2015

ANNUAL REPORT

Tradition and Innovation

KUEHNE+NAGEL

125+

Kuehne + Nagel Group Key Data

CHF million	2015	2014	2013	2012	2011	2010
Turnover	20,283	21,291	20,929	20,753	19,596	20,261
Net Turnover	16,731	17,501	17,178	17,120	16,218	16,858
Gross Profit	6,251	6,288	6,257	6,094	5,898	5,958
Per cent net of turnover	37.4	35.9	36.4	35.6	36.4	35.3
EBITDA	1,041	1,005	962	855	977	1.003
Per cent of net turnover	6.2	5.7	5.6	5.0	6.0	5.9
EBIT	850	819	761	633	749	764
Per cent of net turnover	5.1	4.7	4.4	3.7	4.6	4.5
EBT	878	824	767	644	765	766
Per cent of net turnover	5.2	4.7	4.5	3.8	4.7	4.5
Earnings for the year	679	644	607	492	605	604
Per cent of net turnover	4.1	3.7	3.5	2.9	3.7	3.6
Earnings for the year (Kuehne + Nagel share)	676	633	597	484	600	600
Per cent of net turnover	4.0	3.6	3.5	2.8	3.7	3.6
Depreciation, amortisation and impairment of intangible assets and goodwill	191	186	201	222	228	239
Per cent of net turnover	1.1	1.1	1.2	1.3	1.4	1.4
Operational cash flow	1,045	1,000	966	849	978	992
Per cent of net turnover	6.2	5.7	5.6	5.0	6.0	5.9
Capital expenditures for fixed assets	241	186	181	163	207	134
Per cent of operational cash flow	23.1	18.6	18.7	19.2	21.2	13.5
Total assets	6,099	6,603	6,374	6,279	6,141	5,941
Non-current assets	2,231	2,175	2,133	2,203	2,239	2,058
Equity	2,126	2,453	2,558	2,425	2,405	2,378
Per cent of total assets	34.9	37.1	40.1	38.6	39.2	40.0
Total employees at year end	67,236	63,448	62,744	63,248	63,110	57,536
Total full-time equivalent at year end	80,056	74,497	72,036	72,399	71,884	66,045
Personnel expenses	3,741	3,764	3,735	3,606	3,387	3,392
Per cent of net turnover	22.4	21.5	21.7	21.1	20.9	20.1
Gross Profit in CHF 1,000 per FTE	78	84	87	84	82	90
Personnel expenses in CHF 1,000 per FTE	47	51	52	50	47	51
Basic earnings per share (nominal CHF 1) in CHF						
Consolidated earnings for the year (Kuehne + Nagel share) [1]	5.64	5.28	4.98	4.05	5.03	5.05
Distribution in the following year	5.00	4.00 [3]	3.85 [3]	3.50	3.85	2.75 [2]
in per cent of the consolidated net income for the year	88.6	75.8	77.4	86.6	76.7	54.7
Development of share price						
SIX Swiss Exchange (high/low in CHF)	148/118	136/115	122/99	125/95	139/92	137/92
Average trading volume per day	204,420	149,896	164,482	160,403	170,427	190,910

1 Excluding treasury shares.
2 Excluding payment of capital contribution reserves.
3 Excluding extraordinary dividend.

125 +

TRADITION AND INNOVATION

125 years ago, August Kuehne and Friedrich Nagel established a seaport freight forwarding company in Bremen under the name Kuehne + Nagel. What started with the transportation of natural products such as cotton, grain, wood, animal feed and sugar has developed into one of the world's leading logistics companies. With its global logistics network Kuehne + Nagel offers its customers integrated and future-oriented logistics solutions.

FROM BREMEN TO THE BIG WIDE WORLD –
THE LONG JOURNEY HAS BEEN WORTH IT.

KLAUS-MICHAEL KUEHNE

Ladies and Gentlemen,
dear Co-Shareholders

Over three family generations and a period of 125 years, Kuehne + Nagel has developed from modest beginnings to one of the world's three largest logistics companies. This achievement is not only attributable to our corporate policy, which has always focused on healthy growth and economic efficiency, but above all to our many hard-working employees all around the world.

Even today, we still follow our basic principles of choosing our employees carefully, motivating them and enabling them to progress in the company. Over the years and decades, this has resulted in a team spirit that shapes our culture and is simply indispensable for a logistics company with a global presence, increasingly complex tasks and a cross-sectional function.

I owe my thanks to my grandfather and my father. They dedicated their lives to the weal and woe of Kuehne + Nagel and guided the company through good times and bad with a great sense of responsibility, entrepreneurial spirit, creativity and hard work.

As a result of this I, too, developed very close, emotional ties with the company. Since the early 1960s, I was privileged to play a decisive role in shaping its development and, together with an excellent management team, steer a successful course. Thus it was possible to achieve my goal of creating a global logistics network. In parallel to this, we have continually expanded our product portfolio and constantly improved the service quality. There had been crisis and setbacks, but we overcame these through hard work, commitment and good fortune.

In 2015, the company's 125th anniversary year, we were pleased to see that Kuehne + Nagel stands on firm foundations and is seizing the opportunities offered by this globalised world with unabated momentum. The annual result clearly confirms this.

The management team is well established, the Board of Directors and the Management Board work successfully together. The entrepreneurial spirit that has shaped the company's development over the last 125 years still prevails with a high level of responsibility and expertise, giving me the confidence that Kuehne + Nagel will continue to successfully maintain and expand its position as one of the globally leading logistics companies.

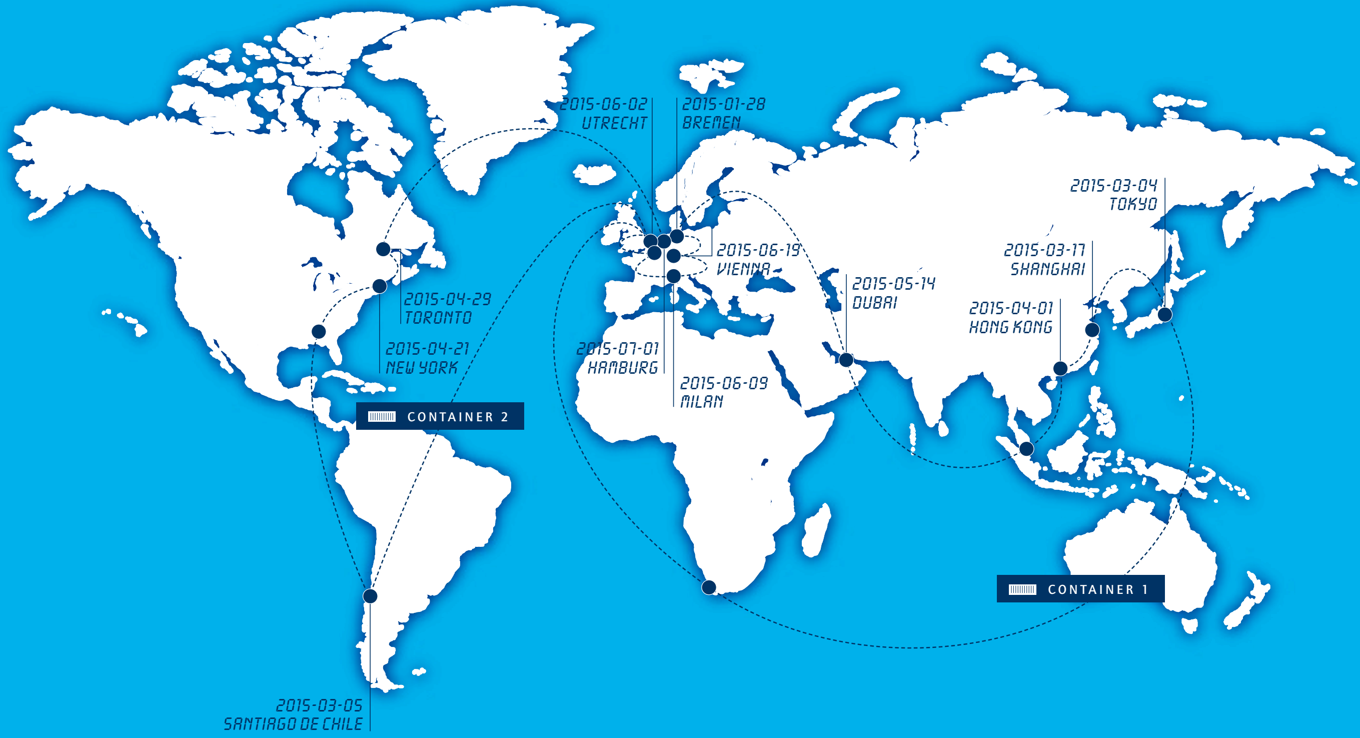
I would like to thank all employees for their valuable contributions to the company's success. Special thanks also go to our customers around the world, without whose loyal business relations with Kuehne + Nagel we would not be where we are today.

I am delighted that many of our customers and business partners were able to celebrate our 125th anniversary with us within the scope of our Container Anniversary World Tour.

Yours sincerely

Klaus-Michael Kuehne

CONTAINER ANNIVERSARY WORLD TOUR



The Container Anniversary World Tour was a key element of the Kuehne + Nagel 125th anniversary celebrations. As a symbol of our company's history the two 40-foot containers started their journey – like our company – in Bremen and visited all five continents before finally returning to Germany. On board was state-of-the-art equipment including information terminals for the presentation of our history, service portfolio, innovations, as well as our people and career opportunities. The containers demonstrated to visitors around the world how Kuehne + Nagel uses innovative ideas to continually overcome boundaries and enter new territory.

START BREMEN // 2015-01-28

The origins of Kuehne + Nagel began in Bremen in 1890 and it is from this city, 125 years later, that two containers equipped with multimedia technology set out on a journey around the world. The combination of tradition and innovation has made the company a global player in the logistics sector.

2015-01-28

BREMEN

Karl Gernandt, Klaus-Michael Kuehne, Bremen Mayor Jens Boehrnsen and Dr. Detlef Trefzger at the official start of the anniversary year.

2015-03-04

TOKYO

Since 1982 Kuehne + Nagel is operating in the Japanese financial metropolis. Today, the company is represented nationwide with ten offices and four logistics centres.

2015-03-17

SHANGHAI

Shanghai is of great importance to Kuehne + Nagel. It was here that the company was the first international logistics provider to receive a Class A forwarder licence to operate a fully owned subsidiary back in 2004.

2015-04-01

HONG KONG

Already in 1965 Kuehne + Nagel opened its first office in Hong Kong. Today, the company is firmly established in the megacity and benefits from its early entrance to the market.

2015-05-14

DUBAI

Kuehne + Nagel received its official trade licence for the United Arab Emirates in 1978. Today, the company operates out of state-of-the-art locations such as Dubai Logistics City.

2015-06-02

UTRECHT

The strategically located city of Utrecht became one of Kuehne + Nagel's first European branches outside of Germany.

2015-06-09

MILAN

Italy established itself as an important hub for overland transport operations to and from Germany and the Middle East at an early stage. The Italian Kuehne + Nagel company celebrated its 50th anniversary in 2014.

2015-06-19

VIENNA

Kuehne + Nagel started operations in Austria in 1970. The company's activities in Eastern Europe are also managed from Vienna.

2015-03-05
SANTIAGO DE CHILE

Kuehne + Nagel Chile was established in 1987. Today, the company is a market leader in the country's seafreight sector and a leading provider of industry-specific solutions.

2015-04-21
NEW YORK

Kuehne + Nagel commenced its business activities in the United States in 1966. The national company is now one of Kuehne + Nagel's most successful ones.

2015-04-29
TORONTO

Alfred Kuehne initiated the internationalisation of Kuehne + Nagel in 1953 with the establishment of the Canadian company.

2015-07-01
HAMBURG

Kuehne + Nagel Germany's head office is located in Hamburg's HafenCity.

The anniversary activities ended with celebrations in the then still incomplete Elbe Philharmonic Hall.

The Kuehne + Nagel choir was a fantastic surprise at the anniversary gala.

Klaus-Michael Kuehne proudly presents the anniversary container to Hamburgs First Mayor Olaf Scholz.

ARRIVAL IN HAMBURG // 2015-07-01

After 43,000 nautical miles and 7,000 kilometres over land, the anniversary containers returned to Germany. During their journey, they brought history to life and provided insights into the modern world of Kuehne + Nagel – as a symbol of its corporate culture of being true to heritage while always moving with the times.

BUSINESS UNITS OF THE KUEHNE + NAGEL GROUP

SEAFREIGHT

AIRFREIGHT

OVERLAND

CONTRACT LOGISTICS

CONTENTS

KARL GERNANDT
Chairman of the Board of Directors

NEW RECORD HIGH IN THE ANNIVERSARY YEAR
EARNINGS FOR THE YEAR IN SWISS FRANCS UP 5.4 PER CENT

In 2015, the Kuehne + Nagel Group increased its profitability in a market environment characterised by high volatility, currency shifts and geopolitical crises. While net turnover and gross profit fell slightly for currency conversion reasons, the operational result (EBITDA) increased by 3.6 per cent to CHF 1,041 million. Despite negative currency effects of 7.3 per cent net earnings for the year improved by 5.4 per cent to CHF 679 million.

INTERVIEW WITH KARL GERNANDT,
CHAIRMAN OF THE BOARD OF DIRECTORS

Mr. Gernandt, how was 2015 for the Kuehne + Nagel Group?

KARL GERNANDT: 2015 was a challenging, highly successful but also very emotional year for the Kuehne + Nagel Group. The fact that a company can look back at 125 years of history is an amazing achievement in itself. And if, after 125 years, it can present itself like Kuehne + Nagel – tradition-conscious yet still young and innovative, with economic success globally despite difficult market conditions – this is something to be proud of.

I am also proud of how strongly our employees identify with the company and the dedication and enthusiasm they show in contributing to shape its future development. This was something that I tangibly experienced all around the world during the anniversary celebrations.

The global economic environment, in which we operate, with its abrupt and disruptive developments, was certainly challenging. So were the targets we set ourselves, but we met these through the consistent implementation of the strategy we had developed, coupled with hard work and great commitment. We can be very satisfied with what we achieved in the anniversary year.

What were the main challenges in the market environment?

KARL GERNANDT: Let us start with the volatile currency environment. An international logistics company is subjected to exchange rate shifts in two regards. Firstly, they affect the earnings – in our case, the increase in earnings for the year slowed by 7.3 per cent – and secondly, they result in changes to the global goods flows. In today's market, it is far from unusual for customers to relocate their sourcing at short notice. This calls for flexibility and quick responses on behalf of the logistics provider.

Furthermore, the geopolitical crises, the slower growth in the raw-material-exporting countries, austerity policies in Europe and China's new economic orientation all prevented the upturn of overall demand in the global economy. One definite bright spot was the economic situation in the USA, although it suffered from the harsh winter in the first quarter and the protracted port strike on the West Coast. To return to China for a moment: there is no other region anywhere in the world that is growing that fast and which is still driving the global exchange of goods.

"In my opinion, adaptive management is particularly important in volatile times. This means that you have to have clearly defined strategic objectives but you need to be adaptable with regard to their implementation."

How did Kuehne + Nagel deal with these challenges?

KARL GERNANDT: It was of great advantage that we had prepared ourselves for a volatile environment and that our structures and processes are flexible enough to respond quickly to new market situations. Furthermore, our business model is both agile and resilient. In my opinion, adaptive management is particularly important in volatile times. This means that you have to have clearly defined strategic objectives but you need to be adaptable with regard to their implementation. As long as the organisation is prepared for proactive countermeasures you can operate successfully, even in tough environments.

In 2015, Kuehne + Nagel once again achieved a new record result. What contributed to this positive development?

KARL GERNANDT: The main factor to be mentioned here is the strong performance of our seafreight and airfreight business units. Following a good start into 2015, growth in the global airfreight market stagnated and even declined. Against this trend, Kuehne + Nagel increased tonnage by 4.7 per cent coupled with high profitability. In seafreight, EBIT increased by an impressive 15.3 per cent in 2015. This reflects the strengths of these two business units, namely their proximity to customers and the markets.

In the overland business we are on the right track and the acquisition of ReTrans, a leading US provider of overland solutions, expands our sphere of action. The result in contract logistics suffered due to negative currency effects and was also impaired by the need to restructure the drinks logistics business in the UK. With regard to the order situation, however, we are very satisfied with the new contracts concluded in 2015, which allow us a positive outlook.

From a regional perspective, the USA, Greater China and Europe made notable contributions to the result.

How do you expect the global economy to develop in 2016 and in which regions do you see growth stimuli?

KARL GERNANDT: The global economy itself is showing moderate growth, although the joint effects of geopolitical risks and market turbulences pose a risk to this.

Growth stimuli will come especially from the ASEAN member states and Greater China due to the demographic development and the fast growth of the middle classes. Kuehne + Nagel is increasingly focusing on these regions and intra-Asian trade, which is becoming more and more important. Moderate economic growth is expected in the traditional industrial nations. Despite the tightening of monetary policy and it being an election year I still expect the US economy to develop positively.

What do the business units need to focus on?

KARL GERNANDT: The volatility in the shipping markets will continue to present challenges for our seafreight business. Those who can successfully manage the market dynamics – and this is once again our aim – will stand out from the competition. In airfreight the focus is to build on the success of previous years in a demanding environment and expand the strong market position through digital developments. The emphasis of the overland business is on profitable growth; we particularly expect business expansion in North America as a result of the ReTrans acquisition. In contract logistics the focus is to efficiently and profitably implement the newly acquired contracts.

How can Kuehne + Nagel position itself in a changing competitive environment?

KARL GERNANDT: A long-established company like Kuehne + Nagel differentiates itself through its experience, its customer proximity and its promise of reliable services. When these are coupled with innovative spirit, it can ensure a leading market position.

With regard to the change in the competitive environment, the trend towards consolidation through mergers and acquisitions picked up pace in 2015. At the same time, we have recently been seeing an increasing number of investments in digital start-up companies that focus on the transportation and logistics market. It is yet to be seen how sustainably these will change the market. Remarkable is the high speed at which new digital business models are launched.

How is Kuehne + Nagel preparing for digital transformation?

KARL GERNANDT: We will proactively and adaptively consider the dynamics of digitalisation. This means that we are standardising and automating our processes while simultaneously continuing to develop new digital products. This creates enhanced efficiency for both our company and our customers.

Despite all the prophecies of doom, do you have a positive outlook for 2016?

KARL GERNANDT: We will most likely have to cope with several political and economic issues and again be faced with frequent changes. This calls for situational leadership. We are also relying on the flexibility and commitment of our employees worldwide. They helped to achieve the good result in 2015 and will enable us to continue the positive company development in 2016 as well – and this gives me a strong sense of optimism.

Dividend for the 2015 business year

In view of the excellent business performance, the Board of Directors will propose to the Annual General Meeting of May 3, 2016 a dividend of CHF 5.00 per share (previous year: CHF 4.00 per share and CHF 3.00 anniversary dividend per share). This enables shareholders to participate in the success of the company, while also being an expression of the Board of Directors' confidence in the future business performance.

The Board of Directors would like to thank all Management Board members and all employees for their hard work, dedication and commitment in the challenging year 2015. Finally, thanks are extended to all customers and partners for their good business relations and their confidence in the Kuehne + Nagel Group. The company regards this customer confidence as a motivation for 2016.

Board of Directors

Klaus-Michael Kuehne, Karl Gernandt, Dr. Joerg Wolle, Bernd Wrede, Dr. Renato Fassbind, Juergen Fitschen, Hans Lerch, Dr. Thomas Staehelin and Dr. Martin Wittig presented themselves for re-election at the Annual General Meeting on May 5, 2015, and were all confirmed for a further period of one year. The Annual General Meeting elected Karl Gernandt as Chairman of the Board of Directors for a further period of one year.

In the 2015 business year, the Board of Directors performed the duties assigned to it by the law, articles of association and organisational rules, and continuously supervised and consulted closely with the Management Board. After careful consideration it agreed to many business transactions subject to its approval. These included not only strategic decisions but also budget and personnel planning, investments and the conclusion of contracts of particular importance to the company.

Board Committees

The Board of Directors' regular committees are the Audit, the Chairman's and the Nomination and Compensation Committees. The Chairman's Committee focused intensively on the further development of Kuehne + Nagel in a dynamically changing economic and competitive environment. In 2015, the committees met periodically and, as a rule, at quarterly intervals, with the respective chairman reporting on the results at subsequent meetings of the Board of Directors.

Risk assessment

The Audit Committee together with the Management Board make regular assessments of business risks. These assessments also consider antitrust investigations conducted by various competition authorities that affected Kuehne + Nagel.

Management Board

Gianfranco Sgro has been responsible for the contract logistics business unit since February 1, 2015. This was previously managed by Dr. Detlef Trefzger in addition to his function as CEO. At the end of 2015, the Management Board comprised eight members with Dr. Detlef Trefzger as its Chairman.

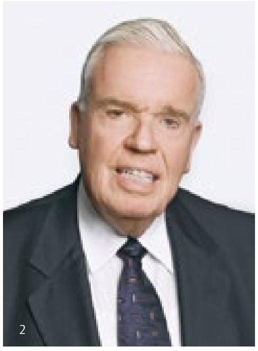
Shareholder structure

At the end of 2015, the shareholder structure of Kuehne + Nagel International AG was as follows:

Kuehne Holding AG	53.3 per cent
Other shareholders (Free Float)*	46.6 per cent
Treasury shares	0.1 per cent

*incl. Kuehne Foundation (4.6 per cent)

Karl Gernandt
Chairman of the Board of Directors






1 KARL GERNANDT, *Chairman*
2 KLAUS-MICHAEL KUEHNE, *Honorary Chairman*
3 DR. JOERG WOLLE, *Vice Chairman*
4 BERND WREDE, *Vice Chairman*
5 DR. RENATO FASSBIND
6 JUERGEN FITSCHEN
7 HANS LERCH
8 DR. THOMAS STAEHELIN
9 DR. MARTIN C. WITTIG

EMEA

STRONG ROOTS: KUEHNE + NAGEL IS SET FOR SUSTAINABLE SUCCESS.

EMEA // HAMBURG

AMERICAS

ALWAYS ON THE MOVE: KUEHNE + NAGEL'S RESPONSE TO MARKET DYNAMICS IS AGILITY.

NEW YORK // AMERICAS

ASIA-PACIFIC

TRUE DIMENSIONS: KUEHNE + NAGEL GENERATES GROWTH THROUGH CUSTOMER PROXIMITY.

SHANGHAI // ASIA-PACIFIC

CONTINUED SUCCESS

2015 was a very successful year for the Kuehne + Nagel Group. Profitability further increased leading to a new record result. While the EBIT margin amounted to 5.1 per cent and exceeded the target ahead of time, EBIT improved by 3.8 per cent. Compared with the previous year, in 2015 earnings for the year increased by CHF 35 million despite negative currency effects. This positive performance was driven by the effectiveness of our efficiency programmes and the successful implementation of "Focus + Excellence" strategic initiatives.

General conditions in the international logistics business

In 2015, the international logistics industry once again faced low world trade growth, excess carrier capacities, volatile rates and pressure on margins. Furthermore, currency shifts and geopolitical conflicts led to changes in trade flows and often caused retailers and industrial companies to restructure their supply chains. For agile and customer-oriented logistics providers such as Kuehne + Nagel, this opened up new business opportunities.

Consistent strategy implementation leads to continuous improvement of results

The Kuehne + Nagel growth strategy focuses on international customers, profit orientation and the targeted expansion of market shares. In addition, special importance is attached to a steady increase in productivity, efficient cost management and innovative products and services. The initiatives of the "Focus + Excellence" programme, which was launched in 2014 and aims at the further strengthening of global networks, the scaling of industry-specific solutions and a positive development of volumes and margins, showed sustainable effect in 2015.

Development of individual business units

Although seafreight volumes fell by 1.8 per cent in the first half of the year as a result of focusing on profitable business, this was fully compensated in the second half. The company gained significant market shares in transatlantic and transpacific trade lanes, thus strengthening its leading market position. Growth was also recorded in the reefer segment and intra-Asian operations, in line with the objectives of the "Focus + Excellence" programme. Profits improved from quarter to quarter. Compared to the previous year the EBIT-to-gross profit margin increased to 33.2 per cent and the EBIT rose by 15.3 per cent despite negative currency effects. At the end of 2015, the innovative KN FreightNet platform was launched for Seafreight LCL. This digital application makes it possible to quickly obtain customer-specific quotations and directly place orders online.

In the airfreight business, Kuehne + Nagel remained successful on course. The 4.7 per cent increase in tonnage to 1,250,000 tonnes in a stagnant to slightly declining market went hand in hand with further profitability improvement. The conversion

1 DR. DETLEF TREFZGER, *CEO*
2 MARKUS BLANKA-GRAFF, *CFO*
3 LOTHAR HARINGS, *Human Resources*
4 MARTIN KOLBE, *Information Technology*
5 STEFAN PAUL, *Overland*
6 HORST JOACHIM SCHACHT, *Seafreight*
7 TIM SCHARWATH, *Airfreight*
8 GIANFRANCO SGRO, *Contract Logistics*

As per December 31, 2015

rate rose from 27.0 per cent in the previous year to 29.3 per cent, EBIT increased by 11.3 per cent. Industry-specific solutions offered by Kuehne + Nagel in this business unit are tailored to market needs, offer high added value and are subject to growing demand. As a result, in 2015 several new customers were won in the pharmaceutical, aviation and industrial goods industries. Perishables logistics was mainly expanded in the USA, Asia and Africa. Kuehne + Nagel will continue its focus on industry-specific airfreight solutions in 2016. The digital booking and tracking portal KN FreightNet is firmly anchored in the market and recording strong growth.

In overland, the "Focus + Excellence" initiatives concentrated on the implementation of the new production concept for less than truckload and full truckload shipments, the expansion of the groupage activities in Germany, France and the UK and the more intensive marketing of KN I2M Overland, a new solution for customer-specific procurement logistics. The acquisition of ReTrans, a US provider of intermodal overland solutions, marked an important step in the expansion of overland activities outside Europe. This transaction not only enables Kuehne + Nagel to strengthen its position as an integrated logistics provider in the USA, Canada and Mexico, but also expand its product range to include intermodal solutions. The overall positive development was impacted by an antitrust fine imposed by the French competition authority on twenty French parcel service providers, including the Alloin Group, a local transport company which Kuehne + Nagel took over in 2009. An appeal has been lodged against the French competition authority's decision. Claims against the former seller are also being taken into consideration. Kuehne + Nagel regards its comprehensive and continually updated KN Ethics and Compliance Programme as the prevailing standard for good business practises.

The ability to offer scalable end-to-end solutions to customers from the automotive, high-tech, pharmaceutical and consumer goods industries, among others, led to numerous new business wins in contract logistics in 2015. The KNPS production system introduced company-wide identified and realised further potential for process optimisation, increased productivity and quality assurance. With over 9.5 million square metres warehousing space, Kuehne + Nagel managed 860,000 square metres more as in the previous year; idle space was reduced globally from 4.2 per cent to 3.5 per cent. The results, however, were impacted by negative currency effects and the drink logistics business in the UK. Subsequently EBIT declined by CHF 34 million to CHF 119 million. In the field of integrated logistics, the globally implemented Kuehne + Nagel Logistics Control Towers contributed to win new, complex supply chain management projects.

Business performance in Europe, Middle East, Central Asia and Africa (EMEA)

Despite the tense economic situation in several countries, demand in Western Europe remained very satisfactory until the fourth quarter, especially with regard to seafreight and airfreight. The sluggish growth of Asian imports could be partially compensated by strong volume increases in transpacific trade lanes. All in all, the European export business developed very positively. Worth mentioning is the good performance of the national companies in Germany, Spain and the UK. Although development in Eastern Europe was slowed by the shrinking

Russian economy and the political unrest in Ukraine, the targets in this region were generally met and the business basis expanded. In the Middle East and Africa, country-specific consolidation and growth programmes were developed for several Kuehne + Nagel companies. In the second half of the year, political conflicts in the Middle East negatively influenced the market environment, reducing investments and consumer trust that impacted the logistics sector as well.

North, Central and South America (Americas)

In 2015, the USA was not only a macroeconomic growth driver, but also an important one for Kuehne + Nagel. From the second quarter onwards, the import business via the transpacific and transatlantic trade lanes increased and intra-continental traffic showed a clear upturn. Supported by these developments the US national company achieved excellent results and raised earnings in all business units. In Mexico, foreign trade returned to its former strength and Kuehne + Nagel maximised business opportunities. In South America, on the other hand, the development of business reflected the unstable political and economic situation in several countries and the currency dislocations also left their mark. The development of results in Chile, Colombia and Central America, however, exceeded expectations.

Asia-Pacific

Kuehne + Nagel succeeded in compensating the reduced volume of exports from China to Europe through the growth in intra-Asian and transpacific trades. With its industry-specific logistics solutions the company gained market shares, in particular, in China. Furthermore, business developed very well in Japan, Korea, Malaysia and Vietnam. Kuehne + Nagel will continue its expansion policy in Asia and its investments in this region. Both, Singapore as a regional hub for the ASEAN member states, and China for intra-Asian trade, play important roles.

Summary and outlook

In its anniversary year, the Kuehne + Nagel Group generated a new record result and further increased the company value. As a globally operating company it faced very different dynamics. Due to its flexible structures Kuehne + Nagel is able to respond quickly and effectively to changing market dynamics. The range of services is tailored to customer requirements of different industries and continuously optimised. Kuehne + Nagel not only lived up to its commitment to constant improvement in all business areas but also in the sales organisation, customer service departments as well as the functional units. This made it possible to achieve progress in all operational and functional fields, which will also safeguard the future success. The Management Board would like to express its gratitude for this to all employees worldwide.

The aim is to again achieve sustainable and profitable growth in the current business year and further improve the operational performance. The commitment, drive and customer orientation of all employees will be major factors for our continued success.

Dr. Detlef Trefzger
CEO and Chairman of the Management Board

FINANCIAL REVIEW

In 2015 the Kuehne + Nagel Group achieved a new record result despite a challenging macroeconomic environment with a substantial negative currency impact.

Global growth in 2015 was moderate with 2.4 per cent versus 2.6 per cent in 2014 (World Bank, Global Economic Prospects, January 2016). The slow recovery of growth continued in developed economies whereas growth in emerging markets declined for the fifth consecutive year. Global trade saw a similar subdued development in 2015 with an estimated world trade volume growth of 2.6 per cent versus 3.4 per cent in 2014 (IMF, World Economic Outlook Update, January 19, 2016) including an increase of volumes in developed economies and a decrease in emerging markets.

On January 15, 2015, the Swiss National Bank discontinued to support a minimum exchange rate of CHF 1.20 Swiss Francs per Euro leading to a significant weakening of the Euro against the Swiss Franc. Kuehne + Nagel reports its Consolidated Financial Statements in Swiss Francs, hence, a negative currency translation impact of 11.6 per cent resulted on the conversion of the Euro-based countries' income statements in 2015.

Both of the above mentioned events led to a decrease in turnover and gross profit, whereas the Group improved its profitability significantly and reached an EBIT growth of 3.8 per cent in 2015 (excluding currency impact of 10.9 per cent). In addition, with 5.1 per cent the Group achieved its target of 5.0 per cent EBIT in per cent of net turnover.

The main contributors of the profitability increase were the Sea and Airfreight business units with 15.3 and 11.3 per cent EBIT growth respectively.

Seafreight volumes remained stable at 3,820,000 TEU whereas the conversion rate (EBIT to gross profit margin) was increased from 30.3 per cent in 2014 to 33.2 per cent in 2015. Airfreight increased volumes by 4.7 per cent to 1,250,000 tons and the conversion rate from 27.0 per cent in 2014 to 29.3 per cent in 2015.

In Overland the key performance indicator EBITDA to net turnover margin was with 1.9 per cent slightly below the previous year's 2.5 per cent, excluding the antitrust fine with a net impact of CHF 12 million imposed by the French Competition Authority in Q4 2015, the same margin would have remained stable at 2.4 per cent. The acquisition of ReTrans, a US-based leading provider of multimodal transportation management solutions, in August 2015, has significantly strengthened the Group's position as an end-to-end logistics provider in North America.

The business unit Contract Logistics was heavily impacted by negative foreign currency fluctuations. Nevertheless, it was able to defend its EBITDA to net turnover margin at 5.1 per cent versus 5.8 per cent in 2014.

KEY FINANCIAL FIGURES

CHF million	2015	2014	Variance in per cent
Turnover	20,283	21,291	–4.7
Net turnover	16,731	17,501	–4.4
Gross Profit	6,251	6,288	–0.6
Gross Profit in per cent of net turnover	37.4	35.9	
EBITDA	1,041	1,005	3.6
EBIT	850	819	3.8
EBIT in per cent of net turnover	5.1	4.7	
Earnings for the year	679	644	5.4
Earnings for the year (Kuehne + Nagel share)	676	633	6.8
Earnings per share (in CHF)	5.64	5.28	6.8
Operational cash flow	1,045	1,000	4.5
Capital expenditures for fixed assets	241	186	29.6
Total employees at year end	67,236	63,448	6.0
Total full-time equivalents at year end	80,056	74,497	7.5

Kuehne + Nagel's net turnover decreased by CHF 770 million or 4.4 per cent and gross profit by CHF 37 million or 0.6 per cent compared to the previous year. At constant exchange rates, excluding acquisitions, net turnover would have increased by 2.5 per cent or CHF 440 million and gross profit by 7.5 per cent or CHF 472 million.

EBIT increased by CHF 31 million or 3.8 per cent. At constant exchange rates the increase would have been CHF 89 million or 10.9 per cent. The Group increased earnings for the year 2015 by CHF 35 million or 5.4 per cent compared to 2014, in constant currencies by CHF 82 million or 12.7 per cent. Capital expenditure in fixed assets in 2015 increased by CHF 55 million or 29.6 per cent to CHF 241 million mainly due to an investment in a built-to-suit logistics centre in Singapore.

The Kuehne + Nagel Group increased the number of employees year-on-year by 3,788 or 6.0 per cent to 67,236 employees. The number of full-time equivalents reached 80,056 versus 74,497, which is an increase of 5,559 or 7.5 per cent.

INCOME STATEMENT

Turnover

In 2015 Kuehne + Nagel's turnover amounted to CHF 20,283 million representing a decrease of 4.7 per cent or CHF 1,008 million compared to the previous year. Organic business growth resulted in an increase in turnover of CHF 489 million (2.3 per cent) and acquisitions contributed CHF 192 million or 0.9 per cent. The exchange rate fluctuation had a negative impact of CHF 1,689 million (7.9 per cent).

At a regional level, the Americas (6.6 per cent) and Asia-Pacific (0.7 per cent) regions reported increases in turnover. The Europe, Middle East, Central Asia and Africa (EMEA) region experienced a reduced turnover of 9.3 per cent mainly due to negative currency translation impacts.

Exchange rate fluctuations between 2014 and 2015, based on average yearly exchange rates, led to a decreased valuation of the Euro and the British Pound as well as dependent currencies of 11.6 and 2.2 per cent respectively and an increased valuation of the US Dollar of 5.1 per cent against the Swiss Franc.

Net turnover

In 2015 Kuehne + Nagel's net turnover amounted to CHF 16,731 million representing a decrease of 4.4 per cent or CHF 770 million compared to the previous year. Organic business growth resulted in an increase in net turnover of CHF 440 million (2.5 per cent) and acquisitions contributed CHF 192 million (1.1 per cent). The exchange rate fluctuation had a negative impact of CHF 1,402 million (8.0 per cent).

At a regional level, the Americas (9.2 per cent) and Asia-Pacific (0.1 per cent) regions reported increases in net turnover whereas the EMEA region reported a decrease of 9.6 per cent mainly due to negative currency translation impacts.

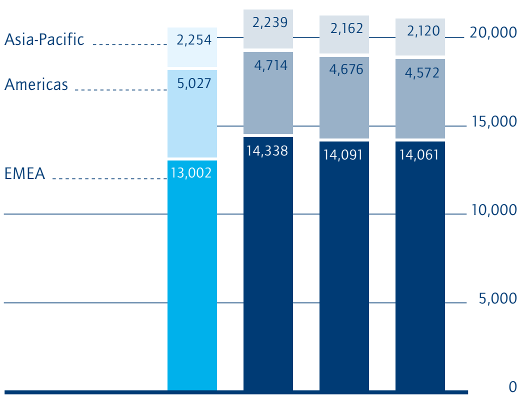
Gross profit

Gross profit, a better indicator of performance than net turnover in the logistics and forwarding industry, reached CHF 6,251 million in 2015, which represents a decrease of 0.6 per cent or CHF 37 million compared to the previous year. Organic business growth resulted in an increase in gross profit of CHF 472 million (7.5 per cent) and exchange rate fluctuation had a negative impact of CHF 538 million (8.6 per cent). Acquisitions contributed CHF 29 million (0.5 per cent).

At a regional level, the Americas (14.0 per cent) and Asia-Pacific (10.9 per cent) regions reported increases in gross profit whereas the EMEA region reported a decrease of 5.1 per cent mainly due to negative currency translation impacts.

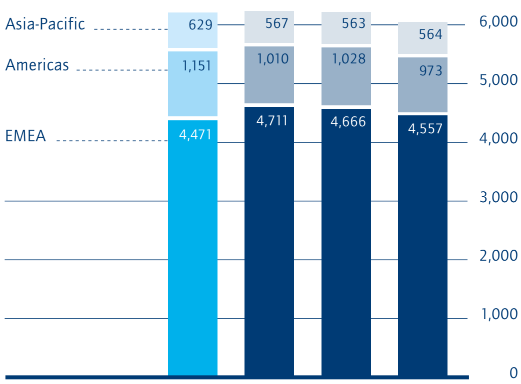
Regional turnover

CHF million	2015	2014	2013	2012
	20,283	21,291	20,929	20,753

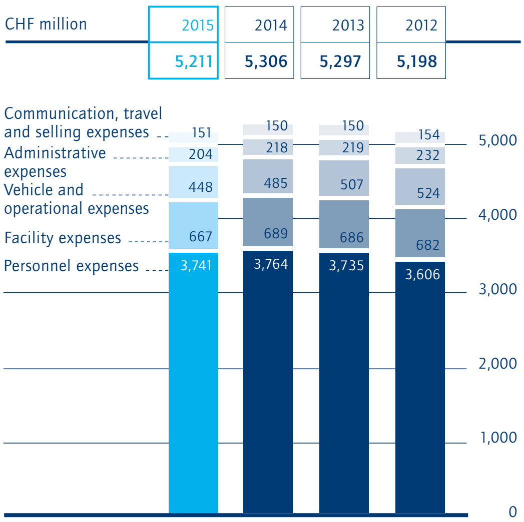


Regional gross profit

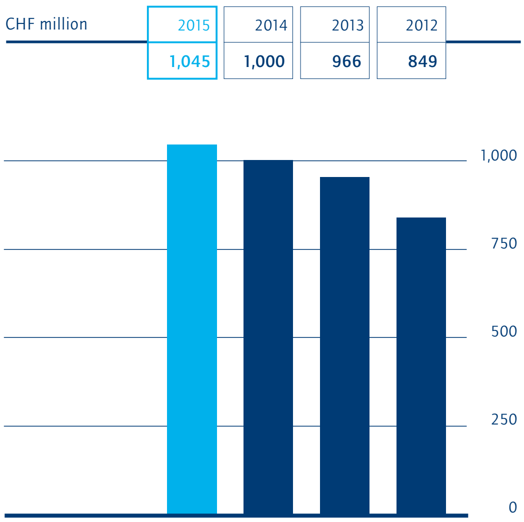
CHF million	2015	2014	2013	2012
	6,251	6,288	6,257	6,094



Operational expenses



Operational cash flow



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 45 million to CHF 1,045 million (for further information, please refer to the cash flow statement on page 76).

EBITDA

Earnings before interest, tax, depreciation, amortisation and impairment of property, plant and equipment, goodwill and other intangible assets increased by CHF 36 million or 3.6 per cent compared to the previous year; EBITDA of organic business increased by CHF 107 million, business from acquisitions contributed CHF 7 million, and the negative exchange rate development accounted for a decrease of CHF 78 million. EMEA generated the largest EBITDA contribution with CHF 580 million (55.7 per cent) followed by the Americas with CHF 231 million (22.2 per cent) and Asia-Pacific with CHF 230 million (22.1 per cent).

The EBITDA margin to net turnover increased to 6.2 per cent compared to 5.7 per cent in 2014 due to constant cost control measures. Personnel expenses decreased by CHF 23 million or 0.6 per cent.

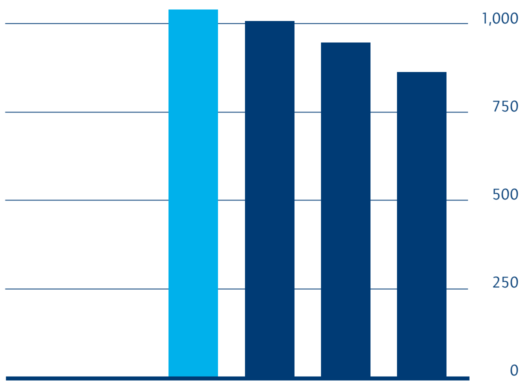
EBIT / Earnings for the year

In 2015, earnings before interest and tax (EBIT) increased by CHF 31 million to CHF 850 million (2014: CHF 819 million). The increase was mainly due to higher profitability of the organic business by CHF 89 million, whereas the exchange rate development impacted negatively by CHF 58 million.

EBIT increased by CHF 44 million (28.2 per cent) in the Americas and by CHF 29 million (15.7 per cent) in Asia-Pacific, whereas EBIT reduced in EMEA by CHF 42 million (8.8 per cent). The EBIT margin to net turnover for the Group has increased to 5.1 per cent compared to 4.7 per cent in 2014.

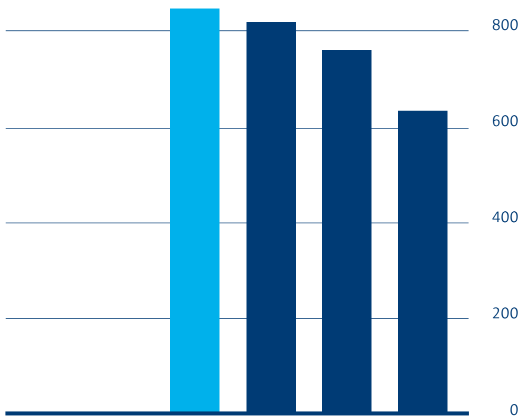
EBITDA

CHF million	2015	2014	2013	2012
	1,041	1,005	962	855



EBIT

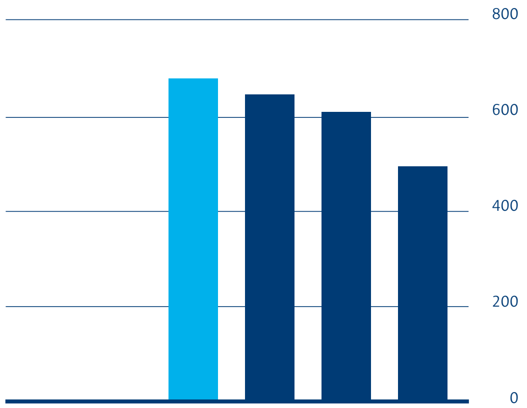
CHF million	2015	2014	2013	2012
	850	819	761	633



The earnings for the year increased by CHF 35 million to CHF 679 million compared to the previous year's CHF 644 million, whereby the margin increased to 4.1 per cent (in per cent of net turnover) compared to the previous year's 3.7 per cent.

Earnings for the year

CHF million	2015	2014	2013	2012
	679	644	607	492



FINANCIAL POSITION

Total assets and liabilities of the Group decreased by CHF 504 million to CHF 6,099 million compared to 2014. For details of changes in the balance sheet, please refer to the Consolidated Financial Statements. Cash and cash equivalents decreased by CHF 324 million, mainly on account of the CHF 138 million higher dividend payment made in 2015 compared to 2014; for further information, please refer to the cash flow statement on page 76.

Trade receivables amounting to CHF 2,486 million represent the most significant asset of the Kuehne + Nagel Group. The days of trade receivables outstanding remained stable at 44.4 days compared to December 31, 2014.

The equity of the Group has decreased by CHF 327 million to CHF 2,126 million; this represents an equity ratio of 34.9 per cent (2014: 37.1 per cent).

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

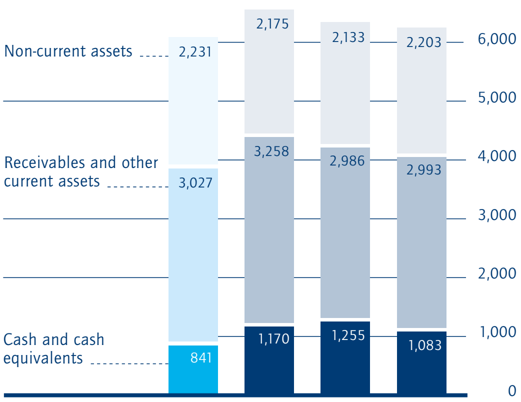
Kuehne + Nagel Group key figures on capital structure

Key figures on capital structure	2015	2014	2013	2012
[1] Equity ratio (in per cent)	34.9	37.1	40.1	38.6
[2] Return on equity (in per cent)	28.7	24.9	23.9	19.9
[3] Debt ratio (in per cent)	65.1	62.9	59.9	61.4
[4] Short-term ratio of indebtedness (in per cent)	55.3	52.7	51.0	51.7
[5] Intensity of long-term indebtedness (in per cent)	9.9	10.2	8.8	9.7
[6] Fixed assets coverage ratio (in per cent)	122.2	143.6	146.3	137.7
[7] Working capital (in CHF million)	496.0	949.0	988	831
[8] Receivables terms (in days)	44.4	44.4	43.2	42.6
[9] Vendor terms (in days)	55.1	54.9	52.6	50.4
[10] Intensity of capital expenditure (in per cent)	36.6	32.9	33.5	35.1

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.

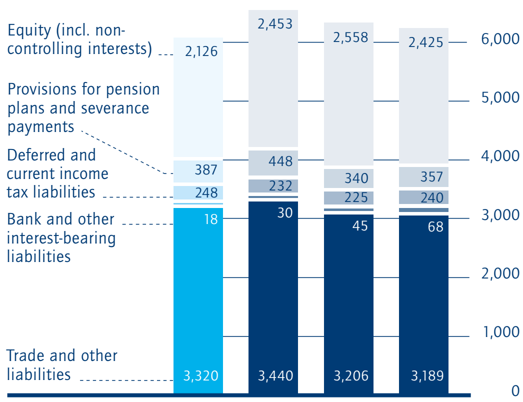
Assets

CHF million	2015	2014	2013	2012
	6,099	6,603	6,374	6,279



Liabilities

CHF million	2015	2014	2013	2012
	6,099	6,603	6,374	6,279



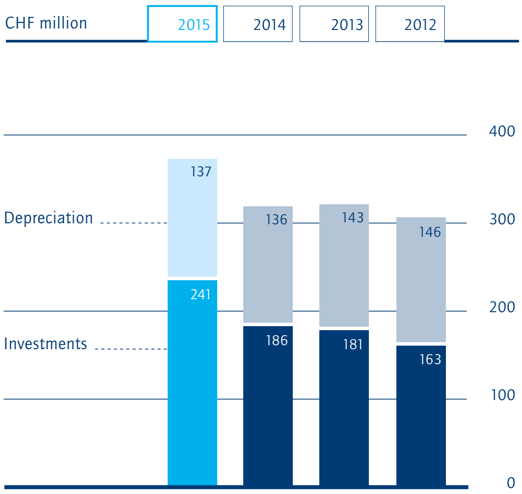
INVESTMENTS, DEPRECIATION AND AMORTISATION

In 2015, the Kuehne + Nagel Group invested a total of CHF 241 million (2014: CHF 186 million) in fixed assets. Investments in properties and buildings amounted to CHF 85 million (2014: CHF 49 million), and CHF 156 million (2014: CHF 137 million) were invested in other fixed assets, operating and office equipment.

All capital expenditure in 2015 was financed by the operational cash flow of CHF 1,045 million generated during 2015.

In 2015 the following major investments were made in properties and buildings:

Investments in fixed assets/depreciation



Location	CHF million	Centres
Singapore	40	Construction of a built-to-suit (BTS) logistics centre
Westzaan, Netherlands	19	New crate-washing and return centre
Eching, Germany	7	Cross dock terminal
Limbach-Oberfrohna, Germany	10	Logistics centre and cross dock terminal
Leipzig, Germany	6	Extension of new logistics centre
Various locations	3	Improvement of existing logistics and distribution centres
Total	**85**	

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

CHF million	2015
Operating equipment	53
Vehicles	37
Leasehold improvements	36
IT hardware	21
Office furniture and equipment	9
Total	**156**

The allocation by region is as follows:

Region

CHF million	2015
EMEA	117
Americas	28
Asia-Pacific	11
Total	**156**

Depreciation and amortisation in 2015 amounted to CHF 191 million and was allocated in the income statement as indicated in notes 26 and 27 to the Consolidated Financial Statements.

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

CHF million	2015	2014	2013	2012
Capital expenditure				
Fixed Assets				
Properties and buildings	85	49	46	28
Operating and office equipment	156	137	135	135
Intangible assets				
Goodwill in consolidated companies	127	–	–	4
Other intangibles through acquisitions	93	–	–	9
IT software	12	10	7	12
Total	**473**	**196**	**188**	**188**
Depreciation and amortisation				
Fixed assets				
Buildings	22	23	23	23
Operating and office equipment	115	113	120	123
Intangible assets				
Amortisation/impairment of other intangible assets	54	50	58	76
Total	**191**	**186**	**201**	**222**

SHAREHOLDER RETURN

Dividend
For 2015 the Board of Directors is proposing a dividend amounting to CHF 5.00 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 599 million (2014: CHF 480 million) resulting in a payout ratio of 88.6 per cent (2014: 75.8 per cent) of the earnings for the year attributable to the equity holders of the Company. In 2014 an anniversary dividend amounted to CHF 359 million. Based on the share price at year-end 2015 the dividend yield on the Kuehne + Nagel share is 5.1 per cent (2014: 4.3 per cent).

Share price and market capitalisation (December 31)

Share price and market capitalisation	2015	2014	per cent change
Share price (in CHF)	137.80	135.30	1.8
Market capitalisation (in CHF million)	16,536	16,236	1.8

Total shareholder return development

in CHF	2015	2014
Increase/(decrease) of share price year over year	2.50	18.20
Dividend per share	7.00	5.85
Total return	9.50	24.05

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 led by the CEO and comprising the CFO, the Chief Compliance Officer, the Head of Internal Audit and the Group General Counsel as members, and the Chairman of the Board of Directors as a guest, monitors the risk profile of the Group, and the development of essential internal controls to mitigate these risks.

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

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 2015
An independent risk assessment procedure was adopted for operational risks. The Regional Management was interviewed in order to assess the risks for each country in their respective region. In addition, Management Board members assessed the overall strategical risk exposure of the Group. The outcome of the risk assessment and respective countermeasures were discussed with Management Board members. Within the framework of the corporate governance process, the updated risk assessment was then presented to the Audit Committee of the Board of Directors. Financial risks analysis and assessment were carried out by the finance and accounting department.

The following risk areas have been identified amongst others and mitigating actions are implemented as follows:

- Financial risks such as development of interest rates, credit and financial markets and currency risks are all constantly monitored and controlled by the finance and accounting department.
- The continuing challenges of the global and macroeconomic developments as well as the uncertainties in the financial markets are of essential importance from a risk-policy point of view. These are managed 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.
- Organised crime and terrorism, and also an 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.
- 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 the network of compliance officers at regional and national levels.

Organisation of risk management
A continuous dialogue between the Management Board, Risk & Compliance Committee and Audit Committee is maintained in order to assure the Group's effectiveness in this area. The risk management system is governed by the Risk Assessment Guideline defining the 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 the 2015 business year 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 being in the constant focus of management.

SEAFREIGHT
SIGNIFICANTLY INCREASED PROFITABILITY

In 2015, Kuehne + Nagel's focus on profitable growth resulted in shipping more than 3.8 million TEU, the same quantity as the previous year, yet with considerably improved profitability: gross profit per TEU increased by 5.2 per cent and the EBIT-to-gross profit margin (conversion rate) rose from 30.3 per cent to an impressive 33.2 per cent. EBIT increased by 15.3 per cent compared to the previous year.

Development of the market and freight rates
With volume growth of barely 2 per cent in 2015, the global seafreight market remained below the average in recent years. This was largely attributable to the market weakness in Asia-Europe and Latin American trades. Even the largest market, intra-Asia, grew by 2 per cent only. The transatlantic and transpacific trades to the USA, however, developed favourably.

In 2015, the global vessel capacities were again expanded by approximately 8 per cent. As a result, the amount of available ship space rose disproportionately to demand. This imbalance led to extraordinary rate volatility and a significant fall in rates as of the middle of the year. This development was further accelerated by the low crude oil prices and far lower bunker surcharges.

Kuehne + Nagel business performance
At the beginning of 2015 negotiations between the shipping lines, terminal operators and the longshoremen's union at the US West Coast ports resulted in major transportation delays and congestion. Thanks to the ability to flexibly respond to challenging situations, Kuehne + Nagel in close cooperation with its customers was successful in finding effective solutions on alternative routes.

In the Asia-Europe trade lanes, Kuehne + Nagel gave up unprofitable business. Initially, this led to a volume decline in the first half of 2015 which was subsequently compensated in the second half of the year by profitable business and volume increases in the North American and intra-Asian trade lanes. Whereas growth in European exports stagnated due to regional difference in demand, Kuehne + Nagel clearly increased volumes in the trades to and from North and South America.

Less-than-Container Load business (LCL)
The strategic decision to develop LCL activities independently from full container business has continued to prove successful. In 2015, Kuehne + Nagel considerably increased the number of shipments and gained further market shares.

River shipping
The performance of Kuehne + Nagel's river shipping business improved again in 2015 with a substantial increase in tonnage. Kuehne + Nagel's river shipping network predominantly covers Rhine-Main-Danube connections to and from the Amsterdam, Rotterdam and Antwerp ports to the Black Sea.

Reefer Container business
The specialised reefer container business enjoyed outstanding growth in 2015. Whereas in previous years, the focus was on perishable shipments, in the year under review, the concentration was on the pharmaceutical and healthcare sectors. With its dedicated seafreight service KN PharmaChain, Kuehne + Nagel offers an innovative, industry-leading product which is highly accepted in the market and has led to double-digit growth rates and a significant financial contribution.

Oil, gas and project business

The development of these business activities was negatively impacted by the low level of the crude oil price. Furthermore, margins came under pressure as a result of several new tenders from customers. These presented interesting business opportunities for Kuehne + Nagel. Major new contracts were won from both the oil and gas industry and in the project business field from which the company will gain long term benefits.

Transport insurance broker business

As in the previous year, the transport insurance broker business, consolidated under the umbrella of the Nacora Group, performed positively and recorded solid results in all insurance areas despite the volatile currency situation. The integrated e-insurance solution, which is well established in the market, played a particularly important role for increasing both business volume and results of the core product marine cargo insurance. In the reporting period, Nacora increased its shares in its Italian subsidiary to 100 per cent. Additionally, investments were made in the expansion of sales organisations in Western and Eastern Europe as well as in Canada.

Process optimisation with "SeaLOG"

In 2015, Kuehne + Nagel started the global implementation of the new operational system for seafreight imports "SeaLOG". During the roll-out phase, this in-house developed IT solution already achieved quality improvements. The "SeaLOG" roll-out will go on in the year under review. This globally standardised system will ensure that Kuehne + Nagel retains its productivity lead over competitors and further strengthen its leading market position.

KN FreightNet for LCL

Following the successful implementation for airfreight, the digital quotation and booking platform KN FreightNet was introduced for seafreight LCL. This innovative application allows Kuehne + Nagel customers to obtain online quotations and immediately book services. Shipments are tracked using the well-established KN Login.

Outlook for 2016

Forecasts indicate a slight recovery of the seafreight market in 2016 with global volume growth of between two and three per cent. This will mainly be attributable to US related trade lanes but also to a moderate volume increase in Asia-Europe trade. The forecasts for Latin American trade lanes are less positive as volumes here are expected to decline as a result of the economic climate. Rates will continue to be volatile and the crude oil price will influence trade and shipping. In the current business year, Kuehne + Nagel will continue to focus on profitable growth.

Performance Seafreight

CHF million	2015	Margin per cent of net turnover	2014	Margin per cent of net turnover	Variance 2015/2014 in per cent
Turnover	8,739		9,240		–5.4
Net turnover	6,406	100.0	6,741	100.0	–5.0
Gross Profit	1,381	21.6	1,313	19.5	5.2
EBITDA	485	7.6	423	6.3	14.7
EBIT	459	7.2	398	5.9	15.3
EBIT in per cent of Gross Profit	33.2		30.3		
Number of operating staff	8,792		8,447		4.1
TEU '000	3,820		3,820		–

AIRFREIGHT
SUCCESSFULLY ON COURSE

In a stagnating to slightly declining overall market, Kuehne + Nagel increased its tonnage by 4.7 per cent, thereby reaffirming its position as the world's second largest airfreight provider. The focus on industry-specific airfreight products and the improvement of operational efficiency led to a further increase in profitability: the EBIT-to-gross profit margin (conversion rate) rose to 29.3 per cent.

Development of the market and rates

The year started with a promising increase in volume, to which – as a result of the longshoremen's strike at the US West Coast – the temporary shift of goods from sea to airfreight contributed. By April the positive volume development in the international airfreight market softened again. At the end of the third quarter, market volumes from Europe, South America and China dropped significantly culminating in a shrinking market in the fourth quarter.

In 2015, there was again no change in the trend with regard to airfreight rates. Falling crude oil prices and the weak global airfreight volume met sustained excess capacities. This led to lower load factors at airlines which in turn increased pressure on the rates.

Kuehne + Nagel business performance and strategy

Kuehne + Nagel bucked the market trend in 2015 and once again demonstrated its strength to grow even in a volatile market environment. Business developed particularly well in North America, Europe and Asia, where numerous new contracts were won.

Key factors for Kuehne + Nagel's good performance in airfreight are the ability to respond quickly to market requirements, the strategic focus on industry-specific airfreight solutions and furthermore the expansion of the customer structure by means of the innovative KN FreightNet platform. The consolidation of the Asian goods flows, initiated in the previous year, was effectively extended and also led to new customer wins. Continual process optimisation is an important part of Kuehne + Nagel's airfreight strategy as well. The global implementation of the "AirLOG Import" software was a decisive step towards the standardisation of core processes and resulted in a further improvement of data quality.

Industry-specific solutions

Kuehne + Nagel's specialised solutions for the pharmaceutical, perishables, aviation and industrial goods sectors enjoyed high market acceptance in 2015. As a result, numerous new customers have been won and existing customer contracts have been expanded.

With KN PharmaChain, Kuehne + Nagel offers an innovative service that meets the high quality requirements of customers from the pharmaceutical and healthcare sectors. In the year under review, the product was upgraded to include additional features and supplemented by new services. Customers showed particular interest in the newly integrated modules for evaluating transport risks and auditing carriers. The handling quality is also regularly reviewed and improved on the basis of specified standards.

The order pipeline for KN EngineChain also developed positively. To offer the rapidly growing aviation and aerospace industry in the Middle East customised solutions for spare parts logistics and the maintenance of aircraft engines, Kuehne + Nagel expanded its range of services in its Dubai Aerospace Hub and won a large amount of new business.

In addition, Kuehne + Nagel generated a volume increase with KN FreshChain, the specialised solution for perishables. The company participated considerably in the export boom of perishables from Europe to the USA and, at the same time, benefited from its global perishables network.

In future, KN FashionChain will become an integral part of the Kuehne + Nagel product range as a specific service package for customers from the fashion industry.

KN FreightNet

In the year under review, the online platform KN FreightNet launched in 2014 was successfully used and the level of its awareness further increased. Thanks to KN FreightNet, which allows customers around the world to receive instant quotes for airfreight shipments, place bookings and track them, it was possible to gain multiple new customers and significantly increase the number of shipments and quotations. With KN FreightNet, Kuehne + Nagel has identified and implemented the requirements of the market. As such, expansion and further development of this innovative sales channel will remain at the centre of the digital strategy.

Outlook for 2016

The forecasts for the global airfreight market are rather muted. It is likely that the capacity offered will continue to exceed demand. Furthermore, the development of the crude oil price will influence the dynamics in the international airfreight sector. Kuehne + Nagel will face the challenges presented by the market and concentrate on its strengths. The strategy of focusing on profitable growth in certain sectors and markets will once again be followed this year. In addition, consolidation of goods flows and development of innovative products will continue to remain priorities in the airfreight business unit in 2016.

Performance Airfreight

CHF million	2015	Margin per cent of net turnover	2014	Margin per cent of net turnover	Variance 2015/2014 in per cent
Turnover	4,014		4,207		–4.6
Net turnover	3,424	100.0	3,557	100.0	–3.7
Gross Profit	904	26.4	880	24.7	2.7
EBITDA	286	8.4	257	7.2	11.3
EBIT	265	7.7	238	6.7	11.3
EBIT in per cent of Gross Profit	29.3		27.0		
Number of operating staff	5,563		5,317		4.6
Tons '000	1,250		1,194		4.7

OVERLAND
STEADILY EN ROUTE

Following the successful turnaround in the previous year, the operational performance remained stable despite a challenging market environment and negative currency effects in 2015. By acquiring ReTrans, Kuehne + Nagel lay the foundations for dynamic growth in the North American market.

Market development

The most important geographical region for Kuehne + Nagel's overland business, the Euro zone, recorded a modest market growth of 1.6 per cent. In the UK, Eastern Europe, North America and the Near East, growth was slightly stronger at 2 to 3 per cent in each area. In Switzerland and Norway, on the other hand, demand fell, primarily due to the currency fluctuations and the low crude oil price. Kuehne + Nagel's most important South American overland market, Brazil, contracted as a result of the tense economic climate.

Kuehne + Nagel business performance

Groupage business

In 2015, the European groupage market was once again impacted by high cost pressures and fierce competition. In this challenging environment, Kuehne + Nagel improved its market position. This can be attributed to several factors including the effective restructuring of the network in France and the increased focus on sales in Germany, where, furthermore, a new purchasing process for transport services differentiated by market segment was successfully piloted. Progress was also made with the planned standardisation of the IT landscape. From the middle of this year a new transport management system (TMS) will be introduced and gradually replace the existing systems in Europe. This approach aims to sustainably improve productivity.

Less than truckload and full truckload operations (LTL and FTL)

The positive development of the LTL and FTL business, which has been ongoing since 2010, continued in 2015 and once again brought the number of consignments handled to a new record high; the new production concept also contributed to this. The closer networking of the European dispatchers improved the use of vehicle capacities and further reduced the number of empty kilometres travelled. As a result, cost efficiency increased while environmental impact was reduced.

Industry solutions

High market acceptance of the KN PharmaChain, a product for customers from the pharmaceutical and healthcare industry, led to numerous new customer wins in 2015. In respect to KN SecureChain, however, the market changes in the high-tech sector resulted in a downward trend. Increased demand was recorded in the fields of expo and event logistics; Kuehne + Nagel expects further growth momentum to result from the upcoming major sporting events in Brazil. In 2015, the product KN I2M (Inbound to Manufacturing), launched for the automotive industry in 2014, offered new customers added value in the field of production logistics.

Development outside Europe

Following on from the previous year, the activities in North America developed favourably. In South America, the situation remained tense as a result of the challenging economic situation in Argentina and Brazil. In South East Asia, Kuehne + Nagel expanded its overland services and introduced international transport operations in this market.

ReTrans acquisition

In August 2015, Kuehne + Nagel acquired the company ReTrans. Founded in Memphis in 2002 and with an annual turnover of around USD 500 million, ReTrans is one of North America's leading providers of multimodal transport management services. The core competencies of the company and its 300 employees lie in the sale and optimisation of intermodal transport operations as well as less than truckload and full truckload (LTL and FTL) shipments on the basis of an asset-light business model. ReTrans, therefore, fits seamlessly into the Kuehne + Nagel overland strategy and will significantly strengthen the company's position as an integrated logistics service provider in the USA, Canada and Mexico. Even in 2015, the cooperation with ReTrans already enabled Kuehne + Nagel to generate a notable level of new customer business.

Outlook for 2016

Profitable growth remains the objective for the current business year. In particular, activities should be significantly expanded in North America. Kuehne + Nagel also plans to further optimise the purchasing of transport services in relation to overland operations and expand these measures to other countries as well.

Performance Overland

CHF million	2015	Margin per cent of net turnover	2014	Margin per cent of net turnover	Variance 2015/2014 in per cent
Turnover	2,825		3,019		–6.4
Net turnover	2,589	100.0	2,762	100.0	–6.3
Gross Profit	834	32.2	898	32.5	–7.1
EBITDA	50	1.9	69	2.5	–27.5
EBIT	7	0.3	30	1.1	–76.7
Number of operating staff	8,186		7,627		7.3

CONTRACT LOGISTICS
MARKET STRATEGY CONFIRMED – IMPRESSIVE LEVEL OF NEW BUSINESS

Kuehne + Nagel's industry-specific and scalable end-to-end solutions are in demand in the market as confirmed by the new business won 2015 with an additional warehousing space of some 860,000 square metres. Negative currency effects and the drinks logistics business in the UK, however, adversely impacted the result.

Development of the market

In the year under review, the global market for contract logistics grew by approximately 4 per cent, thereby developing more favourably than in the previous years. This was largely due to the recovery of the markets in Europe as well as the satisfactory demand in North America and Asia. In South America, on the other hand, the economically difficult situation in several countries also impaired the growth of the contract logistics market.

Kuehne + Nagel business performance

The rise of global online trade together with modified production and industrial structures intensified the trend of retail and industrial companies consolidating and restructuring their supply chains. This also increased interest in Kuehne + Nagel's end-to-end solutions. As a result, Kuehne + Nagel generated a high level of new business in 2015, leading to a currency adjusted increase in net turnover of 5.5 per cent. However, due to negative currency effects, which particularly affected this business unit, and the drinks logistics business in the UK, EBIT fell from CHF 153 million in 2014 to CHF 119 million in 2015.

Business strategy

The contract logistics business strategy involves the following pillars: profitability reviews of all contract logistics sites, optimisation of the customer project portfolio with a focus on qualitative and innovative solutions and the continuous improvement of operational processes and information flows. Within the scope of the "Focus + Excellence" programme the following three initiatives are being pursued:

Master Location Plan: In 2015, the profitability reviews of all contract logistics sites company-wide, which have been conducted since 2012, highlighted a need for optimisation in Western Europe and South America. Appropriate restructuring measures were taken to ensure sustainable profitability in the future. Idle space worldwide was reduced from 4.2 per cent in the previous year to 3.5 per cent.

Focused Growth: The optimisation of the customer project portfolio was continued in 2015 with the aim of achieving sustainable efficiency. Kuehne + Nagel concentrates on complex end-to-end solutions and added-value logistics services for international customer groups from six core industries. Within the scope of this qualitative growth, new customers were won in the year under review from the pharmaceutical, healthcare and e-commerce sectors, especially in Western Europe, North America and Asia. Based on a modularly structured range of services, over 500 specialists worked on tailor-made customer solutions. The Centres of Excellence conduct regular benchmark analyses and evaluate the potential for further improvement to services.

Operational Excellence: This initiative focuses on the ongoing optimisation and innovation of all operational processes and, coupled with this, the improvement of efficiency in all business processes. In the year under review, the Kuehne + Nagel Production System

KNPS introduced globally once again ensured the same service and productivity standards worldwide. Within the scope of the Global Excellence Certification programme, a large number of projects were reviewed in regard to process optimisation, increased productivity and quality assurance. Kuehne + Nagel received several customer awards in 2015 as an evidence of its operational efficiency.

Integrated Logistics

In 2015, Kuehne + Nagel generated new business in the field of integrated logistics solutions and solidified its leading role in this demanding sector. The company has specialised in end-to-end supply chain management projects, which are managed via the global network of Logistics Control Towers and performed in cooperation with other Kuehne + Nagel business units. In addition to the continuous strong demand for innovative, integrated services in the traditional markets, growing interest in integrated solutions was also recorded in emerging markets with new projects initiated in 2015.

Real Estate

In 2015, Kuehne + Nagel managed over 9.5 million square metres of real estate, including rented facilities and those provided by customers, an increase of 9.9 per cent compared with the previous year. The activities in the area of real estate predominantly focus on continually optimising the portfolio on the basis of a balanced mix of rented and owned properties and, coupled with this, increasing cost efficiency. In 2015, Kuehne + Nagel owned 116 logistics facilities and office buildings. To offer efficient and specialised solutions to customers from fast-growing sectors such as the pharmaceutical and healthcare sector or the high-tech and biotech industries, the Singapore Logistics Hub was put into operation at the end of the year under review with an area of 50,000 square metres.
It is the company’s largest real estate investment outside Europe. Furthermore, the capacity of the pharmaceutical logistics centre in Leipzig was doubled in 2015.

Outlook for 2016

Kuehne + Nagel expects the market development in 2016 to be comparable to that in the previous year. This forecast is based, on the one hand, on the prevailing outsourcing trend in the Asia-Pacific region and, on the other hand, on the growth stimuli expected from the US and European markets.

In view of the different market dynamics, customers will continue the efforts to optimise their supply chains and, if necessary, to consolidate or restructure these. Kuehne + Nagel is optimally prepared for these tasks and has given itself a decisive competitive edge with its end-to-end logistics solutions. Investments in infrastructure and information technology will support sustainable positive development.

Performance Contract Logistics

CHF million	2015	Margin per cent of net turnover	2014	Margin per cent of net turnover	Variance 2015/2014 in per cent
Turnover	4,705		4,825		–2.5
Net turnover	4,312	100.0	4,441	100.0	–2.9
Gross Profit	3,132	72.6	3,197	72.0	–2.0
EBITDA	220	5.1	256	5.8	–14.1
EBIT	119	2.8	153	3.4	–22.2
Number of operating staff	33,925		31,634		7.2
Warehousing and logistics space in sqm	9,556,477		8,695,574		9.9

EBIT IN CHF MILLION: **200**
EMPLOYEES: **10,118**
LOCATIONS: **277**

AMERICAS

THE GLOBAL LOGISTICS NETWORK

Kuehne + Nagel Group	2015
EBIT in CHF million	850
EBIT Growth in per cent*	3.8

**compared to previous year*

Kuehne + Nagel Group	2015
Employees	67,236
Locations	1,264

HUMAN RESOURCES

The challenging market conditions in 2015 and increasingly complex customer requirements underlined the importance of professional human resource management. In addition to further development of Kuehne + Nagel employees, this includes prospective planning of manpower requirements. The main focus of the human resources department has been on developing talent, fostering and retaining high performers as well as additionally recruiting young talents and experts. These measures contribute to continuously strengthening the skill level as well as ensuring the long-term business success of the Kuehne + Nagel Group.

Employee satisfaction

Another important field of action of the human resources department is to ensure employee satisfaction. On the one hand, this is achieved by creating an inspiring working environment with challenging tasks and, on the other hand, by actively engaging with the employees regarding their opinion on topics such as leadership, strategy implementation and working environment as well as to point out potential improvements. In the global employee survey carried out in 2015, 82 per cent of the employees stated that they would recommend Kuehne + Nagel to a friend as a "great place to work".

Recruiting talent

As globalisation and digitalisation increase new ways to recruit talent are needed. For this reason a new global e-recruitment solution was introduced in 2015 and the activities on leading online recruiting portals were expanded; these are to be used in 2016 for global talent recruitment. With the help of these initiatives highly qualified employees joined the Kuehne + Nagel Group in the year under review, and vacancies were filled much more quickly than before. Furthermore, an innovative employer branding concept was developed which will additionally support talent recruitment in future.

Training and staff development

Apprenticeship Programme

By the end of 2015 around 11,000 young people in 12 areas of specialisation were receiving professional training at Kuehne + Nagel. The participants in these multiple award-winning programmes were again among the top graduates in their years. Thus, 80 per cent of those completing their apprenticeship were taken on board by the Kuehne + Nagel Group in 2015.

Forwarder Talent Programme

The Forwarder Talent Programme offers young talents from regions in which there are no comparable education options a solid professional training. The theoretical content of the German apprenticeship is taught in 40 modules in a virtual classroom environment. This six-month training ends with a final examination and a certificate of qualification. After the very successful pilot phase launched in the previous year, 150 young people from Eastern Europe and Asia took up this opportunity in 2015.

Promoting global talent

Emerging Talent Programmes

In order to identify and to systematically develop young talents at all levels at an early stage, Kuehne + Nagel has launched the Emerging Talent Programmes. 250 employees took part in the total of ten programmes in 2015. This initiative supports to fill executive and expert vacancies predominantly out of the company's own ranks.

High Potential Programme

In 2015, a new group began the 18-month High Potential Programme. In a challenging nomination and evaluation process more than 51 employees qualified for it. The participants, who come from 26 nations, are guided through the programme by experienced mentors and personnel developers. Coaching for alumni and preparing them for the next stage of their career is also part of the programme.

Development of managerial staff

The content of the globally standardised and sequential training programmes for managerial staff was developed further in 2015. This is based on the newly introduced, globally valid KN Behaviours competency model that also reflects the new requirements for Kuehne + Nagel managerial staff. In total, more than 100 selected managers took part in the relevant seminars in the year under review. Computer-based training units (CBT) are also becoming increasingly significant in management development. Since mid-2015 internally developed e-training on management topics has been used in the Leadership Basics Programmes at the Kuehne + Nagel Group.

Training programmes

23,380 training and further education courses were conducted in 2015, 8 per cent more than the previous year. Main areas include product training, the use of new digital processes and updates of industry-specific knowledge. In addition, training in compliance was provided to more than 12,000 employees attending classroom-based training sessions and more than 8,600 participating in CBTs. In 2015, more than 180,000 computer-based training units were completed in total; this represents an increase of more than 40 per cent compared with the previous year.

Social responsibility

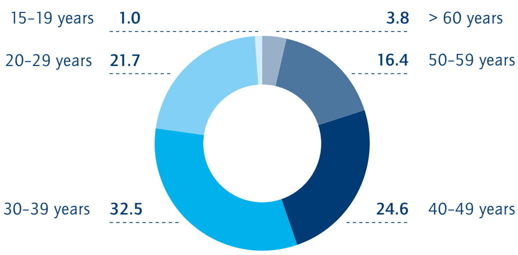
On a regional and national level, a large number of initiatives were carried out in 2015 to increase safety at work and ensure employees' health. To be emphasised is the KN Baton Challenge campaign, which is being implemented based on the initiative of participants in the Global Talent Programme. In 36 countries in Europe as well as 16 countries in Asia, Africa and the Middle East, they have raised funds to support people in need through charity events and appeals for donations. As in a relay race, the "baton" is passed from country to country, from Kuehne + Nagel location to location.

Number of employees

Compared to the previous year, the number of employees increased by nearly 6 per cent from 63,448 to 67,236.

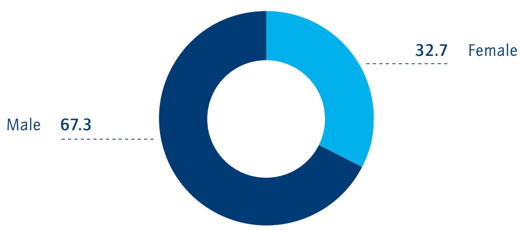
Age structure

In per cent



Gender diversity

In per cent



INFORMATION TECHNOLOGY

Continuous investments in information technology gives Kuehne + Nagel a competitive edge and plays an important role in the company's forward-looking business strategy. Systematic expansion and gradual renewal of the IT architecture ensures efficiency of business processes as well as meeting market and customer requirements. The focus in 2015 was on various projects around process automation, improvement in data quality and, not least, the continuation of digital transformation.

Increasing efficiency by process automation

"AirLOG", "SeaLOG"
Kuehne + Nagel continued to implement the new operational system that standardises and automates seafreight and airfreight core processes. A decisive step in this direction was already made in the previous year by the introduction of the airfreight application "AirLOG Import"; building on this, "SeaLOG Import" was successfully implemented for seafreight in a large number of locations in 2015. At the same time a module for quoting and automated billing in seafreight was commissioned in over 50 countries.

"RoadLOG"
In the year under review, a first software release was developed for "RoadLOG" and preparations were made to introduce it for the overland business.

Nearshore centres
In addition to the automation of core processes, increasing use was made of Kuehne + Nagel's nearshore centres. Here, processes from all departments and locations that can be standardised are bundled, systematised and then automated. This allows subprocesses to be handled in a professional and consistent way, leading to a further increase in productivity and efficiency across the Kuehne + Nagel Group. As in the previous year the focus was on improving data quality and paper-free processing, for example by introducing software for automated indexing of invoices. Developing modules which can be applied globally will continue to be highly significant in future.

Customer interfaces
Process automation was also extended to all activities that improve the interface between the company and customers and thus optimise data transfer. As well as expanding the capacity of the Electronic Data Interchange Platform (EDI) Kuehne + Nagel concentrated on developing a new, expandable generation of this technology which has already been tested in a pilot project.

New CRM system

Following the global roll-out of the new "CoreLOG" Customer Relationship Management system, a modern tool tailored to the Group's specific requirements has been available since 2015. Within a year the off-the-shelf software was integrated into the existing IT architecture and implemented right across the sales organisation of the Kuehne + Nagel Group.

KN FreightNet

The internet-based quoting and booking portal KN FreightNet introduced in 2014 for airfreight was implemented successfully in 2015 and extended to seafreight LCL (Less-than-Container Load). With this innovative platform, customers can obtain individual quotes, make bookings and track shipments once an order is placed. KN FreightNet was the first digital service offering brought to market by Kuehne + Nagel and has met with strong response and increasing demand from customers. The company concentrated on developing these solutions further in 2015. Expansion of KN FreightNet to other service areas is currently being piloted.

Outlook for 2016

The focus in 2016 is on digital transformation. Therefore, the priorities are further standardisation and automation of back office and business processes, developing new digital products and solutions as well as optimising data quality and data availability. The modular IT structure allows it to respond quickly to market requirements, launch innovative services and set new benchmarks for the industry.

QUALITY, SAFETY, HEALTH AND ENVIRONMENT

Economic, ecological and social sustainability is embedded in the entire Kuehne + Nagel Group. The principles of quality, safety, health and environment (QSHE) are actively pursued at the company and form an integrated management approach that is part of the company's business strategy.

Certified quality

The requirements on quality, safety, health and environment are subject to various national and international standards. In the first instance, Kuehne + Nagel reviews and evaluates compliance with QSHE requirements through internal audits. In 2015, more than 3,800 internal audits across all business units were conducted in a total of 813 branches representing 95 per cent of all operating activities. In a second step, the external certification agency Bureau Veritas regularly audits and certifies Kuehne + Nagel's compliance with these standards. This allows the company to ensure that existing processes are analysed objectively and subject to continuous improvement. To meet the complex requirements of supply chains, Kuehne + Nagel consolidated existing certifications and underwent new certification processes, successfully gaining certification under the standards ISO 22301, "Business Continuity", ISO 13485, "Medical Devices" and ISO 27001, "IT Security". In the year under review, 696 branches in 86 countries were certified in accordance with quality standard ISO 9001:2008.

Industry-specific certifications

In order to fulfil the quality requirements of its customers, Kuehne + Nagel developed a range of industry-specific services which integrates internationally recognised standards into the relevant processes.

KN PharmaChain

With KN PharmaChain, Kuehne + Nagel successfully expanded its pioneering role with 150 certified locations and integration of all business units in 2015. As the first logistics provider Kuehne + Nagel is thus positioned to offer a comprehensive handling, transport and warehousing service for temperature-controlled products worldwide. 200 successful audits carried out by customers demonstrate that Kuehne + Nagel fulfils the requirements and regulatory demands of the pharmaceutical sector.

KN EngineChain

After the first two locations completed their certification for KN EngineChain in 2014, in the year under review, a further seven locations were successfully certified. Other locations are currently going through the certification process. Since 2013 Kuehne + Nagel is offering companies in the international aerospace industry a multiple transport mode service package, KN Engine Chain, for spare parts logistics and maintenance of aircraft engines.

Outstanding quality

A range of awards confirm the high QSHE standards of the Kuehne + Nagel Group. Brake, a British non-profit organisation promoting road traffic safety, granted Kuehne + Nagel UK the "Best Newcomer to Road Risks Management" Award. For its construction of the new Nuremburg branch, Kuehne + Nagel Germany received the Silver Award from the German Sustainable Building Council (DGNB). Kuehne + Nagel Netherlands was awarded the "Second Green Star – Environment" for reducing its CO_2 emissions. A major Japanese automotive company gave Kuehne + Nagel Canada the "Kaizen Excellence" Award for its commitment in the continuous improvement process (CIP) which had a long-term impact on information flows for optimising production controls. Furthermore, the trade publication Aviation Week awarded Kuehne + Nagel the "Innovative Supplier/OEM Service Provider" prize for KN EngineChain.

Security along the supply chain

Security along the supply chain and risk mitigation are top priorities in international trade today. Kuehne + Nagel has developed a security policy based on the ISO 28001 standard which is implemented worldwide. This security management system also meets the "Framework of Standards to Secure and Facilitate Trade (SAFE)" regulatory norms of the World Customs Organisation as well as the "Customs-Trade Partnership Against Terrorism" (C-TPAT) of the US customs authorities. A global team of experts is responsible for permanently reviewing the security policy, updating and/or adjusting the standards, analyses security incidents and specifies appropriate countermeasures. Audits carried out by QSHE also ensure that the standards are implemented in the national companies.

Kuehne + Nagel has global certification according to C-TPAT and 34 locations are certified as Authorised Economic Operator (AEO) in 25 countries. 11 locations in South and Central America were also re-certified in accordance with the BASC standard (Business Alliance for Secure Commerce). Furthermore, by the end of the year under review, 13 Kuehne + Nagel logistics centres in eight countries had been certified in accordance with the Facility Security Requirements (FSR) of TAPA (Transported Asset Protection Association) and five locations in five countries in accordance with the Trucking Security Requirements (TSR).

KN SecureChain

In order to meet the extended security requirements of customers in the high-tech, pharmaceutical and luxury goods sectors across the entire supply chain, the Kuehne + Nagel Group developed the transport solution KN SecureChain which is based on the requirements of the ISO 28001 standard and is further guaranteeing compliance with industry-specific regulations.

Business continuity and emergency plans

Kuehne + Nagel attaches the highest priority to the assurance of business continuity and protection of its employees in times of crisis. The company developed extensive emergency plans for a range of scenarios and these are regularly reviewed and adjusted as required.

Health and safety management

Kuehne + Nagel abides by the international standard on work safety, OHSAS 18001. 300 branches in 37 countries had OHSAS certification in 2015. In future, the company will progressively introduce ISO 45001 replacing the OHSAS standard across the Group from September 2017 onwards. In order to ensure that reporting reflects the special requirements in the fields of oil & gas, cargo handling and contract logistics, indicators were extended and adjusted to regulatory requirements. In the areas of health and safety management at work Kuehne + Nagel's focus is on prevention, what becomes apparent through ongoing seminars and training courses. In 2015, almost 9,000 employees were trained worldwide in more than 1,100 seminars.

Global staff training

The pioneering standards for quality, safety, health and environmental management at the Kuehne + Nagel Group require comprehensive and regular training of employees. Almost 5,900 training and further education sessions, both obligatory and optional, were held globally, with more than 40,000 participants at special Kuehne + Nagel training centres and in the form of computer-based trainings. Emphasis was given to quality training and improving quality at the workplace, safety at work and introductory courses on quality, safety, environment and hazardous materials; 22 per cent more participants were trained in comparison with the previous year.

Supplier management

In 2015, a supplier management system was introduced at the Kuehne + Nagel Group in 37 countries and is currently being extended to other countries worldwide. This application will be used to evaluate and audit Kuehne + Nagel suppliers based on global standards. In the hazardous materials, pharmaceutical and high-value goods sectors, in particular, this database can be used to identify the most suitable suppliers and business partners on the basis of individual customer requirements, helping to optimise the customers' supply chains.

Customer satisfaction

Following last year's focus on regional customer satisfaction surveys, in 2015 a global survey was conducted. Customers were asked to give their opinion of services from all business units, rate services by topic and, for the first time, also communicate their perception of Kuehne + Nagel in the market. "Service Quality" scored positively across all regions. Potential for improvement was identified in complaints management, and optimisation measures have already been introduced.

Environmental management

On environmental management, Kuehne + Nagel cooperates with many environmental platforms and associations. This is a permanent trend as can be seen from the increasing number of environmental initiatives being promoted in the company. In 2015, 419 locations in 46 countries were certified in accordance with the environmental standard ISO 14001/50001. This has been mandatory since the end of 2015 for all European Union countries (Energy Efficiency Law).

KN Green

The introduction of KN Green launches a long-term strategy to reduce environmental damage due to the activities of the Kuehne + Nagel Group; the measures correspond to the international Integrated Pollution Prevention and Control (IPPC) guidelines. With KN Green the company is bundling its activities in this field (reduction in CO_2 emissions, use of renewable energy, responsible use of water, recycling policies) and at the same time supporting customers' sustainable management policies by offering environmentally friendly product solutions.

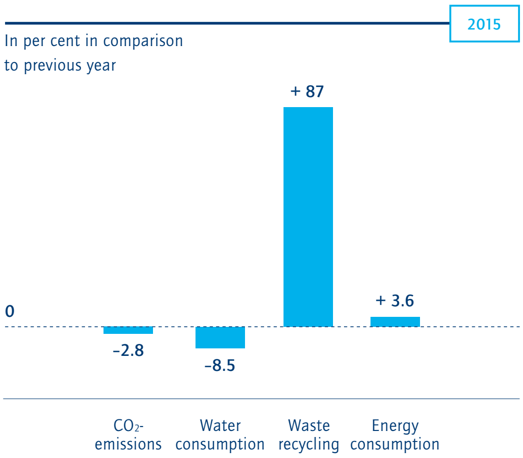
Climate Protection Project/Sustainability Index

Kuehne + Nagel has been the best company in the transport sector in Germany, Austria and Switzerland for two years in the Carbon Disclosure Project (CDP). Moreover, in 2015 the company was listed in the Swiss Exchange SXI Switzerland Sustainability 25 index, not least due to its initiative aimed at the permanent reduction of CO_2 emissions.

Global Facility Carbon Calculator (GFCC)
The company's proprietary Global Facility Carbon Calculator (GFCC) allows pollutant levels to be calculated for more than 650 Kuehne + Nagel locations. The results of the database analysis for 2015 were as follows:

- CO_2 emissions were reduced by 2.8 per cent or 5,700 tonnes.
- Water consumption fell by 8.5 per cent or 0.84 million cubic meters.
- Waste recycling rose against the previous year by 87 per cent or 42.5 tonnes.
- Energy consumption rose 3.6 per cent or 14 million kilowatt hours due to the growth of the company.

Environmental management performance

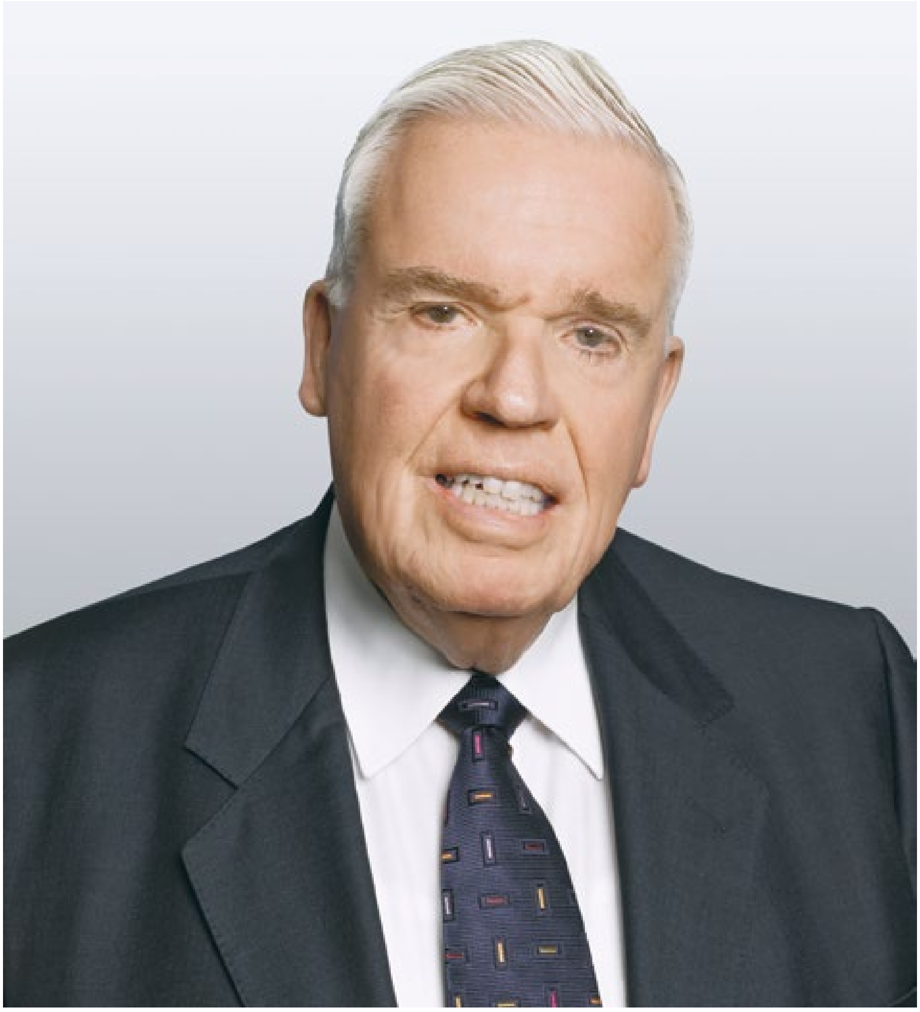


Global Seafreight Carbon Calculator (GSCC)
With the Global Seafreight Carbon Calculator (GSCC) Kuehne + Nagel enables its customers to calculate CO_2 emissions in seafreight and to analyse workflows and optimise them, if necessary, to reflect their own individual environmental management policies. The system, introduced in 2014, will be available worldwide for all indicators in FCL and LCL transport by 2016.

Global Transport Carbon Calculator (GTCC)
The Global Transport Carbon Calculator (GTCC) gives Kuehne + Nagel valuable insights into the individual CO_2 emissions across the various transport modes. The database not only provides emissions levels but also suggests possible options for optimisation. Around 5,500 reports have been compiled for customers since 2011. 52 per cent of emissions reports originated in airfreight, 32 per cent in seafreight and 16 per cent in overland transport.

Collaboration on research project
In 2015, a research project was completed in collaboration with a German logistics university and a customer from the consumer goods sector. It investigated the impact of external factors on decarbonisation in logistics.

Outlook for 2016
In the current year, QSHE activities focus on the aerospace, high-tech and perishables sectors. For the oil and gas industry the requirements on work safety are currently being reviewed and adjusted as required to the industry's special standards; further optimisation is being undertaken in the pharmaceutical sector.



KLAUS-MICHAEL KUEHNE
Honorary Chairman of Kuehne + Nagel International AG,
Chairman of the Board of Trustees of the Kuehne Foundations

KUEHNE FOUNDATIONS
SUSTAINABLE COMMITMENT

The Kuehne Foundation, which was founded in Switzerland in 1976, is renowned for its initiatives to promote education, further training and research in the fields of logistics and transport. It also supports medical, cultural and humanitarian projects. The Kuehne Foundation is operationally active and initiates almost all of the projects it funds. The sole donor of this public trust foundation, Prof. Dr. h. c. Klaus-Michael Kuehne, regards his commitment to quality and sustainability as an important part of his social responsibility as an entrepreneur.

Support in the field of logistics
In 2015, in addition to financing the Kühne Logistics University (KLU) in Hamburg, the Kuehne Foundation also supported the following logistics institutes, academic chairs and projects:

- Chair of Logistics Management at the Federal Institute of Technology (ETH), Zurich
- Kuehne Institute for Logistics Management at WHU – Otto Beisheim School of Management, Vallendar
- Competence Centre "International Logistics Networks" at the Berlin Institute of Technology
- Chair of "International Logistics Networks and Services" at Tongji University, Shanghai
- and the German Foreign Trade & Logistics Academy (DAV), Bremen

Kühne Logistics University (KLU), Hamburg
In 2015, Kühne Logistics University celebrated not just five years of its existence, but also its accreditation by the country's leading academic committee, the German Council of Science and Humanities. The Council singled out the KLU's international orientation and its high-level scientific research for particular praise. Five new professors were appointed in 2015, a new professorial post was created in recognition of the increasing digitisation of logistics. This topic was also discussed at the KLU as part of the new 2015 "KLU Forum" of Economics and Science. This forum, which will be held annually in future, is intended to help convert initiatives from scientific research into practical logistics solutions and increase networking between actors. The KLU covers the full spectrum of university education: It offers a Bachelor's degree in Management, a Master's in Global Logistics for students who pursue a career in supply chain management, a Master's in General Management and a structured doctorate programme. In part-time education, KLU offers an Executive MBA in Leadership & Logistics as well as open and company-specific further training programmes for specialist and managerial staff. The 20 international professors are distinguished by the practical orientation of their teaching and the excellence of their research in the fields of logistics and general management. With an intake of over 150 new students and around 80 graduates on the Bachelor's and Master's programmes as well as the Executive MBA, the KLU continues to grow steadily. The number of exchange students, who come from over 50 partner universities around the world, is also increasing continuously.

Chair of Logistics Management at the Federal Institute of Technology (ETH), Zurich
The Chair of Logistics Management at the ETH Zurich, which has received support from the Kuehne Foundation since 2008, has continued its successful work in research and the transfer of knowledge under the leadership of Professor Stephan Wagner. In 2015, articles on dealing with financially weak

suppliers and on sustainability-related development of suppliers in China were awarded international research prizes. Other main areas of research in 2015 included how established companies collaborate with start-ups and how companies can make the most of suppliers' potential for innovation. In November 2015, the Chair of Logistics Management held the 14th Logistics Day of the Kuehne Foundation with the title "Top-level priority supply chain management – Competitive advantage from professional supply chain management". In September 2015, the 13th year of the "Executive MBA in Supply Chain Management" began at the ETH. In addition, training in humanitarian logistics was again provided in Beirut, Nairobi and Amman as part of field experiments in research.

Kuehne Institute for Logistics Management at WHU – Otto Beisheim School of Management, Vallendar

The Kuehne Institute for Logistics Management, under the direction of Professors Stefan Spinler and Carl Marcus Wallenburg, is responsible for all logistics-related training and further education activities by WHU from Bachelor's degree to the MBA and coordinates the WHU's activities on logistics research. Its research activities focus mainly on sustainability and risk management in supply chains and logistics networks, humanitarian logistics, e-commerce, management of innovation in logistics, management of logistics service providers, logistics alliances and logistics outsourcing.

Competence Centre "International Logistics Networks" at the Berlin Institute of Technology

The Kuehne Foundation has supported the Competence Centre "International Logistics Networks" at the logistics department of the Berlin Institute of Technology under the direction of Professor Frank Straube since 2005. In addition to seminars on Global Logistics Management and International Procurement, the Competence Centre also conducts project research and holds workshops on Risk and Volatility Management in German-Chinese logistics networks. In 2015, in collaboration with the Kuehne Foundation Chair at Tongji University, Shanghai, the first version of a navigation tool for strategic and tactical planning of logistics networks in three representative industry sectors was made available online. The Competence Centre also supports the Dual Master's Programme in Industrial Engineering between the Berlin Institute of Technology and Tongji University, Shanghai. Two doctorates were also completed in 2015 in cooperation with the Kühne Logistics University.

Chair of "International Logistics Networks and Services" at Sino-German College of the Tongji University, Shanghai

The Kuehne Foundation has supported the Chair "International Logistics Networks and Services" at the Sino-German College of the Tongji University in Shanghai under the direction of Professor Sidong Zhang for several years. The chair cooperates closely with all institutions that receive support from the Kuehne Foundation through joint research, dual master's and doctorate programmes. Stays in China for doctoral candidates and exchange programmes for students are also supported.

Federal Association of Logistics (BVL) Campus in Bremen

Since the foundation of the BVL Campus in Bremen, the Kuehne Foundation has been a major funder of the training and further education activities on logistics there. This has provided the logistics industry a large number of professionally trained staff on expert and managerial level every year. The programmes offered by the BVL Campus extend from the Business Administration and Transport Business Administration of the German Foreign Trade and Traffic Academy (DAV) to the Dual Bachelor's programmes of the University for International Business and Logistics (HIWL).

Since the founding of the HIWL in 2009, the Kuehne Foundation has financially supported the establishment of the university over many years making a major contribution to the growth phase. Three cohorts of students have already successfully completed their studies at the HIWL. In mid-2015 the funding priority was refocused on the DAV to support practice-oriented further education here as well, including building up the teaching body and increasing awareness of the services provided by the DAV. The aim is to ensure that specialists with hands-on knowledge who are qualified to the current level can continue to be trained for senior posts in logistics in future.

Further training in logistics

The seminars traditionally offered by the Kuehne Foundation with leading universities and institutes of higher education have become increasingly internationalised in recent years.

In May 2015, the Kuehne Foundation set up the "Kuehne Education Center" in Singapore, which is dedicated to further education in logistics in Asia; in September the first seminar was held on "International Freight Operations". The second "Postgraduate Course in Logistics" was held in Wroclaw (Poland) with 27 participants. In addition, in 2015 the 15th NetloP (Network Management for logistics processes) seminar was held; so far it has been attended by more than 450 participants. An English-language follow-up seminar, ENLoP (European Network Management for Logistics Processes), was introduced and has taken place in Denmark, Germany, France, Poland, Scotland and Switzerland. Through all these measures the Kuehne Foundation is contributing to lifelong learning in logistics.

Humanitarian Logistics

The Kuehne Foundation launched its HELP programme in 2010 in response to the growing challenges around the humanitarian supply chain and logistics. The initiative helps logistics experts to provide consultancy services to humanitarian organisations and government bodies on training and further education of their staff. Its goal is to improve professional standards, efficiency and transparency in the logistics processes of international emergency aid. Sociopolitical changes in recent years have significantly increased the demand for HELP activities, with its services used particularly by United Nations organisations such as the World Food Programme (WFP) and the Food and Agriculture Organisation (FAO), aid organisations such as the Red Cross/Red Crescent, Save the Children and World Vision as well as various national governments. Innovative solutions and training programmes have been developed and implemented in a range of different projects with the support of academic institutions and various businesses. HELP is currently operating in Africa, the Middle East and South-East Asia.

Training
Demand for training continues to grow in all regions. Interactive courses, practice-related training and simulations are offered. In Asia, representatives of various humanitarian organisations and national disaster management executives from ASEAN (Association of South-East Asian Nations) countries have been trained. In the Middle East, staff from the Red Cross and Red Crescent received training in crisis deployment, covering procurement, storage, transport and building of temporary shelters. In East Africa, employees from various organisations use the training programmes to foster cooperation within the humanitarian supply chain leading to time and cost savings.

Education
HELP provides support to recognised universities for integrating humanitarian logistics modules into their curricula. In Jordan, the first diploma programme in Humanitarian Logistics was implemented at the German-Jordanian University. In Tanzania, over 60 students from four East African universities took part in Bachelor's and Master's programmes developed jointly with HELP. A Master's programme was developed and implemented with great success at Stellenbosch University in Cape Town. In Asia, partnerships were concluded with the National University in Singapore, Thammasat University Thailand and the University of the Philippines. Close cooperation with local educational establishments also enables HELP to offer events in the local languages.

Consulting
The importance of HELP consulting activities was emphasised by the successful initial phase of the Supply Chain Optimisation Project for the World Health Organisation (WHO). Through detailed data collection and data analysis, key performance indicators such as supply deadlines and procurement process times were measured and used to identify potential bottlenecks and problem areas. The second phase of the project included a special study of the supply chain within the current refugee crisis. The relevance of the services was also made clear during the deployment for the Nepal earthquake. HELP had previously identified logistics capacity during deployment in North India and Nepal and investigated the potential for a humanitarian transport corridor. This critical, timely evaluation was made available to numerous aid organisations to support them in their tasks and save time planning missions.

Partnerships
HELP acts as a bridge between academic theory, commercial solutions and humanitarian needs. As part of this, HELP organised the African Logistics Conference for the fourth time, which was focused in 2015 on overarching partnerships and innovative technologies in the supply chain in addition to money transfer programmes. HELP was also actively involved in global events such as the Global Humanitarian Logistics Cluster Workshop and the Dubai International Humanitarian Aid & Development Conference & Exhibition (DIHAD).

Medicine – Allergy Research and Education

Around the world, roughly one billion people are affected by allergic diseases and asthma. This number is on the increase. Action is particularly needed in clinical and basic research as well as medical training. In 2009, at Christine Kuehne's initiative, the Kuehne Foundation established the Christine Kuehne – Centre for Allergy Research and Education (CK-CARE), with its head office in Davos, Switzerland. The aim of CK-CARE is to support research and education in the field of allergy in order to make a focused and effective contribution to solving problems around allergy. CK-CARE is a Davos-based association of leading international working groups which cooperates closely on important research topics relating to allergic diseases and communicates findings to interested specialists through various education programmes.

In 2015, CK-CARE achieved significant progress in measuring allergy triggers and environmental factors. It conducted in-depth analysis of the skin's barrier function, which is crucial for protecting against allergy triggers and experiments to increase its therapeutic effectiveness. CK-CARE found evidence implicating certain factors in the development of allergies, allowing at-risk children to be identified and protected against the disease at an early stage. It also discovered food components that have a preventive effect and which can be used in future to control the outbreak of allergies. Education of primary care doctors as an important aspect of CK-CARE's activities was expanded further and continuously optimised through consistent evaluation. In 2015, CK-CARE continued to be an international platform for meeting and exchanging information at the highest scientific levels. In July, CK-CARE held the third Global Allergy Forum (GAF) in Davos. Over 40 world-renowned scientists from allergology and related research disciplines discussed existing problems, new approaches and specific action plans. The results, which are highly relevant in scientific and health policy terms, are published for specific target groups, with the greatest benefit for people affected by allergies.

Cultural projects

In the field of culture, the Kuehne Foundations give support mainly to music and literature. In 2015, numerous concerts, operas and festivals in Switzerland, Germany and Austria were supported.

Hamburg State Opera
September 2015 marked the beginning of a new phase at the Hamburg State Opera; Georges Delnon has been appointed Artistic Director and Kent Nagano General Musical Director and Principal Conductor as well as General Musical Director of the Hamburg Philharmonic State Orchestra. The new start was celebrated with several events supported by the Klaus-Michael Kuehne Foundation, with the highlight being the premiere of the Grand Opera "Les Troyens" by Hector Berlioz. The outstanding cultural event was also streamed on September 19, 2015, onto the Hamburg Jungfernstieg and thus reached a wide public.

Baden-Baden Festival
The Klaus-Michael Kuehne Foundation supported the new production of "La Traviata" at the Whitsun Festival in the Baden-Baden Festival Playhouse in 2015. Under the direction of Pablo Heras-Casado, the Balthasar-Neumann Ensemble gave an interpretation of Verdi's score on original instruments, while the Russian soprano Olga Peretyatko celebrated her debut in the role of Violetta.

Salzburg Festivals
The Young Singers were established at the 2008 Salzburg Festivals as a high-calibre platform promoting the new generation of singers. Those who qualify as Young Singers receive a scholarship which enables them to work together with festival artists. Their courses embrace not only further education on music and repertoire but also scene rehearsals, language coaching and interpretation. The master classes, led by renowned festival artists, are public. With its combination of direct contact with artists and hands-on experience, this initiative of the Kuehne Foundation is a cultural sponsorship programme with international character. Working on opera productions at the Salzburg Festivals proves to be a springboard for the careers of young singers.

Lucerne Festival
This year's programme at the Lucerne Festival on Lake Lucerne took "humour" as its theme and it had almost 80,000 visitors from 46 countries. In 2015, the Kuehne Foundation supported Giuseppe Verdi's last opera, the comedy Falstaff, a concertante performance with the baritone Ambroglio Maestri in the title role.

Zurich Opera House
In early March 2015, the Kuehne Foundation supported the revival of the opera "Ana Bolena" by Gaetano Donizetti at Zurich Opera House. The soprano Anna Netrebko interpreted the principal role of this technically and artistically demanding piece. The orchestra demonstrated a sophisticated appreciation of the music under conductor Andriy Yurkevych.

Harbour Front Literature Festival in Hamburg
Creativity and diversity are required not only in logistics but also in literature. It was these parallels that provided the motivation for the Klaus-Michael Kuehne Foundation, together with the Hamburg Senate, to create the Harbour Front Literature Festival in 2009, which has been supported for seven years now. The opening event of the popular festival in September 2015 with Ilja Troyanov delighted the public and once again took place at the auditorium of Kühne Logistics University. In 2015, the Klaus-Michael Kühne prize for best debutante author was awarded to the Hamburg author Christine Bilkau for her novel "Die Glücklichen", and the "Hamburger Tüddelband" prize for the best children's author was presented to Cornelia Funke by Christine Kuehne in St. Catherine's Church in Hamburg.

The Kuehne Foundations also gave their support to the summer of music on Lake Zurich, the renovation of St. Catherine's Church in Hamburg and many other cultural events.

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 laid down in the Articles of Association, the Organisational Rules, and the Committee Regulations of the holding company of the Group, Kuehne + Nagel International AG, Schindellegi (Feusisberg), Switzerland (the Company). The Group follows best practice recommendations and standards established in the "Swiss Code of Best Practice for 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 sections "Reports of the Business Units" 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 16,536 million (120 million registered shares of nominal value CHF 1 at CHF 137.80 market value per share) on the closing date December 31, 2015.

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

– the free float consisted of 55,946,978 shares = 46.6 per cent, and
– treasury shares consisted of 153,022 shares = 0.1 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 140 to 147), including particulars as to the country, name of the company, location, share capital, and the Group's stake in per cent.

Main shareholders

According to the share register as of December 31, 2015, the following registered shareholders held more than 3 per cent of the total share capital of Kuehne + Nagel International AG:

- Kuehne Holding AG, Schindellegi (Feusisberg), Switzerland, held 53.3 per cent; the Kuehne Holding AG is owned at 100 per cent by Klaus-Michael Kuehne.
- Kuehne Foundation, Schindellegi (Feusisberg), Switzerland, held 4.6 per cent.

On December 31, 2015, shares of unregistered owners amounted to 18.0 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 6, 2014, extended its approval of authorised share capital up to a maximum of CHF 20 million by a further two years until May 6, 2016.

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 8, 2012, approved a conditional share capital up to a maximum of CHF 20 million for the provision of the employee share-based compensation plans of the Company. The Annual General Meeting held on May 5, 2015, approved a reduction of this conditional share capital from CHF 20 million to CHF 2 million.

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 Incorporation, Art. 3.3, 3.4 and 3.5, which are available on the Company website (www.kn-portal.com/about us/investor relations/corporate governance).

Change in capital over the past three years

During the years 2013 through 2015 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 other than related to the Group's Employee Share Purchase and Option Plan (SPOP). For details of the Group's Employee SPOP, please refer to note 36 of the Consolidated Financial Statements on pages 122 to 124.

BOARD OF DIRECTORS

At the Annual General Meeting of May 5, 2015, Klaus-Michael Kuehne, Karl Gernandt, Dr. Joerg Wolle, Bernd Wrede, Dr. Renato Fassbind, Juergen Fitschen, Hans Lerch, Dr. Thomas Staehelin, and Dr. Martin Wittig were re-elected to the Board of Directors for a one-year term. Karl Gernandt 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; Chairman of the Board of Directors 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 2016 Member of the Chairman's Committee Member of the Nomination and Compensation Committee elected until the Annual General Meeting 2016

Karl Gernandt, 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 including that of assistant to the Head of the Board of Management and Chairman of the Supervisory Board as well as functions in international 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. Since October 1, 2008, Karl Gernandt has been nominated as Delegate of the Board of Directors of Kuehne Holding AG, Schindellegi (Feusisberg), and member of the Board of Trustees of the Kuehne Foundation. He is also member of the Board of Directors 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; Chairman of the Board of Directors of HSV Fussball AG, Hamburg.

Positions within the Kuehne + Nagel Group:

2008–2011	Member of the Board of Directors
2009–2011	Executive Vice Chairman and Delegate of the Board of Directors
2010–2011	Member of the Chairman's Committee
2011–today	Chairman of the Board of Directors elected until the Annual General Meeting 2016 Chairman of the Chairman's Committee Member of the Audit Committee Member of the Nomination and Compensation Committee elected until the Annual General Meeting 2016

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

Holds a PhD in engineering sciences. Since June 2002 President and CEO of DKSH Group. Previously he worked in the same function at SiberHegner since 2000.

From 1991 to 1995 Dr. Joerg Wolle worked as a Director of Marketing and Sales at SiberHegner in Hong Kong and in 1995 became a member of the Management Board in Zurich. From 1988 to 1990 he was Project Manager at SKF.
Other significant activities: Honorary Professor for "Intercultural Communication" at the University of Applied Sciences, Zwickau, Germany. Member of the Board of Directors of Diethelm Keller Holding Ltd., Switzerland, and member of the Board of Directors of Louis Dreyfus Commodities Holding BV, Netherlands.

Positions within the Kuehne + Nagel Group:

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

Bernd Wrede, Vice Chairman, German, 1943

Graduated in business administration from the University of Wuerzburg. From 1982 to 2001 Bernd Wrede was a member of the Board of Hapag-Lloyd AG, Hamburg, and its Chairman as of 1993. Currently he works as an independent management consultant.
Other significant activities: Member of the Board of Trustees of the ZEIT Foundation, Hamburg.

Positions within the Kuehne + Nagel Group:

1999–2002	Member of the Board of Directors
2002–today	Vice Chairman of the Board of Directors elected until the Annual General Meeting 2016
2008–2009	Member of the Investment Committee Chairman of the Economic Council
2003–2006/ 2008–today	Member of the Audit Committee
2003–today	Member of the Nomination and Compensation Committee elected until the Annual General Meeting 2016
2010–today	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 the Head of Internal Audit. In 1990 he joined ABB AG 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 of Credit Suisse Group AG and Credit Suisse AG until October 2010. In this function he was a member of the Executive Boards of Credit Suisse Group AG and of Credit Suisse AG since 2004.
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 2016
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. Since June 1, 2012, he is Co-Chairman of the Management Board of Deutsche Bank AG.
Other significant activities: Member of the Supervisory Board of Metro AG; President of the Association of German Banks.

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 2016

Hans Lerch, Swiss, 1950

Commercial apprenticeship in the travel and tourism industry with a 35 years career at Kuoni Travel Holding Ltd. Assignments in the Far East from 1975–1985, President and CEO from 1999–2005. Chairman and CEO of SR Technics in Zurich from 2005–2008.
Other significant activities: Executive Vice Chairman of Abercrombie & Kent Group of companies, London; Vice Chairman of the Board of Directors of New Venturetec Ltd., Zug; Chairman of the International School of Tourism Management, Zurich; 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 2016
2006–today — Member of the Nomination and Compensation Committee elected until the Annual General Meeting 2016

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): Chairman of the Board of Directors of Kuehne Holding AG, Schindellegi (Feusisberg); Vice Chairman of Kuehne Foundation; Member of the Board of Directors and Chairman of the Audit Committee of Inficon Holding AG, Bad Ragaz; Chairman of the Board of Directors of Swissport International SA, Opfikon, and of Scobag Privatbank AG, Basel; Chairman of the Board of Directors of Lantal Textiles, Langenthal and of Stamm Bau AG, Arlesheim; Member of the Board of Directors of economiesuisse (Swiss Business Federation); Chairman of the Basel Chamber of Commerce; Member of the Swiss Foundation for Accounting and Reporting Recommendations (SWISS GAAP FER).

Positions within the Kuehne + Nagel Group:
1978–today — Member of the Board of Directors elected until the Annual General Meeting 2016
2006–today — Chairman of the Audit Committee

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 holds 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 he was elected to the HSG International and Alumni Advisory Board in 2011. Honorary Consul of Germany in Switzerland.

Position within the Kuehne + Nagel Group:
2014–today — Member of the Board of Directors elected until the Annual General Meeting 2016

With the exception of the Chairman of the Board of Directors, Karl Gernandt, 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.

Election and duration of tenure

The General Meeting elects the members of the Board of Directors 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 Nomination and Compensation Committee ends at the conclusion of the next ordinary General Meeting. Re-election is possible.

Internal organisation, Board committees and meetings in 2015

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

- strategic direction and management of the Company,
- accounting matters,
- financial control and planning,
- appointing and dismissing Management Board members and other senior executives,
- supervisory control of business operations, and
- submission of proposals to the Annual General Meeting, in particular the Kuehne + Nagel International AG and Group Financial Statements.

Karl Gernandt 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. 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.

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 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 allowed. Members of the Management Board cannot be members of the Audit Committee.

The Audit Committee reviews the quarterly financial statements prior to publication. 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 continually 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, Bernd Wrede, and Dr. Renato Fassbind were members.

The Audit Committee holds at least four meetings annually. 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 is invited as an advisor whenever needed. In 2015 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 taken and/or to be submitted to the entire Board of Directors for approval.

Nomination and Compensation Committee

For information on the Nomination and Compensation Committee, refer to the section "Remuneration Report" on pages 64 to 68.

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 economical 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.

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

On invitation of the Chairman, the Chairman's Committee convenes as often as business requires but typically four times a year. The Committee has the discretion to invite Members of the Management Board being at least represented by the CEO and the CFO and to invite other members of the Management Board 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 decisions to be taken within the competence of the Board of Directors.

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 are able to 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 Chairman of the Board of Directors takes part in the Management Board meetings regularly, while 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 encompasses 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 Chairman of the Board of Directors is generally invited to Risk and Compliance Committee meetings as a guest. 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 26 to 27.

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 a most updated release of the KN Ethics & Compliance Program in November 2015.

The Program 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 Kuehne + Nagel's Ethics & Compliance Program in their day-to-day work. This includes top-down live KN Code of Conduct 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.

The Kuehne + Nagel Group is a member of various interest groups and associations that promote integrity and good corporate governance together with other multinationals.

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.

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

Board and committees	Board of Directors	Audit Committee	Chairman's Committee
Number of meetings in 2015 [1]	4	5	4
Approximate duration of each meeting	8 hours	4 hours	5 hours
Klaus-Michael Kuehne	4	–	4
Karl Gernandt	4	5	4
Dr. Joerg Wolle	3	–	4
Bernd Wrede	4	5	4
Dr. Renato Fassbind	4	5	–
Juergen Fitschen	3	–	–
Hans Lerch	3	–	–
Dr. Thomas Staehelin	4	5	–
Dr. Martin C. Wittig	4	–	–

1 For information about the membership, attendance, number and duration of meetings of the Nomination and Compensation Committee, see Remuneration Report, page 65.

MANAGEMENT BOARD

The Board of Directors of Kuehne + Nagel International AG appointed Gianfranco Sgro as a new member of the Management Board effective February 1, 2015. He assumed global responsibility for the business unit Contract Logistics.

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

Dr. Detlef Trefzger, German, 1962

Dr. Trefzger studied at Münster and Kingston upon Hull and attained a degree in Business Management by Vienna Business University. In 1989 Dr. Detlef Trefzger 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. Other significant activities: Board Member of the Singapore Economic Development Board, Singapore.

Positions within the Kuehne + Nagel Group:

2013–31.01.2015	Executive Vice President Contract Logistics of the Group
15.08.2013–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
01.07.2014–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 academic advisory board of Bonner Akademie, Bonn, and National Curator of Deutsches Komitee of AIESEC e. V., Bonn.

Positions within the Kuehne + Nagel Group:

01.04.2009–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 from 2002 to 2005, responsible for DHL Europe and DHL Germany as well as member of the Supervisory Board in several DPWN-associated companies. Other significant activities: Member of advisory board for degree courses in Business Informatics at the Technical University Berlin.

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.

Position within the Kuehne + Nagel Group:

1990–1997	Various management positions in Sales and Operations
01.02.2013–today	Executive Vice President Overland

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
01.09.2011–today	Executive Vice President Seafreight of the Group

Tim Scharwath, German, 1965

Graduated from the University of Hamburg (Dipl. Kfm.).

Positions within the Kuehne + Nagel Group:

1992–2003	Various Management Positions within the Kuehne + Nagel Group
2004–2007	Executive Vice President Airfreight Central Europe
2007–2008	Managing Director of Kuehne + Nagel Netherlands
2008–2011	Regional Director North West Europe
01.09.2011–today	Executive Vice President Airfreight 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.

Positions within the Kuehne + Nagel Group:

01.02.2015–today	Executive Vice President Contract Logistics of the Group

Compensation, shareholdings and loans

All details regarding compensation, shareholdings and loans are set forth in the separate Remuneration Report on pages 64 to 68 and in the Consolidated Financial Statements, note 49, on page 137 and listed furthermore in the Financial Statements of Kuehne + Nagel International AG on pages 158 to 160.

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. Representatives in possession of proxies for shares held in safekeeping accounts according to Article 689d of the Swiss Code of Obligations and representatives of executive bodies do not need to be shareholders. 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, 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 each 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, with Mr. Alessandro Miolo as the auditor in charge. The re-election for the financial year 2015 was confirmed at the annual general meeting held on May 5, 2015, and with the letter of acceptance signed on November 11, 2015. 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 2015 amounted to CHF 3.3 million (2014: CHF 3.3 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 2015 an amount of CHF 0.3 million was incurred related to consulting services (2014: CHF 0.3 million).

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 to the Audit Committee regularly, and in 2015 the auditor in charge attended three Audit Committee meetings in person. The main criteria for the selection of the external audit company are its worldwide network, its reputation, and its competitive 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.

The Annual Report covering the past financial year is available for download in extracts or in its entirety in English and German (www.kn-portal.com/about us/investor relations/annual reports).

Kuehne + Nagel publishes its quarterly financial data on the website (www.kn-portal.com/about us/investor relations/financial 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 (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 **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 elements of the remuneration of Kuehne + Nagel's Board of Directors and Management Board. In addition, it contains information about the amount of remuneration paid to and accrued for the Board of Directors and the Management Board.

Introduction

This remuneration report complies with the Ordinance against Excessive Compensation in Listed Stock Companies (Ordinance) that came into force in Switzerland on January 1, 2014. The implementation of the Ordinance has led to a number of changes. As in the previous year, at the Annual General Meeting 2015 the shareholders of Kuehne + Nagel International AG individually elected the members of the Board of Directors, the Chairman, the members of the Nomination and Compensation Committee as well as the independent proxy. In 2015 for the first time, the Annual General Meeting (AGM) approved the total aggregate remuneration amounts both, for the Board of Directors regarding the period until the next ordinary AGM, and for the Management Board regarding the fiscal year 2016. The AGM votes annually and with prospectively binding effect on the approval of the remuneration of the Board of Directors and the Management Board. The required amendments to the Articles of Association for the implementation of the provisions of the Ordinance were approved by the AGM 2015. The Articles of Association of Kuehne + Nagel International AG are available in English and German (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 Company's sustained success, it is critical to attract and retain best-in-class executives with the Company. The remuneration policy of the Company aims to ensure the generation of sustainable earnings and enterprise 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 inter alia with the determination and validation of the remuneration policy, dedicates the remuneration concepts, and defines 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 or when management contract tenures expire.

The Nomination and Compensation Committee discusses the amounts of compensation for each member of the Board of Directors, evaluates the individual performance of each member of the Management Board and recommends their remuneration in amount and composition to the Board of Directors who submits their proposal to the AGM for approval.

The Nomination and Compensation Committee consists of two to six members of the Board of Directors elected at the Annual General Meeting for a period of one year.

On the closing date December 31, 2015, Dr. Joerg Wolle was the Chairman of the Nomination and Compensation Committee; Klaus-Michael Kuehne, Karl Gernandt, Bernd Wrede, 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. Members of the Management Board can take part in the Nomination and Compensation Committee meetings by invitation.

The following table gives an overview of the composition of the Nomination and the Compensation Committee, the committee meetings in 2015 as well as the participation of the individual members:

Nomination and Compensation Committee	Meetings
Number of meetings in 2015	4
Approximate duration of each meeting	2 hours
Klaus-Michael Kuehne	4
Karl Gernandt	4
Dr. Joerg Wolle	4
Bernd Wrede	4
Hans Lerch	3

The Nomination and Compensation Committee is responsible for nominating and securing the competent staffing of the Management Board. For this purpose the Committee, on the one hand, develops guidelines and criteria for the selection of candidates and, on the other hand, provides initial collection of information as well as reviews potential new candidates according to the guidelines mentioned above. The Nomination and Compensation Committee prepares a resolution to be resolved by the Board of Directors.

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

REMUNERATION COMPONENTS

Board of Directors

The members of the Board of Directors receive a fixed compensation as well as a compensation for their participation in the respective committees in cash.

The Chairman of the Board of Directors receives a cash compensation with a fixed component and a component linked to the Group's net earnings. He is eligible to participate in the Group's share-based compensation plans (see below comment for Management Board).

The Chairman of the Board participates in an employee pension fund that covers the fixed cash compensation with age-related contribution rates, of which 25 per cent are borne by the employee and 75 per cent by the employer.

Management Board

The members of the Management Board receive a fixed salary which is paid in cash on a monthly basis according to the function, qualification and responsibilities of the individual member of the Management Board.

In addition, Management Board members receive an individually defined, performance-related variable remuneration based on the Group's net earnings. The variable part of remuneration is paid in cash in the month of May of the following year after the Annual General Meeting.

Management Board members have the possibility 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.

The Group's "Share Matching Plan" (SMP) allows dedicated participants to acquire shares of the Company with a discount compared to the actual share price at a specified date; such shares are blocked for three years, give its holder immediate voting rights and rights to receive dividends. For each share purchased, the Company will match additional shares upon completion of a three years' vesting period and service condition during the same period. The level of the share match (share match ratio) is defined based on the performance of the Group achieved over the three financial years in the vesting period against defined targets. The maximum matching ratio of one share for each share purchased (minimum investment is 75 shares), can be obtained by exceeding the defined target by more than 15 per cent. A guaranteed minimum matching of 0.2 shares per share purchased 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 Group's previous "Share Purchase and Option Plan" (SPOP) was discontinued as of July 1, 2012. It allowed selected employees of the Group to acquire shares of the Company at a reduced price at a specified date; such shares are blocked for three years, give its holder immediate voting rights and rights to receive dividends. For each share purchased under this plan the Company granted two options to the participants. Each option entitled the participant to purchase one share of Kuehne + Nagel International AG at a pre-defined price upon completion of the three years' vesting period and service condition during the same period.

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 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 remuneration accrued for and paid to the Board of Directors in the financial year 2015 amounted to CHF 7.2 million (2014: CHF 6.6 million).

The following tables show details of the remuneration of the members of the Board of Directors for 2015 and 2014:

Remuneration to the members of the Board of Directors in CHF thousand	2015 Compen-sation for Board of Directors	Compen-sation for Commit-tees	Social insurance	Salary	Variable part of remune-ration	Pension [2]	Share Plan	Total
Klaus-Michael Kuehne (Honorary Chairman)	750	10	38	–	–	–	–	798
Karl Gernandt (Chairman)	–[1]	–[1]	245	900	2,429	187	1,092	4,853
Dr. Joerg Wolle (Vice Chairman)	250	50	18	–	–	–	–	318
Bernd Wrede (Vice Chairman)	250	25	–	–	–	–	–	275
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
Dr. Martin C. Wittig	180	–	11	–	–	–	–	191
Total	**2,150**	**125**	**350**	**900**	**2,429**	**187**	**1,092**	**7,233**

1 Compensation included in the salary.
2 Including risk premium and savings contributions.

Remuneration to the members of the Board of Directors in CHF thousand	2014 Compen-sation for Board of Directors	Compen-sation for Commit-tees	Social insurance	Salary	Variable part of remune-ration	Pension [3]	Share Plan	Total
Klaus-Michael Kuehne (Honorary Chairman)	750	10	38	–	–	–	–	798
Karl Gernandt (Chairman)	–[2]	–[2]	215	900	2,220	193	747	4,275
Dr. Joerg Wolle (Vice Chairman)	250	50	18	–	–	–	–	318
Bernd Wrede (Vice Chairman)	250	25	–	–	–	–	–	275
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
Dr. Martin C. Wittig [1]	118	–	7	–	–	–	–	125
Total	**2,088**	**125**	**316**	**900**	**2,220**	**193**	**747**	**6,589**

1 Member of the Board of Directors as of May 6, 2014.
2 Compensation included in the salary.
3 Including risk premium and savings contributions.

MANAGEMENT BOARD REMUNERATION

The total remuneration accrued for and paid to the Chief Executive Officer and to the members of the Management Board in the financial year 2015 amounted to CHF 16.0 million (2014: CHF 13.0 million).

Refer to the following tables for details pertaining to the Chief Executive Officer and the other members of the Management Board for 2015 and 2014:

2015

In CHF thousand	Salary	Variable part of remuneration	Social Insurance	Pension [1]	Share Plan	Others [2]	Total
Dr. Detlef Trefzger, Chief Executive Officer	960	1,518	180	116	762	32	3,568
Members of the Management Board	4,337	4,261	449	521	2,710	151	12,429
Total	**5,297**	**5,779**	**629**	**637**	**3,472**	**183**	**15,997**

2014

In CHF thousand	Salary	Variable part of remuneration	Social Insurance	Pension [1]	Share Plan	Others [2]	Total
Dr. Detlef Trefzger, Chief Executive Officer	800	1,388	149	100	494	33	2,964
Members of the Management Board	3,627	3,718	479	441	1,680	129	10,074
Total	**4,427**	**5,106**	**628**	**541**	**2,174**	**162**	**13,038**

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 year 2015 no remuneration (2014: CHF 0.9 million) was paid to or accrued for former members of the Board of Directors and 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 2015 and 2014 to former members of the Board of Directors, Management Board and to individuals who are closely related to them.

Loans and credits granted

In the reporting years 2015 and 2014 Kuehne + Nagel International AG or one of its subsidiaries did not provide any guarantees, loans, advances, credit facilities or similar 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 64 to 68 for the year ended December 31, 2015.

Responsibility of the Board of Directors
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, 2015 of Kuehne + Nagel International AG complies with Swiss law and articles 14–16 of the Ordinance.

Ernst & Young Ltd

Alessandro Miolo	**Christian Krämer**
Licensed Audit Expert	Licensed Audit Expert
(Auditor in Charge)	

Zurich, March 1, 2016

Income Statement

CHF million	Note	2015	2014	Variance per cent
Net turnover	19	**16,731**	**17,501**	**–4.4**
Net expenses for services from third parties		–10,480	–11,213	
Gross profit	19	**6,251**	**6,288**	**–0.6**
Personnel expenses	20	–3,741	–3,764	
Selling, general and administrative expenses	21	–1,470	–1,542	
Other operating income/expenses, net	22	1	23	
EBITDA		**1,041**	**1,005**	**3.6**
Depreciation of property, plant and equipment	26	–137	–136	
Amortisation of other intangibles	27	–54	–50	
EBIT		**850**	**819**	**3.8**
Financial income	23	25	3	
Financial expenses	23	–4	–4	
Result from joint ventures and associates	19	7	6	
Earnings before tax (EBT)		**878**	**824**	**6.6**
Income tax	24	–199	–180	
Earnings for the year		**679**	**644**	**5.4**
Attributable to:				
Equity holders of the parent company		676	633	6.8
Non-controlling interests		3	11	
Earnings for the year		**679**	**644**	**5.4**
Basic earnings per share in CHF	25	**5.64**	**5.28**	**6.8**
Diluted earnings per share in CHF	25	**5.63**	**5.28**	**6.6**

Statement of Comprehensive Income

CHF million	Note	2015	2014
Earnings for the year		**679**	**644**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange differences		–173	14
Items that will not be reclassified to profit or loss:			
Actuarial gains/(losses) on defined benefit plans	35/24	30	–105
Income tax on actuarial gains/(losses) on defined benefit plans		–10	52
Total other comprehensive income, net of tax		**–153**	**–39**
Total comprehensive income for the year		**526**	**605**
Attributable to:			
Equity holders of the parent company		524	594
Non-controlling interests		2	11

Balance Sheet

CHF million	Note	Dec. 31, 2015	Dec. 31, 2014
Assets			
Property, plant and equipment	26	1,142	1,175
Goodwill	27	767	695
Other intangibles	27	98	49
Investments in joint ventures	28	31	32
Deferred tax assets	24	193	224
Non-current assets		**2,231**	**2,175**
Prepayments		98	108
Work in progress	29	260	307
Trade receivables	30	2,486	2,600
Other receivables	31	131	157
Income tax receivables	31	52	86
Cash and cash equivalents	32/33	841	1,170
Current assets		**3,868**	**4,428**
Total assets		**6,099**	**6,603**

CHF million	Note	Dec. 31, 2015	Dec. 31, 2014
Liabilities and equity			
Share capital		120	120
Reserves and retained earnings		1,325	1,695
Earnings for the year		676	633
Equity attributable to the equity holders of the parent company		**2,121**	**2,448**
Non-controlling interests		5	5
Equity	34	**2,126**	**2,453**
Provisions for pension plans and severance payments	35	387	448
Deferred tax liabilities	24	144	135
Finance lease obligations	38	11	17
Non-current provisions	40	59	71
Non-current liabilities		**601**	**671**
Bank and other interest-bearing liabilities	37/38	7	13
Trade payables	39	1,449	1,485
Accrued trade expenses/deferred income	39	919	1,032
Income tax liabilities		104	97
Current provisions	40	101	59
Other liabilities	41	792	793
Current liabilities		**3,372**	**3,479**
Total liabilities and equity		**6,099**	**6,603**

Schindellegi, March 1, 2016

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 attribut-able to equity holders of parent company	Non-controlling interests	Total equity
Balance as of January 1, 2015		120	547	-7	-787	-126	2,701	2,448	5	2,453
Earnings for the year		–	–	–	–	–	676	676	3	679
Other comprehensive income										
Foreign exchange differences		–	–	–	-172	–	–	-172	-1	-173
Actuarial gains/(losses) on defined benefit plans, net of tax	35/24	–	–	–	–	20	–	20	–	20
Total other comprehensive income, net of tax		**–**	**–**	**–**	**-172**	**20**	**–**	**-152**	**-1**	**-153**
Total comprehensive income for the year		**–**	**–**	**–**	**-172**	**20**	**676**	**524**	**2**	**526**
Purchase of treasury shares	34	–	–	-70	–	–	–	-70	–	-70
Disposal of treasury shares	34	–	-15	58	–	–	–	43	–	43
Dividend paid	34	–	–	–	–	–	-839	-839	-2	-841
Expenses for share-based compensation plans	36	–	–	–	–	–	15	15	–	15
Total contributions by and distributions to owners		**–**	**-15**	**-12**	**–**	**–**	**-824**	**-851**	**-2**	**-853**
Balance as of December 31, 2015		**120**	**532**	**-19**	**-959**	**-106**	**2,553**	**2,121**	**5**	**2,126**

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, 2014		120	551	–7	–801	–73	2,747	2,537	21	2,558
Earnings for the year		–	–	–	–	–	633	633	11	644
Other comprehensive income										
Foreign exchange differences		–	–	–	14	–	–	14	–	14
Actuarial gains/(losses) on defined benefit plans, net of tax	35/24	–	–	–	–	–53	–	–53	–	–53
Total other comprehensive income, net of tax		**–**	**–**	**–**	**14**	**–53**	**–**	**–39**	**–**	**–39**
Total comprehensive income for the year		**–**	**–**	**–**	**14**	**–53**	**633**	**594**	**11**	**605**
Purchase of treasury shares	34	–	–	–53	–	–	–	–53	–	–53
Disposal of treasury shares	34	–	–4	53	–	–	–	49	–	49
Dividend paid	34	–	–	–	–	–	–701	–701	–5	–706
Expenses for share-based compensation plans	36	–	–	–	–	–	13	13	–	13
Total contributions by and distributions to owners		**–**	**–4**	**–**	**–**	**–**	**–688**	**–692**	**–5**	**–697**
Acquisition of non-controlling interests [1]		–	–	–	–	–	9	9	–9	–
Transactions with non-controlling interests [2]		–	–	–	–	–	–	–	–13	–13
Total transactions with owners		**–**	**–**	**–**	**–**	**–**	**9**	**9**	**–22**	**–13**
Balance as of December 31, 2014		**120**	**547**	**–7**	**–787**	**–126**	**2,701**	**2,448**	**5**	**2,453**

1 The movement in retained earnings includes the exercise of a put option for an acquisition of non-controlling interests in one of the Group's subsidiaries, see note 42 for details.
2 For details of the deconsolidation of subsidiaries with non-controlling interests refer to note 4.

Cash Flow Statement

CHF million	Note	2015	2014
Cash flow from operating activities			
Earnings for the year		679	644
Reversal of non-cash items:			
Income tax	24	199	180
Financial income	23	–25	–3
Financial expenses	23	4	4
Result from joint ventures and associates	28	–7	–6
Depreciation of property, plant and equipment	26	137	136
Amortisation of other intangibles	27	54	50
Expenses for share-based compensation plans	20	15	13
Gain on disposal of subsidiaries and associate	22	–10	–16
Gain on disposal of property, plant and equipment	22	–12	–10
Loss on disposal of property, plant and equipment	22	3	1
Net addition to provisions for pension plans and severance payments	35	8	7
Subtotal operational cash flow		**1,045**	**1,000**
(Increase)/decrease work in progress		19	–10
(Increase)/decrease trade and other receivables, prepayments		–30	–184
Increase/(decrease) provisions		39	–11
Increase/(decrease) other liabilities		60	29
Increase/(decrease) trade payables, accrued trade expenses/deferred income		38	198
Income taxes paid		–161	–212
Total cash flow from operating activities		**1,010**	**810**

CHF million	Note	2015	2014
Cash flow from investing activities			
Capital expenditure			
– Property, plant and equipment	26	–241	–186
– Other intangibles	27	–12	–10
Disposal of property, plant and equipment		34	25
Acquisition of subsidiaries, net of cash acquired	42	–221	–
Disposal of subsidiaries	4	6	3
(Increase)/decrease of share capital in joint ventures	28	–	3
Disposal of associates	22	4	–
Dividend received from joint ventures and associates		7	6
Interest received		2	3
Total cash flow from investing activities		**–421**	**–156**
Cash flow from financing activities			
Proceeds from interest-bearing liabilities		2	–
Repayment of interest-bearing liabilities		–7	–8
Interest paid		–4	–4
Purchase of treasury shares	34	–70	–53
Disposal of treasury shares	34	43	49
Dividend paid to equity holders of parent company	34	–839	–701
Dividend paid to non-controlling interests	34	–2	–5
Acquisition of non-controlling interests	42	–1	–16
Total cash flow from financing activities		**–878**	**–738**
Exchange difference on cash and cash equivalents		–35	5
Increase/(decrease) in cash and cash equivalents		**–324**	**–79**
Cash and cash equivalents at the beginning of the year, net	33	**1,163**	**1,242**
Cash and cash equivalents at the end of the year, net	33	**839**	**1,163**

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, 2015, 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, 2015. 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 Obligation). 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 50.

The accounting policies are the same as those applied in the Consolidated Financial Statements for the year ended December 31, 2014.

New, revised and amended standards that are effective for the 2015 reporting year are not applicable to the Group or do not have a significant impact on the Consolidated Financial Statements.

Adoption of new and revised standards and interpretations in 2016 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. Their impact on the Consolidated Financial Statements has not yet been analysed systematically. A first assessment by the Group Management shows the expected effects as disclosed in the table below.

Standard/interpretation	Effective date	Planned application
Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 [1]	January 1, 2016	Reporting year 2016
Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 [1]	January 1, 2016	Reporting year 2016
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 [1]	January 1, 2016	Reporting year 2016
Annual Improvements 2012 – 2014 Cycle [1]	January 1, 2016	Reporting year 2016
Disclosure Initiative – Amendments to IAS 1 [1]	January 1, 2016	Reporting year 2016
Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12 [1]	January 1, 2017	Reporting year 2017
Disclosure Initiative – Amendments to IAS 7 [1]	January 1, 2017	Reporting year 2017
IFRS 15 – Revenue from Contracts with Customers [1]	January 1, 2018	Reporting year 2018
IFRS 9 – Financial Instruments [1]	January 1, 2018	Reporting year 2018
IFRS 16 – Leases [2]	January 1, 2019	Reporting year 2019

1 No or no significant impacts are expected on the Consolidated Financial Statements.
2 The new IFRS 16 Leases standard is expected to impact the financial reporting of the Group. The Group is currently analysing the impact on the Consolidated Financial Statements.

4 SCOPE OF CONSOLIDATION

The Group's significant consolidated subsidiaries and joint ventures are listed on pages 140 to 147.

Major changes in the scope of consolidation in 2015 relate to the following companies (for further information on the financial impact of the acquisitions refer to note 42):

Changes in the scope of consolidation 2015	Capital share in per cent equals voting rights	Currency	Share capital in 1,000	Acquisition/ incorporation/ divestment date
Incorporations				
Kuehne + Nagel Dominicana SAS, Dominican Republic	50	DOP	1,550	Feb. 1, 2015
Kuehne + Nagel Insitu SASU, France	100	EUR	10	May 1, 2015
Podium Kuehne + Nagel Logistica de Eventos Esportivos Ltda, Brazil	50	BRL	100	June 1, 2015
Acquisitions				
Nacora Srl, Italy [1]	30	EUR	31	Feb. 16, 2015
RT Acquisition Corp., USA [2]	100	USD	543	Aug. 3, 2015
Viking Star Shipping Agency, SL, Spain [2]	100	EUR	30	Sep. 24, 2015
Divestment				
Kuehne + Nagel DSIA SAS, France [3]	100	EUR	360	July 1, 2015

1 The Group previously owned 70 per cent of the share capital and applied the full consolidation method. For further information refer to note 42.
2 Refer to note 42 for details to the acquisitions of RT Acquisition Corp., USA (ReTrans) and Viking Star Shipping Agency, SL, Spain.
3 Effective July 1, 2015, the Group signed a share sale and purchase agreement to sell the shares of Kuehne + Nagel DSIA SAS, France, for a total sales price of CHF 6.7 million. The profit on the sale amounts to CHF 5.5 million.
Kuehne + Nagel DSIA SAS operated in the Contract Logistics business unit, mainly in development, commercialisation and maintenance of software and related activities. External turnover until the date of transaction in 2015 (six months) amounted to CHF 5 million and in 2014 for twelve months CHF 12 million.

Major changes in the scope of consolidation for the year 2014 are related to the following companies (for further information on the financial impact of the acquisitions refer to note 42):

Changes in the scope of consolidation 2014	Capital share in per cent equals voting rights	Currency	Share capital in 1,000	Acquisition/ incorporation/ divestment date
Acquisition				
Cooltainer Holdings Ltd., New Zealand [1]	25	NZD	1,200	May 1, 2014
Incorporations				
Nacora Japan Insurance Solutions Ltd., Japan	100	JPY	9,900	Feb. 1, 2014
Kuehne & Nagel Information Center Ltd., China	100	CNY	1,000	March 1, 2014
Kuehne + Nagel Real Estate Pte. Ltd., Singapore	100	SGD	< 1	June 1, 2014
GFH Underwriting Agency Ltd., Canada	100	CAD	< 1	July 1, 2014
Kuehne + Nagel Company Ltd., Vietnam	100	VND	7,280,000	Aug. 1, 2014
Kuehne + Nagel Nevada, Inc., USA	100	USD	< 1	Sep. 1, 2014
Divestments				
Ibrakom group of companies [2]	60	USD	273	Nov. 6, 2014

1 The Group previously owned 75 per cent of the share capital and applied the full consolidation method.

2 Effective November 6, 2014, the Group has signed a share sale and purchase agreement with the minority shareholder Biskom International DMCC, Dubai, to sell its 60 per cent share in the Ibrakom group of companies for a total sales price of CHF 34.8 million. The profit recorded on the sale amounts to CHF 15.7 million.
The Ibrakom group of companies was operating in all business units of the group but its main business was in Overland.
External turnover until the date of transaction in 2014 amounted to CHF 173 million (2013: CHF 144 million) and EBIT was CHF 22 million (2013: CHF 13 million).

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 profit or loss.

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 profit or loss. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

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 profit or loss.

For the reporting year 2015 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 profit or loss. 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	2015 CHF	Variance per cent	2014 CHF
EUR 1.–	1.0731	–11.6	1.2146
USD 1.–	0.9624	5.1	0.9158
GBP 1.–	1.4738	–2.2	1.5071

Balance sheet (year-end rates)

Currency	Dec. 2015 CHF	Variance per cent	Dec. 2014 CHF
EUR 1.–	1.0814	–10.1	1.2028
USD 1.–	0.9865	–0.1	0.9877
GBP 1.–	1.4723	–4.2	1.5375

6 FINANCIAL ASSETS AND LIABILITIES

The accounting policy applied to financial instruments depends on their classification. The Group's financial assets and liabilities are classified into 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, 2015 and 2014, 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 rate method, less allowances for impairment.
- **Financial assets/investments available for sale** include all financial assets/investments not assigned to one of the above mentioned categories. These might include investments in affiliates that are not associates or joint ventures and investments in bonds and notes. Financial assets/investments available for sale are recognised at fair value, changes in value (after tax) are recognised directly in other comprehensive income until the assets are sold, at which time the amount reported in other comprehensive income is transferred to the income statement. As of December 31, 2015 and 2014, the Group did not have any financial assets/investments available for sale.
- **Financial liabilities** that are not at fair value through profit or loss are carried at amortised cost calculated by using the effective interest rate method.

Derivatives and hedge accounting

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 IAS 39. Derivatives are carried at fair value, 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 would be disclosed as derivative assets and included in the line "financial investments" on the balance sheet, while all derivatives with a negative fair value would be disclosed as derivative liabilities and included in the line "other liabilities".

Impairment of financial assets

If there is any indication that a financial asset (loans and receivables) or financial assets/investments available for sale may be impaired, its recoverable amount is calculated. The recoverable amount of the Group's loans and receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

Trade receivables are reported at their anticipated recoverable amounts. The allowance for bad debts is determined based on 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.

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

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

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

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, etc.) purchased from third parties or acquired in a business combination are separately recognised as intangibles, and are stated at cost less accumulated amortisation and accumulated impairment losses. Intangibles acquired in a business combination are recognised separately from goodwill if they are subject to contractual or legal rights or are separately transferable. 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, 2015 and 2014, 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 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

Share Matching Plan (SMP)

The Company introduced a share-based compensation plan effective August 7, 2012, referred to as “Share Matching Plan” (SMP) that replaced the “Share Purchase and Option Plan” (SPOP) implemented in 2001. This long-term incentive plan allows selected employees of the Group to acquire shares of the Company with a discount compared to the actual share price at a specified date; such shares are blocked for three years, give its holder immediate voting rights and rights to receive dividends.

For each share purchased, the Company will match additional shares upon completion of a three years' vesting period and service condition during the same period. The level of the share match (share match ratio) is defined based on the performance of the Group achieved over the three financial years in the vesting period against defined targets.

When employees purchase shares at a discounted price, the difference between the fair value of the shares at purchase date and the purchase price of the shares is recognised as a personnel expense with a corresponding increase in equity. The fair value of the shares granted is measured at the market price of the Company's shares.

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.

Share Purchase and Option Plan (SPOP)
The Group's previous share purchase and option plan was discontinued as of July 1, 2012. It allowed selected employees of the Group to acquire shares of the Company at a reduced price at a specified date; such shares are blocked for three years, give its holder immediate voting rights and rights to receive dividends. For each share purchased under this plan, the Company granted two options to the participants. Each option entitled the participant to purchase one share of the Company at a pre-defined price upon completion of the three years vesting period and service condition during the same period.

When employees purchase shares at a discounted price, the difference between the fair value of the shares at purchase date and the purchase price of the shares is recognised as a personnel expense with a corresponding increase in equity. The fair value of the shares granted is measured at the market price of the Company's shares.

The fair value of options granted under SPOP was recognised as a personnel expense with a corresponding increase in equity. The fair value of the granted options was calculated using the lattice binomial model.

15 REVENUE RECOGNITION

The Company 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 services like customs clearance, export documentation, import documentation, door-to-door service, and management 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 according to the terms in the contract of carriage. Revenues from other services, including providing services at destination, are recognised when the service is rendered.

In Contract Logistics the principal services are related to customer contracts for warehousing and distribution activities. Based on the customer contracts, revenues are recognised when the service is rendered.

A better indication of performance in the logistics industry compared to the turnover is the gross profit. The gross profit represents the difference between the turnover 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.

Borrowing costs that are not directly attributable to an acquisition, construction, or production of a qualifying asset are recognised in the income statement by using the effective interest method. The Group has not capitalised any borrowing costs as it does not have any qualifying assets.

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. Until December 31, 2014, the geographical information of the Group was divided into four regions namely Europe, Americas, Asia-Pacific and Middle East, Central Asia and Africa. As of January 1, 2015, the Kuehne + Nagel Group has amended the reporting structure. The former regions Europe and Middle East, Central Asia and Africa are now reported as one region EMEA.

All products and services are provided in each of these three regions **EMEA, Americas** and **Asia-Pacific.** The regional revenue is based on the geographical location of the customers invoiced, and regional assets are based on the geographical location of assets.

To facilitate comparability between the years, 2014 geographical information has been restated.

c) Major customers

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

a) Reportable segments

	Total Group		Seafreight		Airfreight		Overland [1]	
CHF million	2015	2014	2015	2014	2015	2014	2015	2014
Turnover (external customers)	**20,283**	**21,291**	**8,739**	**9,240**	**4,014**	**4,207**	**2,825**	**3,019**
Inter-segment turnover	–	–	1,839	1,701	2,149	2,313	1,178	1,349
Customs duties and taxes	-3,552	-3,790	-2,333	-2,499	-590	-650	-236	-257
Net turnover	**16,731**	**17,501**	**8,245**	**8,442**	**5,573**	**5,870**	**3,767**	**4,111**
Net expenses for services	-10,480	-11,213	-6,864	-7,129	-4,669	-4,990	-2,933	-3,213
Gross profit	**6,251**	**6,288**	**1,381**	**1,313**	**904**	**880**	**834**	**898**
Total expenses [1]	-5,210	-5,283	-896	-890	-618	-623	-784	-829
EBITDA	**1,041**	**1,005**	**485**	**423**	**286**	**257**	**50**	**69**
Depreciation of property, plant and equipment	-137	-136	-15	-15	-13	-12	-20	-17
Amortisation of other intangibles	-54	-50	-11	-10	-8	-7	-23	-22
EBIT (segment profit/(loss))	**850**	**819**	**459**	**398**	**265**	**238**	**7**	**30**
Financial income	25	3						
Financial expenses	-4	-4						
Result from joint ventures and associates	7	6	3	5	–	–	–	–
Earnings before tax (EBT)	**878**	**824**						
Income tax	-199	-180						
Earnings for the year	**679**	**644**						
Attributable to:								
Equity holders of the parent company	676	633						
Non-controlling interests	3	11						
Earnings for the year	**679**	**644**						
Additional information not regularly reported to the CODM								
Reportable non-current segment assets	2,231	2,175	99	86	56	65	487	293
Segment assets	6,099	6,603	1,187	1,298	650	734	945	715
Segment liabilities	3,973	4,150	1,231	1,290	634	701	688	673
Allocation of goodwill	767	695	38	43	31	37	323	214
Allocation of other intangibles	98	49	–	5	–	7	98	29
Capital expenditure property, plant and equipment	241	186	13	18	11	12	38	22
Capital expenditure other intangibles	12	10	4	3	2	2	2	2
Property, plant and equipment, goodwill and intangibles through business combinations	221	–	2	–	–	–	219	–
Non-cash expenses	94	190	18	39	5	24	38	48

1 Total expenses in 2015 in Overland include a net impact of CHF 12 million of the antitrust fine levied by the French Competition Authority after considering the recognised recovery from the previous owners. See note 44 for details.

	Contract Logistics		Total Reportable Segments		Eliminations		Unallocated Corporate	
	2015	2014	2015	2014	2015	2014	2015	2014
	4,705	**4,825**	**20,283**	**21,291**	**–**	**–**	**–**	**–**
	167	146	5,333	5,509	–5,333	–5,509	–	–
	–393	–384	–3,552	–3,790	–	–	–	–
	4,479	**4,587**	**22,064**	**23,010**	**–5,333**	**–5,509**	**–**	**–**
	–1,347	–1,390	–15,813	–16,722	5,333	5,509	–	–
	3,132	**3,197**	**6,251**	**6,288**	**–**	**–**	**–**	**–**
	–2,912	–2,941	–5,210	–5,283	–	–	–	–
	220	**256**	**1,041**	**1,005**	**–**	**–**	**–**	**–**
	–89	–92	–137	–136	–	–	–	–
	–12	–11	–54	–50	–	–	–	–
	119	**153**	**850**	**819**	**–**	**–**	**–**	**–**
	4	1	7	6	–	–	–	–
	1,365	1,475	2,007	1,919	–	–	224	256
	2,199	2,344	4,981	5,091	–	–	1,118	1,512
	1,154	1,224	3,707	3,888	–	–	266	262
	375	401	767	695	–	–	–	–
	–	8	98	49	–	–	–	–
	179	134	241	186	–	–	–	–
	4	3	12	10	–	–	–	–
	–	–	221	–	–	–	–	–
	33	79	94	190	–	–	–	–

b) Geographical information

	Total Group		EMEA [1, 2]		Americas	
CHF million	2015	2014	2015	2014	2015	2014
Turnover (external customers)	**20,283**	**21,291**	**13,002**	**14,338**	**5,027**	**4,714**
Inter-regional turnover	–	–	3,415	3,655	907	808
Customs duties and taxes	–3,552	–3,790	–2,395	–2,603	–778	–822
Net turnover	**16,731**	**17,501**	**14,022**	**15,390**	**5,156**	**4,700**
Net expenses for services	–10,480	–11,213	–9,551	–10,679	–4,005	–3,690
Gross profit	**6,251**	**6,288**	**4,471**	**4,711**	**1,151**	**1,010**
Total expenses [2]	–5,210	–5,283	–3,891	–4,089	–920	–828
EBITDA	**1,041**	**1,005**	**580**	**622**	**231**	**182**
Depreciation of property, plant and equipment	–137	–136	–103	–103	–21	–20
Amortisation of other intangibles	–54	–50	–41	–41	–10	–6
EBIT	**850**	**819**	**436**	**478**	**200**	**156**
Financial income	25	3				
Financial expenses	–4	–4				
Result from joint ventures and associates	7	6	7	6	–	–
Earnings before tax (EBT)	**878**	**824**				
Income tax	–199	–180				
Earnings for the year	**679**	**644**				
Attributable to:						
Equity holders of the parent company	676	633				
Non-controlling interests	3	11				
Earnings for the year	**679**	**644**				
Reportable non-current assets	**2,007**	**1,919**	**1,463**	**1,599**	**406**	**205**
Additional information not regularly reported to the CODM						
Segment assets	6,099	6,603	3,368	3,673	1,171	984
Segment liabilities	3,973	4,150	2,658	2,880	651	626
Allocation of goodwill	767	695	511	559	234	111
Allocation of other intangibles	98	49	10	41	88	5
Capital expenditure property, plant and equipment	241	186	162	115	28	26
Capital expenditure other intangibles	12	10	10	8	2	2
Property, plant and equipment, goodwill and intangibles through business combinations	221	–	2	–	219	–
Non-cash expenses	94	190	82	161	7	25

1 2014 geographical information is restated due to the change in regions as explained on page 93.
2 Total expenses in 2015 include a net impact of CHF 12 million of the antitrust fine levied by the French Competition Authority after considering the recognised recovery from the previous owners. See note 44 for details.

	Asia-Pacific		Eliminations		Unallocated Corporate	
	2015	2014	2015	2014	2015	2014
	2,254	**2,239**	**–**	**–**	**–**	**–**
	1,011	1,046	–5,333	–5,509	–	–
	–379	–365	–	–	–	–
	2,886	**2,920**	**–5,333**	**–5,509**	**–**	**–**
	–2,257	–2,353	5,333	5,509	–	–
	629	**567**	**–**	**–**	**–**	**–**
	–399	–366	–	–	–	–
	230	**201**	**–**	**–**	**–**	**–**
	–13	–13	–	–	–	–
	–3	–3	–	–	–	–
	214	**185**	**–**	**–**	**–**	**–**
	–	–	–	–	–	–
	138	**115**	**–**	**–**	**–**	**–**
	442	434	–	–	1,118	1,512
	398	382	–	–	266	262
	22	25	–	–	–	–
	–	3	–	–	–	–
	51	45	–	–	–	–
	–	–	–	–	–	–
	–	–	–	–	–	–
	5	4	–	–	–	–

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 holding company of the Group is registered.

	2015		2014	
Countries CHF million	Reportable non-current assets	Net turnover	Reportable non-current assets	Net turnover
France [1]	470	1,382	522	1,500
Germany [1]	422	2,935	452	3,155
Great Britain [1]	216	1,640	229	1,615
Switzerland [1]	6	258	5	281
USA [2]	335	2,538	109	2,080
Others	558	7,978	602	8,870
Total	**2,007**	**16,731**	**1,919**	**17,501**

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

20 PERSONNEL EXPENSES

CHF million	2015	2014
Salaries and wages	2,992	3,019
Social expenses and benefits	623	630
Expenses for share-based compensation plans	15	13
Expenses for pension plans		
– defined benefit plans	21	23
– defined contribution plans	63	58
Other	27	21
Total	**3,741**	**3,764**

21 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

CHF million	2015	2014
Administration	200	211
Communication	66	71
Travel and promotion	85	79
Vehicles	228	249
Operating expenses	220	236
Facilities	667	689
Bad debt and collection expenses	4	7
Total	**1,470**	**1,542**

22 OTHER OPERATING INCOME/EXPENSES, NET

CHF million	2015	2014
Gain on disposal of property, plant and equipment	12	10
Gain on disposal of associate [1]	4	–
Gain on sale of subsidiary [2]	6	16
Loss on disposal of property, plant and equipment	–3	–1
Expense for antitrust fine [3]	–12	–
Other operating expenses	–6	–2
Total	**1**	**23**

1 During the year a disposal of one associate resulted in a cash inflow and a gain of CHF 4 million (2014: none).
2 See note 4 for details.
3 See note 44 for details.

23 FINANCIAL INCOME AND EXPENSES

CHF million	2015	2014
Interest income	2	3
Exchange differences, net	23	–
Financial income	**25**	**3**
Interest expenses	–4	–4
Financial expenses	**–4**	**–4**
Net financial result	**21**	**–1**

24 INCOME TAX

CHF million	2015	2014
Current tax expense		
– in current year	203	182
– under/(over)-provided in previous years	–1	5
	202	**187**
Deferred tax expense from		
– changes in temporary differences	–3	–7
Income tax	**199**	**180**

Income tax of CHF 10 million (2014: CHF 52 million) relating to actuarial gains and losses of CHF 30 million before tax (2014: CHF 105 million) arising from defined benefit plans is 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	2015	per cent	2014	per cent
Earnings before tax according to the income statement	878		824	
Income tax/expected tax rate	**179**	**20.4**	**156**	**19.0**
Tax effect on				
– tax exempt (income)/non-deductible expenses	11	1.3	5	0.6
– tax losses (utilised)/expired	-5	-0.6	-4	-0.5
– under/(over)-provided in previous years	-1	-0.1	5	0.6
– unrecoverable withholding taxes	15	1.7	18	2.1
Income tax/effective tax rate	**199**	**22.7**	**180**	**21.8**

Deferred tax assets and liabilities

	Assets [1]		Liabilities [1]		Net [1]	
CHF million	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Property, plant and equipment	24	27	-50	-60	-26	-33
Goodwill and other intangibles	19	23	-60	-39	-41	-16
Trade receivables	19	21	-1	-2	18	19
Other receivables	1	4	-21	-27	-20	-23
Finance lease obligations	5	8	–	–	5	8
Provisions for pension plans and severance payments	58	74	–	–	58	74
Other liabilities	58	61	-12	-7	46	54
Tax value of loss carry-forwards recognised	9	6	–	–	9	6
Tax assets/(liabilities)	**193**	**224**	**-144**	**-135**	**49**	**89**
1 Of which acquired in business combinations	2	–	-24	–	-22	–

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	2015 Unused tax losses	2015 Unrecognised deferred tax asset on unused tax losses	2014 Unused tax losses	2014 Unrecognised deferred tax asset on unused tax losses
Balance as of December 31	136	37	193	55

It is not probable that future taxable profits will be available against which the unrecognised deferred tax assets can be used. CHF 33 million (2014: CHF 51 million) of unrecognised deferred tax assets relate to tax losses that do not expire.

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	2015	2014
Earnings for the year attributable to the equity holders of the parent company in CHF million	**676**	**633**
Weighted average number of ordinary shares outstanding during the year	119,804,164	119,880,480
Dilutive effect on number of shares outstanding: Share-based compensation plans	195,836	119,520
Adjusted weighted number of ordinary shares applicable to diluted earnings per share	120,000,000	120,000,000
Basic earnings per share in CHF	**5.64**	**5.28**
Diluted earnings per share in CHF	**5.63**	**5.28**

26 PROPERTY, PLANT AND EQUIPMENT

2015

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, 2015	931	805	144	36	1,916
Additions through business combinations	–	1	–	–	1
Additions	85	156	–	–	241
Disposals	–22	–59	–1	–8	–90
Adjustments/transfers	–	4	–	–4	–
Effect of movements in foreign exchange	–91	–108	–15	–4	–218
Balance as of December 31, 2015	**903**	**799**	**128**	**20**	**1,850**
Accumulated depreciation and impairment losses					
Balance as of January 1, 2015	168	533	8	32	741
Depreciation charge for the year	20	114	2	1	137
Disposals	–2	–55	–	–8	–65
Adjustments/transfers	–	2	–	–2	–
Effect of movements in foreign exchange	–18	–82	–2	–3	–105
Balance as of December 31, 2015	**168**	**512**	**8**	**20**	**708**
Carrying amount					
As of January 1, 2015	**763**	**272**	**136**	**4**	**1,175**
As of December 31, 2015	**735**	**287**	**120**	**–**	**1,142**

2014

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, 2014	902	741	147	39	1,829
Additions	49	137	–	–	186
Disposals	–11	–72	–	–3	–86
Adjustments/transfers	1	–1	–	–	–
Effect of movements in foreign exchange	–10	–	–3	–	–13
Balance as of December 31, 2014	**931**	**805**	**144**	**36**	**1,916**
Accumulated depreciation and impairment losses					
Balance as of January 1, 2014	153	486	6	33	678
Depreciation charge for the year	21	111	2	2	136
Disposals	–4	–62	–	–3	–69
Effect of movements in foreign exchange	–2	–2	–	–	–4
Balance as of December 31, 2014	**168**	**533**	**8**	**32**	**741**
Carrying amount					
As of January 1, 2014	**749**	**255**	**141**	**6**	**1,151**
As of December 31, 2014	**763**	**272**	**136**	**4**	**1,175**

27 GOODWILL AND OTHER INTANGIBLES

2015

CHF million	Goodwill	Other intangibles [1]
Cost		
Balance as of January 1, 2015	709	648
Additions through business combinations	127	93
Additions	–	12
Deletions	–	–7
Effect of movements in foreign exchange	–56	–62
Balance as of December 31, 2015	**780**	**684**
Accumulated amortisation and impairment losses		
Balance as of January 1, 2015	14	599
Amortisation charge for the year	–	54
Deletions	–	–7
Effect of movements in foreign exchange	–1	–60
Balance as of December 31, 2015	**13**	**586**
Carrying amount		
As of January 1, 2015	**695**	**49**
As of December 31, 2015	**767**	**98**

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

2014

CHF million	Goodwill	Other intangibles [1]
Cost		
Balance as of January 1, 2014	701	648
Additions	–	10
Deletions	–	–5
Effect of movements in foreign exchange	8	–5
Balance as of December 31, 2014	**709**	**648**
Accumulated amortisation and impairment losses		
Balance as of January 1, 2014	13	559
Amortisation charge for the year	–	50
Deletions	–	–5
Effect of movements in foreign exchange	1	–5
Balance as of December 31, 2014	**14**	**599**
Carrying amount		
As of January 1, 2014	**688**	**89**
As of December 31, 2014	**695**	**49**

1 Other intangibles mainly comprise customer contracts/lists and software.

Impairment testing of goodwill

The Group has performed impairment tests of goodwill at the end of the financial years 2015 and 2014. 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	Multiple units [2]	Total
Year of acquisition	2001	2006	2009	2015	2004–2012	
Carrying amount of goodwill in CHF million 2015	**87**	**269**	**78**	**130**	**203**	**767**
Carrying amount of goodwill in CHF million 2014	87	293	87	n/a	228	695
Cash-generating unit within segment	Contract Logistics	Contract Logistics	Overland	Overland	All Segments	
Basis for recoverable amount	Value in use	Value in use	Value in use	Value in use	Value in use	
Pre-tax discount rate in per cent 2015	12.0	9.7–14.0	13.5	10.4	9.6–18.8	
Pre-tax discount rate in per cent 2014	12.7	11.0–16.5	14.0	n/a	11.0–17.7	
Projection period	3 years	3 years	3 years	3 years	3 years	
Terminal growth rate in per cent 2015	1.5	1.5	1.5	1.5	1.5	
Terminal growth rate in per cent 2014	1.5	1.5	1.5	n/a	1.5	

1 ACR Group, Europe, goodwill relates to Great Britain (2015: CHF 98 million; 2014: CHF 103 million), France (2015: CHF 61 million; 2014: CHF 68 million), the Netherlands (2015: CHF 50 million; 2014: CHF 56 million) and other various countries (2015: CHF 60 million; 2014: CHF 66 million).

2 Including cash-generating units without significant goodwill Cordes & Simon Group, Germany (2015: CHF 34 million; 2014: CHF 38 million), G.L. Kayser Group, Germany (2015: CHF 32 million; 2014: CHF 36 million) and J. Martens Group, Norway (2015: CHF 22 million; 2014: CHF 25 million), RH Group, United Kingdom (2015: CHF 53 million; 2014: CHF 56 million), Cooltainer, New Zealand (2015: CHF 19 million; 2014: CHF 22 million), Eichenberg Group, Brazil (2015: CHF 11 million; 2014: CHF 17 million), J. Van de Put, the Netherlands (2015: CHF 11 million; 2014: CHF 12 million).

Key assumptions have not changed compared to the previous year with the exception of discount rates used. For both 2015 and 2014, all recoverable amounts exceeded their carrying amounts and consequently no impairment of goodwill was recognised for the years 2015 and 2014.

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

Sensitivity analysis of goodwill USCO Group

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

CHF million	Discount rate			
Growth rate	12.0 per cent	13.0 per cent	14.0 per cent	15.0 per cent
0.0 per cent	114	99	86	75
0.5 per cent	120	104	91	79
1.0 per cent	127	110	95	83
1.5 per cent	135	116	101	87

Sensitivity analysis of goodwill ACR Group

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

CHF million	Discount rate			
Growth rate	12.0 per cent	13.0 per cent	14.0 per cent	15.0 per cent
0.0 per cent	597	533	479	432
0.5 per cent	624	556	498	448
1.0 per cent	653	580	518	465
1.5 per cent	685	606	540	484

Sensitivity analysis of goodwill Alloin Group

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

CHF million	Discount rate			
Growth rate	14.0 per cent	15.0 per cent	16.0 per cent	17.0 per cent
0.0 per cent	29	21	14	8
0.5 per cent	32	24	17	10
1.0 per cent	35	27	19	12
1.5 per cent	39	30	22	15

Sensitivity analysis of goodwill ReTrans Group

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

CHF million	Discount rate			
Growth rate	11.0 per cent	12.0 per cent	13.0 per cent	14.0 per cent
0.0 per cent	84	58	37	18
0.5 per cent	95	68	44	25
1.0 per cent	108	78	53	32
1.5 per cent	122	89	62	39

28 INVESTMENTS IN JOINT VENTURES

As of December 31, 2015, the following investments in joint ventures are held (all with 50 per cent voting rights/Kuehne + Nagel share):

– KN-ITS S.A.L., Lebanon
– Kuehne + Nagel Drinkflow Logistics Ltd., Great Britain
– Kuehne + Nagel Drinkflow Logistics (Holdings) Ltd., Great Britain
– Sindos Railcontainer Services S.A., Greece
– Kuehne + Nagel Dominicana SAS, Dominican Republic
– Podium Kuehne + Nagel Logistica de Eventos Esportivos Ltda, Brazil

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

CHF million	Dec. 31, 2015	Dec. 31, 2014
Non-current assets	43	51
Current assets	68	57
Total assets	**111**	**108**
Current liabilities	–49	–44
Equity	62	64
Kuehne + Nagel's share of equity (50 per cent)	**31**	**32**
Net turnover	312	306
Earnings for the year	–	–

No significant investments in associates were held on December 31, 2015 and 2014.

29 WORK IN PROGRESS

This position decreased from CHF 307 million in 2014 to CHF 260 million in 2015, which represents a billing delay of 4.6 working days against the previous year's 5.2 working days.

30 TRADE RECEIVABLES

CHF million	2015	2014
Trade receivables	2,557	2,686
Impairment allowance	–71	–86
Total trade receivables	**2,486**	**2,600**

The majority of all billing is done in the respective Group companies' own functional currencies and is mainly in EUR 42.3 per cent (2014: 43.0 per cent), USD 17.4 per cent (2014: 15.0 per cent) and GBP 9.8 per cent (2014: 8.8 per cent).

Trade receivables outstanding at year-end averaged 44.4 days (2014: 44.4 days). 94.1 per cent (2014: 93.8 per cent) of the total trade receivables were outstanding between 1 and 90 days.

No trade receivables are pledged in 2015 and 2014.

The Group has a credit insurance programme 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).

The Group establishes an impairment allowance that represents its estimate of incurred losses in respect of trade receivables. The two components of this impairment allowance of CHF 71 million (2014: CHF 86 million) are:

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

Trade receivables with credit insurance cover are not included in the impairment allowance. The individual impairment allowance relates 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 is CHF 42 million at year-end 2015 (2014: CHF 55 million).

The collective impairment allowance based on overdue trade receivables is estimated considering statistical information of past payment experience. The Group has established a collective impairment allowance of CHF 29 million (2014: CHF 31 million) which represents 2.3 per cent (2014: 2.5 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 relates to customers who have good payment records with the Group and are subject to yearly credit risk assessments. Therefore, the Group does not believe that an additional impairment allowance for these trade receivables is necessary.

	2015			2014		
CHF million	Gross (excluding insured receivables and individual allowance)	Collective allowance	Collective allowance per cent of subtotal	Gross (excluding insured receivables and individual allowance)	Collective allowance	Collective allowance per cent of subtotal
Not past due	979	–	–	941	–	–
Past due 1–30 days	181	–	–	192	–	–
Past due 31–90 days	61	3	5	65	3	5
Past due 91–180 days	19	2	10	27	3	10
Past due 181–360 days	20	20	100	21	21	100
More than 1 year	4	4	100	4	4	100
Total	**1,264**	**29**	**2.3**	**1,250**	**31**	**2.5**

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

CHF million	2015 Individual allowance	2015 Collective allowance	2015 Total allowance	2014 Individual allowance	2014 Collective allowance	2014 Total allowance
Balance as of January 1	55	31	86	47	37	84
Additions through business combinations	–	1	1	–	–	–
Additional impairment losses recognised	13	3	16	20	10	30
Reversal of impairment losses and write-offs	–26	–6	–32	–12	–16	–28
Balance as of December 31	**42**	**29**	**71**	**55**	**31**	**86**

31 OTHER RECEIVABLES

CHF million	Dec. 31, 2015	Dec. 31, 2014
Receivables from tax authorities	16	25
Deposits	49	52
Sundry	66	80
Total other receivables	**131**	**157**
Income tax receivables	52	86
Total	**183**	**243**

The majority of the other receivables are held in the respective Group companies' own functional currencies, which represents EUR 44.6 per cent (2014: 46.3 per cent), USD 7.2 per cent (2014: 4.8 per cent) and GBP 2.1 per cent (2014: 0.8 per cent).

32 FINANCIAL INVESTMENTS AND DERIVATIVE INSTRUMENTS

As of December 31, 2015 and 2014, no material financial investments and derivative instruments were held.

33 CASH AND CASH EQUIVALENTS

CHF million	Dec. 31, 2015	Dec. 31, 2014
Cash in hand	1	1
Cash at banks	549	466
Short-term deposits	291	703
Cash and cash equivalents	**841**	**1,170**
Bank overdraft	–2	–7
Cash and cash equivalents in the cash flow statement, net	**839**	**1,163**

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.

34 EQUITY

Share capital and treasury shares 2015

2015	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	53.3	63,900,000
Public shareholders	55,946,978	56	46.6	46.7	56,050,936
Entitled to voting rights and dividends	**119,846,978**	**120**	**99.9**	**100.0**	**119,950,936**
Treasury shares	153,022	–	0.1		49,064
Total	**120,000,000**	**120**	**100.0**		**120,000,000**

In 2015 the Company sold 353,302 and matched 97,240 treasury shares for the matured share matching plan 2012 (2014: 446,715 treasury shares sold, none matched) for CHF 43 million (2014: CHF 49 million) under the employee share-based compensation plans. The Company also purchased 554,500 (2014: 434,253) treasury shares for CHF 70 million (2014: CHF 53 million).

On December 31, 2015, the Company had 153,022 treasury shares (2014: 49,064), of which 153,022 (2014: 49,064) are reserved under the share-based compensation plans; refer to note 36 for more information.

Dividends

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

Year	per share	CHF million
2016	CHF 5.00	599

The dividend payment 2015 to owners amounted to CHF 4.00 per share and CHF 3.00 extraordinary dividend per share or CHF 839 million (2014: CHF 5.85 per share or CHF 701 million).

Share capital and treasury shares 2014

2014	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	53.3	63,900,000
Public shareholders	56,050,936	56	46.7	46.7	56,038,474
Entitled to voting rights and dividends	**119,950,936**	**120**	**100.0**	**100.0**	**119,938,474**
Treasury shares	49,064	–	–		61,526
Total	**120,000,000**	**120**	**100.0**		**120,000,000**

Authorised and conditional share capital

The Annual General Meeting held on May 6, 2014, extended its approval of authorised share capital up to a maximum of CHF 20 million by another two years until May 6, 2016.

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 8, 2012, approved a conditional share capital up to a maximum of CHF 20 million for the provision of the employee share-based compensation plans of the Company. The Annual General Meeting held on May 5, 2015, approved a reduction of this conditional share capital from CHF 20 million to CHF 2 million.

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	2015	2014	2013	2012	2011
Total equity	2,126	2,453	2,558	2,425	2,405
Total assets	6,099	6,603	6,374	6,279	6,141
Equity ratio in per cent	**34.9**	**37.1**	**40.1**	**38.6**	**39.2**

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

35 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, 2014	**304**	**36**	**340**
Provisions made	23	7	30
Provisions used	–18	–5	–23
Actuarial (gains)/losses recognised in other comprehensive income	105	–	105
Effect of movements in foreign exchange	–5	1	–4
Balance as of December 31, 2014	**409**	**39**	**448**
Provisions made	21	10	31
Provisions used	–19	–5	–24
Actuarial (gains)/losses recognised in other comprehensive income	–30	–	–30
Effect of movements in foreign exchange	–35	–3	–38
Balance as of December 31, 2015	**346**	**41**	**387**

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.

	2015			2014		
CHF million	Funded plans	Unfunded plans	Total	Funded plans	Unfunded plans	Total
Net liability for defined benefit obligations						
Present value of obligations	236	273	509	238	334	572
Fair value of plan assets	–163	–	–163	–163	–	–163
Present value of net obligations	73	273	346	75	334	409
Recognised net liability for defined benefit obligations	**73**	**273**	**346**	**75**	**334**	**409**

CHF million	2015	2014
Allocation of plan assets		
Debt securities	94	90
Equity securities	40	41
Property	10	10
Others	19	22
Total	**163**	**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.

	2015	2014
CHF million	Funded plans	Funded plans
Movements of fair value of plan assets		
Opening fair value of plan assets	163	139
Employer contribution	8	8
Employee contribution	4	4
Return on plan assets, excluding interest	–2	6
Interest on plan assets	4	5
Benefits paid by the plan	–10	–5
Plan amendments	–	1
Effect of movements in foreign exchange	–4	5
Closing fair value of plan assets	**163**	**163**
Expected payments to defined benefit plan in the next year	18	7
Actual return on plan assets for the year	2	11

CHF million	2015 Funded plans	2015 Unfunded plans	2015 Total	2014 Funded plans	2014 Unfunded plans	2014 Total
Movements of present value of defined benefit obligations						
Opening liability for defined benefit obligations	238	334	572	174	269	443
Current service costs	9	5	14	5	5	10
Interest costs	5	5	10	6	9	15
Employee contribution	4	–	4	4	–	4
Actuarial (gains)/losses recognised in other comprehensive income:						
– due to changes in demographic assumptions	-1	–	-1	5	–	5
– due to changes in financial assumptions	-3	-25	-28	41	68	109
– due to experience (gains)/losses	-1	-1	-2	-2	-1	-3
Benefits paid by the plan	-10	-11	-21	-6	-10	-16
Past service costs – amendments	-1	–	-1	2	–	2
Plan amendments	–	–	–	3	-1	2
Effect of movements in foreign exchange	-4	-34	-38	6	-5	1
Closing liability for defined benefit obligations	**236**	**273**	**509**	**238**	**334**	**572**
Expense recognised in the income statement						
Service costs	9	5	14	8	5	13
Net interest on the net defined benefit liability	1	6	7	1	9	10
Expense recognised in personnel expenses (refer to note 20)	**10**	**11**	**21**	**9**	**14**	**23**
Actuarial gains/(losses) recognised in other comprehensive income						
Cumulative amount as of January 1	-61	-115	-176	-22	-49	-71
Recognised during the year	3	27	30	-38	-67	-105
Effect of movements in foreign exchange	–	12	12	-1	1	–
Cumulative amount as of December 31	**-58**	**-76**	**-134**	**-61**	**-115**	**-176**

Plan participants	Active 2015	Active 2014	Deferred 2015	Deferred 2014	Retired 2015	Retired 2014	Total 2015	Total 2014
Number of plan participants	13,114	13,900	1,896	1,914	2,154	2,075	17,164	17,889
Present value of defined benefit obligations								
In CHF million	279	314	64	76	166	182	509	572
Share in per cent	54.8	54.9	12.6	13.3	32.6	31.8	100.0	100.0
Duration in years	21.0	20.2	16.4	16.3	9.8	9.5	16.8	16.3

The duration in years corresponds to the average weighted period.

Weighted actuarial assumptions at the balance sheet date

Per cent	2015 Funded plans	2015 Unfunded plans	2015 Total	2014 Funded plans	2014 Unfunded plans	2014 Total
Discount rate	2.1	2.4	2.4	2.3	1.9	2.0
Future salary increases	1.1	2.0	1.8	1.1	2.0	1.8
Future pension increases	–	1.3	1.3	–	1.3	1.3

Sensitivities of significant actuarial assumptions

The discount rate and the 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	2015 Funded plans	2015 Unfunded plans	2015 Total	2014 Funded plans	2014 Unfunded plans	2014 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	7	10	17	7	13	20
Decrease of defined benefit obligation	–7	–10	–17	–7	–13	–20
Future salary increases						
Increase of defined benefit obligation	2	2	4	2	2	4
Decrease of defined benefit obligation	–2	–2	–4	–2	–2	–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 the 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 91.0 per cent (2014: 88.5 per cent) of the defined benefit obligations and 77.3 per cent (2014: 75.5 per cent) of the plan assets.

Germany

There is one major 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. 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. 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	2015	2014
Net liability for defined benefit obligations		
Present value of obligations	252	306
Fair value of plan assets	–	–
Present value of net obligations	252	306
Recognised net liability for defined benefit obligations	**252**	**306**

CHF million	2015	2014
Expense recognised in the income statement		
Service costs	4	4
Net interest on the net defined benefit liability	5	8
Expense recognised in personnel expenses	**9**	**12**

Plan participants	2015	2014
Number of plan participants	3,742	3,805
Present value of defined benefit obligations		
In CHF million	252	306
Duration in years	16.3	16.1

The duration in years corresponds to the average weighted period.

Weighted actuarial assumptions at the balance sheet date

Per cent	2015	2014
Discount rate	2.40	1.85
Future salary increases	2.00	2.00
Future pension increases	1.75	1.75
Mortality table	Dr. K. Heubeck 2005 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 5 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 ten 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	2015	2014
Net liability for defined benefit obligations		
Present value of obligations	68	70
Fair value of plan assets	–49	–49
Present value of net obligations	19	21
Recognised net liability for defined benefit obligations	**19**	**21**

CHF million	2015	2014
Allocation of plan assets		
Debt securities	18	16
Equity securities	28	30
Property	3	3
Total	**49**	**49**

CHF million	2015	2014
Actual return on plan assets for the year	**1**	**4**
Expected payments to defined benefit plan in the next year	**2**	**2**

CHF million	2015	2014
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	2015	2014
Number of plan participants	1,862	1,874
Present value of defined benefit obligations		
In CHF million	69	70
Duration in years	16.2	16.9

The duration in years corresponds to the average weighted period.

Weighted actuarial assumptions at the balance sheet date

Per cent	2015	2014
Discount rate	4.40	4.00
Future salary increases	–	–
Future pension increases	–	–
Mortality table	Scale MP 2015 release by SOA on October 8, 2015	IRS PPA 2014 Non-Annuitant (pre retirement) and Annuitant (post retirement)

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 refinancing. 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	2015	2014
Net liability for defined benefit obligations		
Present value of obligations	121	109
Fair value of plan assets	–77	–74
Present value of net obligations	44	35
Recognised net liability for defined benefit obligations	**44**	**35**

CHF million	2015	2014
Allocation of plan assets		
Debt securities	66	64
Equity securities	4	3
Property	7	7
Total	**77**	**74**

CHF million	2015	2014
Actual return on plan assets for the year	**2**	**–**
Expected payments to defined benefit plan in next year	**4**	**4**

CHF million	2015	2014
Expense recognised in the income statement		
Service costs	8	7
Net interest on the net defined benefit liability	–	–
Expense recognised in personnel expenses	**8**	**7**

Plan participants	2015	2014
Number of plan participants	578	573
Present value of defined benefit obligations		
In CHF million	109	109
Duration in years	20.2	18.9

The duration in years corresponds to the average weighted period.

Weighted actuarial assumptions at the balance sheet date

Per cent	2015	2014
Discount rate	0.90	1.25
Future salary increases	1.50	1.50
Future pension increases	–	–
Mortality table	BVG 2010 Generational	BVG 2010 Generational

36 EMPLOYEE SHARE-BASED COMPENSATION PLANS

Share Matching Plan (SMP)
For each share purchased under the Share Matching Plan as referred to in note 14, the Company will match additional shares upon completion of a three years vesting period and service condition during the same period. The level of the share match (share match ratio) is dependent on the achievement of the performance of the Group over the three financial years in the vesting period against defined targets. The maximum matching ratio of one share for each share purchased by the employee (minimum investment is 75 shares) can be obtained by exceeding the defined target by more than 15 per cent. A guaranteed minimum matching of 0.2 shares per share purchased 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 SMP are as follows:

Share matching plan	2015	2014	2013
Grant date	14.08.2015	06.08.2014	03.08.2013
Performance period	Jan. 2015–Dec. 2017	Jan. 2014–Dec. 2016	Jan. 2013–Dec. 2015
Vesting, service and blocking period	14.08.2015–30.06.2018	06.08.2014–30.06.2017	03.08.2013–30.06.2016
Fair value of shares at grant date in CHF per share	134.70	120.00	115.40
Purchase price of shares in CHF per share	125.35	113.40	94.60
Number of shares granted at grant date	266,577	185,206	252,894
Number of shares to be matched as of Dec. 31, 2015	265,600	176,391	227,542
Number of shares to be matched as of Dec. 31, 2014	n/a	183,106	244,124
Expected share match ratio	0.8	0.7	0.7
Fair value of shares to be matched at grant date in CHF per share	119.50	107.35	103.20

On July 1, 2015, the SMP 2012 matured with an actual share match ratio of 0.5 resulting in a matching of 97,240 shares to the participating employees of this plan.

Share Purchase and Option Plan (SPOP)
In 2001 the Company introduced an employee "Share Purchase and Option Plan" (SPOP). The plan allowed selected employees of the Group to acquire shares of the Company. The employees were able to buy shares at a reduced price compared to the actual share price at a specified date. The price of the shares offered was 90 to 96.5 per cent of the share price corresponding to the average closing price of one share at the SIX Swiss Exchange during the months April to June. There are no vesting conditions. The shares are restricted for a period of three years before being released to the employees.

For each share purchased under this plan, the Company granted two options to the participants. Each option entitles the participant to purchase one share of the Company at a specified price. The exercise price is 100 per cent of the share price corresponding to the average closing price of one share at the SIX Swiss Exchange during the months April to June. The options vest three years after the grant date and can be exercised during the three-year period starting on the vesting date. The last options granted under this plan in 2012 will expire at the end of the exercise period on June 30, 2018.

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

Grant date	Exercise period	Number issued	Exercise price CHF	Number outstanding as of Dec. 31, 2015	Number outstanding as of Dec. 31, 2014
June 30, 2009	July 1, 2012–June 30, 2015	307,802	82.12	–	15,872
June 30, 2010	July 1, 2013–June 30, 2016	447,398	111.37	53,790	110,891
June 30, 2011	July 1, 2014–June 30, 2017	37,374	131.15	10,308	22,260
June 30, 2012	July 1, 2015–June 30, 2018	3,290	113.40	948	948
Total		**795,864**		**65,046**	**149,971**

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

	2015		2014	
Options	**Weighted average exercise price (CHF)**	**Number of options**	**Weighted average exercise price (CHF)**	**Number of options**
Options outstanding as of January 1	**111.17**	**149,971**	**108.01**	**422,438**
Options granted during the year	n/a	n/a	n/a	n/a
Options cancelled during the year	n/a	–	124.19	–6,658
Options expired during the year	82.12	–300	107.27	–800
Options exercised during the year	108.74	–84,625	105.81	–265,009
Options outstanding as of December 31	**114.46**	**65,046**	**111.17**	**149,971**
Options exercisable as of December 31		65,046		149,023

The weighted average life of the options outstanding at December 31, 2015, is 0.7 years (2014: 1.6 years). The options outstanding at December 31, 2015, have an exercise price in the range of CHF 111.37 to CHF 131.15 (2014: CHF 82.12 to CHF 131.15).

CHF million	**2015**	**2014**
Total personnel expense for employee share-based compensation plans	**15**	**13**

37 BANK LIABILITIES AND OTHER INTEREST-BEARING LIABILITIES

CHF million	**Dec. 31, 2015**	**Dec. 31, 2014**
Liabilities part of cash and cash equivalents	2	7
Short-term portion of long-term liabilities	5	6
Total	**7**	**13**

The current bank and other interest-bearing liabilities include finance lease liabilities due for payment within one year of CHF 5 million (2014: CHF 6 million). Current bank and other interest-bearing liabilities also include bank overdrafts of CHF 2 million (2014: CHF 7 million), which are included in cash and cash equivalents for the purpose of the consolidated cash flow statement.

All loans and bank overdrafts are held in the respective Group companies' own functional currencies, which mainly is in EUR 68.5 per cent (2014: 43.7 per cent), GBP 0.4 per cent (2014: 1.4 per cent) and USD 9.7 per cent (2014: < 0.1 per cent) on terms of the prevailing market conditions. The majority of bank overdraft facilities are repayable upon notice or within one year of the contractual term. The applicable interest rates are at prime interest rates of the respective country.

The non-current portion of finance lease liabilities amounts to CHF 11 million (2014: CHF 17 million) and is presented separately on the face of the balance sheet.

38 FINANCE LEASE OBLIGATIONS

	2015			2014		
CHF million	Payments	Interest	Present value	Payments	Interest	Present value
Less than 1 year	5	–	5	6	–	6
Between 1–5 years	11	–	11	17	1	16
After 5 years	–	–	–	1	–	1
Total	**16**	**–**	**16**	**24**	**1**	**23**

39 TRADE PAYABLES/ACCRUED TRADE EXPENSES/DEFERRED INCOME

CHF million	Dec. 31, 2015	Dec. 31, 2014
Trade payables	1,449	1,485
Accrued trade expenses	773	866
Deferred income	146	166
Total	**2,368**	**2,517**

The majority of all trade payables is in the respective Group companies' own functional currencies, which is in EUR 42.7 per cent (2014: 43.6 per cent), USD 14.5 per cent (2014: 11.7 per cent) and GBP 12.2 per cent (2014: 12.2 per cent).

40 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, 2014	57	25	59	141
Provisions used	–21	–9	–21	–51
Provisions reversed	–8	–	–7	–15
Provisions made	31	10	14	55
Effect of movements in foreign exchange	–	–	–	–
Balance as of December 31, 2014	**59**	**26**	**45**	**130**
of which				
– Current portion	28	9	22	59
– Non-current portion	31	17	23	71
Total provisions	**59**	**26**	**45**	**130**
Balance as of January 1, 2015	59	26	45	130
Additions through business combinations	–	–	1	1
Provisions used	–12	–11	–10	–33
Provisions reversed	–18	–	–4	–22
Provisions made	60	12	20	92
Effect of movements in foreign exchange	–5	–	–3	–8
Balance as of December 31, 2015	**84**	**27**	**49**	**160**
of which				
– Current portion	66	9	26	101
– Non-current portion	18	18	23	59
Total provisions	**84**	**27**	**49**	**160**

1 Some Group companies are involved in legal proceedings on various issues (disputes about logistics services, antitrust etc.). Some legal proceedings have been settled in the reporting period, 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. A number of these investigations have been concluded meanwhile. 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) at the European General Court (EGC) in 2012. See also note 44.

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 26 million (2014: CHF 25 million) and of provisions for onerous contracts amounting to CHF 3 million (2014: CHF 3 million).

41 OTHER LIABILITIES

CHF million	Dec. 31, 2015	Dec. 31, 2014
Personnel expenses (including social security)	475	485
Other tax liabilities	84	78
Other operating expenses	177	187
Sundry	56	43
Total	**792**	**793**

42 ACQUISITION OF BUSINESSES/SUBSIDIARIES

2015 Acquisitions

The provisionally determined fair values of the identifiable assets and liabilities of the acquisitions of subsidiaries are as follows:

CHF million	Recognised fair values
Property, plant and equipment	1
Other intangibles	93
Other non-current assets	3
Trade receivables	45
Other current assets	8
Acquired cash and cash equivalents (net)	2
Subtotal assets	**152**
Non-current liabilities	–24
Other current liabilities	–5
Trade payables	–26
Total identifiable assets and liabilities	**97**
Goodwill	127
Total consideration	**224**
Contingent consideration	–1
Purchase price, paid in cash	**223**
Acquired cash and cash equivalents	–2
Net cash outflow	**221**

Effective August 3, 2015, the Group acquired 100 per cent of the shares of RT Acquisition Corp. (ReTrans) a US-based leading provider of multimodal transportation management solutions. Founded in 2002 and headquartered in Memphis, TN, ReTrans ranks among the leading US non-asset brokerage providers of intermodal transportation, as well as full- and less-than-truckload (FTL and LTL) services in the United States and Canada. With more than 300 employees the company operates in 68 locations and generates annual revenues of approximately USD 500 million. The purchase price of CHF 221 million has been paid in cash.

Effective September 24, 2015, the Group acquired Viking Star Shipping Agency, S.L., Canary Islands, Spain. The purchase price of CHF 1.9 million includes a contingent consideration of CHF 0.7 million depending on the financial performance of the company.

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 46 million, of which CHF 1 million were expected to be uncollectible at the acquisition date.

Goodwill of CHF 127 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 is not expected to be deductible for tax purposes.

Other intangible assets of CHF 93 million recognised on the acquisitions represent non-contractual customer lists, trademarks and field office agent contracts having a useful life of 3 to 10 years.

The acquisitions contributed CHF 192 million of net turnover and CHF 3 million loss to the consolidated net turnover and earnings for the year 2015 respectively. If the acquisitions had taken place on January 1, 2015, the Groups' net turnover would have been CHF 17,002 million and consolidated earnings would have been CHF 678 million.

The initial accounting for the acquisitions has only been determined provisionally. Further 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.

Effective February 16, 2015, the Group acquired the non-controlling interest of 30 per cent of the shares of Nacora Srl, Italy, for a purchase price of CHF 0.6 million, which has been paid in cash. The Group previously owned 70 per cent of Nacora Srl, which was founded in 1998.

2014 Acquisitions

There were no acquisitions of subsidiaries in 2014.

The minority shareholders of Cooltainer Holdings Ltd., New Zealand, have exercised their put option and effective May 1, 2014, the Group acquired the non-controlling interest of 25 per cent of the shares for a purchase price of CHF 15.8 million, which has been paid in cash. The Group previously owned 75 per cent of Cooltainer Holdings Ltd. which has been acquired on April 1, 2011.

43 PERSONNEL

Number	Dec. 31, 2015	Dec. 31, 2014
EMEA	49,915	47,304
Americas	10,118	9,146
Asia-Pacific	7,203	6,998
Total employees (unaudited)	**67,236**	**63,448**
Full-time equivalent	**80,056**	**74,497**

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

Full-time equivalent as disclosed in the table above is defined as all persons working for the Kuehne + Nagel Group including part-time (monthly, weekly, daily or hourly) working persons with or without a permanent contract, of which all expenses are recorded in the personnel expenses. Pro rata temporis employment has been recalculated into the number of full-time employees.

44 CONTINGENT LIABILITIES

As of year-end the following contingent liabilities existed:

CHF million	Dec. 31, 2015	Dec. 31, 2014
Guarantees in favour of customers and others	8	9
Contingency under unrecorded claims	3	7
Total	**11**	**16**

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 40) of CHF 84 million (2014: CHF 59 million).

In the course of this year 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 (Alloin), a company which was acquired by Kuehne + Nagel in 2009. The Group has appealed the decision of the FCA, according to which Alloin/Kuehne + Nagel will have to pay a fine of CHF 34 million (EUR 32 million) at the Paris Court of Appeals. Regarding the fine of CHF 34 million, approximately CHF 33 million are attributable to the time before the acquisition of Alloin by Kuehne + Nagel. Kuehne + Nagel reviews possibilities of a full recourse against the sellers of Alloin.

An antitrust proceeding in Brazil is still ongoing. It is currently 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 2015.

45 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, 2015

CHF million	Properties and buildings	Operating and office equipment	Total
2016	329	71	400
2017–2020	555	97	652
Later	193	2	195
Total	**1,077**	**170**	**1,247**

As of December 31, 2014

CHF million	Properties and buildings	Operating and office equipment	Total
2015	356	81	437
2016–2019	620	105	725
Later	232	1	233
Total	**1,208**	**187**	**1,395**

The expense for operating leases recognised in the income statement amounts to CHF 529 million (2014: CHF 557 million).

46 CAPITAL COMMITMENTS

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

CHF million	Dec. 31, 2015	Dec. 31, 2014
Singapore	15	42
Great Britain	1	9
Italy	–	1
Total	**16**	**52**

47 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 and for operational risks an independent risk assessment procedure was adopted. In addition, an analysis and assessment of financial risks was performed. 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 26 to 27.

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 segregated 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 the underlying business.

Market risk

Market risk is the risk that market prices change due to interest rates and foreign exchange rates risk affecting the Group's income or the value of its financial instruments.

Interest rate risk

Interest rate risk arises from movements in interest rates which could have effects on the Group's net income or 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 the Group's 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:

Fair value sensitivity analysis – fixed rate instruments
As of December 31, 2015 and 2014, the Group does not hold significant investments in fixed rate instruments. A change of 100 basis points in interest rates would not have increased or decreased profit or loss significantly.

Cash flow sensitivity analysis – variable rate instruments
A change of 100 basis points in interest rates on December 31, 2015, would have increased or decreased profit or loss by CHF 8 million (2014: CHF 11 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.

	Carrying amount	
CHF million	2015	2014
Variable rate instruments		
Cash and cash equivalents	840	1,169
Current bank and other interest-bearing liabilities	–7	–13
Non-current finance lease obligations	–11	–17
Total	**822**	**1,139**

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.

Derivative financial instruments (foreign exchange contracts) are, to a limited extent, in use to hedge the foreign exchange exposure 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, hedge accounting under IAS 39 is not applied. As of the 2015 and 2014 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:

	2015			2014		
CHF million	EUR	USD	GBP	EUR	USD	GBP
Cash and cash equivalents [1]	91	91	1	112	136	1
Trade receivables	33	256	5	37	269	1
Interest-bearing liabilities	–	–1	–	–	–1	–
Trade payables	–33	–86	–1	–39	–102	–1
Gross balance sheet exposure	**91**	**260**	**5**	**110**	**302**	**1**

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

2015

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
Negative effect on P/L	–9.1	–26.0	–6.2	–17.7	–9.2
Positive effect on P/L	9.1	26.0	6.2	17.7	9.2

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.

2014

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
Negative effect on P/L	–11.0	–30.2	–7.2	–19.6	–11.2
Positive effect on P/L	11.0	30.2	7.2	19.6	11.2

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.

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	2015	2014
Trade receivables	2,486	2,600
Other receivables	81	102
Cash and cash equivalents	840	1,169
Total	**3,407**	**3,871**

Trade receivables
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 30).

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

CHF million	2015	2014
EMEA	1,600	1,712
Americas	652	640
Asia-Pacific	234	248
Total	**2,486**	**2,600**

It is considered that the credit insurance is sufficient to cover potential credit risk concentrations (for additional information refer to note 30).

Investments of excess funds
The Group considers its credit risk to be minimal in respect of investments made 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 with the 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 to meet 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 by the Group and, in certain cases, to 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:

2015

CHF million	Carrying amounts	Contractual cash flow	Up to 6 months	6–12 months	Over 1 year
Bank and other interest-bearing liabilities	7	7	5	2	–
Trade payables	1,449	1,449	1,449	–	–
Accrued trade expenses	773	773	773	–	–
Other liabilities	225	225	225	–	–
Finance lease obligations (non-current)	11	11	–	–	11
Total	**2,465**	**2,465**	**2,452**	**2**	**11**

2014

CHF million	Carrying amounts	Contractual cash flow	Up to 6 months	6–12 months	Over 1 year
Bank and other interest-bearing liabilities	13	14	11	3	–
Trade payables	1,485	1,485	1,485	–	–
Accrued trade expenses	866	866	866	–	–
Other liabilities	225	225	225	–	–
Finance lease obligations (non-current)	17	18	–	–	18
Total	**2,606**	**2,608**	**2,587**	**3**	**18**

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.

48 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 841 million (2014: CHF 1,170 million) as well as financial assets with a carrying amount of CHF 2,567 million (2014: CHF 2,702 million) classified as loans and receivables carried at amortised cost, are all classified as current assets.

The Group has financial liabilities with a carrying amount of CHF 2,465 million (2014: CHF 2,606 million) carried at amortised cost. The majority of these financial liabilities are current liabilities. At year-end 2015 and 2014 there were no non-current fixed rate interest-bearing loans and other liabilities.

As of December 31, 2015 and 2014, the Group holds no debt instruments designated as financial assets at fair value through profit or loss and no significant derivative instruments.

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 applied, taking into account relevant parameters such as forward rates, spot rates, discount rates, yield curves and volatility.

49 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 7.2 million (2014: CHF 6.6 million)
- Management Board: CHF 16.0 million (2014: CHF 13.0 million)

As of December 31, 2015, 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 53.6 per cent (2014: 53.5 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:

	Management Board		Board of Directors	
CHF million	2015	2014	2015	2014
Wages, salaries and other short-term employee benefits	11.3	10.3	5.6	5.6
Post-employment benefits	1.3	0.5	0.5	0.2
Share-based compensation	3.4	2.2	1.1	0.8
Total compensation	**16.0**	**13.0**	**7.2**	**6.6**

Refer to pages 158 to 160; note 12 of the Financial Statements of Kuehne + Nagel International AG for disclosure requirements according to the Swiss law (Article 663b^{bis}/c CO). For other related parties refer to note 34 outlining the shareholder's structure, and pages 140 to 147 listing the Group's significant subsidiaries and joint ventures.

50 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, trademarks and field office sales 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 767 million (2014: CHF 695 million) for impairment every year as disclosed in note 11. No impairment loss on goodwill was recognised in 2015 and 2014. 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 2015 (2014: nil). The carrying amount of other intangibles is CHF 98 million (2014: CHF 49 million), and that of property, plant and equipment is CHF 1,142 million (2014: CHF 1,175 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, evolution of technologies, etc. might have an impact on future cash flows and result in recognition of impairment losses.

Defined benefit pension plans

The Group has recognised a liability for defined benefit pension plans in the amount of CHF 346 million (2014: CHF 409 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.

Share-based compensation plans

Judgment and estimates are required when determining the expected share match ratio at each year-end. The variance between estimated and actual share match ratio might have an impact on the amount recognised as personnel expense (see note 36 for more information).

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 can not be estimated, the related revenue is deferred. The Group management's judgment is involved in the estimate of costs and deferral of revenue and their completeness.

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

The Group has recognised a net deferred tax asset of CHF 49 million (2014: Net deferred tax asset of CHF 89 million). Furthermore, the Group has unrecognised deferred tax assets relating to unused tax losses of CHF 37 million (2014: CHF 55 million). Based on estimates of the probability of realising these tax benefits, available taxable temporary differences, periods of reversals of such differences etc., 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 160 million (2014: CHF 130 million) related to legal claims and other exposures in the freight forwarding and logistics operations (see note 40). The provisions represent the best estimate of the risks, but the final amount required is subject to uncertainty.

51 POST BALANCE SHEET EVENTS

On February 29, 2016, the European General Court in first instance confirmed to uphold the decision of the European Commission regarding the subject matter of Kuehne + Nagel's appeal against the antitrust fine of CHF 65 million (EUR 53.7 million) imposed in 2012. Kuehne + Nagel is considering an appeal to the European Court of Justice.

There have been no other material events between December 31, 2015, and the date of authorisation of the Consolidated Financial Statements that would require adjustments of the Consolidated Financial Statements or disclosure.

52 RESOLUTION OF THE BOARD OF DIRECTORS

The Consolidated Financial Statements of the Group were authorised for issue by the Board of Directors on March 1, 2016. A resolution to approve the Consolidated Financial Statements will be proposed at the Annual General Meeting on May 3, 2016.

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

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	50	100
	Logistics Nivelles SA	Nivelles	EUR	1,521	100
Denmark	Kuehne + Nagel A/S	Copenhagen	DKK	5,001	100
	Kuehne + Nagel Holding Denmark A/S	Copenhagen	DKK	750	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 Logistique SASU	Bresles	EUR	37	100
	Kuehne + Nagel Solutions	Saint Vulbas	EUR	10	100
	Kuehne + Nagel Insitu SASU	Chalon sur Saone	EUR	10	100

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
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	307	100
	Aircraft Production Logistics GmbH	Hamburg	EUR	25	100
	Kuehne + Nagel Beteiligungs-AG	Bremen	EUR	10,277	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
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	50
	Kuehne + Nagel Drinkflow Logistics Holdings Limited (Joint Venture)	Milton Keynes	GBP	6,123	50
Ireland	Kuehne & Nagel (Ireland) Limited	Dublin	EUR	500	100
Italy	Kuehne + Nagel Srl	Milan	EUR	4,589	100
	Nacora Srl	Milan	EUR	104	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
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

Western Europe

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
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
Switzerland	Kuehne + Nagel AG	Opfikon	CHF	3,000	100
	Nacora Insurance Brokers AG	Opfikon	CHF	100	100

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
Belarus	Kuehne + Nagel FPE	Minsk	BYR	3,001,600	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	544	100
Greece	Kuehne + Nagel AE	Athens	EUR	8,559	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
Latvia	Kuehne + Nagel SIA	Riga	EUR	142	100

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
Lithuania	Kuehne & Nagel UAB	Vilnius	EUR	232	100
Macedonia	Kuehne + Nagel d.o.o.e.l.	Skopje	MKD	3,216	100
Poland	Kuehne + Nagel Sp.z o.o.	Poznan	PLN	40,424	100
Romania	Kuehne + Nagel SRL	Bucharest	RON	2,543	100
Russia	OOO Kuehne + Nagel	Moscow	RUR	1,228,036	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
Slovakia	Kuehne + Nagel s r.o.	Bratislava	EUR	470	100
Slovenia	Kuehne + Nagel d.o.o.	Ljubljana	EUR	10	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	87,085	100
	GFH Underwriting Agency Ltd.	Toronto	CAD	1,850	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

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	150,189	100
	Nacora Corretagens de Seguros Ltda.	Sao Paulo	BRL	1,094	100
	Transeich Armazens Gerais S.A.	Porto Alegre	BRL	2,479	100
	Transeich Assessoria e Transportes S.A.	Porto Alegre	BRL	17,918	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
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
Guatemala	Kuehne + Nagel S.A.	Guatemala	GTQ	4,245	100

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
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	VEF	1,000	100
	KN Venezuela Aduanas C.A.	Caracas	VEF	2	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	70
	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. KN Sigma Trans	Jakarta	IDR	1,730,100	95
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	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
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
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
Israel	Amex Ltd.	Holon	ILS	2	87.5
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
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	133	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	75
	Nacora Insurance Brokers (Proprietary) Limited	Johannesburg	ZAR	35	100
Tanzania	Kuehne + Nagel Limited	Dar Salaam	TZS	525,000	100
Turkey	Kuehne + Nagel Nakliyat Sti.	Istanbul	TRY	5,195	100
UAE	Kuehne + Nagel L.L.C.	Dubai	AED	1,000	100
	Kuehne + Nagel L.L.C.	Abu Dhabi	AED	1,000	100
	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

As statutory auditor, we have audited the consolidated financial statements of Kuehne + Nagel International AG, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes on the pages 70 to 147 for the year ended December 31, 2015.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements for the year ended December 31, 2015, give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

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 paragraph 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 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

Alessandro Miolo	**Christian Krämer**
Licensed Audit Expert	Licensed Audit Expert
(Auditor in Charge)	

Zurich, March 1, 2016

Income Statement

CHF million	Note	2015	2014
Income			
Income from investments in Group companies	1	539	598
Finance income			
– Interest income on loan receivables from Group companies		3	4
– Exchange gains		25	10
Other operational income	2	–	35
Total income		**567**	**647**
Expenses			
Finance expenses			
– Interest expenses on liabilities towards Group companies		–3	–3
– Exchange losses		–11	–6
– Loss on sale of treasury shares		–2	–4
Other operational expenses	3	–9	–9
Total expenses		**–25**	**–22**
Earnings before tax, depreciation and impairment		**542**	**625**
Depreciation and impairment of investment in Group companies		–3	–
Earnings before tax		**539**	**625**
Income Taxes		–18	–13
Earnings for the year		**521**	**612**

Balance Sheet

CHF million	Note	Dec. 31, 2015	Dec. 31, 2014
Assets			
Cash and cash equivalents	4	463	796
Other current receivables			
– from third parties		20	32
– from Group companies	5	236	322
Total current assets		**719**	**1,150**
Long term receivables from Group companies	5	50	–
Investments	6	1,078	936
Non-current assets		**1,128**	**936**
Total assets		**1,847**	**2,086**
Liabilities and equity			
Liabilities towards Group companies	7	609	524
Current liabilities			
– Other provisions and accruals		9	7
– Tax provision		14	10
Current liabilities		**632**	**541**
Total liabilities		**632**	**541**
Share capital	8	120	120
Legal capital contribution reserves		6	6
Legal reserves		60	60
Free reserves			
– Retained earnings	9	527	754
– Earnings for the year		521	612
Treasury shares	10	–19	–7
Equity		**1,215**	**1,545**
Total liabilities and equity		**1,847**	**2,086**

Schindellegi, March 1, 2016

KUEHNE + NAGEL INTERNATIONAL AG

Dr. Detlef Trefzger	Markus Blanka-Graff
CEO	CFO

NOTES TO THE FINANCIAL STATEMENTS 2015

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). Based on the first application of the new Swiss Code of Obligations previous year figures are restated to ensure comparability. The amended 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 on sale will be accounted in the Income statement.

Tax provision

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	2015	2014
Income from investments and others	411	469
Trademark fee	128	129
Total	**539**	**598**

2 OTHER OPERATIONAL INCOME

CHF million	2015	2014
Income from sale of Group companies	–	35
Total operational income	**–**	**35**

3 OTHER OPERATIONAL EXPENSES

CHF million	2015	2014
Board of Directors fee	3	2
Trademark Marketing/IP concept	5	5
Other operational expenses	1	2
Total operational expenses	**9**	**9**

NOTES TO THE BALANCE SHEET

4 CASH AND CASH EQUIVALENTS

CHF million	Dec. 31, 2015	Dec. 31, 2014
The bank deposits are in the following currencies:		
CHF	340	639
EUR	84	98
USD	39	59
Total	**463**	**796**

5 RECEIVABLES FROM GROUP COMPANIES

Current receivables

CHF million	Dec. 31, 2015	Dec. 31, 2014
Kuehne + Nagel Ltd., Nairobi	3	4
Kuehne + Nagel S.A.S., Bogota	4	6
Kuehne + Nagel Real Estate Holding AG, Schindellegi	37	56
Kuehne + Nagel Liegenschaften AG, Schindellegi	22	22
Kuehne + Nagel AS, Oslo	1	–
Kuehne + Nagel AG, Zurich	–	2
Kuehne + Nagel S.a.r.l., Contern	–	5
Kuehne + Nagel (AG & Co.) KG, Hamburg	85	129
Kuehne + Nagel Services Ltd., Vancouver	57	70
Kuehne + Nagel Ltd., Toronto	14	20
Kuehne + Nagel Ltd., Kuwait	–	1
Other Group companies	13	7
Total	**236**	**322**

Long term receivables

CHF million	Dec. 31, 2015	Dec. 31, 2014
Kuehne + Nagel Pte. Ltd., Singapore	50	–
Total	**50**	**–**

6 DEVELOPMENT OF INVESTMENTS

CHF million	Investments in consolidated companies	Investments in affiliated companies	Total
Cost			
Balance as of January 1, 2015	1,888	2	1,890
Additions	226	–	226
Repayment/Disposals	–93	–	–94
Balance as of December 31, 2015	**2,021**	**2**	**2,022**
Cumulative amortisation			
Balance as of January 1, 2015	952	2	954
Additions	3	–	–
Disposals	–12	–	–10
Balance as of December 31, 2015	**943**	**2**	**944**
Carrying amount			
As of January 1, 2015	**936**	**–**	**936**
As of December 31, 2015	**1,078**	**–**	**1,078**

A schedule of the Group's main direct and indirect subsidiaries and Kuehne + Nagel's share in the respective equity is shown in list significant – consolidated subsidiaries and Joint Ventures on pages 140 to 147 of the Consolidated Financial Statements.

7 LIABILITIES TOWARDS GROUP COMPANIES

CHF million	Dec. 31, 2015	Dec. 31, 2014
Kuehne + Nagel Ltd., Dublin	5	3
Kuehne + Nagel S.a.r.l., Contern	21	–
Kuehne + Nagel S.A.S., Paris	29	8
Kuehne + Nagel N.V., Rotterdam	27	6
Kuehne + Nagel NV/SA, Antwerp	23	21
Kuehne + Nagel A/S, Copenhagen	1	–
Kuehne + Nagel GmbH, Vienna	6	2
Kuehne + Nagel Srl., Milano	1	–
Kuehne + Nagel (AG & Co.) KG, Hamburg	1	–
Kuehne + Nagel Sp.z.o.o., Poznan	2	1
Kuehne + Nagel Ltd., Bermuda	53	4
Kuehne + Nagel Ltd., Auckland	1	–
Kuehne + Nagel S.A. de C.V., México D.F.	–	2
Kuehne + Nagel Kft., Budapest	10	5
Kuehne + Nagel Pty. Ltd., Melbourne	1	1
Kuehne + Nagel Ltd., Shanghai	31	16
Kuehne + Nagel spol.s.r.o., Prague	3	2
Kuehne + Nagel Investment S.a.r.l., Contern	8	2
Kuehne + Nagel Investments S.L.U., Madrid	57	57
Kuehne + Nagel Investment N.V., Rotterdam	–	101
Kuehne + Nagel Investment AB, Stockholm	10	13
Kuehne + Nagel Inc., New York	145	127
Kuehne + Nagel Management AG, Schindellegi	83	63
Kuehne + Nagel AG, Zurich	22	30
Nacora Insurance Brokers AG, Zurich	1	–
Nacora Holding AG, Schindellegi	14	18
Nacora Agencies AG, Schindellegi	54	42
Total	**609**	**524**

8 SHARE CAPITAL

Share capital	Registered shares at nominal value of CHF 1 each	CHF million
Balance as of December 31, 2015	120,000,000	120

Authorised and conditional share capital

The Annual General Meeting held on May 6, 2014, extended its approval of authorised share capital up to a maximum of CHF 20 million by another two years until May 6, 2016.

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 8, 2012, approved a conditional share capital up to a maximum of CHF 20 million for the provision of the employee share-based compensation plans of the Company. The Annual General Meeting held on May 5, 2015, approved a reduction of this conditional share capital from CHF 20 million to CHF 2 million.

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, 2014 (before earnings for the year)	754
Earnings for the year 2014	612
Retained earnings as of December 31, 2014 (prior to appropriation of available earnings)	**1,366**
Distribution to the shareholders (representing CHF 4.00 per share) + Extraordinary dividend (CHF 3.00 per share)	–839
Subtotal (before earnings for the year)	**527**
Earnings for the year 2015	521
Balance as of December 31, 2015	**1,048**

Capital contribution reserves	CHF million
Capital contribution reserves as of December 31, 2015	6
Balance capital contribution reserves as of December 31, 2015	**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, 2015					49,064	7
Purchases of own shares	27	121.69	132.90	126.24	554,500	70
Sale of own shares	71	82.12	131.15	128.73	–450,542	–58
Closing balance as of December 31, 2015					**153,022**	**19**

Treasury shares are valued at average cost or market value, whichever is less.

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, 2015, the following number of shares were held by members of the Board of Directors and/or parties closely associated with them:

Name	2015	2014
Klaus-Michael Kuehne (Honorary Chairman)	64,060,126	64,049,940
Karl Gernandt (Chairman)	65,300	54,400
Dr. Joerg Wolle (Vice Chairman)	13,500	6,380
Bernd Wrede (Vice Chairman)	–	–
Dr. Renato Fassbind	1,700	1,700
Juergen Fitschen	–	–
Hans Lerch	2,500	2,500
Dr. Thomas Staehelin	10,000	10,000
Dr. Martin C. Wittig	–	–
Total	**64,153,126**	**64,124,920**

Shareholdings by members of the Management Board

As of December 31, 2015, the following number of shares were held by members of the Management Board and/or parties closely associated with them:

Name	2015	2014
Dr. Detlef Trefzger, Chief Executive Officer	30,093	19,902
Markus Blanka-Graff, Chief Financial Officer [1]	8,600	6,350
Lothar Harings, Chief Human Resources Officer	21,289	13,289
Martin Kolbe, Chief Information Officer	20,685	15,176
Stefan Paul, Executive Vice President Overland	5,750	3,450
Horst Joachim Schacht, Executive Vice President Seafreight	24,767	18,767
Tim Scharwath, Executive Vice President Airfreight	17,500	15,000
Gianfranco Sgro, Executive Vice President Contract Logistics [2]	3,500	n/a
Total	**132,184**	**91,934**

1 As of July 1, 2014 member of the Management Board.
2 As of February 1, 2015 member of the Management Board.

Employee share-based compensation plans

Share matching plan (SMP)

The Company introduced a share-based compensation plan effective August 7, 2012, referred to as "Share Matching Plan" (SMP) that replaced the "Share Purchase and Option Plan" (SPOP) implemented in 2001. This long-term incentive plan allows selected employees of the Group to acquire shares of the Company with a discount compared to the actual share price at a specified date; such shares are blocked for three years, give its holder immediate voting rights and rights to receive dividends.

For each share purchased as per above, the Company will match additional shares upon completion of a three years' vesting period and service condition during the same period. The level of the share match (share match ratio) is dependent on the achievement of performance over the next three financial years against defined targets. The maximum matching of one share for each share purchased by the employee (minimum investment is 75 shares) can be obtained by exceeding the defined target by more than 15 per cent. A guaranteed minimum matching of 0.2 shares per share purchased 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.

Further details of Share Matching Plan can be found in note 36 to the Consolidated Financial Statements on page 122.

Share Purchase and Option Plan (SPOP)

In 2001 the Company introduced an employee "Share Purchase and Option Plan" (SPOP). The plan allowed selected employees of the Group to acquire shares of the Company. The employees were able to buy shares at a reduced price compared to the actual share price at a specified date. The price of the shares offered was 90 to 96.5 per cent of the share price corresponding to the average closing price of one share at the SIX Swiss Exchange during the months April to June. There are no vesting conditions. The shares are restricted for a period of three years before being released to the employees.

For each share purchased under this plan, the Company granted two options to the participants. Each option entitles the participant to purchase one share of the Company at a specified price. The exercise price is 100 per cent of the share price corresponding to the average closing price of one share at the SIX Swiss Exchange during the months April to June. The options vest three years after the grant date and can be exercised during the three-year period starting on the vesting date. The last options granted under this plan in 2012 will expire at the end of the exercise period on June 30, 2018.

The prices to exercise the above mentioned options are listed in note 36 to the Consolidated Financial Statements on pages 122 to 124.

Loans

In 2015 no loans were granted to members of the Board of Directors or the Management Board of KNI nor associated parties, and no such loans were outstanding as of December 31, 2015.

13 CONTINGENT LIABILITIES

For further information regarding contingent liabilities refer to note 44 of the Consolidated Financial Statements.

14 PROPOSAL OF THE BOARD OF DIRECTORS TO THE ANNUAL GENERAL MEETING MAY 03, 2016, REGARDING THE APPROPRIATION OF THE AVAILABLE EARNINGS

For 2015 the Board of Directors is proposing a regular dividend amounting to CHF 5.00 per share for approval at the Annual General Meeting. If the dividend proposal is approved by shareholders, dividend payments will amount to CHF 599 million (2014: CHF 480 million) towards regular dividend resulting in a payout ratio of 88.6 per cent (2014: 75.8 per cent) of the earnings for the year attributable to the equity holders of the Company. In 2014 an extraordinary dividend of CHF 3.00 per share or CHF 359 million was paid.

Available earnings	CHF million
Balance as of January 1, 2015 (before income for the year)	527
Earnings for the year 2015	521
Available earnings as of December 31, 2015	1,048
Distribution to the shareholders (representing CHF 5.00 per share) [1]	–599
Retained earnings as of December 31, 2015 (after appropriation of available earnings)	**449**

1 The total dividend amount covers all outstanding shares (as per December 31, 2015: 119,846,978 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 will be 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 150 to 161 for the year ended December 31, 2015.

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 December 31, 2015, comply with Swiss law and the company's articles of incorporation.

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 paragraph 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

Alessandro Miolo
Licensed Audit Expert
(Auditor in Charge)

Christian Krämer
Licensed Audit Expert

Zurich, March 1, 2016

CORPORATE TIMETABLE 2016

April 19, 2016	Three-months 2016 results
May 3, 2016	Annual General Meeting
May 9, 2016	Dividend payment for 2015
July 19, 2016	Half-year 2016 results
October 18, 2016	Nine-months 2016 results
March 1, 2017	Full year 2016 results

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