, and member of the Board of Trustees of the Klaus-Michael Kuehne Foundation in Hamburg.
Other significant activities: Vice Chairman of the Board of Directors of Hapag-Lloyd AG, Hamburg; Member of the Board of Directors and Chairman of the Audit Committee of VTG AG, Hamburg.

Positions within the Kuehne + Nagel Group:

2008–2009	Member of the Board of Directors
2009–2011	Executive Vice Chairman and Delegate of the Board of Directors
2009–today	Member of the Audit Committee
May–Aug 2013	Chief Executive Officer (CEO) of the Group
2011–May 2016	Executive Chairman of the Board of Directors Chairman of the Chairman's Committee Member of the Nomination and Compensation Committee
May 2016–today	Vice Chairman of the Board of Directors elected until the Annual General Meeting 2019 Chairman of the Nomination and Compensation Committee elected until the Annual General Meeting 2019 Member of the Chairman's Committee

Dr. Renato Fassbind, Swiss, 1955

After graduating from his studies in economics at the University of Zurich, Dr. Renato Fassbind worked as an assistant in the "Institut für Schweizerisches Bankwesen" at the University of Zurich between 1979 and 1982. In 1984 he joined Hoffmann-La Roche AG in Basel and advanced to become Head of Internal Audit. In 1990 he joined ABB AG, ultimately being the Chief Financial Officer from 1997 until 2002; from 2002 until 2004 he was the Chief Executive Officer of Diethelm Keller Group, Zurich. In 2004 Dr. Renato Fassbind joined the Credit Suisse Group as the Chief Financial Officer and Member of the Executive Board until October 2010.
Other significant activities: Vice Chairman of the Board of Directors of Swiss Re Ltd., Zurich; Member of the Board of Directors of Nestlé S.A., Vevey.

Positions within the Kuehne + Nagel Group:

2011–today	Member of the Board of Directors elected until the Annual General Meeting 2019
2011–today	Member of the Audit Committee

Juergen Fitschen, German, 1948

Trained as a wholesale and export trader, then graduated in business administration from Hamburg University. Juergen Fitschen started his career in 1975 at Citibank in Hamburg. In 1983 he was appointed member of the Executive Committee of Citibank Germany. In 1987 he joined Deutsche Bank and after various management positions in Thailand, Japan, Singapore and UK he was appointed member of the Management Board in 2001 responsible for "Corporate and Investment Bank". Juergen Fitschen left the Management Board in 2002 and became a member of the newly created Group Executive Committee of Deutsche Bank until its resolution in 2015. In 2004 he took over the responsibilities as

Global Head of Regional Management and CEO of Deutsche Bank Germany. In 2009 he rejoined the Management Board of Deutsche Bank AG retaining both responsibilities. Juergen Fitschen was Co-Chairman of the Management Board of Deutsche Bank AG from June 1, 2012 until his departure on May 19, 2016. Since June 1, 2016 he has served as a Senior Advisor of Deutsche Bank AG.
Other significant activities: Chairman of the Supervisory Board of Vonovia SE, Bochum; Chairman of the Supervisory Board of Ceconomy AG, Duesseldorf; Member of the Board of Directors of Cura Vermoegensverwaltung GmbH & Co. KG, Hamburg.

Positions within the Kuehne + Nagel Group:
2008–2009 — Member of the Economic Council
2008–today — Member of the Board of Directors elected until the Annual General Meeting 2019

Hans Lerch, Swiss, 1950

Commercial apprenticeship in the travel and tourism industry with a 35-year career at Kuoni Travel Holding Ltd. Assignments in the Far East from 1975 to1985, President and CEO from 1999 to 2005. Chairman and CEO of SR Technics in Zurich from 2005 to 2008. Vice Chairman and CEO of Hotelplan from 2009 to 2013.
Other significant activities: Member of the Board of Directors of Best of Switzerland Tours, Zurich; Chairman of the Board of Trustees of the move>med Foundation, Zurich.

Positions within the Kuehne + Nagel Group:
2005–today — Member of the Board of Directors elected until the Annual General Meeting 2019
2006–today — Member of the Nomination and Compensation Committee elected until the Annual General Meeting 2019

Dr. Thomas Staehelin, Swiss, 1947

Holds a Ph.D. in law from the University of Basel; Lawyer. Dr. Thomas Staehelin is a Swiss Corporate and Tax Attorney and Partner in the Basel-based law firm Fromer Advokatur und Notariat.
Other significant activities (among others): Vice Chairman of the Board of Directors of Kuehne Holding AG, Schindellegi (Feusisberg) and of Kuehne Foundation; Member of the Board of Directors and Chairman of the Audit Committee of Inficon Holding AG, Bad Ragaz; Member of the Board of Directors of Swissport International Ltd, Opfikon and of Radisson Hospitality AB, Stockholm; Chairman of the Board of Directors of Lantal Textiles AG, Langenthal and of Stamm Bau AG, Arlesheim.

Positions within the Kuehne + Nagel Group:
1978–today — Member of the Board of Directors elected until the Annual General Meeting 2019
2006–today — Chairman of the Audit Committee

Hauke Stars, German, 1967

Engineering degree in applied computer science from Otto-von-Guericke University in Magdeburg, MSc by research in Engineering from University of Warwick, Coventry. Since December 2012 Hauke Stars is member of the Executive Board, Deutsche Boerse AG. She started her professional career in 1992 at Bertelsmann mediaSystems GmbH, Guetersloh, Germany. From 1998 to 2004 she worked for ThyssenKrupp Information Systems GmbH, Krefeld, renamed to Triaton GmbH in 2000. In 2004 Hauke Stars joined Hewlett Packard Netherlands B.V., Utrecht, as member of the Country Management Board. From 2007 to 2012 she was Managing Director of Hewlett Packard Switzerland GmbH and Country Manager Enterprise Business.
Other significant activities: Member of the Supervisory Board of Eurex Frankfurt AG; Member of the Supervisory Board of Fresenius SE & Co. KGaA; Member of the Supervisory Board of Clearstream International S.A., Luxembourg; Member of the Board of Directors of Eurex Zuerich AG; Member of the Regional Advisory Council of Deutsche Bank AG; Member of the Senate of National Academy of Science and Engineering (acatech); Member of the Executive Committee of Deutsches Aktieninstitut e.V.; Member of the Executive Committee of Frankfurt Main Finance e.V.

Position within the Kuehne + Nagel Group:

May 2016–today — Member of the Board of Directors elected until the Annual General Meeting 2019

Dr. Martin C. Wittig, German, 1964

Studies in mining engineering and business administration at RWTH Aachen followed by a Ph.D. in engineering at the Technical University of Berlin. After his studies he worked as a lecturer at the Technical University of Berlin and in project finance for the mining industry. In 1995 he joined Roland Berger Strategy Consultants and was elected Partner in 1999. In 2001 he became Managing Partner and Head of Roland Berger's office in Zurich and was elected to the global Executive Committee in 2003, where he held the position as CFO. From 2010 to 2013 he was Global Managing Partner and CEO of Roland Berger Strategy Consultants. Currently he advises CEOs of leading international companies. Other significant activities: Adjunct lecturer at the University of St. Gallen and Member of the HSG Honorary Advisory Board. Honorary Consul of Germany in Switzerland. Member of the Supervisory Board and Chairman of the Audit Committee of UBS SE, Frankfurt.

Positions within the Kuehne + Nagel Group:

2014–today — Member of the Board of Directors elected until the Annual General Meeting 2019

May 2016–today — Member of the Audit Committee

All members of the Board of Directors are non-executive directors, none of them serves as a member of the Management Board and with the exception of the Honorary Chairman, Klaus-Michael Kuehne, none of them has important business connections with Kuehne + Nagel.

The Articles of Association (AoA) of Kuehne + Nagel International AG limit the number of mandates that members of the Board of Directors may hold outside the Kuehne + Nagel Group. Article 21 of the AoA limits the maximum number of permitted additional mandates of members of the Board of Directors to 25 board memberships, whereof no more than four may be held in stock-listed companies. Mandates in companies, which are controlled by Kuehne + Nagel or which control Kuehne + Nagel, are not subject to this limitation. In addition, members of the Board of Directors may hold no more than 25 mandates at Kuehne + Nagel's request, and no more than 25 mandates in associations, charitable organisations, foundations, trusts, and employee welfare foundations.

Election and duration of tenure

The General Meeting elects the members of the Board of Directors as well as the members of the Compensation Committee individually. The General Meeting elects one of the members of the Board of Directors as Chairman of the Board of Directors. The duration of tenure of the Chairman, the members of the Board of Directors, and the members of the Compensation Committee ends at the conclusion of the next ordinary General Meeting. Re-election is possible.

Internal organisation, Board committees and meetings in 2018

The Chairman of the Board of Directors and the members of the Compensation Committee are elected by the General Meeting. The Board of Directors constitutes itself and appoints the Vice Chairman, the Chairman of the Nomination and Compensation Committee, the members of the Nomination Committee as well as the Chairman and the members of the Audit and the Chairman's Committee.

The scope of responsibilities of the Board of Directors, the Chairman and the Vice Chairman are stipulated in the Articles of Association, the Organisational Rules, and the Committee Rules, in particular, to the extent not already determined by applicable law. In accordance with the Articles of Association and Swiss corporate law, the main tasks and responsibilities of the Board of Directors, as further defined in the Organisational Rules, comprise the following:

- the ultimate management of the Company
- issuance and review of business policies and guidelines especially regarding the strategic direction and management of the Company as well as any changes thereof;
- establishment of the organisation, determination of the main organisational topics and conduct of the business including the issuance of the Organisational Rules for the Board of Directors and the Management Board;
- approval and regular monitoring of the main elements of Corporate Governance considering the applicable laws and provisions for listed companies in Switzerland;
- monitoring, assessment and control of risks;
- nomination of the external auditors;
- determination of accounting and financial control structure, as well as the financial planning and dividend policies;
- approval of budgets, capital commitments and accounts;
- approval of interim financial statements and the annual report;
- the ultimate supervision of the Management Board, in particular in view of compliance with the law, Articles of Association, and internal regulations and directives;
- appointment and dismissal of Management Board members and other senior executives;
- preparation of the Annual General Meeting including submission of proposals and the implementation of its resolutions;
- maintainance of the share register.

Dr. Joerg Wolle is the Chairman of the Board of Directors, and Klaus-Michael Kuehne is Honorary Chairman of Kuehne + Nagel International AG. The entire Board of Directors, however, is responsible for decisions on such above-mentioned aspects that are of significant importance to the Group. Certain tasks of the Board of Directors have been delegated to the Chairman and comprise the following:

- supervision towards the Management Board and the internal audit;
- supervision of compliance with internal regulations and directives regarding general management, organisation and quality;
- nomination of external consultants, in case of significant fees;
- definition of the corporate identity;
- approval of significant purchases, sales and lendings on securities or similar titles;
- approval of significant transactions outside the normal course of business;
- review of the yearly budgets as well as any supplements, consolidated or per country and business field;
- approval of significant credit limits to customers and other debtors;
- supervision of management and approval of settlement of significant litigations, legal cases, arbitrations and other administrative proceedings;
- approval of appointments and dismissals of regional presidents;
- approval of significant senior management remunerations.

The Board of Directors usually convenes for a two-day meeting quarterly with the Management Board being represented by the CEO and the CFO. The Board of Directors can invite other members of the Management Board to attend these meetings at its discretion. The Board of Directors has appointed a Secretary, who is not (and does not need to be) a member of the Board of Directors.

The Board of Directors takes decisions during the meetings or by written circular resolutions. All Committees meet as often as required but usually quarterly.

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 one year. Re-election as a member of the Audit Committee is possible. Members of the Management Board cannot be members of the Audit Committee.

As part of the regular contacts between the Audit Committee and both the internal and external auditors, the quality and effectiveness of the internal control mechanisms and the risk assessments are reviewed and evaluated continuously on the basis of written reports of the internal audit department as well as of management letters of the external auditors based on their interim audits. Furthermore, a 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 proposing the timely introduction of any corrective actions to the Management Board.

Dr. Thomas Staehelin was the Chairman of the Audit Committee on the closing date, and Karl Gernandt, Dr. Renato Fassbind, and Dr. Martin C. Wittig were members.

The Audit Committee holds at a minimum four meetings a year, usually quarterly before the publication of the financial results. The Honorary Chairman can take part in the meetings as an advisor. Unless otherwise determined by the Audit Committee, the CEO, the CFO and the auditor in charge take part in all meetings, whilst the Head of Internal Audit, and the Group General Counsel or the Chief Compliance Officer, each, are invited as advisors whenever needed. In 2018 the auditor in charge attended three meetings of the Audit Committee. The Committee's Chairman informs the other members of the Board of Directors about the topics discussed in detail and decisions to be submitted to the entire Board of Directors for approval.

The main responsibilities of the Audit Committee with regards to the external auditors are:

- to secure a comprehensive and efficient audit concept for the Kuehne + Nagel Group;
- to comment on the audit planning and findings, if any;
- to evaluate the recommendations made by the external auditors and review of actions, if any;
- to propose to the Board of Directors regarding the nomination of the independent external auditors for approval by the Annual General Meeting;
- to approve the audit fees invoiced by the external auditors.

With regards to the internal audit function of the Group, the Audit Committee has the following responsibilities:

- to issue regulations and directives;
- to review the audit plan and findings, if any;
- to evaluate recommendations made by the internal auditors and discussion with the Management Board;
- to propose the nomination of the Head of Internal Audit;
- to assess the performance of the Group's internal audit function.

With regards to the tasks of the Management Board the Audit Committee has the following responsibilities:

- to review and evaluate annual and interim financial statements in respect to compliance with accounting policies and any changes thereof, going concern assumption, adherence to listing regulations, and material risks;
- to recommend to the Board of Directors the approval of the financial statements;
- to assess existence and effectiveness of the Group's internal control system;
- to assess the fiscal situation of the Group and reporting to the Board of Directors.

Chairman's Committee

The Chairman's Committee consists of the Chairman, the Vice Chairmen and the Honorary Chairman of the Board of Directors for the period of their tenure in the Board of Directors. The Chairman's Committee advises the Board of Directors on the financial performance of the Group, its economic development and measures of optimisation as well as of any other significant developments within the Group. In its advisory role the Chairman's Committee reports to the Board of Directors for decisions.

The Chairman's Committee has the following responsibilities:

- to evaluate significant capital expenditures and acquisitions of the Kuehne + Nagel Group which are subject to approval of the Board of Directors;
- to discuss any matters of significance that require the approval of the Board of Directors and subsequently be submitted to the Board of Directors for resolution.

On the closing date, Dr. Joerg Wolle was the Chairman of the Chairman's Committee and Klaus-Michael Kuehne and Karl Gernandt were members.

On invitation of the Chairman, the Chairman's Committee convenes as often as business requires but typically four times a year, once each quarter. The Committee invites Members of the Management Board at its discretion, being usually represented by the CEO and the CFO, to attend these meetings.

The Board of Directors is informed by the Chairman of the Chairman's Committee about all issues discussed, in particular, about all topics that need approval of the Board of Directors.

Nomination and Compensation Committee

The Nomination and Compensation Committee consists of two to six members of the Board of Directors elected at the Annual General Meeting (Compensation Committee) on the one hand and designated by the Board of Directors (Nomination Committee) on the other hand, each for a period of one year and meeting regularly as one joint Committee. On the closing date December 31, 2018, Karl Gernandt was the Chairman of the Nomination and Compensation Committee; Klaus-Michael Kuehne and Hans Lerch were members.

On invitation of the Chairman, the Nomination and Compensation Committee convenes as often as business requires but at least three times a year, usually quarterly. Members of the Management Board can take part in the Nomination and Compensation Committee meetings by invitation.

The Nomination and Compensation Committee supports the Board of Directors with the determination and validation of the remuneration policy, defines the remuneration concepts, and the principles of remuneration for the members of the Board of Directors and the Management Board. The principles of remuneration, post-employment benefits and share-based compensations are reviewed annually. The Nomination and Compensation Committee discusses the amounts of compensation for each member of the Board of Directors individually, evaluates the performance of each member of the Management Board and recommends their remuneration. The General Meeting approves the maximum total remuneration of the Boards.

The Nomination and Compensation Committee has the following responsibilities:

- definition and validation of the remuneration policy and concepts;
- definition of the principles of remuneration for the members of the Board of Directors and the Management Board;
- nomination of competent staff of the Management Board;
- yearly review of the individual performance of members of the Management Board;
- approval of terms and conditions of employment of the members of the Management Board;
- determination and approval of pension schemes;
- approval of mandates outside the Kuehne + Nagel Group by members of the Management Board;
- determination of the variable and fixed remuneration components of the Management Board;
- approval of share-based compensation plans for the Management Board and other selected employees;
- preparation of the remuneration report.

The Nomination and Compensation Committee develops guidelines and criteria for the selection of candidates and reviews new candidates to ensure competent staffing of the Management Board.

The Chairman of the Nomination and Compensation Committee informs the Board of Directors about all issues discussed, in particular, about all topics that need approval by the Board of Directors.

Board and committees: Membership, attendance, number and duration of meetings

Board and committees	Board of Directors	Audit Committee	Chairman's Committee	Nomination and Compensation Committee
Number of meetings in 2018	4	5	7	3
Approximate duration of each meeting	12 hours	4 hours	4 hours	3 hours
Klaus-Michael Kuehne	4	–	7	3
Dr. Joerg Wolle	4	–	7	–
Karl Gernandt	4	5	7	3
Dr. Renato Fassbind	4	5	–	–
Juergen Fitschen	4	–	–	–
Hans Lerch	4	–	–	3
Dr. Thomas Staehelin	4	5	–	–
Hauke Stars	4	–	–	–
Dr. Martin C. Wittig	4	5	–	–

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 Chairman of the Board of Directors overlooks the responsibilities of the assigned members of the Management Board of the Kuehne + Nagel Group. As per the Organisational Rules the responsibilities and competences relating to the operational management are transferred 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 they are not incumbent on the Annual General Meeting, the Statutory Auditor, the Board of Directors, or the Chairman of the Board of Directors by applicable law, by the Articles of Association, or by the Organisational Rules. The Organisational Rules define which businesses can be approved by the Management Board and which ones require the approval of the Chairman of the Board of Directors or the Board of Directors pursuant to approval requirements based on the extent and nature of the respective business.

Information and control system of the Management Board

The Management Board informs the Board of Directors on a regular and timely basis about the course of business primarily by means of a comprehensive financial Management Information System (MIS) report which provides monthly worldwide consolidated results by segment and country including comparative actual, budgeted and prior-year figures as well as consolidated Balance Sheet and Cash Flow analysis.

The CEO and the CFO are generally invited to meetings of the Board of Directors, the Audit Committee as well as to the meetings of the Chairman's Committee. Members of the Management Board can take part in Nomination and Compensation Committee meetings by invitation.

Risk Management

Risk management is a fundamental element of the Group's business practice at all levels and covers different types of risks. At Group level, risk management is an integral part of the business planning and controlling processes. Material risks are monitored and regularly discussed with the Audit Committee or the Risk and Compliance Committee, the latter of which is consisting of the CEO and the CFO, the Chief Compliance Officer, the Corporate Head of Internal Audit and the Group General Counsel. The risk management system within the Group covers both financial and operational risks.

Risk management is part of the Internal Control System (ICS). Preventive and risk-reducing measures to control risks are proactively taken on different levels and are a fundamental part of the management responsibility. The finance and accounting department conducts, in collaboration with regional management and the Management Board, a risk assessment at least once a year. Details on risk management, including identified risks, are provided in the Status Report on pages 9 to 10.

Compliance

Integrity as key element of business behaviour creates trust amongst business partners. Therewith the Group is able to carry the responsibility as a reliable and successful business partner. The Chairman of the Board of Directors and the CEO issued an updated release of the KN Ethics & Compliance Programme in December 2018. This KN Ethics & Compliance Programme includes clear and consistent guidance for policies and procedures, providing guidance for legal, regulatory, and other compliance requirements, as well as global communication and training initiatives. Ongoing compliance live and computer-based trainings resume to form key elements to ensure that members of all levels of the Group are and remain adequately knowledgeable and skilled to apply the KN Ethics & Compliance Programme in their day-to-day work. This includes top-down KN Code of Conduct live trainings as well as comprehensive live anti-bribery, anti-corruption, and anti-trust training initiatives. The Group encourages employees to raise concerns of potential violations of the KN Code of Conduct, amongst other channels, to a global 24/7 Confidential Reporting Line enabling reports in a safe, confident and, if desired, anonymous manner.

The Kuehne + Nagel Group applies a risk-based Integrity Due Diligence (IDD) process for evaluating business partners.

Internal Audit

The Internal Audit function reports directly to the Chairman of the Board of Directors about ongoing activities and audit reports and acts under the supervision of the Audit Committee. Kuehne + Nagel's Internal Audit is an independent, objective assurance and consulting activity that assists the Management to exercise their responsibilities efficiently by assessing the adequacy and effectiveness of internal controls.

MANAGEMENT BOARD

On the closing date, the biographical particulars of the Management Board members are as follows:

Dr. Detlef Trefzger, German, 1962

Dr. Detlef Trefzger studied at Muenster and Kingston upon Hull and attained a degree in Business Management by Vienna University of Business and Economics. In 1989 he started his career as a Project Manager, Industrial & Building Systems Group at Siemens AG, Erlangen, Germany. In 1994 he joined Roland Berger & Partner, Munich, Germany, as a Principal in the Competence Center Transportation & Logistics. From 1999 to 2003 he worked as a Member of the Board and CFO of the region South East Europe at Schenker & Co AG, Vienna, Austria. From 2004 to October 2012 Dr. Detlef Trefzger was a Member of the Executive Board of Schenker AG, Essen, Germany, and responsible for Global Contract Logistics/Supply Chain Management. In addition, he was Executive Vice President Global Air Freight and Global Ocean Freight in 2012.

Positions within the Kuehne + Nagel Group:

2013–2015	Executive Vice President Contract Logistics of the Group
2016	Executive Vice President Airfreight of the Group
2013–today	Chief Executive Officer (CEO) of the Group Chief Executive and Chairman of the Management Board of Kuehne + Nagel International AG

Markus Blanka-Graff, Austrian, 1967

Graduated as Master in Economics from Vienna University of Business and Economics.

Positions within the Kuehne + Nagel Group:

1996–2006	Various Management positions in Finance
2006–2009	Regional CFO North West Europe
2009–2014	Director of Corporate Finance & Investor Relations
2014–today	Chief Financial Officer (CFO) of the Group

Lothar Harings, German, 1960

Lawyer (assessor iur.). Various national and international management positions with Siemens, amongst others, Vice President Human Resources Siemens AG for Enterprise & International HR ICN from 1998 to 2002. Member of the Management Board of T-Mobile International. Responsible for Global Human Resources with T-Mobile AG and Deutsche Telekom from 2002 until March 2009. Other significant activities: Member of the Executive Board of WHU Foundation, Vallendar; Chairman of the CHRO Circle Swiss and National Trustee of the German Committee of AIESEC registered association, Bonn.

Positions within the Kuehne + Nagel Group:

2009–today — Chief Human Resources Officer (CHRO) of the Group
2010–today — Corporate Secretary

Martin Kolbe, German, 1961

Graduated computer scientist. Positions in IT management including CIO with Deutsche Post World Net (DPWN) from 2002 to 2005, 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

Stefan Paul, German, 1969

After completing an apprenticeship as a freight forwarder he started his career with Kuehne + Nagel in 1990 where he held various positions in Sales and Operations. In 1997 he joined Deutsche Post DHL, Germany, as General Manager for Key Accounts and Industry Sectors, and worked in various management positions until he became CEO of DHL Freight, Germany, in February 2010. In February 2013 Stefan Paul joined Kuehne + Nagel as a Member of the Management Board, responsible for the Business Unit Overland.

Positions within the Kuehne + Nagel Group:

1990–1997 — Various management positions in Sales and Operations
2013–today — Executive Vice President Overland of the Group

Yngve Ruud, Norwegian, 1964

Graduated from the Norwegian School of Management.

Positions within the Kuehne + Nagel Group:

1990–1996 — Operational and Finance Manager Kuehne + Nagel Norway
1997–2011 — Managing Director of Kuehne + Nagel Norway
2011–2013 — Regional Manager North West Europe
2013–2016 — Regional Manager Western Europe
2016–today — Executive Vice President Airfreight of the Group

Horst Joachim (Otto) Schacht, German, 1959

Graduated as a shipping agent. From 1978 to 1997 he held various positions globally with Hapag-Lloyd, including three years in the United States as Trade Manager Far East-Europe.

Positions within the Kuehne + Nagel Group:

1997–1999 — Member of the Management Board of Kuehne + Nagel Germany, responsible for Seafreight
1999–2011 — Senior Vice President Global Seafreight
2011–today — Executive Vice President Seafreight of the Group

Gianfranco Sgro, Italian, 1967

Graduated as Electronic Engineer from Turin Polytechnic University. Gianfranco Sgro started his career in 1992 as a Project Manager at TNT Express. From 1995 to 2006 he held various national and international positions with TNT Logistics (Operational Director in Brazil, President and Managing Director South America, President and Managing Director Italy). From 2006 until 2012 he was nominated Regional President South Europe, Middle East and Africa with CEVA. From 2012 to 2014 he worked as South America Chief Operating Officer with Pirelli. In February 2015 Gianfranco Sgro joined Kuehne + Nagel as a Member of the Management Board, responsible for the Business Unit Contract Logistics.

Position within the Kuehne + Nagel Group:

2015–today — Executive Vice President Contract Logistics of the Group

The Articles of Association (AoA) of Kuehne + Nagel International AG limit the number of mandates that members of the Management Board may hold outside the Kuehne + Nagel Group. Article 21 of the AoA limits the maximum number of permitted mandates of members of the Management Board to five board memberships, whereof no more than one may be held in a stock-listed company. Each mandate requires the approval of the Board of Directors. Mandates in companies, which are controlled by Kuehne + Nagel or which control Kuehne + Nagel, are not subject to this limitation. In addition, members of the Management Board may hold no more than 25 mandates at Kuehne + Nagel's request, and no more than 25 mandates in associations, charitable organisations, foundations, trusts, and employee welfare foundations.

Compensation, shareholdings and loans

All details regarding compensation, shareholdings and loans are set forth in the separate Remuneration Report on pages 29 to 35 and in the Consolidated Financial Statements, note 48, on page 100 and listed furthermore in note 12 to the Financial Statements of Kuehne + Nagel International AG on pages 125 to 126.

SHAREHOLDERS' PARTICIPATION

Restrictions and delegation of voting rights

Each share has one vote. All shares have equal voting rights, and no preferential rights or similar entitlements exist.

For resolutions concerning the discharge of the members of the Board of Directors, persons who currently take part in the company's management in any manner do not have a voting right.

Registered shares may only be represented by persons who are entered in the share register as shareholders or beneficiaries who have a written power of attorney. Individual companies, partnerships or legal entities may arrange to be represented by legal representatives or representatives pursuant to the Articles of Association or by other authorised representatives, married persons by their spouse, minors and persons in guardianship by their legal representative, even if their representatives are not shareholders. Each shareholder may also arrange to be represented by the elected independent proxy.

Statutory quorums

In general, the legal rules on quorums and terms apply. The following shall require a resolution to be passed by the General Meeting by at least two thirds of the voting rights represented and by a majority of the nominal value of the shares represented:

- the introduction of voting shares;
- the introduction or removal of actual restrictions on the transferability of registered shares;
- the restriction or cancellation of subscription rights;
- the conversion of registered shares into bearer shares or of bearer shares into registered shares;
- the dismissal of more than one quarter of the members of the Board of Directors.

Calling of an Annual General Meeting

The calling of an Annual General Meeting is defined by law. The agenda contains any item submitted by the Board of Directors. In particular, this includes information for the appointment of new members to the Board of Directors or the Nomination and Compensation Committee and, in the event of changes to an Article of Association, the announcement of the new wording.

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.

Registration of shareholders into the share registers

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 six calendar days preceding and including the date of the Annual General Meeting.

CHANGES OF CONTROL AND DEFENCE MEASURES

Duty to make an offer

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

Clauses on changes 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.

STATUTORY AUDITORS

Duration of the mandate and term of office of the lead auditor

Ernst & Young Ltd (EY), Zurich, as Kuehne + Nagel's auditor started in 2013. The auditor in charge is Christian Krämer. The re-election for the financial year 2018 was confirmed at the Annual General Meeting held on May 8, 2018, and with the letter of acceptance signed on October 25, 2018.

The rotation sequence of the auditor in charge is seven years and thus corresponds with the legal rule.

Audit fees

According to the Group's financial records the fees charged for auditing services for the year 2018 amounted to CHF 3.7 million (2017: CHF 3.7 million).

Additional fees

In addition to the fees mentioned above, the statutory auditors are asked on a very restrictive basis to provide certain consulting services beyond the annual audit mandate. In 2018 an amount of CHF 0.4 million (2017: CHF 0.3 million) was incurred mainly related to tax consultancy mandates.

Supervisory and controlling instruments towards the statutory auditors

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.

In 2018 the auditor in charge attended three Audit Committee meetings in person.

In 2018 the auditor in charge also attended one meeting of the Board of Directors. The main criteria for the selection of the external audit company are its worldwide network, its reputation, and pricing.

INFORMATION POLICY

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

To this end, Kuehne + Nagel uses print media and, in particular, its website where up-to-date information is available. This information contains an overall presentation of the Group, detailed financial data as well as information on environmental and safety matters, which are the main elements of the corporate sustainability efforts. The Group aims for an integral approach to economic, ecologic and social responsibility. Furthermore, Kuehne + Nagel provides up-to-date information on significant, business-related occurrences and organisational changes, and updates all general information regarding the Company on a continuous basis. All press releases are posted on the website when released and can be viewed and downloaded under the following link: https://newsroom.kuehne-nagel.com/media-releases/

The Annual Report covering the past financial year is available for download under http://www.kn-portal.com/about_us/investor_relations/annual_reports

Kuehne + Nagel publishes its quarterly financial data on the website (http://www.kn-portal.com/about_us/investor_relations/financial_results_presentations). 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 (http://www.kn-portal.com/about_us/investor_relations/financial_calendar).

The contact address for Investor Relations is:

Kuehne + Nagel Management AG
Investor Relations
Dorfstrasse 50
P.O. Box 67
CH-8834 Schindellegi
Switzerland
Phone: +41 (0)44 786 95 61

In addition, the most updated and detailed information on the Group, its service offering and contact details are available under **http://www.kuehne-nagel.com.**

REMUNERATION REPORT

Kuehne + Nagel's performance-oriented remuneration system aims to create long-term incentives for its employees in order to ensure sustainable success of the Company and add value for its shareholders.

This remuneration report describes the principles and components of the remuneration of Kuehne + Nagel's Board of Directors and Management Board and contains information about the amount of remuneration paid to and accrued for.

Introduction

This remuneration report complies with the Ordinance against Excessive Compensation in Listed Stock Companies (Ordinance), the Swiss Code of Best Practice for Corporate Governance and the Swiss Code of Obligations, as well as with the relevant rules in the SIX Swiss Exchange Ltd.'s Directive on Information Relating to Corporate Governance.

At the Annual General Meeting 2018, as in the previous year, the shareholders of Kuehne + Nagel International AG individually elected the members of the Board of Directors, the Chairman, the members of the Compensation Committee as well as the independent proxy. The Annual General Meeting (AGM) on May 8, 2018, furthermore approved each of the total aggregate remuneration amounts, for the members of the Board of Directors for the period until the next ordinary AGM, and for the members of the Management Board for the fiscal year 2019.

As per the Articles of Association the AGM votes annually and with prospectively binding effect on the approval of the remuneration of the Board of Directors and the Management Board, respectively. In addition, the Remuneration Report is being presented to shareholders at the AGM for a consultative vote.

The Articles of Association of Kuehne + Nagel International AG are available under the following link: http://www.kn-portal.com/about_us/investor_relations/corporate_governance/.

Remuneration principles

To maintain Kuehne + Nagel's position as one of the world's leading logistics providers and to ensure the Group's sustained success, it is critical to attract and retain best-in-class executives. The Group is committed to a remuneration model that reflects changes in the level of management compensation to be in line with corresponding changes in compensation of the Group.

The remuneration policy of the Group aims to ensure the generation of sustainable earnings and shareholder value for the Group and consists of the following key principles:

- Balance between short-term and long-term incentive components
- Pay for performance
- Align management's interests with those of the shareholders

Determination of remuneration

The Nomination and Compensation Committee supports the Board of Directors with the determination and validation of the remuneration policy, defines the remuneration concepts, and the principles of remuneration for the members of the Board of Directors and the Management Board. The principles of remuneration, post-employment benefits and share-based compensations are reviewed annually.

The Nomination and Compensation Committee discusses the amounts of compensation for each member of the Board of Directors individually, evaluates the performance of each member of the Management Board and recommends their remuneration. The General Meeting approves the maximum total remuneration of the Boards.

The Nomination and Compensation Committee has the following responsibilities:

- definition and validation of the remuneration policy and concepts;
- definition of the principles of remuneration for the members of the Board of Directors and the Management Board;
- nominating competent staffing of the Management Board;
- yearly review of the individual performance of members of the Management Board;
- approval of terms and conditions of employment of the members of the Management Board;
- determination and approval of pension schemes;
- approval of mandates outside the Kuehne + Nagel Group by members of the Management Board;
- determination of the variable remuneration of the Management Board;
- approval of share-based compensation plans for the Management Board and other selected employees;
- preparation of the remuneration report

The Nomination and Compensation Committee develops guidelines and criteria for the selection of candidates and reviews new candidates according to these guidelines to ensure competent staffing of the Management Board.

The Chairman of the Nomination and Compensation Committee informs the Board of Directors about all issues discussed, in particular, about all topics that need approval of the Board of Directors.

REMUNERATION COMPONENTS

Board of Directors

The Chairman and the members of the Board of Directors receive a fixed compensation as well as a compensation for their participation in committees in cash. These fixed amounts of compensation are defined in a discretionary way, in line with market conditions.

Management Board

The members of the Management Board receive a fixed salary, a variable remuneration component, and are eligible to participate in the Company's share-based compensation plan. The actual ratios of the remuneration components are disclosed in the Management Board remuneration table.

Component type	Fixed component	Variable remuneration component (short-term incentive)	Share-based compensation plans (mid to long-term incentive)
Description	Fixed salary (cash) based on scope, complexity and market value of the role as well as skills and performance of the individual Board Member	Individually defined percentage of the Group's adjusted net earnings (adjusted for additional Goodwill amortisation and digressive bonus eligibility) based on scope, complexity and market value of the role as well as skills and performance of the individual Board Member	Share Matching Plan (described) with a three years vesting and service period. The Group matches the shares invested by the employee at market rate.

Component	Instrument	Purpose	Drivers
Fixed salary	Monthly (cash) payments	Payment for the functional role	Range and complexity of tasks, market value, skills and profile of the individual
Variable remuneration component	Annual bonus payment (cash)	Payment for year-over-year performance	– Financial performance of the Group – individually defined percentage based on the individual performance and market value of the role
Share-based compensation plans	Share matching plan, with a three years vesting and service period	Participation in the mid/long-term performance of the Group	Mid/long-term financial performance of the Group
Other benefits	Pension and insurances, other benefits	Risk protection and coverage of business related expenses	Legislation and market practice

Fixed salary
The fixed salary is paid in cash on a monthly basis and determined based on the function, qualification, responsibilities and performance of the individual member of the Management Board as well as the external market value of the role.

Variable remuneration component
The variable part of remuneration is calculated based on an individually defined percentage of the adjusted Group's net earnings (adjusted for additional goodwill amortisation and digressive bonus eligibility).

The variable part of remuneration is paid in cash in the month of May of the following year after the approval of the Consolidated Financial Statements by the Annual General Meeting.

Share-based compensation plans Management
Management Board members are eligible to participate in the Group's share-based compensation plans.

The goal of these plans is to focus on long-term value creation for the Company, alignment of Management Board's interests to those of shareholders as well as retention of members of the Management Board.

Effective July 25, 2018, the Company introduced a Share Matching Plan (SMP) that replaced the SMP implemented in 2016. This long-term incentive plan allows selected employees of the Group to invest at a specified date previously acquired shares of the Company into the plan. These shares are blocked for three years whereby voting rights and rights to receive dividends remain intact with the holder of the shares. For each invested share, the Company will match 0.8 additional shares upon completion of a three-year vesting period and service condition during the same period. The fair value of shares matched under the SMP is recognised as a personnel expense with a corresponding increase in equity. The fair value of matched shares is equal to the market price at grant date reduced by the present value of the expected dividends during the vesting period and recognised as personnel expense over the relevant vesting periods. The amount expensed is adjusted to reflect actual and expected levels of vesting.

The SMP 2016 was discontinued as of June 30, 2018. It allowed selected employees of the Group to invest at a specified date previously acquired shares of the Company into the plan. These shares are blocked for three years whereby voting rights and rights to receive dividends remain intact with the holder of the shares. For each invested share, the Company will match additional shares upon completion of a three-year vesting period and service condition during the same period. The level of the share match (share match ratio) is defined based on the average growth rate of the Group's net profit after tax achieved over the three financial years in the vesting period. The fair value of shares matched under the SMP is recognised as a personnel expense with a corresponding increase in equity. The fair value of matched shares is equal to the market price at grant date reduced by the present value of the expected dividends during the vesting period and recognised as personnel expense over the relevant vesting periods. The amount expensed is adjusted to reflect actual and expected levels of vesting. This plan has shares eligible for a matching until June 30, 2020.

Other benefits

The members of the Management Board participate in an employee pension fund that covers the fixed salary with age-related contribution rates equally shared by the employee and the employer.

Each member of the Management Board is entitled to a car allowance. Out-of-pocket expenses are reimbursed at actual costs incurred.

The members of the Management Board have employment contracts with notice periods of a maximum of one year.

BOARD OF DIRECTORS REMUNERATION

The total maximum amount of remuneration for the members of the Board of Directors approved by the Annual General Meeting on May 8, 2018, for the period ending at the 2019 Annual General Meeting, amounted to CHF 5.0 million.

The total actual remuneration accrued for and paid to the members of the Board of Directors for their tenure 2018 amounted to CHF 3.9 million (2017: CHF 4.1 million).

The following tables show details of the remuneration of the members of the Board of Directors for 2018 and 2017:

2018 Remuneration to the members of the Board of Directors in CHF thousand	Compensation for Board of Directors	Compensation for Committees	Social insurance	Share Plan	Total
Klaus-Michael Kuehne (Honorary Chairman)	750	10	38	–	798
Dr. Joerg Wolle (Chairman)	1,200	–	69	–	1,269
Karl Gernandt (Vice Chairman)	550	25	33	–	608
Dr. Renato Fassbind	180	15	12	–	207
Juergen Fitschen	180	–	8	–	188
Hans Lerch	180	10	9	–	199
Dr. Thomas Staehelin	180	15	9	–	204
Hauke Stars	180	–	11	–	191
Dr. Martin C. Wittig	180	15	12	–	207
Total	**3,580**	**90**	**201**	**–**	**3,871**

2017 Remuneration to the members of the Board of Directors in CHF thousand	Compensation for Board of Directors	Compensation for Committees	Social insurance	Share Plan	Total
Klaus-Michael Kuehne (Honorary Chairman)	750	10	38	–	798
Dr. Joerg Wolle (Chairman)	1,100	–	63	–	1,163
Karl Gernandt (Vice Chairman)	550	25	50	290	915
Dr. Renato Fassbind	180	15	12	–	207
Juergen Fitschen	180	–	8	–	188
Hans Lerch	180	10	9	–	199
Dr. Thomas Staehelin	180	15	9	–	204
Hauke Stars	180	–	11	–	191
Dr. Martin C. Wittig	180	15	12	–	207
Total	**3,480**	**90**	**212**	**290**	**4,072**

MANAGEMENT BOARD REMUNERATION

The total maximum amount of remuneration for the members of the Management Board approved by the Annual General Meeting on May 8, 2018, for the fiscal year 2018, amounted to CHF 20.0 million.

The total actual remuneration accrued for and paid to the Chief Executive Officer and to the members of the Management Board in the financial year 2018 amounted to CHF 16.2 million (2017: CHF 15.2 million).

The following tables show details of the remuneration for the Chief Executive Officer and the other members of the Management Board for 2018 and 2017:

2018 In CHF thousand	Salary	In per cent of total remuneration	Variable part of remuneration	In per cent of total remuneration	Social Insurance	Pension [1]	Share Plan	In per cent of total remuneration	Others [2]	Total
Dr. Detlef Trefzger, Chief Executive Officer	1,040	30.5	1,824	53.5	176	120	220	6.4	32	3,412
Members of the Management Board	4,552	35.7	5,910	46.3	485	625	1,026	8.0	162	12,760
Total	**5,592**	**34.6**	**7,734**	**47.8**	**661**	**745**	**1,246**	**7.7**	**194**	**16,172**

2017 In CHF thousand	Salary	In per cent of total remuneration	Variable part of remuneration	In per cent of total remuneration	Social Insurance	Pension [1]	Share Plan	In per cent of total remuneration	Others [2]	Total
Dr. Detlef Trefzger, Chief Executive Officer	1,040	28.9	1,952	54.2	186	118	274	7.6	32	3,602
Members of the Management Board	4,309	37.1	5,124	44.2	428	632	950	8.2	162	11,605
Total	**5,349**	**35.2**	**7,076**	**46.5**	**614**	**750**	**1,224**	**8.0**	**194**	**15,207**

1 Including risk premium and savings contributions.
2 Others include a car allowance.

OTHER REMUNERATION

Remuneration for former members of the Board of Directors or Management Board and related parties
During the reporting years 2017 and 2018 no remuneration was paid to or accrued for former members of the Board of Directors or the Management Board in connection with their previous activities in the Company. Furthermore, no payments which are not at arm's length were made during 2018 and 2017 to former members of the Board of Directors, Management Board or to individuals who are closely related to them.

Loans and credits granted
In the reporting years 2018 and 2017, neither Kuehne + Nagel International AG nor one of its subsidiaries provided any guarantees, loans, advances, credit facilities or similar instruments either to former or current members of the Board of Directors or Management Board or to related parties nor are there any receivables of any kind outstanding.

REPORT OF THE STATUTORY AUDITOR ON THE REMUNERATION REPORT OF KUEHNE + NAGEL INTERNATIONAL AG, SCHINDELLEGI (FEUSISBERG), SWITZERLAND

We have audited the remuneration report of Kuehne + Nagel International AG on the pages 29 to 35 for the year ended December 31, 2018.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility

Our responsibility is to express an opinion on the remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the remuneration report for the year ended December 31, 2018 of Kuehne + Nagel International AG complies with Swiss law and articles 14 – 16 of the Ordinance.

Ernst & Young Ltd

Christian Krämer	**Philipp Baumann**
Licensed Audit Expert	Licensed Audit Expert
(Auditor in Charge)	

Zurich, February 26, 2019

Income Statement

CHF million	Note	2018	2017	Variance per cent
Net turnover	19	**20,774**	**18,594**	**11.7**
Net expenses for services from third parties		–13,065	–11,571	
Gross profit	19	**7,709**	**7,023**	**9.8**
Personnel expenses	20	–4,736	–4,243	
Selling, general and administrative expenses	21	–1,811	–1,643	
Other operating income/expenses, net	22	47	13	
EBITDA		**1,209**	**1,150**	**5.1**
Depreciation of property, plant and equipment	26	–192	–172	
Amortisation of other intangibles	27	–30	–41	
EBIT		**987**	**937**	**5.3**
Financial income	23	10	16	
Financial expenses	23	–7	–4	
Result from joint ventures and associates		4	6	
Earnings before tax (EBT)		**994**	**955**	**4.1**
Income tax	24	–222	–215	
Earnings for the year		**772**	**740**	**4.3**
Attributable to:				
Equity holders of the parent company		770	737	4.5
Non-controlling interests		2	3	
Earnings for the year		**772**	**740**	**4.3**
Basic earnings per share in CHF	25	**6.43**	**6.16**	**4.5**
Diluted earnings per share in CHF	25	**6.42**	**6.15**	**4.5**

Statement of Comprehensive Income

CHF million	Note	2018	2017
Earnings for the year		**772**	**740**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange differences		–98	69
Items that will not be reclassified to profit or loss:			
Actuarial gains/(losses) on defined benefit plans	34/24	27	2
Income tax on actuarial gains/(losses) on defined benefit plans		–8	–
Total other comprehensive income, net of tax		**–79**	**71**
Total comprehensive income for the year		**693**	**811**
Attributable to:			
Equity holders of the parent company		691	808
Non-controlling interests		2	3

Balance Sheet

CHF million	Note	Dec. 31, 2018	Dec. 31, 2017
Assets			
Property, plant and equipment	26	1,226	1,249
Goodwill	27	1,170	849
Other intangibles	27	215	96
Investments in joint ventures	28	7	31
Deferred tax assets	24	175	220
Non-current assets		**2,793**	**2,445**
Prepayments		161	128
Work in progress	29	–	418
Contract assets	29	300	–
Trade receivables	29	3,872	3,537
Other receivables	30	200	132
Income tax receivables	30	53	77
Cash and cash equivalents	31/32	499	720
Current assets		**5,085**	**5,012**
Total assets		**7,878**	**7,457**

CHF million	Note	Dec. 31, 2018	Dec. 31, 2017
Liabilities and equity			
Share capital		120	120
Reserves and retained earnings		1,428	1,464
Earnings for the year		770	737
Equity attributable to the equity holders of the parent company		**2,318**	**2,321**
Non-controlling interests		6	6
Equity	33	**2,324**	**2,327**
Provisions for pension plans and severance payments	34	377	430
Deferred tax liabilities	24	101	128
Non-current provisions	37	50	58
Other non-current liabilities	39	149	4
Non-current liabilities		**677**	**620**
Bank and other interest-bearing liabilities	36	354	14
Trade payables	38	1,888	1,890
Contract liabilities	38	146	–
Accrued trade expenses/deferred income	38	1,272	1,493
Income tax liabilities		108	133
Current provisions	37	65	66
Other current liabilities	40	1,044	914
Current liabilities		**4,877**	**4,510**
Total liabilities and equity		**7,878**	**7,457**

Schindellegi, February 26, 2019

KUEHNE + NAGEL INTERNATIONAL AG

Dr. Detlef Trefzger
CEO

Markus Blanka-Graff
CFO

Statement of Changes in Equity

CHF million	Note	Share capital	Share premium	Treasury shares	Cumulative translation adjustment	Actuarial gains & losses	Retained earnings	Total equity attributable to equity holders of parent company	Non-controlling interests	Total equity
Balance as of January 1, 2018		120	496	–43	–897	–130	2,775	2,321	6	2,327
Earnings for the year		–	–	–	–	–	770	770	2	772
Other comprehensive income										
Foreign exchange differences		–	–	–	–98	–	–	–98	–	–98
Actuarial gains/(losses) on defined benefit plans, net of tax	34/24	–	–	–	–	19	–	19	–	19
Total other comprehensive income, net of tax		**–**	**–**	**–**	**–98**	**19**	**–**	**–79**	**–**	**–79**
Total comprehensive income for the year		**–**	**–**	**–**	**–98**	**19**	**770**	**691**	**2**	**693**
Purchase of treasury shares	33	–	–	–12	–	–	–	–12	–	–12
Disposal of treasury shares	33	–	–19	19	–	–	–	–	–	–
Dividend paid	33	–	–	–	–	–	–688	–688	–2	–690
Expenses for share-based compensation plans	35	–	–	–	–	–	6	6	–	6
Total contributions by and distributions to owners		**–**	**–19**	**7**	**–**	**–**	**–682**	**–694**	**–2**	**–696**
Balance as of December 31, 2018		**120**	**477**	**–36**	**–995**	**–111**	**2,863**	**2,318**	**6**	**2,324**

CHF million	Note	Share capital	Share premium	Treasury shares	Cumulative translation adjustment	Actuarial gains & losses	Retained earnings	Total equity attributable to equity holders of parent company	Non-controlling interests	Total equity
Balance as of January 1, 2017		120	511	–59	–966	–132	2,686	2,160	5	2,165
Earnings for the year		–	–	–	–	–	737	737	3	740
Other comprehensive income										
Foreign exchange differences		–	–	–	69	–	–	69	–	69
Actuarial gains/(losses) on defined benefit plans, net of tax	34/24	–	–	–	–	2	–	2	–	2
Total other comprehensive income, net of tax		**–**	**–**	**–**	**69**	**2**	**–**	**71**	**–**	**71**
Total comprehensive income for the year		**–**	**–**	**–**	**69**	**2**	**737**	**808**	**3**	**811**
Disposal of treasury shares	33	–	–15	16	–	–	–	1	–	1
Dividend paid	33	–	–	–	–	–	–658	–658	–2	–660
Expenses for share-based compensation plans	35	–	–	–	–	–	10	10	–	10
Total contributions by and distributions to owners		**–**	**–15**	**16**	**–**	**–**	**–648**	**–647**	**–2**	**–649**
Balance as of December 31, 2017		**120**	**496**	**–43**	**–897**	**–130**	**2,775**	**2,321**	**6**	**2,327**

Cash Flow Statement

CHF million	Note	2018	2017
Cash flow from operating activities			
Earnings for the year		772	740
Reversal of non-cash items:			
Income tax	24	222	215
Financial income	23	–10	–16
Financial expenses	23	7	4
Result from joint ventures and associates		–4	–6
Depreciation of property, plant and equipment	26	192	172
Amortisation of other intangibles	27	30	41
Expenses for share-based compensation plans	20	6	10
Gain on disposal of subsidiaries	22	–7	–
(Gain)/loss on disposal of property, plant and equipment, net	22	–40	–9
Net addition to provisions for pension plans and severance payments	34	–12	–3
Subtotal operational cash flow		**1,156**	**1,148**
(Increase)/decrease contract assets/work in progress		95	–106
(Increase)/decrease trade and other receivables, prepayments		–480	–760
Increase/(decrease) provisions		–4	–16
Increase/(decrease) other liabilities		97	33
Increase/(decrease) trade payables, contract liabilities and accrued trade expenses/deferred income		32	721
Income taxes paid		–217	–240
Total cash flow from operating activities		**679**	**780**

CHF million	Note	2018	2017
Cash flow from investing activities			
Capital expenditure			
– Property, plant and equipment	26	–315	–225
– Other intangibles	27	–9	–13
Disposal of property, plant and equipment		117	91
Acquisition of subsidiaries, net of cash acquired	41	–319	–107
Disposal of subsidiaries	4	7	–
(Increase)/decrease of share capital in joint ventures		1	1
Dividend received from joint ventures and associates		4	3
Interest received		5	5
Total cash flow from investing activities		**–509**	**–245**
Cash flow from financing activities			
Proceeds from interest-bearing liabilities		340	–
Repayment of interest-bearing liabilities		–3	–4
Interest paid		–7	–4
Purchase of treasury shares	33	–12	–
Disposal of treasury shares	33	–	1
Dividend paid to equity holders of parent company	33	–688	–658
Dividend paid to non-controlling interests		–2	–2
Acquisition of non-controlling interests	41	–	–3
Total cash flow from financing activities		**–372**	**–670**
Exchange difference on cash and cash equivalents		–20	8
Increase/(decrease) in cash and cash equivalents		**–222**	**–127**
Cash and cash equivalents at the beginning of the year, net	32	**710**	**837**
Cash and cash equivalents at the end of the year, net	32	**488**	**710**

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 lies in the seafreight, airfreight, overland and contract logistics businesses.

The Consolidated Financial Statements of the Company for the year ended December 31, 2018, comprise the Company, its subsidiaries (the Group) and its interests in joint ventures.

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 and are based on the individual financial statements of the consolidated companies as of December 31, 2018. 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 Swiss law (Swiss Code of Obligations). 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 accordance with IFRS requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, 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 Consolidated Financial Statements and estimates with a significant risk of material adjustment in the future are shown in note 49.

The accounting policies applied in the preparation of the Consolidated Financial Statements are consistent with those followed in the preparation of the Group's Consolidated Financial Statements for the year ended December 31, 2017, except for the adoption of new standards effective as of January 1, 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

As of January 1, 2018, the Group applies, for the first time, IFRS 15-Revenue from Contracts with Customers. IFRS 15 requires Kuehne + Nagel to recognise revenue for rendering of forwarding and logistics services at the time of receipt of the services by the counterparty, which generally occurs over time and client consumes and receives the benefits as the services are performed. This is generally consistent with the timing and amounts of revenue the Group recognised in accordance with the previous standard, IAS 18.

Kuehne + Nagel applied the modified retrospective method upon adoption of IFRS 15 on January 1, 2018. This method requires the recognition of the cumulative effect of initially applying IFRS 15 to retained earnings. The effect is not material for the Group. Under this transition method, comparative information for prior periods has not been restated and continues to be reported in accordance with the previous standard, IAS 18.

IFRS 15 requires contract assets and liabilities to be presented separately in the Consolidated Financial Statements. Accordingly, Kuehne + Nagel has presented the CHF 300 million amount of contract assets and the CHF 146 million amount of contract liabilities as of December 31, 2018, on a separate balance sheet line. In prior periods, the corresponding amounts are included in work in progress and accrued trade expenses/deferred income, respectively. On January 1, 2018 CHF 418 million were reclassified to contract assets and CHF 186 million to contract liabilities respectively.

As of January 1, 2018, the Group applies, for the first time, IFRS 9-Financial Instruments, which changes the classification and measurement of financial instruments. The new standard requires impairments to be based on a forward-looking model, changes the approach to hedging financial exposures and related documentation, changes the recognition of certain fair value changes and amends disclosures requirements.

The impairment of financial assets, mainly trade receivables, is now assessed using an expected credit loss (ECL) model, whereas previously the incurred loss model was used. Contract assets are also subject to ECL impairment requirements. The Group had no material impact to its impairment allowances from this change.

As the Group does not apply hedge accounting and continues measuring at fair value all financial assets currently held at fair value, there was no impact from these changes. Assets and liabilities measured at amortised cost under IAS 39 continue to be measured at amortised cost under IFRS 9.

Kuehne + Nagel applied the modified retrospective method upon adoption of IFRS 9 on January 1, 2018. This method requires the recognition of the cumulative effect of initially applying IFRS 9 to retained earnings and not to restate prior years. For the reasons described above, the effect from the adoption of the new standard is not material for the Group.

Other amendments, improvements and interpretations apply for the first time in 2018, but do not have a material impact on the Consolidated Financial Statements of the Group.

Adoption of new and revised standards and interpretations in 2019 and later

The following new, revised and amended standards and interpretations have been issued but are not yet effective and not applied early in the Consolidated Financial Statements of the Group. The assessment by the Group Management shows the expected effects as disclosed in the table below.

Standard/interpretation	Effective date	Planned application
IFRS 16 – Leases	January 1, 2019	Reporting year 2019
IFRIC Interpretation 23 Uncertainty over Income Tax Treatments [1]	January 1, 2019	Reporting year 2019
Annual Improvements to IFRS 2015 – 2017 Cycle [1]	January 1, 2019	Reporting year 2019
Prepayment Features with Negative Compensation – Amendments to IFRS 9 [1]	January 1, 2019	Reporting year 2019
Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28 [1]	January 1, 2019	Reporting year 2019
Plan Amendment, Curtailment or Settlement – Amendments to IAS 19 [1]	January 1, 2019	Reporting year 2019
IFRS 17 Insurance Contracts [1]	January 1, 2021	Reporting year 2021

1 No or no significant impacts are expected on the Consolidated Financial Statements.

The Group is adopting IFRS 16-Leases as of January 1, 2019, which has a material impact on the Group's Consolidated Financial Statements. The Group discloses undiscounted lease commitments classified as operating leases and thus recorded off balance sheet of CHF 1,786 million as of December 31, 2018 (refer to note 44). IFRS 16 requires the Group to recognise a majority of these lease contracts on the balance sheet. The right-of-use asset will generally be measured at the amount of the discounted lease liability plus initial direct costs. The analysis conducted indicated a recognition of right-of-use assets and lease liabilities in the balance sheet totalling around CHF 1,750 million on January 1, 2019. Retained earnings will not be affected, as the right-of-use assets match the lease liabilities. The Group applies the cumulative catch-up approach, adjusting balances as of January 1, 2019, without restatement of previous periods. The depreciation of right-of-use assets and interest expense on the lease liabilities will also impact reported earnings, in particular EBITDA. Based on the leases as of January 1, 2019, EBITDA will be positively impacted by approximately CHF 450 million. There will be no material impact on EBIT and Earnings after tax.

4 SCOPE OF CONSOLIDATION

The Group's significant consolidated subsidiaries and joint ventures are listed on pages 103 to 110.

Changes in the scope of consolidation in 2018 relate to the following companies (for further information on the financial impact of the acquisitions refer to note 41):

Changes in the scope of consolidation 2018	Capital share in per cent equals voting rights	Currency	Share capital in 1,000	Incorporation/ acquisition / divestment date
Incorporations				
Nacora Sigorta Brokerligi Anonim Sirketi, Turkey	100	TRY	300	January 1, 2018
Kuehne + Nagel Shared Service Centre d.o.o., Serbia	100	RSD	15,000	February 1, 2018
Kuehne + Nagel LLC, Azerbaijan	100	AZN	42	February 1, 2018
Kuehne + Nagel LLC, Kazakhstan	100	KZT	6,957	June 1, 2018
Kuehne + Nagel Asia Pacific Holding Pte Ltd, Singapore	100	SGD	6,695	October 1, 2018
PT. Naku Logistics Indonesia, Indonesia	67	IDR	24,455,000	October 1, 2018
Acquisitions				
Kuehne + Nagel Drinkflow Logistics (Holdings) Ltd., Great Britain [1]	50	GBP	6,123	February 26, 2018
Kuehne + Nagel Drinkflow Logistics Ltd., Great Britain [1]	50	GBP	877	February 26, 2018
QIC Intermediate Holdings Inc., USA [2]	100	USD	–	December 31, 2018
Q International Courier, LLC, USA [2]	100	USD	–	December 31, 2018
Quick International France SAS, France [2]	100	EUR	50	December 31, 2018
Quick International Couriers (UK) Limited, Great Britain [2]	100	GBP	–	December 31, 2018
Divestments				
Transeich Armazens Gerais S.A., Brazil [3]	100	BRL	2,479	March 1, 2018
Transeich Assessoria e Transportes S.A., Brazil [3]	100	BRL	17,918	March 1, 2018

1 The Group previously owned 50 per cent of the share capital and applied the equity method. For further information refer to note 41.
2 Refer to note 41 for details to the acquisition of subsidiaries.
3 Effective March 1, 2018, the Group signed a sale and purchase agreement to sell 100 per cent of the shares of Transeich Armazens Gerais S.A. and Transeich Assessoria e Transportes S.A, Brazil. The profit on the sale amounts to CHF 7 million.

Changes in the scope of consolidation for the year 2017 are related to the following companies (for further information on the financial impact of the acquisitions refer to note 41):

Changes in the scope of consolidation 2017	Capital share in per cent equals voting rights	Currency	Share capital in 1,000	Incorporation/ acquisition date
Incorporations				
Kuehne + Nagel Shared Service Centre AS, Estonia	100	EUR	25	June 12, 2017
Kuehne + Nagel Shared Service Center Ltd., Philippines	100	PHP	10,500	September 1, 2017
Blue Anchor Line International Limited, Tanzania	100	TZS	21,000	October 1, 2017
Anchor Risk Services GmbH, Germany	100	EUR	25	November 1, 2017
Kuehne + Nagel Finance AG, Switzerland	100	CHF	100	December 12, 2017
Acquisitions				
Amex Ltd., Israel [1]	3	ILS	–	February 23, 2017
Ferlito Pharma S.r.l., Italy [2]	100	EUR	1,000	April 21, 2017
Zet Farma Lojistik Hizmetleri Sanayi ve Ticaret A.S., Turkey [2]	100	TRY	2,000	April 26, 2017
Trillvane Ltd, Kenya [2]	100	KES	750	September 7, 2017
Commodity Forwarders Inc., USA [2]	100	USD	1,220	October 2, 2017
Nacora Insurance Brokers Ltd., Hong Kong [3]	30	HKD	150	December 19, 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 41.
2 Refer to note 41 for details to the acquisition of subsidiaries.
3 The Group previously owned 70.0 per cent of the share capital and applied the full consolidation method. For further information refer to note 41.

5 PRINCIPLES OF CONSOLIDATION

Business combinations

Business combinations are accounted for by applying the acquisition method. The Group measures goodwill as the fair value of the consideration transferred (including the fair value of any previously held equity interest in the acquiree) and the recognised amount of any non-controlling interests in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. If the excess is negative, a bargain purchase gain is recognised immediately in the income statement.

The Group elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value or at its proportionate share of the recognised amount of the identifiable net assets at the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, equity interests issued by the Group, and the fair value of any contingent consideration. If the contingent consideration is classified as equity it is not re-measured, and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in the income statement. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the income statement. Transaction costs other than those associated with the issue of debt or equity securities incurred in connection with a business combination are expensed as incurred.

Written put options held by non-controlling shareholders
If the Group has a potential obligation to purchase shares in a subsidiary from a non-controlling shareholder through a written put option, a liability is recognised at the present value of the redemption amount with a corresponding entry in equity. If a non-controlling shareholder still has present access to the economic benefits associated with the underlying ownership interest, the non-controlling interest in the subsidiary continues to be recognised as a separate component in equity.

The liability is re-estimated at each reporting date. Any subsequent changes in the liability's carrying amount are recognised in the income statement.

For the reporting year 2018 there is no written put option outstanding.

Acquisitions and disposals of non-controlling interests
Changes in the parent's ownership interest in a subsidiary after having obtained control that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners, and the effect of such transactions is recognised in equity. No goodwill is recognised as a result of acquisition of non-controlling interests, and no gain or loss on disposals of non-controlling interests is recognised in the income statement. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

Subsidiaries
The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are companies controlled, directly or indirectly, by the Group. Normally, this control is evidenced if the Group owns, either directly or indirectly, more than 50 per cent of the voting rights whereby potential voting rights are also considered. Subsidiaries are included in the Consolidated Financial Statements by the full consolidation method as from the date on which control is transferred to the Group until the date control ceases. The non-controlling interests in equity as well as earnings for the period are reported separately in the Consolidated Financial Statements.

Disposal of subsidiaries
When the Group ceases to have control over a subsidiary, it derecognises the assets and liabilities of the respective subsidiary as well as any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in the income statement. Amounts previously recognised in other comprehensive income are reclassified to the income statement. Any retained interest in the former subsidiary is remeasured to its fair value at the date when the control is lost.

Associates and joint ventures
Associates are companies over which the Group has significant influence but which it does not control. Significant influence is normally evidenced if the Group owns 20 per cent or more of the voting or potential voting rights. Joint ventures are contractual arrangements in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method. They are initially recognised at cost, including transaction costs. Subsequent to initial recognition, the Group's share of the profit or loss and other comprehensive income of associates and joint ventures is included in the Group's financial statements, until the date significant influence or joint control ceases.

Transactions eliminated on consolidation

Intra-group balances, transactions, income and expenses are eliminated in preparing the Consolidated Financial Statements.

Foreign exchange translation

Financial statements of consolidated companies are prepared in their respective functional currencies and translated into CHF (the Group's presentation 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 recognised in other comprehensive income.

Transactions in foreign currencies in 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.

Conversion rates of major foreign currencies are applied as follows:

Income statement and cash flow statement (average rates for the year)

Currency	2018 CHF	Variance per cent	2017 CHF
EUR 1.–	1.1536	3.9	1.1105
USD 1.–	0.9760	–0.9	0.9848
GBP 1.–	1.3026	2.7	1.2684

Balance sheet (year-end rates)

Currency	Dec. 2018 CHF	Variance per cent	Dec. 2017 CHF
EUR 1.–	1.1292	–3.9	1.1746
USD 1.–	0.9903	0.2	0.9883
GBP 1.–	1.2527	–5.4	1.3240

6 FINANCIAL ASSETS AND LIABILITIES

Financial assets

As of January 1, 2018, with initial application of IFRS 9, the Group measures and classifies its financial assets at amortised cost or at fair value through profit or loss.

Initially, all financial assets are recognised at fair value, plus, for investments not measured at fair value through profit or loss, directly attributable transaction costs.

- Financial assets to be measured at **amortised cost**
  The assets are measured at the amount recognised at initial recognition minus principal repayments, plus or minus the cumulative amortisation of any difference between that initial amount and the maturity amount, and any loss allowance. Interest income is calculated using the effective interest method and is recognised in profit or loss. Gains and losses are recognised in the income statement when the asset is derecognised or reclassified. A majority of the Group's financial assets are measured at amortised cost.
  The Group measures financial assets at amortised cost if both of the following conditions are met:
  The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Financial assets to be measured at **fair value through profit or loss (FVPL)**
  Financial assets, such as derivatives, are measured at fair value. Changes in fair value are recognised in profit and loss as they arise.

No financial assets were measured at fair value through other comprehensive income (FVOCI) or available for sale for the periods ended December 31, 2018 and December 31, 2017.

The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not measured at fair value through profit and loss, transaction costs. Trade receivables are the only exception as they are initially measured in accordance with IFRS 15.

Effective January 1, 2018, the Group recognises an allowance for the expected credit losses (ECL) on financial assets that are measured at amortised cost. For trade receivables and contract assets, the Group applies the simplified approach in calculating the ECL (for more details refer to note 29).

Financial liabilities

As of January 1, 2018, with initial application of IFRS 9, the Group measures and classifies its financial liabilities at amortised cost, unless they are measured at fair value through profit or loss such as derivatives and contingent considerations.

- Financial liabilities to be measured at **amortised cost**
  The liabilities are measured at the amount recognised at initial recognition minus principal repayments, plus or minus the cumulative amortisation of any difference between the initial and the maturity amount. Interest expense is calculated using the effective interest method and is recognised in the income statement. Gains and losses are recognised in the income statement when the liability is derecognised or reclassified. A majority of the Group's financial liabilities are measured at amortised cost.

- Financial liabilities to be measured at **fair value through profit or loss (FVPL)**
  Financial liabilities, such as derivatives and contingent consideration arrangements from business combinations classified as financial liabilities, are measured at fair value. Changes in fair value are recognised in the income statement as they arise.

Derivatives

Derivative financial instruments (foreign exchange contracts) are used to hedge foreign exchange exposures on outstanding balances in the Group's internal clearing system centralised at the 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 under IFRS 9. Derivatives are measured at fair value through profit or loss, and all changes in fair value are recognised immediately in the income statement as part of financial income or expenses. All derivatives with a positive fair value are presented as derivative assets and included in the line "other receivables" on the balance sheet, while all derivatives with a negative fair value are presented as derivative liabilities and included in the line "other current liabilities".

Accounting policies applied until December 31, 2017

The Group applied IFRS 9 retrospectively, but elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy in accordance with the previous standard IAS 39. Until December 31, 2017, the group classified its financial assets and liabilities in the following categories:

- The category **financial assets or liabilities at fair value through profit or loss** includes financial assets or liabilities held for trading and financial assets designated as such upon initial recognition. As of December 31, 2017, there are no financial liabilities that, upon initial recognition, have been designated at fair value through profit or loss.
- **Loans and receivables** are carried at amortised cost calculated by using the effective interest method, less allowances for impairment determined using the incurred loss model.
- **Financial liabilities** that are not at fair value through profit or loss, are carried at amortised cost calculated by using the effective interest method.

Impairment of financial assets

If there is any indication that a financial asset (loans and receivables) 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 an individual basis or on a portfolio basis, where there is objective evidence that impairment losses have been incurred. The allowance account is used to record impairment losses unless the Group is satisfied that no recovery of the amount due is possible; at that point the amount considered unrecoverable is written off against the financial assets directly.

7 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 estimated useful lives for the major categories are:

Category	Years
Buildings	40
Vehicles	4–10
Leasehold improvements	5
Office machines	4
IT hardware	3
Office furniture	5

If 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.

8 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.
If there is a reasonable certainty that the Group will obtain ownership by the end of the lease term, leased assets are depreciated over their useful life. Otherwise, leased assets are depreciated over the shorter of the lease term and their useful life. 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 costs 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.

Any gain or loss from sale and lease-back transactions resulting in operating leases is taken directly to the income statement if the transaction is established at fair value. If the transaction is established below fair value, any loss that is compensated by future lease payments at below market price is deferred and amortised over the length of the period the asset is expected to be used. Any other loss is recognised in the income statement immediately. If the transaction is established above fair value the gain arising from the transaction is deferred and amortised over the period the asset is expected to be used. If the fair value at the time of the sale and lease-back transaction is less than the carrying amount of the asset, a loss equal to the difference between the carrying amount and the fair value is recognised immediately.

9 INTANGIBLES

Goodwill

All business combinations are accounted for by applying the acquisition method. Goodwill arising from an acquisition represents the fair value of the consideration transferred (including the fair value of any previously held equity interest in the acquiree) and the recognised amount of any non-controlling interests in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Goodwill is allocated to cash-generating units.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is tested annually for impairment at year-end. However, if there is an indication that goodwill could be impaired at any other point in time, an impairment test is performed.

Other intangibles

Other identifiable intangibles (i.e. software, customer lists, customer contracts, brands) 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. Software is amortised over its estimated useful life, three years maximum. Other intangibles are amortised on a straight line basis over their estimated useful life (up to ten years maximum). As of December 31, 2018 and 2017, there are no intangibles with indefinite useful life recognised in the Group's balance sheet.

10 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at banks and in hand as well as short-term deposits and highly liquid investments with a term of three months or less from the date of acquisition that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist also of bank overdrafts that are repayable on demand as they are forming an integral part of the Group's cash management.

11 IMPAIRMENT OF NON-FINANCIAL ASSETS

The carrying amounts of the Group's investments in associates and joint ventures, 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 a recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal 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 the asset belongs to.

Reversals of impairment losses

An impairment loss recognised for goodwill is not reversed. In respect to 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.

12 SHARE CAPITAL

Shares

Incremental costs directly attributable to the issue of shares and share options are recognised as a deduction from equity.

Treasury shares

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from the share premium.

13 PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event if it is probable that an outflow of resources will be required to settle the obligation and the amount of the obligation can be estimated reliably. 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. A provision is classified in non-current liabilities in case the expected timing of the payment of the amounts provided for is more than one year.

14 PENSION PLANS, SEVERANCE PAYMENTS AND SHARE-BASED COMPENSATION PLANS

Some consolidated companies maintain pension plans in favour of their personnel in addition to the legally required social insurance schemes. The pension plans partly exist as independent trusts and are operated either under a defined contribution or a defined benefit plan.

Defined benefit plans

The aggregate of the present value of the defined benefit obligation and the fair value of plan assets for each plan is recorded in the balance sheet as net defined benefit liability or net defined benefit asset.
The discount rate is the yield at the reporting date on "AA" credit-rated corporate bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which benefits are expected to be paid. The calculation is performed by an independent, qualified actuary using the projected unit credit method.

All actuarial gains and losses arising from defined benefit plans are recognised immediately in other comprehensive income.

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised in the income statement as an expense in the periods during which services are rendered by the employees.

Severance payments
The Group provides severance benefits to employees as legally required in certain countries, which are accounted for as defined benefit plans.

Share-based compensation plans
The Company has various Share Matching Plans (SMP) in place. These long-term incentive plans allow selected employees of the Group to invest at a specified date previously acquired shares of the Company into the plan. These shares are blocked for three years whereby voting rights and rights to receive dividends remain intact with the holder of the shares.

For each invested share the Group will match additional shares upon completion of a three-year vesting period and service condition during the same period.

The fair value of shares matched under the SMP is recognised as a personnel expense with a corresponding increase in equity. The fair value of matched shares is equal to the market price at grant date reduced by the present value of the expected dividends during the vesting period and recognised as personnel expense over the relevant vesting periods. The amount expensed is adjusted to reflect actual and expected levels of vesting.

15 REVENUE RECOGNITION

The Group generates its revenues from four principal services: 1) Seafreight, 2) Airfreight, 3) Overland, and 4) Contract Logistics. Revenues reported in each of these reportable segments include revenues generated from the principal service as well as revenues generated from ancilliary services like customs clearance, export documentation, import documentation, door-to-door service, and arrangement of complex logistics supply movement, that are incidental to the principal service.

In Seafreight, Airfreight and Overland the Group generates the majority of its revenues by purchasing transportation services from direct (asset-based) carriers and selling a combination of those services to its customers. In its capacity of arranging carrier services, the Group issues a contract of carriage to customers. Revenues related to shipments are recognised based upon the terms in the contract of carriage and to the extent a service is completed. A typical shipment would include services rendered at origin, such as pick-up and delivery to port, freight services from origin to destination port and destination services, such as customs clearance and final delivery. These services are considered to represent one single performance obligation satisfied over time. The Group measures the fulfilment of its performance obligations as services are rendered based on the status of a shipment.

In Contract Logistics the principal services are related to customer contracts for warehousing and distribution activities, usually representing a series of distinct services that are considered a single performance obligation. Based on the customer contracts, revenues are recognised to the extent the service is rendered.

There are no significant judgements involved in the measurement of the performance of its obligations and the Group's contracts do not include any material variable considerations.

The Group elects to use the practical expedient regarding the disclosure requirement of the transaction price allocated to unsatisfied performance obligations. In nearly all customer contracts either the original expected duration is one year or less or the revenue is recognised at the amount to which the Group has a right to invoice.

Contract assets are recorded for unbilled work in progress, whereas amounts received for services that are not yet completed are presented as contract liabilities.

Gross profit is a better indication of the performance in the logistics industry than revenue. The gross profit represents the difference between the revenue and the cost of services rendered by third parties for all reportable segments.

16 INTEREST EXPENSES AND INCOME

Interest income is recognised as it accrues using the effective interest method.

17 INCOME TAXES

Income tax on earnings for the year comprises current and deferred tax. Both current and deferred tax are recognised in the income statement, except to the extent that the tax relates to business combinations or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the balance sheet date and any adjustment to tax payable for previous years.

Deferred tax is recognised based on the balance sheet liability method, on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. The following temporary differences are not accounted for: initial recognition of goodwill, initial recognition of assets or liabilities that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax recognised 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.

A deferred tax asset in respect of temporary differences or unused tax losses is recognised only to the extent that it is probable 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.

18 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 updated 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. Intangible assets and property, plant and equipment once classified as held for sale are not amortised or depreciated.

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, if earlier, when the operation meets the criteria to be classified as held for sale.

OTHER NOTES

19 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 several 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

CHF million	Total Group 2018	Total Group 2017	Seafreight 2018	Seafreight 2017	Airfreight 2018	Airfreight 2017	Overland 2018	Overland 2017
Turnover (external customers)	**24,825**	**22,220**	**9,366**	**8,805**	**5,620**	**4,759**	**4,009**	**3,356**
Customs duties and taxes	-4,051	-3,626	-2,237	-2,222	-750	-679	-483	-239
Net turnover	**20,774**	**18,594**	**7,129**	**6,583**	**4,870**	**4,080**	**3,526**	**3,117**
Inter-segment turnover	–	–	2,486	2,309	3,280	2,864	1,512	1,300
Net expenses for services	-13,065	-11,571	-8,133	-7,476	-6,948	-5,908	-3,950	-3,465
Gross profit	**7,709**	**7,023**	**1,482**	**1,416**	**1,202**	**1,036**	**1,088**	**952**
Total expenses	-6,500	-5,873	-1,041	-979	-822	-703	-970	-860
EBITDA	**1,209**	**1,150**	**441**	**437**	**380**	**333**	**118**	**92**
Depreciation of property, plant and equipment	-192	-172	-21	-18	-18	-15	-28	-25
Amortisation of other intangibles	-30	-41	-2	-5	-7	-5	-14	-18
EBIT (segment profit/(loss))	**987**	**937**	**418**	**414**	**355**	**313**	**76**	**49**
Financial income	10	16						
Financial expenses	-7	-4						
Result from joint ventures and associates	4	6						
Earnings before tax (EBT)	**994**	**955**						
Income tax	-222	-215						
Earnings for the year	**772**	**740**						
Attributable to:								
Equity holders of the parent company	770	737						
Non-controlling interests	2	3						
Earnings for the year	**772**	**740**						
Additional information not regularly reported to the CODM								
Reportable non-current segment assets	2,793	2,445	96	79	648	162	448	475
Segment assets	7,878	7,457	1,772	1,552	1,714	1,238	1,047	1,062
Segment liabilities	5,554	5,130	1,584	1,615	966	1,035	895	837
Allocation of goodwill	1,170	849	38	39	442	98	322	331
Allocation of other intangibles	215	96	–	–	165	33	50	63
Capital expenditure property, plant and equipment	315	225	26	19	22	18	34	23
Capital expenditure other intangibles	9	13	2	3	1	2	2	2
Property, plant and equipment, goodwill and intangibles through business combinations	520	112	–	–	490	102	–	–
Non-cash expenses	39	71	10	18	2	5	8	14

Contract Logistics 2018	Contract Logistics 2017	Total Reportable Segments 2018	Total Reportable Segments 2017	Eliminations 2018	Eliminations 2017	Unallocated Corporate 2018	Unallocated Corporate 2017
5,830	**5,300**	**24,825**	**22,220**	**–**	**–**	**–**	**–**
–581	–486	–4,051	–3,626	–	–	–	–
5,249	**4,814**	**20,774**	**18,594**	**–**	**–**	**–**	**–**
298	199	7,576	6,672	–7,576	–6,672	–	–
–1,610	–1,394	–20,641	–18,243	7,576	6,672	–	–
3,937	**3,619**	**7,709**	**7,023**	**–**	**–**	**–**	**–**
–3,667	–3,331	–6,500	–5,873	–	–	–	–
270	**288**	**1,209**	**1,150**	**–**	**–**	**–**	**–**
–125	–114	–192	–172	–	–	–	–
–7	–13	–30	–41	–	–	–	–
138	**161**	**987**	**937**	**–**	**–**	**–**	**–**
1,419	1,478	2,611	2,194	–	–	182	251
2,612	2,557	7,145	6,409	–	–	733	1,048
1,545	1,364	4,990	4,851	–	–	564	279
368	381	1,170	849	–	–	–	–
–	–	215	96	–	–	–	–
233	165	315	225	–	–	–	
4	6	9	13	–	–	–	–
30	10	520	112	–	–	–	–
19	34	39	71	–	–	–	–

b) Geographical information

CHF million	Total Group		EMEA		Americas	
	2018	2017	2018	2017	2018	2017
Turnover (external customers)	**24,825**	**22,220**	**15,652**	**14,349**	**6,465**	**5,454**
Customs duties and taxes	–4,051	–3,626	–2,819	–2,607	–968	–755
Net turnover	**20,774**	**18,594**	**12,833**	**11,742**	**5,497**	**4,699**
Inter-regional turnover	–	–	4,957	4,372	1,270	1,063
Net expenses for services	–13,065	–11,571	–12,433	–11,159	–5,226	–4,405
Gross profit	**7,709**	**7,023**	**5,357**	**4,955**	**1,541**	**1,357**
Total expenses	–6,500	–5,873	–4,664	–4,280	–1,278	–1,111
EBITDA	**1,209**	**1,150**	**693**	**675**	**263**	**246**
Depreciation of property, plant and equipment	–192	–172	–138	–126	–35	–28
Amortisation of other intangibles	–30	–41	–10	–26	–18	–14
EBIT	**987**	**937**	**545**	**523**	**210**	**204**
Financial income	10	16				
Financial expenses	–7	–4				
Result from joint ventures and associates	4	6				
Earnings before tax (EBT)	**994**	**955**				
Income tax	–222	–215				
Earnings for the year	**772**	**740**				
Attributable to:						
Equity holders of the parent company	770	737				
Non-controlling interests	2	3				
Earnings for the year	**772**	**740**				
Reportable non-current assets	**2,793**	**2,445**	**1,457**	**1,545**	**995**	**496**
Additional information not regularly reported to the CODM						
Segment assets	7,878	7,457	4,103	4,256	2,384	1,543
Segment liabilities	5,554	5,130	3,259	3,434	1,197	849
Allocation of goodwill	1,170	849	514	536	634	290
Allocation of other intangibles	215	96	5	6	210	90
Capital expenditure property, plant and equipment	315	225	204	155	72	48
Capital expenditure other intangibles	9	13	3	12	6	1
Property, plant and equipment, goodwill and intangibles through business combinations	520	112	28	26	490	86
Non-cash expenses	39	71	34	59	2	10

Asia-Pacific		Eliminations		Unallocated Corporate	
2018	2017	2018	2017	2018	2017
2,708	**2,417**	**–**	**–**	**–**	**–**
–264	–264	–	–	–	–
2,444	**2,153**	**–**	**–**	**–**	**–**
1,349	1,237	–7,576	–6,672	–	–
–2,982	–2,679	7,576	6,672	–	–
811	**711**	**–**	**–**	**–**	**–**
–558	–482	–	–	–	–
253	**229**	**–**	**–**	**–**	**–**
–19	–18	–	–	–	–
–2	–1	–	–	–	–
232	**210**	**–**	**–**	**–**	**–**
159	**153**	**–**	**–**	**182**	**251**
658	610	–	–	733	1,048
534	568	–	–	564	279
22	23	–	–	–	–
–	–	–	–	–	–
39	22	–	–	–	–
–	–	–	–	–	–
2	–	–	–	–	–
3	2	–	–	–	–

b) Geographical information
Country information

The following countries individually constitute more than 10 per cent of the Group's non-current assets or of its net turnover. In addition, Switzerland is reported being the country, where the ultimate parent company of the Group is registered.

CHF million	2018		2017	
Countries	Reportable non-current assets	Net turnover	Reportable non-current assets	Net turnover
France [1]	311	1,624	423	1,591
Germany [1]	493	3,602	495	3,246
Great Britain [1]	205	2,030	198	1,817
Switzerland [1]	45	275	30	261
USA [2]	897	3,509	404	2,895
Others	660	9,734	644	8,784
Total	**2,611**	**20,774**	**2,194**	**18,594**

1 Part of region EMEA.
2 Part of region Americas.

20 PERSONNEL EXPENSES

CHF million	2018	2017
Salaries and wages	3,792	3,400
Social expenses and benefits	813	738
Expenses for share-based compensation plans	6	10
Expenses for pension plans		
– defined benefit plans	19	16
– defined contribution plans	73	66
Other	33	13
Total	**4,736**	**4,243**

21 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

CHF million	2018	2017
Administration	259	236
Communication	70	70
Travel and promotion	109	97
Vehicles	254	230
Operating expenses	290	250
Facilities	829	760
Total	**1,811**	**1,643**

22 OTHER OPERATING INCOME/EXPENSES, NET

CHF million	2018	2017
Gain/(loss) on disposal of property, plant and equipment	40	9
Gain on sale of subsidiary [1]	7	–
Other operating income/(expenses)	–	4
Total	**47**	**13**

1 Effective March 1, 2018, the Group signed a sale and purchase agreement to sell 100 per cent of the shares of Transeich Armazens Gerais S.A. and Transeich Assessoria e Transportes S.A, Brazil.

23 FINANCIAL INCOME AND EXPENSES

CHF million	2018	2017
Interest income	5	6
Exchange differences, net	5	10
Financial income	**10**	**16**
Interest expenses	–7	–4
Financial expenses	**–7**	**–4**
Net financial result	**3**	**12**

24 INCOME TAX

CHF million	2018	2017
Current tax expense		
– in current year	217	252
– under/(over) provided in previous years	–3	–2
	214	**250**
Deferred tax expense from		
– changes in temporary differences	8	–35
Income tax	**222**	**215**

Income tax of CHF 8 million (2017: none) relating to actuarial gains and losses of CHF 27 million before tax (2017: CHF 2 million) arising from defined benefit plans was recognised in other comprehensive income.

Reconciliation of the effective tax rate

The contributing factors for the difference between the expected tax rate (the Group's overall expected tax rate is calculated as the weighted average tax rate based on earnings before tax of each subsidiary and can change on a yearly basis) and the effective tax are as follows:

CHF million	2018	per cent	2017	per cent
Earnings before tax according to the income statement	994		955	
Income tax/expected tax rate	**203**	**20.4**	**205**	**21.4**
Tax effect on				
– tax exempt (income)/non-deductible expenses	10	1.0	11	1.1
– utilisation of previously unrecognised tax losses	–1	–0.1	–5	–0.5
– change of deferred tax due to tax rate adjustments [1]	–	–	–13	–1.3
– under/(over) provided in previous years	–3	–0.3	–2	–0.2
– unrecoverable withholding taxes	13	1.3	19	2.0
Income tax/effective tax rate	**222**	**22.3**	**215**	**22.5**

1 The change of deferred tax due to tax rate adjustments in 2017 is mainly the result of the revaluation of deferred tax liabilities due to a decrease in the corporate Federal income tax rate in the USA.

Deferred tax assets and liabilities

CHF million	Net deferred income tax balance	
	Dec. 31, 2018	Dec. 31, 2017
Property, plant and equipment	–3	–13
Goodwill and other intangibles	–28	–28
Trade receivables	3	17
Other receivables	–28	–21
Finance lease obligations	1	2
Provisions for pension plans and severance payments	63	71
Other liabilities	52	55
Tax value of loss carry-forwards recognised	14	9
Total net deferred income tax balance	**74**	**92**
Thereof deferred income tax assets	**175**	**220**
Thereof deferred income tax liabilities	**–101**	**–128**

Deferred tax assets and liabilities relating to income taxes are offset for the presentation in the balance sheet if they are levied by the same taxation authority and the taxation authority permits the entity to make or receive a single net payment.

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

Unrecognised deferred tax assets

CHF million	2018		2017	
	Unused tax losses	Unrecognised deferred tax asset on unused tax losses	Unused tax losses	Unrecognised deferred tax asset on unused tax losses
Balance as of December 31	78	17	133	33

It is not probable that future taxable profits will be available against which the unrecognised deferred tax assets can be used. CHF 10 million (2017: CHF 22 million) of unrecognised deferred tax assets relate to tax losses that do not expire.

On December 31, the gross value of unused tax losses for which no deferred tax asset has been recognised, by expiration date, is as follows:

CHF million Expiry	2018		2017
2019	1	2018	6
2020	1	2019	2
2021	34	2020	42
2022 & later	42	2021 & later	83
Total unused tax losses	**78**		**133**

25 EARNINGS PER SHARE

The following reflects the data used in the basic and diluted earnings per share computations for the years ending December 31.

Earnings per share	2018	2017
Earnings for the year attributable to the equity holders of the parent company in CHF million	**770**	**737**
Weighted average number of ordinary shares outstanding during the year	119,676,434	119,610,380
Dilutive effect on number of shares outstanding: Share-based compensation plans	103,245	173,246
Adjusted weighted number of ordinary shares applicable to diluted earnings per share	119,779,679	119,783,626
Basic earnings per share in CHF	**6.43**	**6.16**
Diluted earnings per share in CHF	**6.42**	**6.15**

26 PROPERTY, PLANT AND EQUIPMENT

2018 CHF million	Properties including buildings on third parties' land	Other operating and office equipment	Properties, buildings under finance leases	Other operating and office equipment under finance leases	Total
Cost					
Balance as of January 1, 2018	1,002	1,077	52	15	2,146
Additions through business combinations [1]	11	21	–	–	32
Additions	64	251	–	–	315
Disposals	–155	–138	–	–14	–307
Transfers	46	–	–46	–	–
Effect of movements in foreign exchange	–42	–62	–2	–1	–107
Balance as of December 31, 2018	**926**	**1,149**	**4**	**–**	**2,079**
Accumulated depreciation and impairment losses					
Balance as of January 1, 2018	192	688	2	15	897
Depreciation charge for the year	21	170	1	–	192
Disposals	–49	–119	–	–14	–182
Transfers	3	–	–3	–	–
Effect of movements in foreign exchange	–8	–45	–	–1	–54
Balance as of December 31, 2018	**159**	**694**	**–**	**–**	**853**
Carrying amount					
As of January 1, 2018	**810**	**389**	**50**	**–**	**1,249**
As of December 31, 2018	**767**	**455**	**4**	**–**	**1,226**

1 Refer to note 41 for further details.

2017 CHF million	Properties including buildings on third parties' land	Other operating and office equipment	Properties, buildings under finance leases	Other operating and office equipment under finance leases	Total
Cost					
Balance as of January 1, 2017	890	916	54	18	1,878
Additions through business combinations	–	8	–	–	8
Additions	48	177	–	–	225
Disposals	–15	–98	–	–5	–118
Transfers	8	–	–8	–	–
Effect of movements in foreign exchange	71	74	6	2	153
Balance as of December 31, 2017	**1,002**	**1,077**	**52**	**15**	**2,146**
Accumulated depreciation and impairment losses					
Balance as of January 1, 2017	160	572	1	18	751
Depreciation charge for the year	21	150	1	–	172
Disposals	–5	–88	–	–5	–98
Transfers	1	–	–1	–	–
Effect of movements in foreign exchange	15	54	1	2	72
Balance as of December 31, 2017	**192**	**688**	**2**	**15**	**897**
Carrying amount					
As of January 1, 2017	**730**	**344**	**53**	**–**	**1,127**
As of December 31, 2017	**810**	**389**	**50**	**–**	**1,249**

27 GOODWILL AND OTHER INTANGIBLES

2018 CHF million	Goodwill	Other intangibles [1]
Cost		
Balance as of January 1, 2018	863	757
Additions through business combinations [2]	347	141
Additions	–	9
Deletions	–	–9
Effect of movements in foreign exchange	–26	–30
Balance as of December 31, 2018	**1,184**	**868**
Accumulated amortisation and impairment losses		
Balance as of January 1, 2018	14	661
Amortisation charge for the year	–	30
Deletions	–	–9
Effect of movements in foreign exchange	–	–29
Balance as of December 31, 2018	**14**	**653**
Carrying amount		
As of January 1, 2018	**849**	**96**
As of December 31, 2018	**1,170**	**215**

1 Other intangibles mainly comprise customer contracts/lists, brands, field office agent contracts and software.
2 Refer to note 41 for further details.

2017 CHF million	Goodwill	Other intangibles [1]
Cost		
Balance as of January 1, 2017	771	675
Additions through business combinations	64	41
Additions	–	13
Deletions	–	–16
Effect of movements in foreign exchange	28	44
Balance as of December 31, 2017	**863**	**757**
Accumulated amortisation and impairment losses		
Balance as of January 1, 2017	13	593
Amortisation charge for the year	–	41
Deletions	–	–16
Effect of movements in foreign exchange	1	43
Balance as of December 31, 2017	**14**	**661**
Carrying amount		
As of January 1, 2017	**758**	**82**
As of December 31, 2017	**849**	**96**

1 Other intangibles mainly comprise customer contracts/lists, brands, field office agent contracts and software.

Impairment testing of goodwill

The Group has performed impairment tests of goodwill at the end of the financial years 2018 and 2017. 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 goodwill impairment test is performed at the level of a cash-generating unit or a group of cash-generating units represented by a business unit in the respective country. The allocation of goodwill to reportable segments (business units) and geographical regions is further illustrated in note 19.

For the goodwill allocated to the cash-generating units, 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 by using estimated long-term growth rates. The growth rates do not exceed the long-term average growth rate for the logistics 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 the cash-generating units.

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

Business acquired	USCO Group	ACR Group, Europe [1]	Alloin Group, France	ReTrans Group, USA	Commodity Forwarders Inc., USA	Quick Group [2]	Multiple units [3]	Total
Year of acquisition	2001	2006	2009	2015	2017	2018	2004–2017	
Carrying amount of goodwill in CHF million 2018	**87**	**262**	**81**	**130**	**54**	**347**	**209**	**1,170**
Carrying amount of goodwill in CHF million 2017	87	274	84	130	53	–	221	849
Cash-generating unit within segment	Contract Logistics	Contract Logistics	Overland	Overland	Airfreight	Airfreight	All Segments	
Basis for recoverable amount	Value in use	Value in use	Value in use	Value in use	Value in use	n/a	Value in use	
Pre-tax discount rate in per cent 2018	10.1	9.1–12.9	11.2	8.9	9.9	n/a	9.1–17.4	
Pre-tax discount rate in per cent 2017	11.3	9.3–12.1	11.4	9.7	11.8	n/a	9.2–17.9	
Projection period	3 years	3 years	3 years	3 years	3 years	n/a	3 years	
Terminal growth rate in per cent 2018	1.5	1.5	1.5	1.5	1.5	n/a	1.5	
Terminal growth rate in per cent 2017	1.5	1.5	1.5	1.5	1.5	n/a	1.5	

1 ACR Group, Europe, goodwill relates to Great Britain (2018: CHF 84 million; 2017: CHF 88 million), France (2018: CHF 64 million; 2017: CHF 66 million), Netherlands (2018: CHF 53 million; 2017: CHF 55 million) and other various countries (2018: CHF 61 million; 2017: CHF 65 million).

2 The acquisition of the Quick Group was effective December 31, 2018 (refer to note 41).

3 Including cash-generating units without significant goodwill: Cordes & Simon Group, Germany (2018: CHF 35 million; 2017: CHF 37 million), G.L. Kayser Group, Germany (2018: CHF 33 million; 2017: CHF 35 million) and J. Martens Group, Norway (2018: CHF 21 million; 2017: CHF 23 million), RH Group, United Kingdom (2018: CHF 45 million; 2017: CHF 48 million), Cooltainer, New Zealand (2018: CHF 19 million; 2017: CHF 20 million), J. Van de Put, Netherlands (2018: CHF 11 million; 2017: CHF 11 million), Trillvane Ltd, Kenya (2018: CHF 11 million; 2017: CHF 11 million).

Key assumptions have not changed compared to the previous year with the exception of discount rates used. For both 2018 and 2017, all recoverable amounts exceeded their carrying amounts and consequently no impairment of goodwill was recognised for the years 2018 and 2017.

Management considers that it is not likely for the assumptions used to change so significantly, as to eliminate the excess of recoverable amounts.

28 INVESTMENTS IN JOINT VENTURES

As of December 31, 2018, the following investments in joint ventures are held (all with 50 per cent voting rights and Kuehne + Nagel share):

- KN-ITS S.A.L., Lebanon
- Sindos Railcontainer Services S.A., Greece
- Donau Transport und Umschlags GmbH, Germany
- Aba logistics GmbH, Germany
- Kuehne + Nagel Dominicana SAS, Dominican Republic
- Podium Kuehne + Nagel Logistica de Eventos Esportivos Ltda, Brazil
- Express Air Systems GmbH, Germany

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

CHF million	Dec. 31, 2018	Dec. 31, 2017
Non-current assets	9	39
Current assets	17	85
Total assets	**26**	**124**
Non-current liabilities	–3	–2
Current liabilities	–9	–60
Equity	14	62
Kuehne + Nagel's share of equity (50 per cent)	**7**	**31**
Net turnover	106	334
Earnings for the year	2	2

Effective March 1, 2018, the Kuehne + Nagel Group acquired the other 50% of KN Drinkflow Logistics Group, Great Britain from the joint venture partner and fully consolidates the Drinkflow Group effective the same date. Refer to note 41 for further details.

No significant investments in associates were held on December 31, 2018 and 2017.

29 TRADE RECEIVABLES AND CONTRACT ASSETS

CHF million	2018	2017
Trade receivables	3,935	3,599
Impairment allowance	–63	–62
Total trade receivables	**3,872**	**3,537**

The majority of all billing is done in the respective Group companies' own functional currencies and is mainly in EUR 39.8 per cent (2017: 39.3 per cent), USD 22.1 per cent (2017: 15.7 per cent) and GBP 9.0 per cent (2017: 9.8 per cent).

Trade receivables outstanding at year-end averaged 54.2 days (2017: 53.9 days). 97.3 per cent (2017: 92.3 per cent) of the total trade receivables were outstanding between 1 and 90 days.

No trade receivables are pledged in 2018 and 2017.

The Group has a credit insurance program in place, covering trade receivables, focusing mainly on small and medium exposures. The credit insurance policy covers up to 80 per cent of the approved customer credit limit, excluding any items being more than 120 days past due. As a company policy, the Group excludes customers from its insurance programme based on certain criteria (so-called blue chip companies).

Contract assets, previously presented as work in progress, decreased from CHF 418 million in 2017 to CHF 300 million in 2018.

CHF million	2018
Contract assets	302
Impairment allowance	–2
Total contract assets	**300**

As of January 1, 2018, with the adoption of IFRS 9, the group applies the simplified approach regarding the measurement of expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The Group establishes an impairment allowance that represents its estimate of expected losses in respect of trade receivables and contract assets. The two components of this impairment allowance of CHF 65 million (2017: CHF 62 million) are:

– specific expected loss component that relates to individually significant exposure
– collective expected loss component

The specific expected loss allowance relates to specific receivables under legal disputes, based on the expected legal outcome. The impairment allowance for individually significant exposures is CHF 34 million at year-end 2018.

The collective expected credit loss is determined based on the probability of default of each receivable. The customer's public rating is taken into consideration, if available; otherwise industry-specific default rates are used. These rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customer to settle the receivables. The Group has identified the gross domestic product and the unemployment rate of the countries in which it sells the services to be the most relevant factors, and accordingly adjusts the probability of default.

On this basis, the loss allowance as at December 31, 2018, the Group has established a collective impairment allowance of CHF 31 million which represents 0.7 per cent of total outstanding trade receivables and contract assets.

The movement in the impairment allowance during the year was as follows:

2018 CHF million	Specific allowance	Collective allowance	Total allowance
Balance as of January 1	32	30	62
Additional impairment losses recognised	15	17	32
Reversal of impairment losses and write-offs	–13	–16	–29
Balance as of December 31	**34**	**31**	**65**

Until December 31, 2017, the Group applied IAS 39, using the incurred loss model to measure the impairment allowance. It established an impairment allowance that represented its estimate of incurred losses in respect of trade receivables. The two components of this impairment allowance of CHF 62 million were:

– specific loss component that relates to individually significant exposure
– collective loss component based on historical experience.

Trade receivables with credit insurance cover were not included in the impairment allowance. The individual impairment allowance related to specifically identified customers representing extremely high risk of being declared bankrupt, Chapter 11 customers in the USA and customers operating with significant financial difficulties (such as negative equity). The impairment allowance for individually significant exposures was CHF 32 million at year-end 2017.

The collective impairment allowance based on overdue trade receivables was estimated considering statistical information of past payment experience. The Group had established a collective impairment allowance of CHF 30 million which represented 1.9 per cent of total outstanding trade receivables, excluding trade receivables with insurance cover (see above) and trade receivables included in the individual impairment allowance.

The majority of the trade receivables not past due related to customers who have good payment records with the Group and are subject to yearly credit risk assessments. Therefore, the Group did not believe that an additional impairment allowance for these trade receivables was necessary.

2017 CHF million	Gross (excluding insured receivables and individual allowance)	Collective allowance	Collective allowance per cent of subtotal
Not past due	1,248	–	–
Past due 1–30 days	201	–	–
Past due 31–90 days	64	3	5
Past due 91–180 days	13	1	10
Past due 181–360 days	20	20	100
More than 1 year	6	6	100
Total	**1,552**	**30**	**1.9**

The movement in the impairment allowance during the year 2017 was as follows:

2017 CHF million	Individual allowance	Collective allowance	Total allowance
Balance as of January 1	33	28	61
Additional impairment losses recognised	13	7	20
Reversal of impairment losses and write-offs	–14	–5	–19
Balance as of December 31	**32**	**30**	**62**

30 OTHER RECEIVABLES

CHF million	Dec. 31, 2018	Dec. 31, 2017
Receivables from tax authorities	31	21
Deposits	63	62
Receivables from sale of property plant and equipment	51	–
Sundry	55	49
Total other receivables	**200**	**132**
Income tax receivables	53	77
Total	**253**	**209**

The majority of the other receivables is held in the respective Group companies’ own functional currencies, which represents EUR 62.2 per cent (2017: 56.9 per cent), USD 7.2 per cent (2017: 4.1 per cent) and GBP 1.4 per cent (2017: 1.1 per cent).

31 FINANCIAL INVESTMENTS AND DERIVATIVE INSTRUMENTS

As of December 31, 2018 and 2017, no material financial investments and derivative instruments were held.

32 CASH AND CASH EQUIVALENTS

CHF million	Dec. 31, 2018	Dec. 31, 2017
Cash in hand	1	2
Cash at banks	401	589
Short-term deposits	97	129
Cash and cash equivalents	**499**	**720**
Bank overdraft	–11	–10
Cash and cash equivalents in the cash flow statement, net	**488**	**710**

The majority of the above mentioned cash and cash equivalents is held in commercial banks and managed centrally in order to limit currency risks. A netting system and a Group cash pool are 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.

33 EQUITY

Share capital and treasury shares 2018

2018	Balance Dec. 31				Jan. 1
Main shareholders	Registered shares of nominal CHF 1 per share	CHF million	Capital share per cent	Voting share per cent	Registered shares of nominal CHF 1 per share
Kuehne Holding AG, Schindellegi (Feusisberg)	63,900,000	64	53.3	53.4	63,900,000
Public shareholders	55,834,531	56	46.5	46.6	55,769,036
Entitled to voting rights and dividends	**119,734,531**	**120**	**99.8**	**100.0**	**119,669,036**
Treasury shares	265,469	–	0.2		330,964
Total	**120,000,000**	**120**	**100.0**		**120,000,000**

In 2018 the Company sold 3,265 and matched 142,230 treasury shares for the matured share matching plan 2015 (2017: 10,686 treasury shares sold, 110,725 matched for the matured share matching plan 2014) for CHF less than a million (2017: CHF 1 million) under the employee share-based compensation plans. The Company also purchased 80,000 (2017: none) treasury shares for CHF 12 million.

On December 31, 2018, the Company had 265,469 treasury shares (2017: 330,964), of which 265,469 (2017: 330,964) are reserved under the share-based compensation plans; refer to note 35 for more information.

Dividends

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

Year	per share	CHF million
2019	6.00	718

The dividend payment 2018 to owners amounted to CHF 5.75 per share or CHF 688 million (2017: CHF 5.50 per share or CHF 658 million).

Share capital and treasury shares 2017

2017	Balance Dec. 31				Jan. 1
Main shareholders	Registered shares of nominal CHF 1 per share	CHF million	Capital share per cent	Voting share per cent	Registered shares of nominal CHF 1 per share
Kuehne Holding AG, Schindellegi (Feusisberg)	63,900,000	64	53.3	53.4	63,900,000
Public shareholders	55,769,036	56	46.5	46.6	55,647,625
Entitled to voting rights and dividends	**119,669,036**	**120**	**99.8**	**100.0**	**119,547,625**
Treasury shares	330,964	–	0.2		452,375
Total	**120,000,000**	**120**	**100.0**		**120,000,000**

Authorised and conditional share capital

The Annual General Meeting held on May 8, 2018, extended its approval of the maintenance of the authorised share capital for a two years term until May 8, 2020.

The Annual General Meeting held on May 2, 2005, approved a conditional share capital increase up to a maximum of CHF 12 million and to add a respective section in the Articles of Association.

The Annual General Meeting held on May 5, 2015, approved a conditional share capital up to a maximum of CHF 2 million for the provision of the employee share-based compensation plans of the Company.

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

Capital Management

The Group defines the capital managed as the Group's total equity including non-controlling interests. The Group's main objectives when managing capital are:

- To safeguard the Group's ability to continue as a going concern, so that it can continue to provide services to its customers;
- To provide an adequate return to investors based on the level of risk undertaken;
- To have the necessary financial resources available to allow the Group to invest in areas that may deliver future benefits for customers and investors.

Capital is monitored on the basis of the equity ratio and its development is shown in the table below:

CHF million	2018	2017	2016	2015	2014
Total equity	2,324	2,327	2,165	2,126	2,453
Total assets	7,878	7,457	6,331	6,099	6,603
Equity ratio in per cent	**29.5**	**31.2**	**34.2**	**34.9**	**37.1**

The Group is not subject to regulatory capital adequacy requirements as known in the financial services industry.

34 PROVISIONS FOR PENSION PLANS AND SEVERANCE PAYMENTS

The Group maintains defined benefit pension plans as well as defined contribution plans. Retirement benefits vary from plan to plan reflecting applicable local practices and legal requirements. Retirement benefits are based on years of credited service and compensation as defined in the respective plan.

Overview of provisions for pension plans and severance payments

CHF million	Pension plans	Severance payments	Total
Balance as of January 1, 2017	**380**	**27**	**407**
Provisions made	16	4	20
Provisions used	–20	–4	–24
Actuarial (gains)/losses recognised in other comprehensive income	–2	–	–2
Effect of movements in foreign exchange	28	1	29
Balance as of December 31, 2017	**402**	**28**	**430**
Provisions made	19	3	22
Provisions used	–29	–4	–33
Actuarial (gains)/losses recognised in other comprehensive income	–27	–	–27
Effect of movements in foreign exchange	–14	–1	–15
Balance as of December 31, 2018	**351**	**26**	**377**

a) Defined benefit plans

The Group has a number of defined benefit plans. For a description and detailed information of the major defined benefit plans in Germany, the USA and Switzerland, please refer to letter b) of this note.

CHF million	2018			2017		
	Funded plans	Unfunded plans	Total	Funded plans	Unfunded plans	Total
Net liability for defined benefit obligations						
Present value of obligations	212	312	524	228	337	565
Fair value of plan assets	–173	–	–173	–163	–	–163
Present value of net obligations	39	312	351	65	337	402
Recognised net liability for defined benefit obligations	**39**	**312**	**351**	**65**	**337**	**402**

CHF million	2018	2017
Allocation of plan assets		
Debt securities	56	27
Equity securities	21	38
Property	–	2
Insurance contracts and others	96	96
Total	**173**	**163**

The pension plan assets are held in multi-employer funded plans. The Group is not in a position to state whether the funded plans contain any investments in shares of Kuehne + Nagel International AG or in any property occupied by the Group.

CHF million	2018 Funded plans	2017 Funded plans
Movements of fair value of plan assets		
Opening fair value of plan assets	163	152
Employer contribution	17	8
Employee contribution	4	4
Return on plan assets, excluding interest	–4	7
Interest on plan assets	3	3
Benefits paid by the plan	–9	–10
Effect of movements in foreign exchange	–1	–1
Closing fair value of plan assets	**173**	**163**
Expected payments to defined benefit plan in the next year	17	18
Actual return on plan assets for the year	–1	10

CHF million	2018 Funded plans	2018 Unfunded plans	2018 Total	2017 Funded plans	2017 Unfunded plans	2017 Total
Movements of present value of defined benefit obligations						
Opening liability for defined benefit obligations	228	337	565	224	308	532
Current service costs	8	5	13	8	5	13
Interest costs	4	5	9	4	5	9
Employee contribution	4	–	4	4	–	4
Actuarial (gains)/losses recognised in other comprehensive income:						
– due to changes in demographic assumptions	–8	4	–4	–1	–	–1
– due to changes in financial assumptions	–13	–10	–23	3	1	4
– due to experience (gains)/losses	–1	–3	–4	1	–	1
Benefits paid by the plan	–9	–11	–20	–10	–12	–22
Past service costs – amendments	–	–	–	–4	–	–4
Net increase/(decrease) in DBO from disposals	–	–2	–2	–	–	–
Effect of movements in foreign exchange	–1	–13	–14	–1	30	29
Closing liability for defined benefit obligations	**212**	**312**	**524**	**228**	**337**	**565**
Expense recognised in the income statement						
Service costs	8	5	13	4	5	9
Net interest on the net defined benefit liability	1	5	6	1	6	7
Expense recognised in personnel expenses (refer to note 20)	**9**	**10**	**19**	**5**	**11**	**16**
Actuarial gains/(losses) recognised in other comprehensive income						
Cumulative amount as of January 1	–57	–122	–179	–61	–111	–172
Recognised during the year	18	9	27	3	–1	2
Effect of movements in foreign exchange	–	5	5	1	–10	–9
Cumulative amount as of December 31	**–39**	**–108**	**–147**	**–57**	**–122**	**–179**

Plan participants	Active 2018	Active 2017	Deferred 2018	Deferred 2017	Retired 2018	Retired 2017	Total 2018	Total 2017
Number of plan participants	11,842	12,668	1,364	1,306	2,347	2,330	15,553	16,304
Present value of defined benefit obligations								
In CHF million	269	292	59	64	195	209	523	565
Share in per cent	51.4	51.7	11.3	11.3	37.3	37.0	100.0	100.0
Duration in years	21.6	22.0	17.5	17.7	10.2	10.5	16.9	17.3

The duration in years corresponds to the average weighted period.

Weighted actuarial assumptions at the balance sheet date

Per cent	2018 Funded plans	2018 Unfunded plans	2018 Total	2017 Funded plans	2017 Unfunded plans	2017 Total
Discount rate	1.2	1.9	1.8	1.6	1.7	1.7
Future salary increases	1.1	2.0	1.9	0.8	2.0	1.8
Future pension increases	–	1.4	1.4	–	1.3	1.4

Sensitivities of significant actuarial assumptions

The discount rate and future salary increases were identified as significant actuarial assumptions. An increase/decrease of 0.25 per cent in the respective assumption would have the following impact on the defined benefit obligation:

CHF million	2018 Funded plans	2018 Unfunded plans	2018 Total	2017 Funded plans	2017 Unfunded plans	2017 Total
Reasonably possible change +/– in per cent	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**
Discount Rate						
Increase of defined benefit obligation	8	12	20	10	13	23
Decrease of defined benefit obligation	–8	–12	–20	–10	–13	–23
Future salary increases						
Increase of defined benefit obligation	1	2	3	1	3	4
Decrease of defined benefit obligation	–1	–2	–3	–1	–3	–4

The sensitivity analysis is based on reasonably possible changes as of the end of the reporting year. Each change in a significant actuarial assumption was analysed separately as part of the test. Interdependencies between individual assumptions were not taken into account.

b) Major defined benefit plans

The Group maintains significant defined benefit pension plans in Germany, the USA and in Switzerland constituting 89.7 per cent (2017: 89.4 per cent) of the defined benefit obligations and 86.7 per cent (2017: 85.3 per cent) of the plan assets.

Germany

There is one major unfunded defined benefit pension plan in Germany that provides retirement and disability benefits to employees and their dependants. This plan is based on an internal pension scheme (Versorgungsordnung), with the employers' retirement benefits law (Betriebsrentengesetz) specifying the minimum benefits to be provided. Payments are made by Kuehne + Nagel only. Risks in relation to guarantees provided, such as investment risk, asset volatility, salary increase and life expectancy, are borne by the Group.

Contributions are based on the salary of the employee. Pensions are calculated as a percentage of contributory base salary multiplied with the years of service. The normal retirement age for the plan is 65. Members can draw retirement benefits early with a proportionate reduction of the pension. The plan is closed to new entrants, who instead can participate in a defined contribution plan.

CHF million	2018	2017
Net liability for defined benefit obligations		
Present value of obligations	286	308
Recognised net liability for defined benefit obligations	**286**	**308**

CHF million	2018	2017
Expense recognised in the income statement		
Service costs	4	4
Net interest on the net defined benefit liability	5	5
Expense recognised in personnel expenses	**9**	**9**

	2018	2017
Number of plan participants	3,379	3,465
Present value of defined benefit obligations		
In CHF million	286	308
Duration in years	16.7	17.2

The duration in years corresponds to the average weighted period.

Weighted actuarial assumptions at the balance sheet date

Per cent	2018	2017
Discount rate	1.80	1.60
Future salary increases	2.00	2.00
Future pension increases	1.75	1.75
Mortality table	Dr. K. Heubeck 2018 G	Dr. K. Heubeck 2005 G

USA

The US pension plan is a defined benefit pension plan that provides retirement and disability benefits to employees and their dependents. The various insurance benefits are governed by regulations. The US plan is qualified under and is managed in accordance with the requirements of US federal law. In accordance with federal law, there are plan fiduciaries that are responsible for the governance of the plan. Fiduciaries also are responsible for the investment of the plan's assets, which are held in a pension trust that is legally separate from the employer. The plan is entirely funded by Kuehne + Nagel. Risks in relation to guarantees provided, such as investment risk, asset volatility, salary increase and life expectancy, are borne by the Group.

Contributions are based on the salary of the employee. The normal retirement age is 65, with a minimum of five years of service. The plan provides a lifetime pension at normal retirement, which is based on a percentage of the highest average monthly compensation over a five-year period (limited to USD 100'000), multiplied by credited service under the plan. Members can draw retirement benefits early, with a proportionate reduction of the pension, at the age of 55 if the employee has a minimum of 10 years of service.

The plan is closed to new entrants and its benefits are frozen. New employees are instead covered by a defined contribution plan.

CHF million	2018	2017
Net liability for defined benefit obligations		
Present value of obligations	63	67
Fair value of plan assets	–60	–49
Present value of net obligations	3	18
Recognised net liability for defined benefit obligations	**3**	**18**

CHF million	2018	2017
Allocation of plan assets		
Debt securities	50	20
Equity securities	9	27
Property	–	2
Insurance contracts and others	1	–
Total	**60**	**49**

CHF million	2018	2017
Actual return on plan assets for the year	**2**	**6**
Expected payments to defined benefit plan in the next year	**–**	**1**

CHF million	2018	2017
Expense recognised in the income statement		
Service costs	–	–
Net interest on the net defined benefit liability	1	1
Expense recognised in personnel expenses	**1**	**1**

Plan participants	2018	2017
Number of plan participants	1,344	1,348
Present value of defined benefit obligations		
In CHF million	63	67
Duration in years	13.2	14.3

The duration in years corresponds to the average weighted period.

Weighted actuarial assumptions at the balance sheet date

Per cent	2018	2017
Discount rate	4.20	3.60
Future salary increases	–	–
Future pension increases	–	–
Mortality table	Scale MP 2018 released by SOA in October 2018	Scale MP 2017 released by SOA in October 2017

Switzerland

The Swiss pension plans are defined benefit plans that provide retirement and disability benefits to employees and their dependents. Swiss pension plans are governed by the Swiss Federal Law on Occupational Retirement, Survivor's and Disability Pension Plans (BVG), which stipulates that pension plans have to be managed by independent, legally autonomous units. A pension plan's governing body (Board of Trustees) is responsible for the investment of the plan's assets and must be composed of equal numbers of employee's and employer's representatives. The various insurance benefits are governed in regulations, with the BVG specifying the minimum benefits that are to be provided. As a consequence, there are a number of guarantees provided within the pension funds which expose them to the risks of underfunding and may require the Group to provide additional contributions. Such risks include mainly investment risks (as there is a guaranteed return on account balances), asset volatility and life expectancy.

The monthly contributions to the pension plans are paid by the employees as well as by the employer. The contributions are calculated as a percentage of the contributory salary and vary depending on the age of the employee. The pension plans provide a lifetime pension to members at the ordinary retirement age as defined in the Swiss Pension law. The pension is calculated as a percentage of the individual plan participant's pension account at retirement date. A portion of the benefit, up to the full amount under certain conditions, can be taken as lump sum payment at retirement. Members can draw retirement benefits early from the age of 58, with a proportionate reduction of the pension.

CHF million	2018	2017
Net liability for defined benefit obligations		
Present value of obligations	121	130
Fair value of plan assets	–90	–90
Present value of net obligations	31	40
Recognised net liability for defined benefit obligations	**31**	**40**

CHF million	2018	2017
Allocation of plan assets		
Insurance contracts and others	90	90

CHF million	2018	2017
Actual return on plan assets for the year	**–3**	**3**
Expected payments to defined benefit plan in the next year	**5**	**5**

CHF million	2018	2017
Expense recognised in the income statement		
Service costs	7	4
Net interest on the net defined benefit liability	–	–
Expense recognised in personnel expenses	**7**	**4**

Plan participants	2018	2017
Number of plan participants	530	567
Present value of defined benefit obligations		
In CHF million	121	130
Duration in years	18.2	20.2

The duration in years corresponds to the average weighted period.

Weighted actuarial assumptions at the balance sheet date

Per cent	2018	2017
Discount rate	0.95	0.70
Future salary increases	1.00	1.00
Future pension increases	–	–
Mortality table	BVG 2015 Generational	BVG 2015 Generational

35 EMPLOYEE SHARE-BASED COMPENSATION PLANS

As described in note 14, the Company has introduced various Share Matching Plans (SMPs).

Under the SMP introduced effective 2018, the Company will match for each share invested into the plan 0.8 additional shares upon completion of a three-year vesting period and service condition during the same period. The minimum investment is 50 shares. Should the number of allocated shares be a fraction of shares, then the number of shares is rounded up to the next whole number.

Under the SMP 2016, the Company will match for each share invested additional shares upon completion of a three-year vesting period and service condition during the same period. The share match ratio is dependent on the average growth rate of the Group's net profit after tax achieved over the three financial years in the vesting period. The maximum matching ratio of one share for each share invested by the employee (minimum investment is 50 shares) can be obtained by achieving an average growth rate of net profit after tax over three years of at least 15 per cent. A guaranteed minimum matching of 0.2 shares per invested share is granted after the vesting period. Should the number of allocated shares be a fraction of shares, then the number of shares is rounded up to the next whole number.

The terms and conditions of the shares allocated under the Share Matching Plans are as follows:

Share matching plan	2018	2017	2016
Grant date	July 25, 2018	Sep 1, 2017	Aug 8, 2016
Performance period	n/a	Jan 2017 – Dec 2019	Jan 2016 – Dec 2018
Vesting, service and blocking period	July 25, 2018 – June 30, 2021	Sep 1, 2017 – June 30, 2020	Aug 8, 2016 – June 30, 2019
Number of shares invested/granted at grant date	166,255	180,540	182,257
Number of shares to be matched as of Dec. 31, 2018	165,830	175,195	170,580
Number of shares to be matched as of Dec. 31, 2017	n/a	180,440	176,859
Share match ratio/expected share match ratio	0.8	0.2	0.2
Fair value of shares to be matched at grant date in CHF per share	106.58	141.24	118.71

On July 2, 2018, the SMP 2015 matured with an actual share match ratio of 0.7 resulting in a matching of 142,230 shares to the participating employees of this plan.

On July 1, 2017, the SMP 2014 matured with an actual share match ratio of 0.7 resulting in a matching of 110,725 shares to the participating employees of this plan.

CHF million	2018	2017
Personnel expense for employee share-based compensation plans	**6**	**10**

36 BANK AND OTHER INTEREST-BEARING LIABILITIES

CHF million	Dec. 31, 2018	Dec. 31, 2017
Liabilities part of cash and cash equivalents	11	10
Short-term bank loans	340	–
Finance lease obligations	3	4
Total	**354**	**14**

Current bank and other interest-bearing liabilities include bank overdrafts of CHF 11 million (2017: CHF 10 million), which are included in cash and cash equivalents for the purpose of the consolidated cash flow statement. The majority of bank overdraft facilities are repayable upon notice and form an integral part of the Group's cash management.

Short-term bank loans mainly include a loan which was taken for the acquisition of Quick International Courier and are repayable within 6 months. The applicable interest rates are at prime interest rates of the respective country.

The short-term portion of long-term liabilities includes finance lease obligations due for payment within one year of CHF 3 million (2017: CHF 4 million). The non-current portion of finance lease obligations amounts to CHF 1 million (2017: CHF 4 million) and is presented in other non-current liabilities (note 39).

37 PROVISIONS

The movements in provisions were as follows:

CHF million	Claim provisions [1]	Provision for deductible of transport liability insurance [2]	Others [3]	Total provision
Balance as of January 1, 2017	53	29	53	135
Provisions used	–23	–6	–15	–44
Provisions reversed	–8	–	–13	–21
Provisions made	24	11	14	49
Effect of movements in foreign exchange	3	–	2	5
Balance as of December 31, 2017	**49**	**34**	**41**	**124**
of which				
– Current portion	34	9	23	66
– Non-current portion	15	25	18	58
Total provisions	**49**	**34**	**41**	**124**
Balance as of January 1, 2018	49	34	41	124
Provisions used	–12	–11	–8	–31
Provisions reversed	–7	–	–6	–13
Provisions made	20	6	14	40
Effect of movements in foreign exchange	–3	–	–2	–5
Balance as of December 31, 2018	**47**	**29**	**39**	**115**
of which				
– Current portion	36	9	20	65
– Non-current portion	11	20	19	50
Total provisions	**47**	**29**	**39**	**115**

1 Some Group companies are involved in legal proceedings on various issues (disputes about logistics services, antitrust etc.). Some legal proceedings have been settled, and corresponding payments have been made. Since October 2007 various competition authorities have investigated certain antitrust allegations against international freight forwarding companies, inter alia against Kuehne + Nagel. The Group has appealed the decision of the EU Commission according to which Kuehne + Nagel had to pay a fine of CHF 65 million (EUR 53.7 million) to the European General Court (EGC) in 2012. On February 29, 2016, the EGC in first instance, and on February 1, 2018 also the European Court of Justice (ECJ) in a finally binding decision upheld all fines imposed by the EU Commission.
During 2015 the French Competition Authority (FCA) has concluded an investigation of certain antitrust allegations in France, mainly against domestic freight forwarding companies, inter alia Alloin Transports, a company which was acquired by Kuehne + Nagel in 2009. The decision of the FCA, according to which Alloin/Kuehne + Nagel paid a fine of CHF 34 million (EUR 32 million) was appealed to the Paris Court of Appeals in 2016. In 2017 Kuehne + Nagel was able to settle certain claims, which included a partial recourse claim against the sellers of Alloin Transports. On July 19, 2018, the Paris Court of Appeals in first instance upheld the decision of the FCA against all claimants. Alloin/Kuehne + Nagel have appealed the decision to the French Supreme Court (Court de Cassation) on December 19, 2018.
See also note 43.

2 An additional provision for deductibles in case of transport liability has been recognised for the current year's exposure.

3 Other provisions mainly consist of provisions for dilapidation costs amounting to CHF 29 million (2017: CHF 27 million) and of provisions for onerous contracts amounting to CHF 1 million (2017: CHF 4 million).

38 TRADE PAYABLES/CONTRACT LIABILITIES/ ACCRUED TRADE EXPENSES/DEFERRED INCOME

CHF million	Dec. 31, 2018	Dec. 31, 2017
Trade payables	1,888	1,890
Contract liabilities	146	–
Accrued trade expenses / deferred income	1,272	1,493
Total	**3,306**	**3,383**

The majority of all trade payables is in the respective Group companies' own functional currencies, which is in EUR 41.1 per cent (2017: 42.3 per cent), USD 15.5 per cent (2017: 13.0 per cent) and GBP 11.1 per cent (2017: 11.2 per cent).

Contract liabilities, previously presented in accrued trade expenses/deferred income, decreased from CHF 186 million on January 1, 2018, to CHF 146 million as of December 31, 2018. The entire balance of January 1, 2018, was recognised as revenue in 2018.

39 OTHER NON-CURRENT LIABILITIES

CHF million	Dec. 31, 2018	Dec. 31, 2017
Contingent considerations [1]	148	–
Finance lease obligations	1	4
Total	**149**	**4**

1 Represents the long-term portion of the contingent considerations from the acquisition of the Quick Group and of Panatlantic. The short-term portion is included in the balance sheet position "Other current liabilities" in note 40. Further details regarding the acquisitions are described in note 41.

40 OTHER CURRENT LIABILITIES

CHF million	Dec. 31, 2018	Dec. 31, 2017
Personnel expenses (including social security)	593	576
Other tax liabilities	118	104
Other operating expenses	198	171
Contingent and deferred considerations [1]	58	2
Sundry	77	61
Total	**1,044**	**914**

1 Represents the short-term portion of the contingent and deferred considerations from the acquisition of the Quick Group and of Panatlantic. The long-term portion is included in the balance sheet position "Other non-current liabilities" in note 39. Further details regarding the acquisitions are described in note 41.

41 ACQUISITION OF BUSINESSES/SUBSIDIARIES

2018 Acquisitions

CHF million	Recognised fair values		
	Quick Group	Other acquisitions	Total
Property, plant and equipment	5	27	32
Other intangibles	130	11	141
Deferred tax assets	–	1	1
Trade receivables	34	40	74
Other current assets	3	10	13
Acquired cash and cash equivalents (net)	15	2	17
Subtotal assets	**187**	**91**	**278**
Other current liabilities	–15	–18	–33
Trade payables	–11	–17	–28
Total identifiable assets and liabilities	**161**	**56**	**217**
Fair value of previously held interest	–	–23	–23
Goodwill	347	–	347
Purchase price for the ownership acquired	**508**	**33**	**541**
Thereof deferred consideration	–22	–	–22
Thereof contingent consideration	–180	–3	–183
Purchase price, paid in cash	**306**	**30**	**336**
Acquired cash and cash equivalents	–15	–2	–17
Net cash outflow	**291**	**28**	**319**

Effective March 1, 2018, the Group acquired 50 per cent of the shares of Kuehne + Nagel Drinkflow Logistics (Holdings) Ltd., Great Britain, a business pertaining to the segment Contract Logistics. The Group previously already owned 50 per cent of the shares at a fair value of CHF 23 million immediately before the acquisition date and applied the equity method. The gain recognised as a result of remeasuring to fair value the equity interest the Group held before the acquisition was below CHF 1 million. The purchase price of CHF 23 million was paid in cash.

Effective August 1, 2018, the Group acquired the business of Panatlantic Logistics S.A., Ecuador, one of the market leaders in the country in airfreight transportation of perishable products. The purchase price of CHF 8 million includes a contingent consideration of CHF 3 million depending on the financial performance of the company until the year 2022.

Effective December 1, 2018, the Group acquired the logistics operations of PT Wira Logitama Saksama, an Indonesian logistics company. The acquisition enables the Group to establish a nationwide logistics and distribution network to provide fully integrated end-to-end logistics solutions across Indonesia. The business generates annual revenues of approximately CHF 8 million. The purchase price of CHF 2 million was paid in cash.

Effective December 31, 2018, the Group acquired Quick International Courier (Quick), a global market leader in time-critical shipments. The acquisition accelerates the network expansion in the high growth verticals aviation and pharma & health care logistics. With more than 550 employees, Quick manages four control towers in the

USA and two control towers in Europe supported by eleven support centers in Europe, South America, Middle East and South Asia Pacific. The business generates annual revenues of approximately CHF 230 million in the business unit Airfreight. The purchase price of CHF 508 million includes a deferred consideration of CHF 22 million due in 2019 and a contingent consideration with an estimated fair value of CHF 180 million.

The amount of the contingent consideration to be paid is based on the achievement of annual EBITDA targets. An EBITDA target has been set for each of the years 2018 to 2021. The amount exceeding this threshold is multiplied with a multiplier to determine the earn-out payment for each year. The annual payments are capped and part of the excess can be carried forward to the next year. The total consideration for the acquisition is capped as well and the maximum earn-out to be paid is CHF 180 million. Management has estimated the annual EBITDAs (significant unobservable input, level 3) for 2018 to 2021. These estimated EBITDAs exceed the defined thresholds and would lead to payment of the maximum consideration. If EBITDA in each of these future periods were to be 10 per cent below management's estimate, the maximum earn-out payments would still be payable.

The additional cash payments to be made to the previous owners of Quick are expected as follows:

Year of payment	Expected payment in CHF million
2019	35
2020	33
2021	37
2022	75
Total	**180**

Acquisition-related costs (included in the line item "Selling, general and administrative expenses" in the income statement) amount to CHF 2 million.

The trade receivables comprise gross contractual amounts due of CHF 75 million, of which CHF 1 million were expected to be uncollectible at the acquisition date.

Other intangibles of CHF 141 million recognised on the acquisitions represent customer lists and brands, having a useful life between one and ten years.

Goodwill of CHF 347 million arose on the acquisition and represents management expertise and workforce which do not meet the definition of an intangible asset to be recognised separately. Goodwill is not expected to be deductible for tax purposes.

From March to December 2018, the acquisitions contributed CHF 73 million of net turnover and a loss of CHF 4 million, including the amortisation of other intangibles of CHF 4 million, to the consolidated financial statements. If the acquisitions had occurred on January 1, 2018, the Group's net turnover would have been CHF 21,038 million and consolidated earnings for the year would have been CHF 777 million.

The initial accounting for the acquisitions made in 2018 has only been determined provisionally. Adjustments may be made to the fair values assigned to the identifiable assets acquired and liabilities assumed up to twelve months from the date of acquisition.

Agreed-upon future transactions
On August 24, 2018, the Group entered into an agreement to acquire 51 per cent of the shares of Shanghai Ruichun Logistics Co., Ltd., China, a new company established to conduct the business of the partnership with Sincero, a Chinese automotive logistics group, to focus on contract logistics business for the automotive sector. With more than 800 employees, it operates close to 120,000 sqm of logistics space in Central, Southern and Western China and generates annual revenues of approximately CHF 60 million. The transaction closed on January 1, 2019.

2017 Acquisitions

CHF million	Recognised fair values		
	Commodity Forwarders Inc.	Other acquisitions	Total
Property, plant and equipment	4	4	8
Other intangibles	27	14	41
Other non-current assets	2	–	2
Trade receivables	17	7	24
Other current assets	2	–	2
Acquired cash and cash equivalents (net)	5	4	9
Subtotal assets	**57**	**29**	**86**
Non-current liabilities	–7	–3	–10
Other current liabilities	–	–3	–3
Trade payables	–13	–4	–17
Total identifiable assets and liabilities	**37**	**19**	**56**
Goodwill	53	11	64
Purchase price for the ownership acquired	**90**	**30**	**120**
Contingent consideration	–	–4	–4
Purchase price, paid in cash	**90**	**26**	**116**
Acquired cash and cash equivalents	–5	–4	–9
Net cash outflow	**85**	**22**	**107**

Effective April 21, 2017, the Group acquired 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 purchase price of CHF 6 million included a contingent consideration of CHF 2 million depending on the financial performance of the company until the year 2017 which was paid in 2018.

Effective April 26, 2017, the Group acquired 100 per cent of the shares of Zet Farma Lojistik Hizmetleri Sanayi ve Ticaret A.S., the Turkish market leader in pharma logistics. The business includes ambient and cool storage, packaging and distribution. With approximately 400 employees the company manages around 50,000 square meters of storage space. The purchase price of CHF 8 million includes a contingent consideration of CHF 2 million depending on the financial performance of the company until the year 2018.

Effective September 5, 2017, the Group acquired 100 per cent of the shares of Trillvane Limited, one of the largest perishables specialists in Kenya, exporting flowers and vegetables. The purchase price of CHF 16 million was paid in cash.

Effective October 2, 2017, the Group acquired 100 per cent of the shares of Commodity Forwarders Inc. (CFI) for a purchase price of CHF 90 million. Founded in 1974 and headquartered in Los Angeles, CA, CFI is the largest US-based perishable Airfreight forwarder. It operates in 14 facilities throughout the US and generates annual revenues of approximately USD 200 million.

Acquisition-related costs (included in the line item "Selling, general and administrative expenses" in the income statement) amount to CHF 1 million.

The trade receivables comprise gross contractual amounts due of CHF 25 million, of which CHF 1 million were expected to be uncollectible at the acquisition date.

Other intangible assets of CHF 41 million recognised on the acquisitions represent contractual and non-contractual customer lists having a useful life of 5 to 10 years.

Goodwill of CHF 64 million arose on the acquisitions and represents management expertise and workforce which do not meet the definition of an intangible asset to be recognised separately. Goodwill in the amount of CHF 51 million is expected to be deductible for tax purposes.

The acquisitions contributed CHF 72 million of net turnover and CHF 6 million loss to the consolidated net turnover and earnings for the year 2017 respectively. If the acquisitions had taken place on January 1, 2017, the Groups' net turnover would have been CHF 18,755 million and consolidated earnings would have been CHF 742 million.

The accounting for the acquisitions was initially determined provisionally only. No material adjustments to the values previously reported were deemed necessary after having finalised the acquisition accounting in 2018.

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.

Effective December 19, 2017, the Group acquired the non-controlling interest of 30 per cent of the shares of Nacora Insurance Brokers Limited, Hong Kong for a purchase price of CHF 0.5 million. The Group previously already owned 70 per cent of the shares of Nacora Insurance Brokers Limited and applied the full consolidation method.

42 PERSONNEL

Number	Dec. 31, 2018	Dec. 31, 2017
EMEA	58,135	55,019
Americas	14,466	12,565
Asia-Pacific	9,299	8,292
Total employees	**81,900**	**75,876**
Full-time equivalents of employees (unaudited)	**77,416**	**71,263**

Employees within the Group are defined as persons with valid employment contracts as of December 31, and on the payroll of the Group.

43 CONTINGENT LIABILITIES

As of year-end the following contingent liabilities existed:

CHF million	Dec. 31, 2018	Dec. 31, 2017
Guarantees in favour of customers and others	12	9
Contingency under unrecorded claims	2	3
Total	**14**	**12**

Some Group companies are defendants in various legal proceedings. 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 Group beyond the existing provision for pending claims (refer to note 37) of CHF 47 million (2017: CHF 49 million).

An antitrust proceeding in Brazil is ongoing, whereby it is currently still not possible to reliably estimate a potential financial impact of this case. Consequently, no provision or quantification of the contingent liability for the case was made in the Consolidated Financial Statements 2018.

44 OTHER FINANCIAL COMMITMENTS

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

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, 2018

CHF million	Properties and buildings	Operating and office equipment	Total
2019	484	65	549
2020–2023	875	111	986
Later	242	9	251
Total	**1,601**	**185**	**1,786**

As of December 31, 2017

CHF million	Properties and buildings	Operating and office equipment	Total
2018	361	80	441
2019–2022	614	130	744
Later	208	21	229
Total	**1,183**	**231**	**1,414**

The expense for operating leases recognised in the income statement amounts to CHF 666 million (2017: CHF 599 million).

45 CAPITAL COMMITMENTS

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

CHF million	Dec. 31, 2018	Dec. 31, 2017
Italy	4	–
Great Britain	13	4
New Zealand	5	–
Others	–	1
Total	**22**	**5**

46 RISK MANAGEMENT

Group risk management

Kuehne + Nagel has a centralised risk management in place. The Risk and Compliance Committee ensures that the Group has implemented an effective and adequate risk management system and process. The overall strategical risk exposure of the Group was assessed, for operational risks an independent risk assessment procedure was adopted, and an assessment of financial risks was performed. Identified material risks are monitored on an ongoing basis and mitigating actions and controls are implemented.

Risk management, objectives and policies are described in the status report on pages 9 to 10.

Financial risk management

The Group is exposed to various financial risks arising from its underlying operations and finance activities. The Group is primarily exposed to market risk (i.e. interest rate and currency risk) and to credit and liquidity risk.

Financial risk management within the Group is governed by policies and guidelines approved by the senior management. These policies and guidelines cover interest rate risk, currency risk, credit risk and liquidity risk. Group policies and guidelines also cover areas such as cash management, investment of excess funds and the raising of short and long-term debt. Compliance with the policies and guidelines is managed by independent functions within the Group. The objective of financial risk management is to contain, where deemed appropriate, exposures to the various types of financial risks mentioned above in order to limit any negative impact on the Group's results and financial position.

In accordance with its financial risk policies, the Group manages its market risk exposures by using financial instruments when deemed appropriate. It is the Group's policy and practice neither to enter into derivative transactions for trading or speculative purposes, nor for any purpose unrelated to business transactions.

Market risk

Market risk is the risk that changes of market prices due to interest rates and foreign exchange rates are affecting the Group's results and financial position.

Interest rate risk

Interest rate risk arises from movements in interest rates which could have effects on the Group's results and financial position. Changes in interest rates may cause variations in interest income and expenses resulting from interest-bearing assets and liabilities. Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Loans and investments at variable interest rates expose the Group to cash flow interest rate risk. Loans and investment at fixed interest rates expose the Group to fair value interest rate risk in case they are measured at fair value.

Exposure

The Group's exposure to interest rate risk relates primarily to its bank loans and finance lease liabilities and to the Group's investments of its excess funds. The Group's exposure to changes in interest rates is limited due to the short-term nature of investments of excess funds and borrowings. The Group does not use derivative financial instruments to hedge its interest rate risk in respect of investments of excess funds or loans.

Profile

At the reporting date, the interest profile of the Group's interest-bearing financial assets and liabilities was as follows:

CHF million	Carrying amount 2018	2017
Variable rate instruments		
Cash and cash equivalents (excluding cash on hand)	498	718
Financial instruments		
Current bank and other interest-bearing liabilities	–354	–14
Non-current finance lease obligations	–1	–4
Total	**143**	**700**

Fair value sensitivity analysis – fixed rate instruments

As of December 31, 2018 and 2017, the Group does not hold significant investments in fixed rate instruments.

Cash flow sensitivity analysis – variable rate instruments

A change of 100 basis points in interest rates on December 31, 2018, would have increased or decreased profit or loss by CHF 1 million (2017: CHF 7 million) due to changed interest payments on variable rate interest-bearing liabilities and assets. The analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

Currency risk

Currency risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Exposure

The Group operates on a worldwide basis and, as a result, is exposed to movements in foreign currency exchange rates of mainly EUR, USD and GBP on sales, purchases, investments in debt securities and borrowings that are denominated in a currency other than the respective functional currencies of the Group entities. Monthly intercompany payments are conducted through a Group clearing system in EUR and USD which facilitates monitoring and control of the group-wide foreign exchange rate exposures.

To a limited extent, derivative financial instruments (foreign exchange contracts) are in use to hedge the foreign exchange exposure on outstanding balances in the Group's internal clearing system. Given that the Group's hedging activities are limited to hedges of recognised foreign currency monetary items, hedge accounting under IFRS 9 is not applied. As of the 2018 and 2017 year-end there were no material derivative instruments outstanding. Investments in foreign subsidiaries are not hedged as those currency positions are considered to be long-term in nature.

As of year-end the Group's exposure to foreign currency risk was as follows:

CHF million	2018			2017		
	EUR	USD	GBP	EUR	USD	GBP
Cash and cash equivalents [1]	66	58	1	141	86	–
Trade receivables	61	404	15	50	341	4
Interest-bearing liabilities	–	–	–	–	–1	–
Trade payables	–45	–115	–1	–43	–113	–1
Gross balance sheet exposure	**82**	**347**	**15**	**148**	**313**	**3**

1 Mainly represents cash pool balances in CHF with subsidiaries with functional currency EUR and USD.

The majority of all trade related billings and payments as well as all payments of interest-bearing liabilities are made in the respective functional currencies of the Group entities.

Sensitivity analysis
A 10 per cent strengthening respectively weakening of the CHF against the following currencies on December 31, would have had the following effect on the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

2018 CHF million	1 CHF/EUR	1 CHF/USD	1 GBP/EUR	1 GBP/USD	1 USD/EUR
Reasonably possible change +/– in per cent	10.0	10.0	10.0	10.0	10.0
Effect on P/L +/–	8.2	34.7	6.6	27.7	8.3

The impact on the profit or loss is mainly a result of foreign exchange gains or losses arising from revaluation of trade receivables, trade payables and cash and cash equivalents in foreign currencies. Significant fluctuations of foreign currency exchange rates would not result in an impact on other comprehensive income as the Group does not have any securities classified as available for sale or applies cash flow hedge accounting.

2017 CHF million	1 CHF/EUR	1 CHF/USD	1 GBP/EUR	1 GBP/USD	1 USD/EUR
Reasonably possible change +/– in per cent	10.0	10.0	10.0	10.0	10.0
Effect on P/L +/–	14.8	31.3	11.2	23.6	15.0

Foreign currency exchange rates applied
The major foreign currency exchange rates applied during the year are as explained in note 5 (principles of consolidation).

Credit risk

Credit risk arises from the possibility that the counterparty to a transaction may be unable or unwilling to meet its obligations, causing a financial loss to the Group. Credit risk arises primarily from the Group's trade receivables and contract assets.

Exposure

At the balance sheet date the maximum exposure to credit risk from financial assets, without taking into account any collateral held, credit insurance or similar, was:

CHF million	2018	2017
Trade receivables	3,872	3,537
Other receivables	84	70
Cash and cash equivalents (excluding cash on hand)	498	718
Total	**4,454**	**4,325**

Trade receivables and contract assets

Trade receivables are subject to a policy of active risk management which focuses on the assessment of country risk, credit availability, ongoing credit evaluation, and account monitoring procedures. There are no significant concentrations of credit risk due to the Group's large number of customers and their wide geographical spread. For a large part of credit exposures in critical countries, the Group has obtained credit insurance from first-class insurance companies (for further details refer to note 29).

The maximum exposure to credit risk for trade receivables at the reporting date by geographical area was:

CHF million	2018	2017
EMEA	2,286	2,247
Americas	1,189	911
Asia-Pacific	397	379
Total	**3,872**	**3,537**

It is considered that the credit insurance is sufficient to cover potential credit risk concentrations (for additional information refer to note 29).

Investments of excess funds

The Group considers its credit risk to be minimal in respect of excess funds invested in short-term deposits (with a maturity of less than three months) and in debt securities with first-class financial institutions and countries which are made in close coordination and management of Centralised Corporate Treasury function. The Group does not invest in equity securities.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Group companies require sufficient availability of cash to meet their obligations. Individual companies are generally responsible for their own cash management, including the short-term investment of cash surplus and the raising of loans to cover cash deficits subject to guidance or in certain cases approval at Group level. The Group maintains sufficient reserves of cash to meet its liquidity requirements at all times.

The following are the contractual maturities of financial liabilities (undiscounted), including interest payments and excluding the impact of netting agreements:

2018 CHF million	Carrying amounts	Contractual cash flow	Up to 6 months	6–12 months	Over 1 year
Bank and other interest-bearing liabilities	354	354	353	1	–
Trade payables	1,888	1,888	1,888	–	–
Accrued trade expenses	1,272	1,272	1,272	–	–
Contingent/deferred consideration	206	206	58	–	148
Other liabilities	265	265	265	–	–
Finance lease obligations (non-current)	1	1	–	–	1
Total	**3,986**	**3,986**	**3,836**	**1**	**149**

2017 CHF million	Carrying amounts	Contractual cash flow	Up to 6 months	6–12 months	Over 1 year
Bank and other interest-bearing liabilities	4	4	2	2	–
Trade payables	1,890	1,890	1,890	–	–
Accrued trade expenses	1,307	1,307	1,307	–	–
Other liabilities	227	227	225	2	–
Finance lease obligations (non-current)	4	4	–	–	4
Total	**3,432**	**3,432**	**3,424**	**4**	**4**

It is not expected that the cash flow included in the above maturity analysis could occur at significantly different points in time or at significantly different amounts.

47 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

Cash and cash equivalents with a carrying amount of CHF 499 million (2017: CHF 720 million) as well as financial assets with a carrying amount of CHF 4,007 million (2017: CHF 3,610 million), thereof CHF 4,006 million measured at amortised cost (2017: CHF 3,607 million) and one million measured at fair value through profit and loss (2017: CHF 3 million), are all classified as current assets.

The Group has financial liabilities with a carrying amount of CHF 3,990 million (2017: CHF 3,428 million), whereas CHF 188 million (2017: CHF 3 million) are measured at fair value through profit and loss. The majority of these financial liabilities are current liabilities. At year-end 2018 and 2017 there were no non-current fixed rate interest-bearing loans or other liabilities.

The Group's financial instruments measured at fair value have been categorised into below mentioned levels, reflecting the significance of inputs used in estimating fair values:

- Level 1: Quoted prices (unadjusted) in active markets for identical instruments.
- Level 2: Input other than quoted prices included within Level 1 that are observable for the instrument, either directly or indirectly.
- Level 3: Valuation techniques using significant unobservable inputs.

The fair value of the derivative instruments (forward foreign exchange contracts) is determined based on current and available market data. Pricing models commonly used in the market are used, taking into account relevant parameters such as forward rates, spot rates, discount rates, yield curves and volatility.

Contingent considerations, resulting from business combinations, are valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently measured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor. Refer to note 41 for details of contingent considerations as of December 31, 2018.

48 RELATED PARTIES AND TRANSACTIONS

The Group has a related party relationship with its subsidiaries, joint ventures and with its Board of Directors and Management Board.

Subsidiaries and Joint Ventures

The Group's operations involve operating activities between the parent company and its subsidiaries and between the subsidiaries themselves 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.

Board of Directors and Management Board

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

- Board of Directors: CHF 3.9 million (2017: CHF 4.1 million)
- Management Board: CHF 16.2 million (2017: CHF 15.2 million)

As of December 31, 2018, no loans or any other commitments were outstanding towards members neither of the Board of Directors nor of the Management Board. Members of the Board of Directors and the Management Board control 53.8 per cent (2017: 53.7 per cent) of the voting shares of the Company.

The following remuneration and compensation has been paid to and accrued for the Management Board and the Board of Directors:

CHF million	Management Board 2018	2017	Board of Directors 2018	2017
Wages, salaries and other short-term employee benefits	13.5	12.6	3.7	3.6
Post-employment benefits	1.4	1.4	0.2	0.2
Share-based compensation	1.3	1.2	–	0.3
Total compensation	**16.2**	**15.2**	**3.9**	**4.1**

For disclosure requirements according to the Swiss law (Article 663bbis/c CO), refer to pages 125 to 126; note 12 of the Financial Statements of Kuehne + Nagel International AG. For other related parties refer to note 33 outlining the shareholders' structure, and pages 103 to 110 listing the Group's significant subsidiaries and joint ventures.

49 ACCOUNTING ESTIMATES AND JUDGMENTS

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

Acquisition 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. The Group has separately recognised customer contracts/lists, brands and field office agent contracts in acquisitions made (see note 27).

The fair value of these acquired intangible assets is based on valuation techniques, which require input based on assumptions about the future. The management uses its best knowledge to estimate fair value of acquired intangible assets as of the 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 affected by external 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 1,170 million (2017: CHF 849 million) for impairment every year as disclosed in note 11. No impairment loss on goodwill was recognised in 2018 and 2017. The Group also assesses annually whether there is any indication that other intangible assets or property, plant and equipment may be impaired. In such a case, the assets are tested for impairment. No impairment loss on other intangible assets was recognised in 2018 (2017: nil). The carrying amount of other intangibles is CHF 215 million (2017: CHF 96 million), and that of property, plant and equipment is CHF 1,226 million (2017: CHF 1,249 million).

Impairment tests are based on value-in-use calculations, which involve a variety of assumptions such as estimates of future cash inflows and outflows and choice of a discount rate. Actual cash flows might, for example, differ significantly from management's current best estimate. Changes in market environment or the evolution of technologies might have an impact on future cash flows and result in recognition of impairment losses.

Fair value of contingent considerations

Contingent considerations, resulting from business combinations, are measured at fair value at the acquisition date as part of the business combination. When a contingent consideration meets the definition of a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

As part of the accounting for the acquisitions of Quick International Courier and Panatlantic Logistics S.A., a contingent consideration with an estimated fair value of CHF 183 million was recognised at the acquisition date. Further developments may require revisions to the estimate. The maximum consideration to be paid for Quick is CHF 180 million. The contingent consideration is classified as other financial liability. For further details see notes 41 and 47.

Defined benefit pension plans

The Group has recognised a liability for defined benefit pension plans in the amount of CHF 351 million (2017: CHF 402 million). A number of assumptions are made in order to calculate the liability, including discount rate and future salary increases. A relatively minor change in any of these assumptions can have a significant impact on the carrying amount of the defined benefit obligation.

Accrued trade expenses and deferred income

Freight forwarding transactions which are completed and for which the costs are not fully received, are accrued for expected costs based on best estimate. For transactions which are not complete on account of pending service at cut-off date or transactions for which revenue is earned and relevant costs cannot 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. The management believes that its estimates, based on information such as the interpretation of tax laws, are reasonable. Changes in tax laws and rates, interpretations of tax laws, earnings before tax, and taxable profit might have an impact on the amounts recognised as tax assets and liabilities.

The Group has recognised a net deferred tax asset of CHF 74 million (2017: CHF 92 million). Furthermore, the Group has unrecognised deferred tax assets relating to unused tax losses of CHF 17 million (2017: CHF 33 million). Based on estimates such as the probability of realising these tax benefits, available taxable temporary differences, and periods of reversals of such differences, the management does not believe that the criteria to recognise deferred tax assets are met (see note 24).

Provisions and contingent liabilities

The Group has recognised provisions for an amount of CHF 115 million (2017: CHF 124 million) related to legal claims and other exposures in the freight forwarding and logistics operations (see note 37). The provisions represent the best estimate of the risks, whereby the final amount required is subject to uncertainty.

50 POST BALANCE SHEET EVENTS

On August 24, 2018, the Group entered into an agreement to acquire 51 per cent of the shares of Shanghai Ruichun Logistics Co., Ltd., China. The transaction closed on January 1, 2019.

There have been no other material events between December 31, 2018, and the date of authorisation of the Consolidated Financial Statements that would require adjustments of the Consolidated Financial Statements or disclosure.

51 RESOLUTION OF THE BOARD OF DIRECTORS

The Consolidated Financial Statements of the Group were authorised for issue by the Board of Directors on February 26, 2019. A resolution to approve the Consolidated Financial Statements will be proposed at the Annual General Meeting on May 7, 2019.

SIGNIFICANT CONSOLIDATED SUBSIDIARIES AND JOINT VENTURES

Holding and Management Companies

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting 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 Liegenschaften AG	Schindellegi	CHF	500	100
	Nacora Holding AG	Schindellegi	CHF	500	100
	Nacora Agencies AG	Schindellegi	CHF	400	100
	Kuehne + Nagel Real Estate Holding AG	Schindellegi	CHF	100	100
	Kuehne + Nagel Finance AG	Schindellegi	CHF	100	100

Operating Companies

Western Europe

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
Belgium	Kuehne + Nagel NV	Antwerp	EUR	6,338	100
	Kuehne + Nagel Logistics NV	Geel	EUR	5,206	100
	Nacora Insurance Brokers NV	Brussels	EUR	155	100
	Logistics Kontich BVBA	Kontich	EUR	837	100
	Logistics Nivelles SA	Nivelles	EUR	1,521	100
Denmark	Kuehne + Nagel A/S	Copenhagen	DKK	5,001	100
Finland	Oy Kuehne + Nagel Ltd	Helsinki	EUR	200	100
France	Kuehne + Nagel SAS	Ferrières	EUR	17,380	100
	Kuehne + Nagel France Immobilier SCI	Ferrières	EUR	4	100
	Kuehne + Nagel Parts SAS	Trappes	EUR	87	100
	Nacora Courtage d'Assurances SAS	Paris	EUR	40	100
	Kuehne + Nagel Aerospace & Industry SAS	Ferrières	EUR	37	100
	Logistique Distribution Gasocogne SAS	Ferrières	EUR	37	100
	Kuehne + Nagel Road SAS	Villefranche	EUR	4,000	100
	I.M. Alloin SARL	Villefranche	EUR	8	100
	Almeca SNC	Villefranche	EUR	32	100
	Kuehne + Nagel Participations Sarl	Ferrières	EUR	203,630	100
	K Logistics Sarl	Le Meux	EUR	91	100
	Kuehne + Nagel Solutions	Saint Vulbas	EUR	10	100

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
	Kuehne + Nagel Insitu SASU	Chalon sur Saone	EUR	10	100
	Quick International France SAS	Villepinte	EUR	50	100
United Kingdom	Kuehne + Nagel (UK) Limited	Uxbridge	EUR	8,000	100
	Kuehne + Nagel Limited	Uxbridge	GBP	8,867	100
	Nacora Insurance Brokers Limited	Uxbridge	GBP	150	100
	Kuehne + Nagel Drinks Logistics Limited	Milton Keynes	GBP	–	100
	Kuehne + Nagel Drinkflow Logistics Limited (Joint Venture)	Milton Keynes	GBP	877	100
	Kuehne + Nagel Drinkflow Logistics Holdings Limited (Joint Venture)	Milton Keynes	GBP	6,123	100
	Quick International Couriers (UK) Ltd.	Colnbrook	GBP	–	100
Ireland	Kuehne & Nagel (Ireland) Limited	Dublin	EUR	500	100
Israel	Amex Ltd.	Holon	ILS	2	90.5
Italy	Kuehne + Nagel Srl	Milan	EUR	4,589	100
	Nacora Srl	Milan	EUR	104	100
	Ferlito Pharma S.r.l	Siziano	EUR	1,000	100
Luxembourg	Kuehne + Nagel S.a.r.l.	Contern	EUR	5,750	100
	Kuehne + Nagel AG	Contern	EUR	31	100
	Kuehne + Nagel Investments S.a.r.l.	Contern	EUR	200	100
	Nacora (Luxembourg) S.a.r.l.	Contern	EUR	50	100
	Kuehne + Nagel Beteiligungs-AG	Contern	EUR	10,277	100
Malta	Kuehne + Nagel Limited	Hamrun	EUR	14	100
Morocco	Kuehne + Nagel SAS	Casablanca	MAD	300	100
The Netherlands	Kuehne + Nagel N.V.	Rotterdam	EUR	3,325	100
	Kuehne + Nagel Investments B.V.	Rotterdam	EUR	50	100
	Nacora Assurantiekantoor B.V.	Rotterdam	EUR	45	100
	Kuehne + Nagel Logistics B.V.	Veghel	EUR	25	100
	Kuehne + Nagel Western Europe BV.	Amsterdam	EUR	1	100
Norway	Kuehne + Nagel AS	Oslo	NOK	3,100	100
Portugal	Kuehne + Nagel Lda	Porto	EUR	200	100
Spain	Kuehne & Nagel S.A.U.	Madrid	EUR	60	100
	Kuehne Nagel Investments S.L.U.	Madrid	EUR	3	100
	Nacora Correduria de Seguros S.A	Barcelona	EUR	150	100
Sweden	Kuehne & Nagel AB	Stockholm	SEK	500	100
	Kuehne & Nagel Investment AB	Stockholm	EUR	112	100
	Nacora International Insurance Brokers AB	Stockholm	SEK	100	100

Central & Eastern Europe

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
Albania	Transalbania Sh.p.k	Tirana	ALL	41,725	51
Austria	Kuehne + Nagel Eastern Europe AG	Vienna	EUR	1,090	100
	Kuehne + Nagel GmbH	Vienna	EUR	1,820	100
	Nacora Insurance Brokers GmbH	Vienna	EUR	35	100
Azerbaijan	Kuehne + Nagel LLC	Baku	AZN	42	100
Belarus	Kuehne + Nagel FPE	Minsk	BYN	300	100
Bosnia and Herzegovina	Kuehne + Nagel doo	Sarajevo	BAM	95	100
Bulgaria	Kuehne + Nagel EOOD	Sofia	BGN	365	100
Croatia	Kuehne + Nagel d.o.o.	Zagreb	HRK	4,300	100
Cyprus	Nakufreight Limited	Nicosia	EUR	17	100
Czech Republic	Kuehne + Nagel spol. s r.o.	Prague	CZK	21,000	100
Estonia	Kuehne + Nagel AS	Tallinn	EUR	705	100
	Kuehne + Nagel IT Service Centre AS	Tallinn	EUR	25	100
Germany	Kuehne + Nagel (AG & Co.) KG	Bremen	EUR	15,000	100
	KN Airlift GmbH	Frankfurt	EUR	256	100
	Stute Logistics (AG & Co.) KG	Bremen	EUR	1,023	100
	CS Parts Logistics GmbH	Bremen	EUR	426	50
	Kuehne + Nagel Euroshipping GmbH	Regensburg	EUR	256	51
	SPS Zweite Vermögensverwaltungs GmbH	Hamburg	EUR	25	90
	Cargopack Verpackungsgesellschaft für Industriegüter mbH	Bremen	EUR	357	100
	Aircraft Production Logistics GmbH	Hamburg	EUR	25	100
	Nacora Versicherungsmakler GmbH	Hamburg	EUR	79	100
	Gustav F. Huebener GmbH	Hamburg	EUR	31	100
	Kuehne + Nagel Logistics Langenau GmbH	Langenau	EUR	25	100
	Gebr. Mönkemöller Speditionsgesellschaft mbH	Bielefeld	EUR	300	100
	BIL Spedition Haring KG	Hamburg	EUR	24	94
	Aba Logistics GmbH (Joint Venture)	Fulda	EUR	200	50
	Donau Transport und Umschlags GmbH (Joint Venture)	Regensburg	EUR	108	50
	Anchor Risk Services GmbH	Hamburg	EUR	25	100
Greece	Kuehne + Nagel AE	Athens	EUR	10,028	100
	Nacora Brokins International AE	Athens	EUR	60	60
	Sindos Railcontainer Services AE (Joint Venture)	Thessaloniki	EUR	3,038	50
Hungary	Kuehne + Nagel Kft	Budapest	HUF	134,600	100
Kazakhstan	Kuehne + Nagel LLC	Almaty	KZT	6,957	100
Latvia	Kuehne + Nagel SIA	Riga	EUR	142	100
Lithuania	Kuehne & Nagel UAB	Vilnius	EUR	232	100

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
Macedonia	Kuehne + Nagel d.o.o.e.l.	Skopje	MKD	3,216	100
Poland	Kuehne + Nagel Sp.z o.o.	Poznan	PLN	14,869	100
	Kuehne + Nagel Real Estate Sp.z.o.o.	Gadki	PLN	21,467	100
Romania	Kuehne + Nagel SRL	Bucharest	RON	2,543	100
Russia	OOO Kuehne + Nagel	Moscow	RUR	1,339,036	100
	OOO Kuehne & Nagel Sakhalin	Sakhalin	RUR	500	100
	OOO Nakutrans	Moscow	RUR	278	100
Serbia	Kuehne + Nagel d.o.o.	Belgrade	RSD	3,039	100
	Kuehne + Nagel Shared Service Centre	Belgrade	RSD	15,000	100
Slovakia	Kuehne + Nagel s r.o.	Bratislava	EUR	470	100
Slovenia	Kuehne + Nagel d.o.o.	Ljubljana	EUR	10	100
Switzerland	Kuehne + Nagel AG	Opfikon	CHF	3,000	100
	LogIndex AG	Schindellegi	CHF	3,000	100
	Nacora Insurance Brokers AG	Opfikon	CHF	100	100
Ukraine	Kuehne + Nagel Ltd.	Kiev	UAH	26,975	100

North America

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
Bermuda	Kuehne + Nagel Ltd.	Hamilton	EUR	12	100
Canada	Kuehne + Nagel Ltd.	Toronto	CAD	2,910	100
	Nacora Insurance Brokers Ltd.	Toronto	CAD	–	100
	Kuehne + Nagel Real Estate Ltd.	Toronto	CAD	–	100
	Kuehne + Nagel Services Ltd.	Vancouver	USD	72,085	100
	GFH Underwriting Agency Ltd.	Toronto	CAD	350	100
	ReTransportation Canada Inc.	Toronto	CAD	1,878	100
Mexico	Kuehne + Nagel S.A. de C.V.	México' D.F.	MXN	24,447	100
	Kuehne + Nagel Servicios Administrativos S.A. de C.V.	México' D.F.	MXN	50	100
	Agente de Seguros S.A. de C.V.	México' D.F.	MXN	50	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.	Jersey City	USD	25	100
	Kuehne + Nagel Special Logistics Inc.	Dulles	USD	30	100
	Kuehne + Nagel Real Estate USA Inc.	Jersey City	USD	–	100
	Kuehne + Nagel Nevada, Inc.	McCarran	USD	2	100
	Retransportation Inc.	Memphis	USD	543	100
	ReTrans Freight Inc.	Fall River	USD	23,229	100
	Commodity Forwarders Inc.	Los Angeles	USD	1,220	100
	QIC Intermediate Holdings Inc.	Jamaica	USD	–	100
	Q International Courier, LLC	Jamaica	USD	–	100

South America

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
Argentina	Kuehne + Nagel S.A.	Buenos Aires	ARS	3,208	100
	Nacora S.A.	Buenos Aires	ARS	20	100
Barbados	Kuehne + Nagel Logistics Services Limited	Bridgetown	BBD	195	100
Bolivia	Kuehne + Nagel Ltda.	Santa Cruz	BOB	260	100
Brazil	Kuehne + Nagel Serviços Logisticos Ltda.	Sao Paulo	BRL	191,986	100
	Nacora Corretagens de Seguros Ltda.	Sao Paulo	BRL	1,094	100
	Podium Kuehne + Nagel Logistica de Eventos Esportivos Ltda. (Joint Venture)	Rio de Janeiro	BRL	100	50
Chile	Kuehne + Nagel Ltda.	Santiago	CLP	575,000	100
Colombia	Kuehne + Nagel S.A.S.	Bogotá	COP	5,184,600	100
	Agencia De Aduanas KN Colombia S.A.S. Nivel 2	Bogotá	COP	595,000	100
	Nacora Ltda. Agencia de Seguros	Bogotá	COP	20,000	100
Costa Rica	Kuehne + Nagel S.A.	San Jose	CRC	–	100
	KN Shared Service Centre S.A.	San Jose	CRC	–	100
Cuba	Kuehne Nagel Logistic Services S.A.	Havana	CUC	–	100
Dominican Republic	Kuehne + Nagel Dominicana SAS (Joint Venture)	Santo Domingo	DOP	3,000	50
Ecuador	Kuehne + Nagel S. A.	Quito	USD	7	100
El Salvador	Kuehne + Nagel S.A. DE C.V.	San Salvador	USD	69	100

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
Guatemala	Kuehne + Nagel S.A.	Guatemala	GTQ	4,245	100
Honduras	Kuehne + Nagel S.A.	San Pedro Sula	HNL	25	100
Nicaragua	Kuehne + Nagel S.A.	Managua	NIO	10	100
Panama	Kuehne + Nagel S.A.	Colon	USD	1	100
	Kuehne + Nagel Management S.A.	Colon	USD	10	100
Peru	Kuehne + Nagel S.A.	Lima	PEN	10,638	100
Trinidad & Tobago	Kuehne + Nagel Ltd.	Port of Spain	TTD	31	100
Uruguay	Kuehne + Nagel S.A.	Montevideo	UYU	3,908	100
Venezuela	Kuehne + Nagel S.A.	Caracas	VES	–	100
	KN Venezuela Aduanas C.A.	Caracas	VES	–	100

North Asia-Pacific

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
China	Kuehne & Nagel Ltd.	Shanghai	CNY	25,072	100
	Kuehne & Nagel Logistics Co Ltd.	Shanghai	CNY	5,515	100
	Kuehne & Nagel Information Center Ltd.	Foshan	CNY	1,000	100
	Kuehne & Nagel Ltd.	Hong Kong	HKD	1,560	100
	Transpac Container System Ltd.	Hong Kong	HKD	100	100
	Nacora Insurance Brokers Ltd.	Hong Kong	HKD	500	100
	Kuehne & Nagel Ltd.	Macao	HKD	971	100
Taiwan	Kuehne + Nagel Ltd.	Taipei	TWD	20,000	100
	Nacora Insurance Brokers Ltd.	Taipei	TWD	6,000	100

South Asia-Pacific

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
Australia	Kuehne & Nagel Pty Ltd	Melbourne	AUD	2,900	100
	Nacora Insurance Services Pty Ltd	Melbourne	AUD	–	100
	Kuehne + Nagel Real Estate Pty Ltd	Melbourne	AUD	–	100
Bangladesh	Kuehne + Nagel Limited	Dhaka	BDT	10,000	100
Cambodia	Kuehne + Nagel Limited	Phnom Penh	USD	5	100
India	Kuehne + Nagel Pvt. Ltd.	New Delhi	INR	30,000	100
Indonesia	PT. Naku Freight Indonesia	Jakarta	IDR	13,500,100	95
	PT. Naku Logistics Indonesia	Jakarta	IDR	24,455,000	67
Japan	Kuehne + Nagel Ltd.	Tokyo	JPY	80,000	100
	Nacora Japan Insurance Solutions Ltd.	Tokyo	JPY	9,900	100
Korea	Kuehne + Nagel Ltd.	Seoul	KRW	500,000	100
Malaysia	Kuehne + Nagel Sdn. Bhd.	Kuala Lumpur	MYR	1,000	100
	Nacora (Malaysia) Sdn. Bhd.	Kuala Lumpur	MYR	100	100
Maldives	Kuehne + Nagel Private Limited	Male	USD	1	100
Myanmar	Kuehne + Nagel Ltd.	Yangon	USD	50	100
New Zealand	Kuehne + Nagel Limited	Auckland	NZD	14,200	100
	Nacora Insurance Services Limited	Auckland	NZD	10	100
Pakistan	Kuehne + Nagel (Private) Limited.	Karachi	PKR	9,800	100
Philippines	Kuehne + Nagel Inc.	Manila	PHP	5,000	100
	Kuehne + Nagel Logistics Solutions Inc.	Manila	PHP	5,000	100
	Kuehne + Nagel Shared Service Center Inc.	Cebu	PHP	10,500	100
Singapore	Kuehne + Nagel Pte. Ltd.	Singapore	SGD	500	100
	Nacora Insurance Agency Pte. Ltd.	Singapore	SGD	100	100
	Kuehne + Nagel (Asia-Pacific) Management Pte. Ltd.	Singapore	SGD	200	100
	Kuehne + Nagel Real Estate Pte Ltd	Singapore	SGD	250	100
	Kuehne+Nagel (Asia Pacific) Holding Pte Ltd	Singapore	SGD	6,695	100
Sri Lanka	Kuehne & Nagel (Pvt) Ltd.	Colombo	LKR	2,502	100
Thailand	Kuehne + Nagel Limited	Bangkok	THB	20,000	100
Vietnam	Kuehne + Nagel Company Limited	Ho Chi Minh	VND	15,502,200	100

Middle East and Africa

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
Angola	Kuehne & Nagel (Angola) Transitarios Lda	Luanda	AOA	7,824	100
Bahrain	Kuehne + Nagel WLL	Manama	BHD	200	100
Egypt	Kuehne + Nagel Ltd.	Cairo	EGP	1,000	100
Iraq	Jawharat Al-Sharq Co. for General Transportation & Support Services Ltd	Baghdad	USD	85	100
	Kuehne + Nagel for General Transportation and Logistics Services L.L.C.	Erbil	USD	45	100
Jordan	Kuehne and Nagel Jordan LLC	Amman	JOD	300	100
Kenya	Kuehne + Nagel Limited	Nairobi	KES	63,995	100
	Blue Anchor Line Limited	Nairobi	KES	500	100
	Trillvane Ltd	Nairobi	KES	750	100
Kuwait	Kuehne + Nagel Company W.L.L.	Kuwait	KWD	150	100
Lebanon	KN-ITS SAL (Joint Venture)	Beirut	LBP	113,000	50
Mauritius	KN (Mauritius) Limited	Port Louis	MUR	4,000	100
Mozambique	Kuehne & Nagel Mocambique Lda.	Maputo	MZN	125,883	100
Namibia	Kuehne and Nagel (Pty) Ltd.	Windhoek	NAD	340	100
Oman	Kuehne + Nagel LLC.	Muscat	OMR	250	70
Qatar	Kuehne + Nagel L.L.C.	Doha	QAR	1,900	100
Saudi Arabia	Kuehne and Nagel Limited	Jeddah	SAR	1,000	100
South Africa	Kuehne + Nagel (Proprietary) Limited	Johannesburg	ZAR	1,652	70
	Nacora Insurance Brokers (Proprietary) Limited	Johannesburg	ZAR	35	100
Tanzania	Kuehne + Nagel Limited	Dar es Salaam	TZS	525,000	100
	Blue Anchor Line International Limited	Dar es Salaam	TZS	21,000	100
Turkey	Kuehne + Nagel Nakliyat Sti.	Istanbul	TRY	5,195	100
	Zet Farma Lojistik Hizmetleri Sanayi ve Ticaret A.S.	Istanbul	TRY	2,000	100
	Nacora Sigorta Brokerligi Anonim Sirketi	Istanbul	TRY	300	100
UAE	Kuehne + Nagel L.L.C.	Dubai	AED	1,000	100
	Kuehne + Nagel L.L.C.	Abu Dhabi	AED	1,000	100
	Kuehne + Nagel DWC L.L.C.	Dubai	AED	13,000	100
	Kuehne + Nagel Management ME FZE	Dubai	AED	1,000	100
Uganda	Kuehne + Nagel Limited	Kampala	UGX	827,500	100

REPORT OF THE STATUTORY AUDITOR ON THE CONSOLIDATED FINANCIAL STATEMENTS TO THE GENERAL MEETING OF SHAREHOLDERS OF KUEHNE + NAGEL INTERNATIONAL AG, SCHINDELLEGI (FEUSISBERG), SWITZERLAND

Opinion

We have audited the consolidated financial statements of Kuehne + Nagel International AG and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2018 and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 37 to 110) give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements.

Valuation of goodwill

Area of focus	As of December 31, 2018 the Group has recorded goodwill of CHF 1,170 million, of which CHF 347 million relate to the 2018 acquisition of Quick International Courier. The carrying value of goodwill is tested annually for impairment. The impairment assessment for goodwill is dependent on the estimation of, amongst others, future cash flows and the discount rates applied. Due to the significance of the carrying values of goodwill and the judgment involved in performing the impairment tests, this matter was considered to be significant to our audit. The accounting policies regarding goodwill applied by the Group are explained in the notes to the consolidated financial statements in section 9. Further details on goodwill and the annual impairment tests are disclosed in note 27 to the consolidated financial statements.
Our audit response	We tested, with the support of our valuation specialists, the appropriateness of the Group's valuation model and evaluated management's key assumptions, including growth rates used in the cash flow projections during the forecast period, the terminal growth rate assumption and the discount rate. Further, we assessed the historical accuracy of management's estimates and considered their ability to produce accurate long-term forecasts. Our work moreover included an evaluation of management's sensitivity analysis on changes to the key assumptions, in order to quantify the downside changes in assumptions that could result in an impairment. Our audit procedures did not lead to any reservations concerning the valuation of goodwill and other intangible assets with indefinite useful lives.

Valuation of Income Tax Positions

Area of focus

As of December 31, 2018 the Group has recorded deferred tax assets of CHF 74 million (net). Further, the Group operates across a wide range of tax jurisdictions around the world and is therefore occasionally challenged by local tax authorities, mainly regarding its cross-border transfer pricing arrangements.
The group records deferred tax assets for temporary differences and tax loss carry forwards to the extent that it is probable that future taxable profit will be available against which these deferred tax assets can be used. Where there is uncertainty over income tax treatments, the Group recognizes the related tax assets or liabilities applying management's best estimate.

Due to the significant judgment involved in forecasting timing and level of future taxable profits and in accounting for uncertain tax treatments, this matter was considered to be significant to our audit. The accounting policies regarding current and deferred income taxes applied by the Group are explained in the notes to the consolidated financial statements in section 17. Further details on current and deferred income tax positions are disclosed in note 24 to the consolidated financial statements.

Our audit response

We evaluated, with the support of our taxation specialists, the model used to recognize deferred tax assets and liabilities and the tax rates applied. We evaluated management's forecasts regarding timing and level of future taxable profits by comparing these future taxable profits to historical results and assessed any significant assumptions impacting these profits. Further, we assessed correspondence with relevant tax authorities, evaluated the historical accuracy of management's estimates and ensured the consistency between management's estimates regarding future taxable profits and other available prospective financial information, such as future cash flow estimates.

Our audit procedures did not lead to any reservations concerning the valuation of income tax positions.

Recognition of Net turnover and related balance sheet accounts

Area of focus	During the financial year 2018, the Group recognized net turnover in the amount of CHF 20,774 million. As of December 31, 2018 the Group has recognized CHF 300 million of contract assets and CHF 146 million of contract liabilities. IFRS 15 was adopted as of January 1, 2018, using the modified retrospective application. The Group generates its revenues from four principal services (Seafreight, Airfreight, Overland and Contract Logistics), and from ancillary services (such as customs clearance or documentation services) which are incidental to a principal service and are together with a principal service considered to represent one single performance obligation. Turnover is recognized based upon the terms in the contract of carriage and to the extent a service is completed. Accruing for net turnover, including recognizing contract assets for unbilled services rendered and contract liabilities for payments received for services not yet rendered, depends on IT controls. Due to the significance of net turnover, this matter was considered to be significant to our audit. The accounting policies regarding revenue recognition are explained in the notes to the consolidated financial statements in section 15. Further details on net turnover are disclosed in note 19 to the consolidated financial statements.
Our audit response	Our audit procedures included assessing the accounting policies for revenue recognition applied by management and comparing these to IFRS 15. We assessed the impact of the IFRS 15 implementation as of January 1, 2018, which was deemed to be not material to the Group's retained earnings. We tested the Group's internal control system with regards to revenue recognition, including related IT controls. Further, our audit procedures included analytics to identify any unusual or non-standard transactions and, on a sample basis, agreeing amounts recorded to underlying evidence, i.e. customer contracts. Our audit procedures did not lead to any reservations concerning the recognition of net turnover and the accounting for contract assets and liabilities.

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, remuneration report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: http://www.expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

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

Ernst & Young Ltd

Christian Krämer	**Philipp Baumann**
Licensed audit expert	Licensed audit expert
(Auditor in charge)	

Zurich, February 26, 2019

Income Statement

CHF million	Note	2018	2017
Income			
Income from investments in Group companies	1	551	1,612
Finance income			
– Interest income on loan receivables from Group companies		8	8
– Exchange gains		57	53
– Profit on sale of treasury shares		2	3
Other operational income	2	197	–
Total income		**815**	**1,676**
Expenses			
Finance expenses			
– Interest expenses on liabilities towards Group companies		–5	–6
– Exchange losses		–54	–43
– Loss on sale of treasury shares		–	–
Other operational expenses	3	–21	–16
Total expenses		**–80**	**–65**
Earnings before tax (EBT), depreciation and impairment		**735**	**1,611**
Depreciation and impairment of investment in Group companies		–32	–157
Earnings before tax (EBT)		**703**	**1,454**
Income Taxes		**–9**	–14
Earnings for the year		**694**	**1,440**

Balance Sheet

CHF million	Note	Dec. 31, 2018	Dec. 31, 2017
Assets			
Cash and cash equivalents	4	113	339
Other current receivables			
– from third parties		2	6
– from Group companies	5	954	266
Total current assets		**1,069**	**611**
Long term receivables from Group companies	5	51	53
Investments	6	1,678	1,910
Non-current assets		**1,729**	**1,963**
Total assets		**2,798**	**2,574**
Liabilities and equity			
Liabilities towards Group companies	7	556	682
Current liabilities			
– from third parties		337	–
– Other provisions and accruals		7	4
– Tax provision		9	12
Current liabilities		**909**	**698**
Total liabilities		**909**	**698**
Share capital	8	120	120
Legal capital contribution reserves		6	6
Legal reserves		60	60
Free reserves			
– Retained earnings	9	1,045	293
– Earnings for the year		694	1,440
Treasury shares	10	–36	–43
Equity		**1,889**	**1,876**
Total liabilities and equity		**2,798**	**2,574**

Schindellegi, February 26, 2019

KUEHNE + NAGEL INTERNATIONAL AG

Dr. Detlef Trefzger — CEO

Markus Blanka-Graff — CFO

NOTES TO THE FINANCIAL STATEMENTS 2018

GENERAL

Kuehne + Nagel International AG directly or indirectly controls companies which are consolidated in the Group Financial Statements.

The Financial Statements are based on the regulations of Swiss Code of Obligations (Art. 959c Abs. 1 OR). The regulations, which are not required by law, are specified below.

BASIS OF PREPARATION/ACCOUNTING POLICIES

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 less valuation allowance at year-end.

– *other*
  Other receivables are recorded at their nominal value less valuation allowance at year-end.

Treasury shares

Treasury shares are valued at acquisition costs presented as a negative position in the equity. The profit or loss from sale is accounted for in the Income statement.

Tax provision

Swiss taxes on income and capital are provided for at balance sheet date.

Liabilities

– *towards Group 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 mainly to dividends received.

CHF million	2018	2017
Income from investments and others	432	1,484
Trademark fee	119	128
Total	**551**	**1,612**

2 OTHER OPERATIONAL INCOME

CHF million	2018	2017
Refund from claims Antitrust	9	–
Income of amortised paid-in surplus previously written off	188	–
Total operational income	**197**	**–**

3 OTHER OPERATIONAL EXPENSES

CHF million	2018	2017
Board of Directors fee	4	4
Trademark Marketing/IP concept	5	5
Other operational expenses	12	7
Total operational expenses	**21**	**16**

NOTES TO THE BALANCE SHEET

4 CASH AND CASH EQUIVALENTS

CHF million	Dec. 31, 2018	Dec. 31, 2017
The bank deposits are in the following currencies:		
CHF	53	158
EUR	51	135
USD	9	46
Total	**113**	**339**

5 RECEIVABLES FROM GROUP COMPANIES

Current receivables

CHF million	Dec. 31, 2018	Dec. 31, 2017
Kuehne + Nagel Ltd., Nairobi	19	19
Kuehne + Nagel Ltd., Bogota	6	4
Kuehne + Nagel Ltd., Amman	1	1
Kuehne + Nagel ltd., Antwerp	4	1
Kuehne + Nagel Ltd., Bahrain	4	6
Kuehne + Nagel Ltd., Bermuda	11	–
Kuehne + Nagel Ltd., Buenos Aires	7	3
Kuehne + Nagel Ltd., Copenhagen	2	1
Kuehne + Nagel Ltd., Costa Rica	1	–
Kuehne + Nagel Ltd., Doha	1	2
Kuehne + Nagel Ltd., Dublin	12	–
Kuehne + Nagel Ltd., Dubai	2	1
Kuehne + Nagel Ltd., Kuwait	–	1
Kuehne + Nagel Ltd., Lima	1	1
Kuehne + Nagel AG, Luxembourg	4	4
Kuehne + Nagel Investment S.a.r.l., Luxembourg	16	16
Kuehne + Nagel Ltd., Mexico	–	11
Kuehne + Nagel Investment Inc., New York	148	–
Kuehne + Nagel Pty., Panama	1	2
Kuehne + Nagel N.N., Rotterdam	7	9
Kuehne + Nagel Investment B.V., Rotterdam	339	–
Kuehne + Nagel Ltd. Santiago	6	3
Kuehne + Nagel AB, Stockholm	–	1
Kuehne + Nagel d.o.o., Zagreb	–	1
Kuehne + Nagel Real Estate Holding AG, Schindellegi	36	39
Kuehne + Nagel Liegenschaften AG, Schindellegi	19	20
Kuehne + Nagel AS, Oslo	–	1
Kuehne + Nagel AG, Zurich	19	6
Kuehne + Nagel (AG & Co.) KG, Hamburg	74	33
Kuehne + Nagel Services Ltd., Vancouver	210	80
Other Group companies	4	–
Total	**954**	**266**

Long term receivables

CHF million	Dec. 31, 2018	Dec. 31, 2017
Kuehne + Nagel Pte. Ltd., Singapore	51	53
Total	**51**	**53**

6 DEVELOPMENT OF INVESTMENTS

CHF million	Investments in consolidated companies	Investments in affiliated companies	Total
Cost			
Balance as of January 1, 2018	2316	2	2,318
Additions	69	–	69
Repayment	–487	–	–487
Disposals	–2	–	–2
Balance as of December 31, 2018	**1,896**	**2**	**1,898**
Cumulative amortisation			
Balance as of January 1, 2018	406	2	408
Additions	–	–	–
Disposals	–188	–	–188
Balance as of December 31, 2018	**218**	**2**	**220**
Carrying amount			
As of January 1, 2018	**1,910**	**–**	**1,910**
As of December 31, 2018	**1,678**	**–**	**1,678**

The movements of investments are mainly related to repayments of paid-in surplus of subsidiaries. Part of the investments related hereto have been amortised in the past. The repayment required subsequently the add-back in the cumulative amortisation, reported as disposals.

A schedule of the Group's main direct and indirect subsidiaries and Kuehne + Nagel's share in the respective equity is shown in the list of significant consolidated subsidiaries and Joint Ventures in the Consolidated Financial Statements.

7 LIABILITIES TOWARDS GROUP COMPANIES

CHF million	Dec. 31, 2018	Dec. 31, 2017
Kuehne + Nagel Ltd., Dublin	2	2
Kuehne + Nagel S.a.r.l., Luxembourg	23	11
Kuehne + Nagel S.A.S., Paris	128	106
Kuehne + Nagel N.V., Rotterdam	2	–
Kuehne + Nagel NV/SA, Antwerp	1	–
Kuehne + Nagel A/S, Copenhagen	1	–
Kuehne + Nagel GmbH, Vienna	1	13
Kuehne + Nagel Ltd., London	1	1
Kuehne + Nagel S.r.l., Milano	1	–
Kuehne + Nagel Ltd., Singapore	1	2
Kuehne + Nagel Management Ltd., Singapore	–	1
Kuehne + Nagel (AG & Co.) KG, Hamburg	4	–
Kuehne + Nagel Sp.z.o.o., Poznan	–	1
Kuehne + Nagel Real Estate Sp.z.o.o., Poznan	–	6
Kuehne + Nagel Ltd., Bermuda	–	12
Kuehne + Nagel Ltd., Hongkong	1	1
Kuehne + Nagel Ltd., Auckland	2	3
Kuehne + Nagel Kft., Budapest	–	3
Kuehne + Nagel Ltd., Sydney	1	1
Kuehne + Nagel Ltd., Shanghai	28	45
Kuehne + Nagel s.r.o., Bratislava	1	–
Kuehne + Nagel Investment SL, Madrid	50	92
Kuehne + Nagel Investment AB, Stockholm	17	31
Kuehne + Nagel Inc., New York	26	79
Kuehne + Nagel Management AG, Schindellegi	148	181
Nacora Insurance Brokers AG, Zurich	1	1
Kuehne + Nagel Finance AG, Schindellegi	12	–
Nacora Holding AG, Schindellegi	18	21
Nacora Agencies AG, Schindellegi	82	62
Kuehne + Nagel LLC, Dubai	–	3
Other	4	4
Total	**556**	**682**

8 SHARE CAPITAL

Share capital	Registered shares at nominal value of CHF 1 each	CHF million
Balance as of December 31, 2018	120,000,000	120

Authorised and conditional share capital

The Annual General Meeting held on May 8, 2018, extended its approval of the maintenance of the authorised share capital for a two years term until May 8, 2020.

The Annual General Meeting held on May 2, 2005, approved a conditional share capital increase up to a maximum of CHF 12 million and to add a respective section in the Articles of Association.

The Annual General Meeting held on May 5, 2015, approved a conditional share capital up to a maximum of CHF 2 million for the provision of the employee share-based compensation plans of the Company.

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

9 RETAINED EARNINGS

Retained earnings	CHF million
Balance as of January 1, 2017 (before earnings for the year)	293
Earnings for the year 2017	1,440
Retained earnings as of December 31, 2017 (prior to appropriation of available earnings)	**1,733**
Distribution to the shareholders (representing CHF 5.75 per share)	–688
Subtotal (before earnings for the year)	**1,045**
Earnings for the year 2018	694
Balance as of December 31, 2018	**1,739**

Capital contribution reserves	CHF million
Capital contribution reserves as of December 31, 2018	6
Balance capital contribution reserves as of December 31, 2018	**6**

10 TREASURY SHARES

Own Shares	Number of transactions	All time low in CHF during the year	Maximum rate in CHF during the year	Average price of transactions in CHF	Number of shares	CHF million
Balance as of January 1, 2018					330,964	43
Purchases of own shares	11	147.70	159.73	154.98	80,000	12
Sale of own shares	9	113.40	178.30	147.53	–145,495	–19
Closing balance as of December 31, 2018					**265,469**	**36**

Treasury shares are valued at average cost.

OTHER NOTES

11 PERSONNEL

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

12 SHAREHOLDING OF MEMBERS OF THE BOARD OF DIRECTORS AND MANAGEMENT BOARD

Shareholdings of members of the Board of Directors

As of December 31, 2018, the following number of shares were held by members of the Board of Directors and/or parties closely associated with them.

Name	2018	2017
Klaus-Michael Kuehne (Honorary Chairman)	64,080,000	63,980,000
Dr. Joerg Wolle (Chairman)	58,000	58,000
Karl Gernandt (Vice Chairman)	87,185	74,880
Dr. Renato Fassbind	1,700	1,700
Juergen Fitschen	–	–
Hans Lerch	2,500	2,500
Dr. Thomas Staehelin	10,000	10,000
Hauke Stars	–	–
Dr. Martin C. Wittig	–	–
Total	**64,239,385**	**64,127,080**

Shareholdings by members of the Management Board

As of December 31, 2018, the following number of the shares were held by members of the Management Board and/or parties closely associated with them:

Name	2018	2017
Dr. Detlef Trefzger, Chief Executive Officer	46,543	40,943
Markus Blanka-Graff, Chief Financial Officer	14,559	13,750
Lothar Harings, Chief Human Resources Officer	23,289	19,089
Martin Kolbe, Chief Information Officer	32,255	27,685
Stefan Paul, Executive Vice President Overland	15,038	10,778
Horst Joachim Schacht, Executive Vice President Seafreight	35,529	31,329
Yngve Ruud, Executive Vice President Airfreight	31,150	28,350
Gianfranco Sgro, Executive Vice President Contract Logistics	7,850	5,900
Total	**206,213**	**177,824**

13 MAJOR SHAREHOLDER

Detailed information in the Corporate Governance Report.

14 CONTINGENT LIABILITIES

For further information regarding contingent liabilities refer to note 43 of the Consolidated Financial Statements.

15 PROPOSAL OF THE BOARD OF DIRECTORS TO THE ANNUAL GENERAL MEETING MAY 7, 2019, REGARDING THE APPROPRIATION OF THE AVAILABLE EARNINGS

For 2018 the Board of Directors is proposing a regular dividend amounting to CHF 6.00 per share for approval at the Annual General Meeting. If the dividend proposal is approved by shareholders, dividend payments will amount to CHF 718 million (2017: CHF 688 million) towards regular dividend resulting in a payout ratio of 93.3 per cent (2017: 93.4 per cent) of the earnings for the year attributable to the equity holders of the Company.

Available earnings	CHF million
Balance as of January 1, 2018 (before income for the year)	1,045
Earnings for the year 2018	694
Available earnings as of December 31, 2018	1,739
Distribution to the shareholders (representing CHF 6.00 per share) [1]	–718
Retained earnings as of December 31, 2018 (after appropriation of available earnings)	**1,021**

1 The total dividend amount covers all outstanding shares (as per December 31, 2018: 119,734,531 shares). However, shares held in treasury on the date of the dividend declaration are not eligible for dividend payments. As a consequence, and if required, the reported total dividend amount is adjusted accordingly.

REPORT OF THE STATUTORY AUDITOR TO THE ANNUAL GENERAL MEETING OF KUEHNE + NAGEL INTERNATIONAL AG, SCHINDELLEGI (FEUSISBERG), SWITZERLAND

As statutory auditor, we have audited the financial statements of Kuehne + Nagel International AG, which comprise the income statement, balance sheet and notes on the pages 117 to 126 for the year ended December 31, 2018.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2018 comply with Swiss law and the company's articles of incorporation.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Valuation of investments and related income statement accounts

Area of focus

As of December 31, 2018, the Company's investments amounted to CHF 1,678 million and accounted for 60% of total assets.

Investments are recorded at cost less economically necessary valuation allowances. At every balance sheet date, the carrying value of each investment is compared to its equity balance as of that date. In those cases where the equity value is below the carrying value, management tests the investment for impairment. The impairment assessment depends on the estimation of future earnings and the discount rates applied.

Due to the significance of the carrying values of the investments and the judgment involved in performing the impairment tests, this matter was considered to be significant to our audit. Further details on the Company's investments in subsidiaries are disclosed in note 6 to the financial statements.

The accounting policies regarding investments applied by the Group are explained in the notes to the consolidated financial statements in the section "Basis of Preparation / Accounting Policies".

Our audit response

We assessed the difference between the carrying amounts of the investments in subsidiaries and their equity balances. Further we examined the Company's valuation model and evaluated management's key assumptions.

Our audit procedures did not lead to any reservations concerning the valuation of investments in subsidiaries.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Christian Krämer	**Philipp Baumann**
Licensed audit expert	Licensed audit expert
(Auditor in charge)	

Zurich, February 26, 2019

April 25, 2019	Three-months 2019 results
May 7, 2019	Annual General Meeting
May 13, 2019	Dividend payment for 2018
July 23, 2019	Half-year 2019 results
October 22, 2019	Nine-months 2019 results
February 27, 2020	Full-year 2019 results

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