CONSOLIDATED FINANCIAL STATEMENTS 2016

KUEHNE+NAGEL

CONTENTS

Income Statement

CHF million	Note	2016	2015	Variance per cent
Net turnover	19	**16,525**	**16,731**	**–1.2**
Net expenses for services from third parties		–9,975	–10,480	
Gross profit	19	**6,550**	**6,251**	**4.8**
Personnel expenses	20	–3,957	–3,741	
Selling, general and administrative expenses	21	–1,525	–1,470	
Other operating income/expenses, net	22	42	1	
EBITDA		**1,110**	**1,041**	**6.6**
Depreciation of property, plant and equipment	26	–161	–137	
Amortisation of other intangibles	27	–31	–54	
EBIT		**918**	**850**	**8.0**
Financial income	23	12	25	
Financial expenses	23	–3	–4	
Result from joint ventures and associates	19	8	7	
Earnings before tax (EBT)		**935**	**878**	**6.5**
Income tax	24	–215	–199	
Earnings for the year		**720**	**679**	**6.0**
Attributable to:				
Equity holders of the parent company		718	676	6.2
Non-controlling interests		2	3	
Earnings for the year		**720**	**679**	**6.0**
Basic earnings per share in CHF	25	**5.99**	**5.64**	**6.2**
Diluted earnings per share in CHF	25	**5.98**	**5.63**	**6.2**

Statement of Comprehensive Income

CHF million	Note	2016	2015
Earnings for the year		**720**	**679**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange differences		–7	–173
Items that will not be reclassified to profit or loss:			
Actuarial gains/(losses) on defined benefit plans	35/24	–38	30
Income tax on actuarial gains/(losses) on defined benefit plans		12	–10
Total other comprehensive income, net of tax		**–33**	**–153**
Total comprehensive income for the year		**687**	**526**
Attributable to:			
Equity holders of the parent company		685	524
Non-controlling interests		2	2

Balance Sheet

CHF million	Note	Dec. 31, 2016	Dec. 31, 2015
Assets			
Property, plant and equipment	26	1,127	1,142
Goodwill	27	758	767
Other intangibles	27	82	98
Investments in joint ventures	28	27	31
Deferred tax assets	24	215	193
Non-current assets		**2,209**	**2,231**
Assets held for sale	26	66	–
Prepayments		106	98
Work in progress	29	300	260
Trade receivables	30	2,605	2,486
Other receivables	31	140	131
Income tax receivables	31	64	52
Cash and cash equivalents	32/33	841	841
Current assets		**4,122**	**3,868**
Total assets		**6,331**	**6,099**

CHF million	Note	Dec. 31, 2016	Dec. 31, 2015
Liabilities and equity			
Share capital		120	120
Reserves and retained earnings		1,322	1,325
Earnings for the year		718	676
Equity attributable to the equity holders of the parent company		**2,160**	**2,121**
Non-controlling interests		5	5
Equity	34	**2,165**	**2,126**
Provisions for pension plans and severance payments	35	407	387
Deferred tax liabilities	24	165	144
Finance lease obligations	38	7	11
Non-current provisions	40	60	59
Non-current liabilities		**639**	**601**
Bank and other interest-bearing liabilities	37/38	8	7
Trade payables	39	1,544	1,449
Accrued trade expenses/deferred income	39	968	919
Income tax liabilities		108	104
Current provisions	40	75	101
Other liabilities	41	824	792
Current liabilities		**3,527**	**3,372**
Total liabilities and equity		**6,331**	**6,099**

Schindellegi, February 28, 2017

KUEHNE + NAGEL INTERNATIONAL AG

Dr. Detlef Trefzger	Markus Blanka-Graff
CEO	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, 2016		120	532	–19	–959	–106	2,553	2,121	5	2,126
Earnings for the year		–	–	–	–	–	718	718	2	720
Other comprehensive income										
Foreign exchange differences		–	–	–	–7	–	–	–7	–	–7
Actuarial gains/(losses) on defined benefit plans, net of tax	35/24	–	–	–	–	–26	–	–26	–	–26
Total other comprehensive income, net of tax		**–**	**–**	**–**	**–7**	**–26**	**–**	**–33**	**–**	**–33**
Total comprehensive income for the year		**–**	**–**	**–**	**–7**	**–26**	**718**	**685**	**2**	**687**
Purchase of treasury shares	34	–	–	–66	–	–	–	–66	–	–66
Disposal of treasury shares	34	–	–21	26	–	–	–	5	–	5
Dividend paid	34	–	–	–	–	–	–599	–599	–2	–601
Expenses for share-based compensation plans	36	–	–	–	–	–	14	14	–	14
Total contributions by and distributions to owners		**–**	**–21**	**–40**	**–**	**–**	**–585**	**–646**	**–2**	**–648**
Balance as of December 31, 2016		**120**	**511**	**–59**	**–966**	**–132**	**2,686**	**2,160**	**5**	**2,165**

Statement of Changes in Equity

CHF million	Note	Share capital	Share premium	Treasury shares	Cumulative translation adjustment	Actuarial gains & losses	Retained earnings	Total equity attributable to equity holders of parent company	Non-controlling interests	Total equity
Balance as of January 1, 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**

Cash Flow Statement

CHF million	Note	2016	2015
Cash flow from operating activities			
Earnings for the year		720	679
Reversal of non-cash items:			
Income tax	24	215	199
Financial income	23	–12	–25
Financial expenses	23	3	4
Result from joint ventures and associates	19/28	–8	–7
Depreciation of property, plant and equipment	26	161	137
Amortisation of other intangibles	27	31	54
Expenses for share-based compensation plans	20	14	15
Gain on disposal of subsidiaries and associate	22	–	–10
Gain on disposal of property, plant and equipment	22	–46	–12
Loss on disposal of property, plant and equipment	22	2	3
Net addition to provisions for pension plans and severance payments	35	–18	8
Subtotal operational cash flow		**1,062**	**1,045**
(Increase)/decrease work in progress		–39	19
(Increase)/decrease trade and other receivables, prepayments		–158	–30
Increase/(decrease) provisions		–23	39
Increase/(decrease) other liabilities		50	60
Increase/(decrease) trade payables, accrued trade expenses/deferred income		168	38
Income taxes paid		–212	–161
Total cash flow from operating activities		**848**	**1,010**

CHF million	Note	2016	2015
Cash flow from investing activities			
Capital expenditure			
– Property, plant and equipment	26	–239	–241
– Other intangibles	27	–13	–12
Disposal of property, plant and equipment		66	34
Acquisition of subsidiaries, net of cash acquired	42	–	–221
Disposal of subsidiaries	4	–	6
(Increase)/decrease of share capital in joint ventures	28	2	–
Disposal of associates	22	–	4
Dividend received from joint ventures and associates		6	7
Interest received		4	2
Total cash flow from investing activities		**–174**	**–421**
Cash flow from financing activities			
Proceeds from interest-bearing liabilities		–	2
Repayment of interest-bearing liabilities		–5	–7
Interest paid		–3	–4
Purchase of treasury shares	34	–66	–70
Disposal of treasury shares	34	5	43
Dividend paid to equity holders of parent company	34	–599	–839
Dividend paid to non-controlling interests	34	–2	–2
Acquisition of non-controlling interests	42	–	–1
Total cash flow from financing activities		**–670**	**–878**
Exchange difference on cash and cash equivalents		–6	–35
Increase/(decrease) in cash and cash equivalents		**–2**	**–324**
Cash and cash equivalents at the beginning of the year, net	33	**839**	**1,163**
Cash and cash equivalents at the end of the year, net	33	**837**	**839**

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, 2016, 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, 2016. 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, 2015.

New, revised and amended standards that are effective for the 2016 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 2017 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
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
Annual Improvements to IFRS 2014 – 2016 Cycle [1]	January 1, 2017 and January 1, 2018	Reporting year 2017 and reporting year 2018
IFRS 15 – Revenue from Contracts with Customers [2]	January 1, 2018	Reporting year 2018
IFRS 9 – Financial Instruments [1]	January 1, 2018	Reporting year 2018
Clarifications of classification and measurement of share-based payment transactions – Amendments to IFRS 2 [1]	January 1, 2018	Reporting year 2018
IFRIC Interpretation 22 – Foreign Currency Transactions and Advance Consideration [1]	January 1, 2018	Reporting year 2018
IFRS 16 – Leases [3]	January 1, 2019	Reporting year 2019

1 No or no significant impacts are expected on the Consolidated Financial Statements.
2 The Group has assessed the impact of the new IFRS 15 Revenue from Contracts with Customers on the Consolidated Financial Statements and expects that it will not be material.
3 The new IFRS 16 Leases is expected to impact the financial reporting of the Group. The Group currently assesses the impact on the Consolidated Financial Statements.

4 SCOPE OF CONSOLIDATION

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

Major changes in the scope of consolidation in 2016 relate to the following companies:

Changes in the scope of consolidation 2016	Capital share in per cent equals voting rights	Currency	Share capital in 1,000	Incorporation date
Incorporations				
KN Shared Service Centre S.A., Costa Rica	100	CRC	1	March 1, 2016
Kuehne + Nagel Logistics Solutions Inc., Philippines	100	PHP	5,000	June 1, 2016

Major changes in the scope of consolidation for the year 2015 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 2015	Capital share in per cent equals voting rights	Currency	Share capital in 1,000	Incorporation/ acquisition/ 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 on 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.

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 2016 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	2016 CHF	Variance per cent	2015 CHF
EUR 1.–	1.0881	1.4	1.0731
USD 1.–	0.9911	3.0	0.9624
GBP 1.–	1.3413	–9.0	1.4738

Balance sheet (year-end rates)

Currency	Dec. 2016 CHF	Variance per cent	Dec. 2015 CHF
EUR 1.–	1.0742	–0.7	1.0814
USD 1.–	1.0282	4.2	0.9865
GBP 1.–	1.2615	–14.3	1.4723

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, 2016 and 2015, 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, 2016 and 2015, 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, 2016 and 2015, there are no intangibles with indefinite useful life recognised in the Group's balance sheet.

10 CASH AND CASH EQUIVALENTS

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

11 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

Calculation of a recoverable amount

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

Reversals of impairment losses

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

12 SHARE CAPITAL

Shares

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

Treasury shares

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

13 PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event if it is probable that an outflow of resources will be required to settle the obligation and the amount of the obligation can be estimated reliably. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. A provision is classified in non-current liabilities in case the expected timing of the payment of the amounts provided for is more than one year.

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

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

Defined benefit plans

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

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

Defined contribution plans

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

Severance payments

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

Share-based compensation plans

Share Matching Plan (SMP)

Effective August 8, 2016, a new Share Matching Plan (SMP) was introduced. This long-term incentive plan allows selected employees of the Group to invest at a specified date previously acquired 'own shares' of the Company into the plan. These shares are blocked for three years whereby voting rights and rights to receive dividends remain intact with the holder of the shares.

For each invested share, the Company will match additional shares upon completion of a three-year vesting period and service condition during the same period. The level of the share match (share match ratio) is defined based on the average growth rate of the Group's net profit after tax achieved over the three financial years in the vesting period.

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

The Group's previous SMP was discontinued as of June 30, 2015. It allowed selected employees of the Group to acquire shares of the Company with a discount compared to the actual share price at a specified date. These shares are blocked for three years, whereby voting rights and rights to receive dividends remain intact with the holder of the shares. For each share purchased, the Company will match additional shares upon completion of a three-year vesting period and service condition during the same period. The level of the share match (share match ratio) is defined based on the performance of the Group achieved over the three financial years in the vesting period against defined targets.

When employees purchased shares at a discounted price, the difference between the fair value of the shares at purchase date and the purchase price of the shares was recognised as a personnel expense with a corresponding increase in equity. The fair value of the shares granted was 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. This plan has shares eligible for a matching until June 30, 2018.

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 arrangement of complex logistics supply movement, that are incidental to the principal service.

In Seafreight, Airfreight and Overland the Group generates the majority of its revenues by purchasing transportation services from direct (asset-based) carriers and selling a combination of those services to its customers. In its capacity of arranging carrier services, the Group issues a contract of carriage to customers. Revenues related to shipments are recognised based upon the terms in the contract of carriage and to the extent a service is completed. Revenues from other services, including providing services at destination, are recognised based on the status of completion of the service.

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

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

c) Major customers

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

a) Reportable segments

	Total Group		Seafreight		Airfreight		Overland [1]	
CHF million	2016	2015	2016	2015	2016	2015	2016	2015
Turnover (external customers)	**19,985**	**20,283**	**7,981**	**8,739**	**3,935**	**4,014**	**3,130**	**2,825**
Inter-segment turnover	–	–	1,881	1,839	2,100	2,149	1,184	1,178
Customs duties and taxes	–3,460	–3,552	–2,167	–2,333	–588	–590	–232	–236
Net turnover	**16,525**	**16,731**	**7,695**	**8,245**	**5,447**	**5,573**	**4,082**	**3,767**
Net expenses for services	–9,975	–10,480	–6,279	–6,864	–4,483	–4,669	–3,187	–2,933
Gross profit	**6,550**	**6,251**	**1,416**	**1,381**	**964**	**904**	**895**	**834**
Total expenses [1]	–5,440	–5,210	–951	–896	–649	–618	–825	–784
EBITDA	**1,110**	**1,041**	**465**	**485**	**315**	**286**	**70**	**50**
Depreciation of property, plant and equipment	–161	–137	–16	–15	–14	–13	–23	–20
Amortisation of other intangibles	–31	–54	–4	–11	–3	–8	–19	–23
EBIT (segment profit/(loss))	**918**	**850**	**445**	**459**	**298**	**265**	**28**	**7**
Financial income	12	25						
Financial expenses	–3	–4						
Result from joint ventures and associates	8	7	5	3	–	–	1	–
Earnings before tax (EBT)	**935**	**878**						
Income tax	–215	–199						
Earnings for the year	**720**	**679**						
Attributable to:								
Equity holders of the parent company	718	676						
Non-controlling interests	2	3						
Earnings for the year	**720**	**679**						
Additional information not regularly reported to the CODM								
Reportable non-current segment assets	2,209	2,231	80	99	58	56	483	487
Segment assets	6,331	6,099	1,233	1,187	722	650	935	945
Segment liabilities	4,166	3,973	1,300	1,231	663	634	718	688
Allocation of goodwill	758	767	40	38	33	31	322	323
Allocation of other intangibles	82	98	–	–	–	–	82	98
Capital expenditure property, plant and equipment	239	241	19	13	22	11	31	38
Capital expenditure other intangibles	13	12	4	4	2	2	2	2
Property, plant and equipment, goodwill and intangibles through business combinations	–	221	–	2	–	–	–	219
Non-cash expenses	119	94	21	18	7	5	26	38

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	
	2016	2015	2016	2015	2016	2015	2016	2015
	4,939	**4,705**	**19,985**	**20,283**	**–**	**–**	**–**	**–**
	172	167	5,337	5,333	–5,337	–5,333	–	–
	–473	–393	–3,460	–3,552	–	–	–	–
	4,638	**4,479**	**21,862**	**22,064**	**–5,337**	**–5,333**	**–**	**–**
	–1,363	–1,347	–15,312	–15,813	5,337	5,333	–	–
	3,275	**3,132**	**6,550**	**6,251**	**–**	**–**	**–**	**–**
	–3,015	–2,912	–5,440	–5,210	–	–	–	–
	260	**220**	**1,110**	**1,041**	**–**	**–**	**–**	**–**
	–108	–89	–161	–137	–	–	–	–
	–5	–12	–31	–54	–	–	–	–
	147	**119**	**918**	**850**	**–**	**–**	**–**	**–**
	2	4	8	7	–	–	–	–
	1,346	1,365	1,967	2,007	–	–	242	224
	2,294	2,199	5,184	4,981	–	–	1,147	1,118
	1,198	1,154	3,879	3,707	–	–	287	266
	363	375	758	767	–	–	–	–
	–	–	82	98	–	–	–	–
	167	179	239	241	–	–	–	–
	5	4	13	12	–	–	–	–
	–	–	–	221	–	–	–	–
	65	33	119	94	–	–	–	–

b) Geographical information

	Total Group		EMEA [1]		Americas	
CHF million	2016	2015	2016	2015	2016	2015
Turnover (external customers)	**19,985**	**20,283**	**12,908**	**13,002**	**4,834**	**5,027**
Inter-regional turnover	–	–	3,514	3,415	885	907
Customs duties and taxes	–3,460	–3,552	–2,404	–2,395	–720	–778
Net turnover	**16,525**	**16,731**	**14,018**	**14,022**	**4,999**	**5,156**
Net expenses for services	–9,975	–10,480	–9,378	–9,551	–3,755	–4,005
Gross profit	**6,550**	**6,251**	**4,640**	**4,471**	**1,244**	**1,151**
Total expenses [1]	–5,440	–5,210	–3,993	–3,891	–999	–920
EBITDA	**1,110**	**1,041**	**647**	**580**	**245**	**231**
Depreciation of property, plant and equipment	–161	–137	–122	–103	–23	–21
Amortisation of other intangibles	–31	–54	–16	–41	–15	–10
EBIT	**918**	**850**	**509**	**436**	**207**	**200**
Financial income	12	25				
Financial expenses	–3	–4				
Result from joint ventures and associates	8	7	7	7	1	–
Earnings before tax (EBT)	**935**	**878**				
Income tax	–215	–199				
Earnings for the year	**720**	**679**				
Attributable to:						
Equity holders of the parent company	718	676				
Non-controlling interests	2	3				
Earnings for the year	**720**	**679**				
Reportable non-current assets	**1,967**	**2,007**	**1,402**	**1,463**	**416**	**406**
Additional information not regularly reported to the CODM						
Segment assets	6,331	6,099	3,436	3,368	1,278	1,171
Segment liabilities	4,166	3,973	2,728	2,658	724	651
Allocation of goodwill	758	767	489	511	246	234
Allocation of other intangibles	82	98	4	10	78	88
Capital expenditure property, plant and equipment	239	241	177	162	37	28
Capital expenditure other intangibles	13	12	12	10	1	2
Property, plant and equipment, goodwill and intangibles through business combinations	–	221	–	2	–	219
Non-cash expenses	119	94	105	82	10	7

1 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	
	2016	2015	2016	2015	2016	2015
	2,243	**2,254**	**–**	**–**	**–**	**–**
	938	1,011	–5,337	–5,333	–	–
	–336	–379	–	–	–	–
	2,845	**2,886**	**–5,337**	**–5,333**	**–**	**–**
	–2,179	–2,257	5,337	5,333	–	–
	666	**629**	**–**	**–**	**–**	**–**
	–448	–399	–	–	–	–
	218	**230**	**–**	**–**	**–**	**–**
	–16	–13	–	–	–	–
	–	–3	–	–	–	–
	202	**214**	**–**	**–**	**–**	**–**
	–	–	–	–	–	–
	149	**138**	**–**	**–**	**–**	**–**
	470	442	–	–	1,147	1,118
	427	398	–	–	287	266
	23	22	–	–	–	–
	–	–	–	–	–	–
	25	51	–	–	–	–
	–	–	–	–	–	–
	–	–	–	–	–	–
	4	5	–	–	–	–

b) Geographical information
Country information

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

	2016		2015	
Countries CHF million	**Reportable non-current assets**	**Net turnover**	**Reportable non-current assets**	**Net turnover**
France [1]	388	1,446	470	1,382
Germany [1]	452	2,918	422	2,935
Great Britain [1]	189	1,684	216	1,640
Switzerland [1]	15	241	6	258
USA [2]	336	2,558	335	2,538
Others	587	7,678	558	7,978
Total	**1,967**	**16,525**	**2,007**	**16,731**

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

20 PERSONNEL EXPENSES

CHF million	2016	2015
Salaries and wages	3,173	2,992
Social expenses and benefits	679	623
Expenses for share-based compensation plans	14	15
Expenses for pension plans		
– defined benefit plans	16	21
– defined contribution plans	63	63
Other	12	27
Total	**3,957**	**3,741**

21 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

CHF million	2016	2015
Administration	225	200
Communication	69	66
Travel and promotion	91	85
Vehicles	213	228
Operating expenses	231	220
Facilities	706	667
Bad debt and collection expenses	–10	4
Total	**1,525**	**1,470**

22 OTHER OPERATING INCOME/EXPENSES, NET

CHF million	2016	2015
Gain on disposal of property, plant and equipment	46	12
Gain on disposal of associate [1]	–	4
Gain on sale of subsidiary [2]	–	6
Loss on disposal of property, plant and equipment	–2	–3
Expense for antitrust fine [3]	–	–12
Other operating expenses	–2	–6
Total	**42**	**1**

1 During the year 2015 a disposal of one associate resulted in a cash inflow and a gain of CHF 4 million.
2 See note 4 for details.
3 See note 44 for details.

23 FINANCIAL INCOME AND EXPENSES

CHF million	2016	2015
Interest income	4	2
Exchange differences, net	8	23
Financial income	**12**	**25**
Interest expenses	–3	–4
Financial expenses	**–3**	**–4**
Net financial result	**9**	**21**

24 INCOME TAX

CHF million	2016	2015
Current tax expense		
– in current year	202	203
– under/(over) provided in previous years	6	–1
	208	**202**
Deferred tax expense from		
– changes in temporary differences	7	–3
Income tax	**215**	**199**

Income tax of CHF 12 million (2015: CHF 10 million) relating to actuarial gains and losses of CHF 38 million before tax (2015: CHF 30 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	2016	per cent	2015	per cent
Earnings before tax according to the income statement	935		878	
Income tax/expected tax rate	**196**	**20.9**	**179**	**20.4**
Tax effect on				
– tax exempt (income)/non-deductible expenses	-5	-0.5	11	1.3
– tax losses (utilised)/expired	-1	-0.1	-5	-0.6
– under/(over) provided in previous years	6	0.6	-1	-0.1
– unrecoverable withholding taxes	19	2.0	15	1.7
Income tax/effective tax rate	**215**	**22.9**	**199**	**22.7**

Deferred tax assets and liabilities

	Assets [1]		Liabilities [1]		Net [1]	
CHF million	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015
Property, plant and equipment	25	24	-53	-50	-28	-26
Goodwill and other intangibles	17	19	-65	-60	-48	-41
Trade receivables	20	19	-1	-1	19	18
Other receivables	2	1	-31	-21	-29	-20
Finance lease obligations	4	5	-3	–	1	5
Provisions for pension plans and severance payments	70	58	–	–	70	58
Other liabilities	57	58	-12	-12	45	46
Tax value of loss carry-forwards recognised	20	9	–	–	20	9
Tax assets/(liabilities)	**215**	**193**	**-165**	**-144**	**50**	**49**
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

	2016		2015	
CHF million	Unused tax losses	Unrecognised deferred tax asset on unused tax losses	Unused tax losses	Unrecognised deferred tax asset on unused tax losses
Balance as of December 31	128	31	136	37

It is not probable that future taxable profits will be available against which the unrecognised deferred tax assets can be used. CHF 28 million (2015: CHF 33 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	2016	2015
Earnings for the year attributable to the equity holders of the parent company in CHF million	**718**	**676**
Weighted average number of ordinary shares outstanding during the year	119,840,170	119,804,164
Dilutive effect on number of shares outstanding:		
Share-based compensation plans	159,830	195,836
Adjusted weighted number of ordinary shares applicable to diluted earnings per share	120,000,000	120,000,000
Basic earnings per share in CHF	**5.99**	**5.64**
Diluted earnings per share in CHF	**5.98**	**5.63**

26 PROPERTY, PLANT AND EQUIPMENT

2016

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, 2016	903	799	128	20	1,850
Additions	43	196	–	–	239
Disposals	–39	–65	–1	–2	–107
Reclassification to "assets held for sale" [1]	–92	–	–	–	–92
Adjustments/transfers	72	–	–72	–	–
Effect of movements in foreign exchange	3	–14	–1	–	–12
Balance as of December 31, 2016	**890**	**916**	**54**	**18**	**1,878**
Accumulated depreciation and impairment losses					
Balance as of January 1, 2016	168	512	8	20	708
Depreciation charge for the year	28	131	2	–	161
Disposals	–23	–60	–	–2	–85
Reclassification to "assets held for sale" [1]	–26	–	–	–	–26
Adjustments/transfers	9	–	–9	–	–
Effect of movements in foreign exchange	4	–11	–	–	–7
Balance as of December 31, 2016	**160**	**572**	**1**	**18**	**751**
Carrying amount					
As of January 1, 2016	**735**	**287**	**120**	**–**	**1,142**
As of December 31, 2016	**730**	**344**	**53**	**–**	**1,127**

1 In the reporting period it was decided to sell real estate property pertaining to the business unit Contract Logistics in France. The sale and purchase contract was signed and closed on February 21, 2017. The real estate was sold at its carrying amount.

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**

27 GOODWILL AND OTHER INTANGIBLES

2016

CHF million	Goodwill	Other intangibles [1]
Cost		
Balance as of January 1, 2016	780	684
Additions	–	13
Deletions	–	–15
Effect of movements in foreign exchange	–9	–7
Balance as of December 31, 2016	**771**	**675**
Accumulated amortisation and impairment losses		
Balance as of January 1, 2016	13	586
Amortisation charge for the year	–	31
Deletions	–	–15
Effect of movements in foreign exchange	–	–9
Balance as of December 31, 2016	**13**	**593**
Carrying amount		
As of January 1, 2016	**767**	**98**
As of December 31, 2016	**758**	**82**

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

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.

Impairment testing of goodwill

The Group has performed impairment tests of goodwill at the end of the financial years 2016 and 2015. 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 2016	**91**	**254**	**77**	**135**	**201**	**758**
Carrying amount of goodwill in CHF million 2015	87	269	78	130	203	767
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 2016	12.0	10.4–13.9	12.7	10.1	10.3–19.9	
Pre-tax discount rate in per cent 2015	12.0	9.7–14.0	13.5	10.4	9.6–18.8	
Projection period	3 years	3 years	3 years	3 years	3 years	
Terminal growth rate in per cent 2016	1.5	1.5	1.5	1.5	1.5	
Terminal growth rate in per cent 2015	1.5	1.5	1.5	1.5	1.5	

1 ACR Group, Europe, goodwill relates to Great Britain (2016: CHF 84 million; 2015: CHF 98 million), France (2016: CHF 61 million; 2015: CHF 61 million), Netherlands (2016: CHF 50 million; 2015: CHF 50 million) and other various countries (2016: CHF 59 million; 2015: CHF 60 million).

2 Including cash-generating units without significant goodwill: Cordes & Simon Group, Germany (2016: CHF 34 million; 2015: CHF 34 million), G.L. Kayser Group, Germany (2016: CHF 32 million; 2015: CHF 32 million) and J. Martens Group, Norway (2016: CHF 22 million; 2015: CHF 22 million), RH Group, United Kingdom (2016: CHF 46 million; 2015: CHF 53 million), Cooltainer, New Zealand (2016: CHF 20 million; 2015: CHF 19 million), Eichenberg Group, Brazil (2016: CHF 14 million; 2015: CHF 11 million), J. Van de Put, Netherlands (2016: CHF 10 million; 2015: CHF 11 million).

Key assumptions have not changed compared to the previous year with the exception of discount rates used. For both 2016 and 2015, all recoverable amounts exceeded their carrying amounts and consequently no impairment of goodwill was recognised for the years 2016 and 2015.

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	111	95	81	70
0.5 per cent	118	101	86	74
1.0 per cent	125	107	91	78
1.5 per cent	133	113	97	83

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	642	577	521	472
0.5 per cent	670	600	540	489
1.0 per cent	700	625	561	507
1.5 per cent	733	652	584	526

Sensitivity analysis of goodwill Alloin Group

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

CHF million	Discount rate			
Growth rate	13.0 per cent	14.0 per cent	15.0 per cent	16.0 per cent
0.0 per cent	50	41	32	25
0.5 per cent	55	44	35	27
1.0 per cent	59	48	38	30
1.5 per cent	64	52	41	33

Sensitivity analysis of goodwill ReTrans Group

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

CHF million	Discount rate			
Growth rate	10.0 per cent	11.0 per cent	12.0 per cent	13.0 per cent
0.0 per cent	77	50	28	9
0.5 per cent	89	60	36	15
1.0 per cent	102	70	44	23
1.5 per cent	117	82	54	30

28 INVESTMENTS IN JOINT VENTURES

As of December 31, 2016, 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
- Donau Transport und Umschlags GmbH, Germany
- Aba logistics GmbH, Germany
- Kuehne + Nagel Dominicana SAS, Dominican Republic
- Podium Kuehne + Nagel Logistica de Eventos Esportivos Ltda, Brazil

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

CHF million	Dec. 31, 2016	Dec. 31, 2015
Non-current assets	40	43
Current assets	66	68
Total assets	**106**	**111**
Non-current liabilities	–2	–
Current liabilities	–50	–49
Equity	54	62
Kuehne + Nagel's share of equity (50 per cent)	**27**	**31**
Net turnover	312	312
Earnings for the year	3	–

No significant investments in associates were held on December 31, 2016 and 2015.

29 WORK IN PROGRESS

This position increased from CHF 260 million in 2015 to CHF 300 million in 2016, which represents a billing delay of 5.4 working days against the previous years' 4.6 working days.

30 TRADE RECEIVABLES

CHF million	2016	2015
Trade receivables	2,666	2,557
Impairment allowance	–61	–71
Total trade receivables	**2,605**	**2,486**

The majority of all billing is done in the respective Group companies' own functional currencies and is mainly in EUR 41.7 per cent (2015: 42.3 per cent), USD 18.6 per cent (2015: 17.4 per cent) and GBP 9.5 per cent (2015: 9.8 per cent).

Trade receivables outstanding at year-end averaged 46.6 days (2015: 44.4 days). 94.0 per cent (2015: 94.1 per cent) of the total trade receivables were outstanding between 1 and 90 days.

No trade receivables are pledged in 2016 and 2015.

The Group has a credit insurance program in place, covering trade receivables, focusing mainly on small and medium exposures. The credit insurance policy covers up to 80 per cent of the approved customer credit limit, excluding any items being more than 120 days past due. As a company policy, the Group excludes customers from its insurance program 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 61 million (2015: CHF 71 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 33 million at year-end 2016 (2015: CHF 42 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 28 million (2015: CHF 29 million) which represents 2.3 per cent (2015: 2.3 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.

	2016			2015		
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	940	–	–	979	–	–
Past due 1–30 days	170	–	–	181	–	–
Past due 31–90 days	51	3	5	61	3	5
Past due 91–180 days	17	2	10	19	2	10
Past due 181–360 days	18	18	100	20	20	100
More than 1 year	5	5	100	4	4	100
Total	**1,201**	**28**	**2.3**	**1,264**	**29**	**2.3**

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

CHF million	2016 Individual allowance	2016 Collective allowance	2016 Total allowance	2015 Individual allowance	2015 Collective allowance	2015 Total allowance
Balance as of January 1	42	29	71	55	31	86
Additions through business combinations	–	–	–	–	1	1
Additional impairment losses recognised	13	9	22	13	3	16
Reversal of impairment losses and write-offs	–22	–10	–32	–26	–6	–32
Balance as of December 31	**33**	**28**	**61**	**42**	**29**	**71**

31 OTHER RECEIVABLES

CHF million	Dec. 31, 2016	Dec. 31, 2015
Receivables from tax authorities	16	16
Deposits	58	49
Sundry	66	66
Total other receivables	**140**	**131**
Income tax receivables	64	52
Total	**204**	**183**

The majority of the other receivables is held in the respective Group companies' own functional currencies, which represents EUR 49.6 per cent (2015: 44.6 per cent), USD 9.1 per cent (2015: 7.2 per cent) and GBP 1.0 per cent (2015: 2.1 per cent).

32 FINANCIAL INVESTMENTS AND DERIVATIVE INSTRUMENTS

As of December 31, 2016 and 2015, no material financial investments and derivative instruments were held.

33 CASH AND CASH EQUIVALENTS

CHF million	Dec. 31, 2016	Dec. 31, 2015
Cash in hand	2	1
Cash at banks	539	549
Short-term deposits	300	291
Cash and cash equivalents	**841**	**841**
Bank overdraft	–4	–2
Cash and cash equivalents in the cash flow statement, net	**837**	**839**

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 2016

2016			**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	53.5	63,900,000
Public shareholders	55,647,625	56	46.4	46.5	55,946,978
Entitled to voting rights and dividends	**119,547,625**	**120**	**99.7**	**100.0**	**119,846,978**
Treasury shares	452,375	–	0.3		153,022
Total	**120,000,000**	**120**	**100.0**		**120,000,000**

In 2016 the Company sold 47,280 and matched 159,603 treasury shares for the matured share matching plan 2013 (2015: 353,302 treasury shares sold, 97,240 matched for the matured share matching plan 2012) for CHF 5 million (2015: CHF 43 million) under the employee share-based compensation plans. The Company also purchased 506,236 (2015: 554,500) treasury shares for CHF 66 million (2015: CHF 70 million).

On December 31, 2016, the Company had 452,375 treasury shares (2015: 153,022), of which 452,375 (2015: 153,022) 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
2017	CHF 5.50	658

The dividend payment 2016 to owners amounted to CHF 5.00 per share or CHF 599 million (2015: CHF 7.00 per share or CHF 839 million).

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**

Authorised and conditional share capital

The Annual General Meeting held on May 3, 2016, extended its approval of the maintenance of the authorized share capital for a two years term until May 3, 2018.

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	2016	2015	2014	2013	2012
Total equity	2,165	2,126	2,453	2,558	2,425
Total assets	6,331	6,099	6,603	6,374	6,279
Equity ratio in per cent	**34.2**	**34.9**	**37.1**	**40.1**	**38.6**

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, 2015	**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**
Provisions made	16	–	16
Provisions used	–18	–14	–32
Actuarial (gains)/losses recognised in other comprehensive income	38	–	38
Effect of movements in foreign exchange	–2	–	–2
Balance as of December 31, 2016	**380**	**27**	**407**

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.

	2016			2015		
CHF million	Funded plans	Unfunded plans	Total	Funded plans	Unfunded plans	Total
Net liability for defined benefit obligations						
Present value of obligations	224	308	532	236	273	509
Fair value of plan assets	–152	–	–152	–163	–	–163
Present value of net obligations	72	308	380	73	273	346
Recognised net liability for defined benefit obligations	**72**	**308**	**380**	**73**	**273**	**346**

CHF million	2016	2015
Allocation of plan assets		
Debt securities	95	94
Equity securities	40	40
Property	11	10
Others	6	19
Total	**152**	**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.

	2016	2015
CHF million	Funded plans	Funded plans
Movements of fair value of plan assets		
Opening fair value of plan assets	163	163
Employer contribution	8	8
Employee contribution	4	4
Return on plan assets, excluding interest	4	–2
Interest on plan assets	4	4
Benefits paid by the plan	–5	–10
Plan settlement [1]	–25	–
Effect of movements in foreign exchange	–1	–4
Closing fair value of plan assets	**152**	**163**
Expected payments to defined benefit plan in the next year	18	18
Actual return on plan assets for the year	8	2

1 Plan settlement mainly relates to a defined benefit plan settlement in the Netherlands; the former members are now participating in a defined contribution plan.

CHF million	2016 Funded plans	2016 Unfunded plans	2016 Total	2015 Funded plans	2015 Unfunded plans	2015 Total
Movements of present value of defined benefit obligations						
Opening liability for defined benefit obligations	236	273	509	238	334	572
Current service costs	9	5	14	9	5	14
Interest costs	5	7	12	5	5	10
Employee contribution	4	–	4	4	–	4
Actuarial (gains)/losses recognised in other comprehensive income:						
– due to changes in demographic assumptions	-4	–	-4	-1	–	-1
– due to changes in financial assumptions	17	37	54	-3	-25	-28
– due to experience (gains)/losses	-5	-2	-7	-1	-1	-2
Benefits paid by the plan	-5	-10	-15	-10	-11	-21
Past service costs – amendments	–	–	–	-1	–	-1
Effects due to plan settlement [1]	-32	–	-32	–	–	–
Net increase/(decrease) in DBO from disposals	-1	-1	-2	–	–	–
Effect of movements in foreign exchange	–	-1	-1	-4	-34	-38
Closing liability for defined benefit obligations	**224**	**308**	**532**	**236**	**273**	**509**
Expense recognised in the income statement						
Service costs	3	5	8	9	5	14
Net interest on the net defined benefit liability	2	6	8	1	6	7
Expense recognised in personnel expenses (refer to note 20)	**5**	**11**	**16**	**10**	**11**	**21**
Actuarial gains/(losses) recognised in other comprehensive income						
Cumulative amount as of January 1	-58	-76	-134	-61	-115	-176
Recognised during the year	-3	-35	-38	3	27	30
Effect of movements in foreign exchange	–	–	–	–	12	12
Cumulative amount as of December 31	**-61**	**-111**	**-172**	**-58**	**-76**	**-134**

1 Effects due to plan settlement mainly relate to a defined benefit plan settlement in the Netherlands; the former members are now participating in a defined contribution plan.

Plan participants	Active 2016	Active 2015	Deferred 2016	Deferred 2015	Retired 2016	Retired 2015	Total 2016	Total 2015
Number of plan participants	12,578	13,114	1,375	1,896	2,234	2,154	16,187	17,164
Present value of defined benefit obligations								
In CHF million	286	279	63	64	183	166	532	509
Share in per cent	53.8	54.8	11.8	12.6	34.4	32.6	100.0	100.0
Duration in years	22.3	21.0	17.9	16.4	10.7	9.8	17.8	16.8

The duration in years corresponds to the average weighted period.

Weighted actuarial assumptions at the balance sheet date

Per cent	2016 Funded plans	2016 Unfunded plans	2016 Total	2015 Funded plans	2015 Unfunded plans	2015 Total
Discount rate	1.8	1.7	1.7	2.1	2.4	2.4
Future salary increases	0.8	2.0	1.7	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 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	2016 Funded plans	2016 Unfunded plans	2016 Total	2015 Funded plans	2015 Unfunded plans	2015 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	9	12	21	7	10	17
Decrease of defined benefit obligation	–9	–12	–21	–7	–10	–17
Future salary increases						
Increase of defined benefit obligation	1	2	3	2	2	4
Decrease of defined benefit obligation	–1	–2	–3	–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 individual assumptions were not taken into account.

b) Major defined benefit plans

The Group maintains significant defined benefit pension plans in Germany, the USA and in Switzerland constituting 89.3 per cent (2015: 91.0 per cent) of the defined benefit obligations and 83.6 per cent (2015: 77.3 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	2016	2015
Net liability for defined benefit obligations		
Present value of obligations	283	252
Fair value of plan assets	–	–
Present value of net obligations	283	252
Recognised net liability for defined benefit obligations	**283**	**252**

CHF million	2016	2015
Expense recognised in the income statement		
Service costs	3	4
Net interest on the net defined benefit liability	6	5
Expense recognised in personnel expenses	**9**	**9**

Plan participants	2016	2015
Number of plan participants	3,524	3,742
Present value of defined benefit obligations		
In CHF million	283	252
Duration in years	17.9	16.3

The duration in years corresponds to the average weighted period.

Weighted actuarial assumptions at the balance sheet date

Per cent	2016	2015
Discount rate	1.60	2.40
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 five years of service. The plan provides a lifetime pension at normal retirement, which is based on a percentage of the highest average monthly compensation over a five-year period (limited to USD 100,000), multiplied by credited service under the plan. Members can draw retirement benefits early, with a proportionate reduction of the pension, at the age of 55 if the employee has a minimum of 10 years of service.

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

CHF million	2016	2015
Net liability for defined benefit obligations		
Present value of obligations	65	68
Fair value of plan assets	–44	–49
Present value of net obligations	21	19
Recognised net liability for defined benefit obligations	**21**	**19**

CHF million	2016	2015
Allocation of plan assets		
Debt securities	18	18
Equity securities	24	28
Property	2	3
Total	**44**	**49**

CHF million	2016	2015
Actual return on plan assets for the year	**2**	**1**
Expected payments to defined benefit plan in the next year	**3**	**2**

CHF million	2016	2015
Expense recognised in the income statement		
Service costs	–1	–
Net interest on the net defined benefit liability	1	1
Expense recognised in personnel expenses	**–**	**1**

Plan participants	2016	2015
Number of plan participants	1,356	1,862
Present value of defined benefit obligations		
In CHF million	65	68
Duration in years	14.4	16.2

The duration in years corresponds to the average weighted period.

Weighted actuarial assumptions at the balance sheet date

Per cent	2016	2015
Discount rate	4.10	4.40
Future salary increases	–	–
Future pension increases	–	–
Mortality table	Scale MP 2016 released by SOA on October 20, 2016	Scale MP 2015 released by SOA on October 8, 2015

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 re-financing. 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	2016	2015
Net liability for defined benefit obligations		
Present value of obligations	127	121
Fair value of plan assets	–83	–77
Present value of net obligations	44	44
Recognised net liability for defined benefit obligations	**44**	**44**

CHF million	2016	2015
Allocation of plan assets		
Debt securities	70	66
Equity securities	4	4
Property	8	7
Others	1	–
Total	**83**	**77**

CHF million	2016	2015
Actual return on plan assets for the year	**–1**	**2**
Expected payments to defined benefit plan in the next year	**5**	**4**

CHF million	2016	2015
Expense recognised in the income statement		
Service costs	9	8
Net interest on the net defined benefit liability	–	–
Expense recognised in personnel expenses	**9**	**8**

Plan participants	2016	2015
Number of plan participants	555	578
Present value of defined benefit obligations		
In CHF million	127	121
Duration in years	20.6	20.2

The duration in years corresponds to the average weighted period.

Weighted actuarial assumptions at the balance sheet date

Per cent	2016	2015
Discount rate	0.70	0.90
Future salary increases	1.00	1.50
Future pension increases	–	–
Mortality table	BVG 2015 Generational	BVG 2010 Generational

36 EMPLOYEE SHARE-BASED COMPENSATION PLANS

Share Matching Plan (SMP)
As described in Note 14, the Company has introduced various employee share-based compensation plans. Under the new SMP 2016, the Company will match for each share invested additional shares upon completion of a three-year vesting period and service condition during the same period. The share match ratio is dependent on the average growth rate of the Group’s net profit after tax achieved over the three financial years in the vesting period. The maximum matching ratio of one share for each share invested by the employee (minimum investment is 50 shares) can be obtained by achieving an average growth rate of net profit after tax over three years of at least 15 per cent. A guaranteed minimum matching of 0.2 shares per invested share is granted after the vesting period. Should the number of allocated shares be a fraction of shares, then the number of shares is rounded up to the next whole number.

For each share purchased under the previous SMP in the years 2014 and 2015, the Company will match additional shares upon completion of a three-year vesting period and service condition during the same period. The level of the share match (share match ratio) is dependent on the achievement 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 Share Matching Plans are as follows:

Share matching plan	2016	2015	2014
Grant date	08.08.2016	14.08.2015	06.08.2014
Performance period	Jan. 2016–Dec. 2018	Jan. 2015–Dec. 2017	Jan. 2014–Dec. 2016
Vesting, service and blocking period	08.08.2016–30.06.2019	14.08.2015–30.06.2018	06.08.2014–30.06.2017
Fair value of shares at grant date in CHF per share	n/a	134.70	120.00
Purchase price of shares in CHF per share	n/a	125.35	113.40
Number of shares invested/granted at grant date	182,257	266,577	185,206
Number of shares to be matched as of Dec. 31, 2016	182,177	252,135	162,291
Number of shares to be matched as of Dec. 31, 2015	n/a	265,600	176,391
Expected share match ratio	0.4	0.7	0.7
Fair value of shares to be matched at grant date in CHF per share	118.71	119.50	107.35

On July 1, 2016, the SMP 2013 matured with an actual share match ratio of 0.7 resulting in a matching of 159,603 shares to the participating employees of this plan.

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) which 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, 2016	Number outstanding as of Dec. 31, 2015
June 30, 2010	July 1, 2013–June 30, 2016	447,398	111.37	–	53,790
June 30, 2011	July 1, 2014–June 30, 2017	37,374	131.15	10,308	10,308
June 30, 2012	July 1, 2015–June 30, 2018	3,290	113.40	948	948
Total		**488,062**		**11,256**	**65,046**

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

	2016		**2015**	
Options	Weighted average exercise price (CHF)	Number of options	Weighted average exercise price (CHF)	Number of options
Options outstanding as of January 1	**114.46**	**65,046**	**111.17**	**149,971**
Options granted during the year	n/a	n/a	n/a	n/a
Options cancelled during the year	111.37	–3,450	n/a	–
Options expired during the year	111.37	–3,060	82.12	–300
Options exercised during the year	111.37	–47,280	108.74	–84,625
Options outstanding as of December 31	**129.22**	**11,256**	**114.46**	**65,046**
Options exercisable as of December 31		11,256		65,046

The weighted average life of the options outstanding at December 31, 2016, is 0.6 years (2015: 0.7 years). The options outstanding at December 31, 2016, have an exercise price in the range of CHF 113.40 to CHF 131.15 (2015: CHF 111.37 to CHF 131.15).

CHF million	2016	2015
Total personnel expense for employee share-based compensation plans	**14**	**15**

37 BANK LIABILITIES AND OTHER INTEREST-BEARING LIABILITIES

CHF million	Dec. 31, 2016	Dec. 31, 2015
Liabilities part of cash and cash equivalents	4	2
Short-term portion of long-term liabilities	4	5
Total	**8**	**7**

The current bank and other interest-bearing liabilities include finance lease liabilities due for payment within one year of CHF 4 million (2015: CHF 5 million). Current bank and other interest-bearing liabilities also include bank overdrafts of CHF 4 million (2015: CHF 2 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 53.9 per cent (2015: 68.5 per cent) and USD 22.9 per cent (2015: 9.7 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 7 million (2015: CHF 11 million) and is presented separately on the face of the balance sheet.

38 FINANCE LEASE OBLIGATIONS

	2016			2015		
CHF million	Payments	Interest	Present value	Payments	Interest	Present value
Less than 1 year	4	–	4	5	–	5
Between 1–5 years	7	–	7	11	–	11
After 5 years	–	–	–	–	–	–
Total	**11**	**–**	**11**	**16**	**–**	**16**

39 TRADE PAYABLES/ACCRUED TRADE EXPENSES/DEFERRED INCOME

CHF million	Dec. 31, 2016	Dec. 31, 2015
Trade payables	1,544	1,449
Accrued trade expenses	811	773
Deferred income	157	146
Total	**2,512**	**2,368**

The majority of all trade payables is in the respective Group companies' own functional currencies, which is in EUR 42.5 per cent (2015: 42.7 per cent), USD 13.3 per cent (2015: 14.5 per cent) and GBP 11.6 per cent (2015: 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, 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**
Balance as of January 1, 2016	84	27	49	160
Provisions used	–46	–8	–14	–68
Provisions reversed	–10	–	–9	–19
Provisions made	25	10	28	63
Effect of movements in foreign exchange	–	–	–1	–1
Balance as of December 31, 2016	**53**	**29**	**53**	**135**
of which				
– Current portion	34	9	32	75
– Non-current portion	19	20	21	60
Total provisions	**53**	**29**	**53**	**135**

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 has 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) to the European General Court (EGC) in 2012. On February 29, 2016, the EGC in first instance, upheld the decision of the EU Commission. On May 10, 2016, Kuehne + Nagel filed an appeal on questions of law against the EGC's decision to the European Court of Justice.
During 2015 the French Competition Authority (FCA) has concluded an investigation of certain antitrust allegations in France, mainly against domestic freight forwarding companies, inter alia Alloin Transports, a company which was acquired by Kuehne + Nagel in 2009. The decision of the FCA, according to which Alloin/Kuehne + Nagel paid a fine of CHF 34 million (EUR 32 million) was appealed to the Paris Court of Appeals in 2016. Kuehne + Nagel also reviews possibilities of recourse against the sellers of Alloin Transports.
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 (2015: CHF 26 million) and of provisions for onerous contracts amounting to CHF 13 million (2015: CHF 3 million).

41 OTHER LIABILITIES

CHF million	Dec. 31, 2016	Dec. 31, 2015
Personnel expenses (including social security)	500	475
Other tax liabilities	83	84
Other operating expenses	176	177
Sundry	65	56
Total	**824**	**792**

42 ACQUISITION OF BUSINESSES/SUBSIDIARIES

2016 Acquisitions

There were no acquisitions of subsidiaries in 2016.

2015 Acquisitions

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

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.

43 PERSONNEL

Number	Dec. 31, 2016	Dec. 31, 2015
EMEA	51,835	49,915
Americas	10,418	10,118
Asia-Pacific	7,785	7,203
Total employees (unaudited)	**70,038**	**67,236**
Full-time equivalent	**85,887**	**80,056**

Employees within the Group are defined as persons with valid employment contracts as of December 31, and on the 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, 2016	Dec. 31, 2015
Guarantees in favour of customers and others	9	8
Contingency under unrecorded claims	3	3
Total	**12**	**11**

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 53 million (2015: CHF 84 million).

An antitrust proceeding in Brazil is still ongoing, whereby 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 2016.

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, 2016

CHF million	Properties and buildings	Operating and office equipment	Total
2017	349	61	410
2018–2021	571	80	651
Later	178	8	186
Total	**1,098**	**149**	**1,247**

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**

The expense for operating leases recognised in the income statement amounts to CHF 551 million (2015: CHF 529 million).

46 CAPITAL COMMITMENTS

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

CHF million	Dec. 31, 2016	Dec. 31, 2015
Singapore	–	15
Great Britain	–	1
Total	**–**	**16**

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, for operational risks an independent risk assessment procedure was adopted, and an assessment of financial risks was performed. Identified material risks are monitored on an ongoing basis and mitigating actions and controls are implemented.

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

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

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

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

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

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

Exposure

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

Profile

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

Fair value sensitivity analysis – fixed rate instruments

As of December 31, 2016 and 2015, 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, 2016, would have increased or decreased profit or loss by CHF 8 million (2015: CHF 8 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	2016	2015
Variable rate instruments		
Cash and cash equivalents	839	840
Current bank and other interest-bearing liabilities	–8	–7
Non-current finance lease obligations	–7	–11
Total	**824**	**822**

Currency risk

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

Exposure

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

To a limited extent, derivative financial instruments (foreign exchange contracts) are in use to hedge the foreign exchange exposure on outstanding balances in the Group's internal clearing system. Given that the Group's hedging activities are limited to hedges of recognised foreign currency monetary items, hedge accounting under IAS 39 is not applied. As of the 2016 and 2015 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:

	2016			2015		
CHF million	EUR	USD	GBP	EUR	USD	GBP
Cash and cash equivalents [1]	52	72	1	91	91	1
Trade receivables	34	246	4	33	256	5
Interest-bearing liabilities	–	–2	–	–	–1	–
Trade payables	–38	–94	–1	–33	–86	–1
Gross balance sheet exposure	**48**	**222**	**4**	**91**	**260**	**5**

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

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

Sensitivity analysis

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

2016

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	–4.8	–22.2	–3.8	–17.6	–4.7
Positive effect on P/L	4.8	22.2	3.8	17.6	4.7

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.

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

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	2016	2015
Trade receivables	2,605	2,486
Other receivables	79	81
Cash and cash equivalents	839	840
Total	**3,523**	**3,407**

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	2016	2015
EMEA	1,629	1,600
Americas	720	652
Asia-Pacific	256	234
Total	**2,605**	**2,486**

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

Liquidity risk
Liquidity risk is the risk that the Group will encounter difficulties 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 or in certain cases approval at Group level. The Group maintains sufficient reserves of cash to meet its liquidity requirements at all times.

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

2016

CHF million	Carrying amounts	Contractual cash flow	Up to 6 months	6–12 months	Over 1 year
Bank and other interest-bearing liabilities	4	4	2	2	–
Trade payables	1,544	1,544	1,544	–	–
Accrued trade expenses	811	811	811	–	–
Other liabilities	232	232	232	–	–
Finance lease obligations (non-current)	7	7	–	–	7
Total	**2,598**	**2,598**	**2,589**	**2**	**7**

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**

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 (2015: CHF 841 million) as well as financial assets with a carrying amount of CHF 2,684 million (2015: CHF 2,567 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 2,600 million (2015: CHF 2,465 million) carried at amortised cost. The majority of these financial liabilities are current liabilities. At year-end 2016 and 2015 there were no non-current fixed rate interest-bearing loans or other liabilities.

As of December 31, 2016 and 2015, 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 used, 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 5.2 million (2015: CHF 7.2 million)
- Management Board: CHF 15.0 million (2015: CHF 16.0 million)

As of December 31, 2016, 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 53.9 per cent (2015: 53.6 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	2016	2015	2016	2015
Wages, salaries and other short-term employee benefits	11.7	11.3	4.4	5.6
Post-employment benefits	1.2	1.3	0.3	0.5
Share-based compensation	2.1	3.4	0.5	1.1
Total compensation	**15.0**	**16.0**	**5.2**	**7.2**

For disclosure requirements according to the Swiss law (Article 663bbis/c CO), refer to pages 125 to 126, note 12 of the Financial Statements of Kuehne + Nagel International AG. For other related parties refer to note 34 outlining the shareholders' structure, and pages 103 to 110 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 agent contracts in acquisitions made (see note 27).

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

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

The Group tests its goodwill with a total carrying amount of CHF 758 million (2015: CHF 767 million) for impairment every year as disclosed in note 11. No impairment loss on goodwill was recognised in 2016 and 2015. 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 2016 (2015: nil). The carrying amount of other intangibles is CHF 82 million (2015: CHF 98 million), and that of property, plant and equipment is CHF 1,127 million (2015: CHF 1,142 million).

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

Defined benefit pension plans

The Group has recognised a liability for defined benefit pension plans in the amount of CHF 380 million (2015: CHF 346 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 cannot be estimated, the related revenue is deferred. The Group management's judgment is involved in the estimate of costs and deferral of revenue and their completeness.

Income tax

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

The Group has recognised a net deferred tax asset of CHF 50 million (2015: Net deferred tax asset of CHF 49 million). Furthermore, the Group has unrecognised deferred tax assets relating to unused tax losses of CHF 31 million (2015: CHF 37 million). Based on estimates such as the probability of realising these tax benefits, available taxable temporary differences, and periods of reversals of such differences, the management does not believe that the criteria to recognise deferred tax assets are met (see note 24).

Provisions and contingent liabilities

The Group has recognised provisions for an amount of CHF 135 million (2015: CHF 160 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, whereby the final amount required is subject to uncertainty.

51 POST BALANCE SHEET EVENTS

There have been no material events between December 31, 2016, 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 February 28, 2017. A resolution to approve the Consolidated Financial Statements will be proposed at the Annual General Meeting on May 9, 2017.

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	357	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
	BIL Spedition Haring KG	Hamburg	EUR	24	94
	Aba Logistics GmbH (Joint Venture)	Fulda	EUR	200	50
	Donau Transport und Umschlags GmbH (Joint Venture)	Regensburg	EUR	108	50
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
Norway	Kuehne + Nagel AS	Oslo	NOK	3,100	100
Portugal	Kuehne + Nagel Lda	Porto	EUR	200	100

Western Europe

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
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
	LogIndex AG	Schindellegi	CHF	1,000	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	BYN	300	100
Bosnia and Herzegovina	Kuehne + Nagel doo	Sarajevo	BAM	95	100
Bulgaria	Kuehne + Nagel EOOD	Sofia	BGN	365	100
Croatia	Kuehne + Nagel d.o.o.	Zagreb	HRK	4,300	100
Cyprus	Nakufreight Limited	Nicosia	EUR	17	100
Czech Republic	Kuehne + Nagel spol. s r.o.	Prague	CZK	21,000	100
Estonia	Kuehne + Nagel AS	Tallinn	EUR	902	100
Greece	Kuehne + Nagel AE	Athens	EUR	10,028	100
	Nacora Brokins International AE	Athens	EUR	60	60
	Sindos Railcontainer Services AE (Joint Venture)	Thessaloniki	EUR	3,038	50
Hungary	Kuehne + Nagel Kft	Budapest	HUF	134,600	100
Latvia	Kuehne + Nagel SIA	Riga	EUR	142	100
Lithuania	Kuehne & Nagel UAB	Vilnius	EUR	232	100
Macedonia	Kuehne + Nagel d.o.o.e.l.	Skopje	MKD	3,216	100

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
Poland	Kuehne + Nagel Sp.z o.o.	Poznan	PLN	281,404	100
	Kuehne + Nagel Real Estate Sp.z.o.o.	Gadki	PLN	40,424	100
Romania	Kuehne + Nagel SRL	Bucharest	RON	2,543	100
Russia	OOO Kuehne + Nagel	Moscow	RUR	1,339,036	100
	OOO Kuehne & Nagel Sakhalin	Sakhalin	RUR	500	100
	OOO Nakutrans	Moscow	RUR	278	100
Serbia	Kuehne + Nagel d.o.o.	Belgrade	RSD	3,039	100
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
	ReTrans Freight Inc.	Fall River	USD	23,229	100
	ReTranportation Canada Inc.	Toronto	CAD	1,878	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	171,899	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
	KN Shared Service Centre S.A.	San Jose	CRC	–	100
Cuba	Kuehne Nagel Logistic Services S.A.	Havana	CUC	–	100
Dominican Republic	Kuehne + Nagel Dominicana SAS (Joint Venture)	Santo Domingo	DOP	3,000	50
Ecuador	Kuehne + Nagel S. A.	Quito	USD	7	100
El Salvador	Kuehne + Nagel S.A. DE C.V.	San Salvador	USD	69	100
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. Naku Freight Indonesia	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
	Kuehne + Nagel Logistics Solutions 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	125,883	100
Namibia	Kuehne and Nagel (Pty) Ltd.	Windhoek	NAD	340	100
Oman	Kuehne + Nagel LLC.	Muscat	OMR	250	70
Qatar	Kuehne + Nagel L.L.C.	Doha	QAR	1,900	100
Saudi Arabia	Kuehne and Nagel Limited	Jeddah	SAR	1,000	100
South Africa	Kuehne + Nagel (Proprietary) Limited	Johannesburg	ZAR	1,652	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

Opinion

We have audited the consolidated financial statements of Kuehne + Nagel International AG and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2016 and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 35 to 110) give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

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

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

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

Key audit matters

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

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

Intangibles – goodwill and other	
Area of focus	Goodwill and other intangible assets represent 13% of the Group's total assets and 39% of the Group's total shareholders' equity as at 31 December 2016. As stated in Note 9 to the consolidated financial statements, the carrying value of goodwill is tested annually for impairment. The Group performed its annual impairment test of goodwill in the fourth quarter of 2016. Procedures over management's annual impairment test were significant to our audit because the assessment process requires estimates. Key assumptions relating to the impairment test are disclosed in Note 27 to the consolidated financial statements. The Group uses assumptions in respect of future market and economic conditions such as economic growth, expected inflation rates, demographic developments, revenue and margin development. Given the high level of management judgment in the Group's impairment assessment we considered this area to be important for our audit.
Our audit response	For our audit we evaluated the Group's internal controls over its annual impairment test, key assumptions applied, the weighted average cost of capital, methodologies and data used by the Group, for example by comparing them to external data such as expected inflation rates, external market growth expectations and by analyzing sensitivities in the Group's valuation model. We involved valuation specialists to assist us in these audit procedures. Furthermore, we compared the future cash flows to the strategic plan, business plans of group companies and other relevant developments in the business of the cash generating unit as prepared by the management board and approved by the Audit Committee. We further assessed the historical accuracy of management's estimates. We evaluated management's assumptions by analyzing to which the outcome of the impairment test is most sensitive.

Contingencies (including litigations, fines and penalties)	
Area of focus	Some Group companies are defendants in various legal proceedings and/or are subject to investigations by authorities, such as antitrust and tax authorities. As of 31 December 2016, the Group has recorded CHF 53 million of claim provisions (refer to Note 40 to the consolidated financial statements) and, in addition, disclosed those cases for which no reliable estimate can be made as contingent liabilities (refer to Note 44 to the consolidated financial statements). The ultimate outcome of those proceedings and investigations cannot be predicted with certainty and an adverse outcome could have a material effect on balance sheet, income statement and cash flows. Accounting for (contingent) liabilities from claims, proceedings and investigations is judgmental, and the amounts involved are, or can be, material to the financial statements as a whole.
Our audit response	In response to these risks, our audit procedures included, amongst others, proceedings and investigations at different levels in the organization, and the accounting and continuous re-assessment of the related (contingent) liabilities and provisions and disclosures. Furthermore, we inquired with legal and financial staff in respect of ongoing investigations, proceedings or claims, inspected relevant correspondence (if any), considered the minutes of the meetings of the Audit Committee, Board of Directors and Management Board, requested external legal confirmation letters and have been provided with a representation letter from the Group. We evaluated the Group's policies, procedures and controls surrounding the identification of potential litigation, fines and penalties, and considered management's response and assessment to any of those. We also assessed the disclosure regarding (contingent) liabilities from legal proceedings and investigations as contained in Note 40 Provisions, Note 41 Other liabilities and Note 44 Contingent liabilities.

Income tax positions

Area of focus	Income tax positions were significant to our audit because the Group has extensive international operations and, in the normal course of business, makes judgments and estimates in relation to tax issues and exposures resulting in the recognition of other tax liabilities.
Our audit response	We tested the completeness and accuracy of the amounts recognized as current and deferred tax, including the assessment of other judgmental tax positions. In this area our audit procedures included, amongst others, assessment of correspondence with the relevant tax authorities and the evaluation of tax exposures. In addition, in respect of deferred tax assets we assessed management's assumptions to determine the probability that deferred tax assets recognized in the statement of financial position will be recovered through taxable income in future years and available tax planning strategies. We included tax and valuation specialists to evaluate the assumptions used to determine tax positions. During our procedures, we also used management's budgets and forecasts. In addition, where considered relevant, we evaluated the historical accuracy of management's assumptions.

Net turnover

Area of focus	A description of the key accounting policy for revenue recognition is included in Note 15. Total net turnover for the business year 2016 amounted to CHF 16,525 million. The Group generates turnover from four principal services: Seafreight, Airfreight, Overland and Contract Logistics. In addition to these principal services, turnover is also generated from additional services that are incidental to the primary service, such as customs clearance and door-to-door service. Turnover is recognized according to the terms in the contract, i.e. at the time the service is rendered. Given the significance of net turnover and related balance sheet accounts such as trade receivables, we considered this area to be important for our audit.
Our audit response	We tested revenue recognition, including testing of the related internal controls. Our procedures included analytical reviews on net turnover, work in progress and deferred income. We also designed and performed audit procedures on the nature of revenues and the timing of the recognition and unusual contractual terms. Our testing included agreeing amounts to customer contracts and confirming the extent, timing and customer acceptance of delivery, where relevant.

Other information in the annual report

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

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

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

Responsibility of the Board of Directors for the consolidated financial statements

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

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

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

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

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

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

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

Ernst & Young Ltd

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

Zurich, February 28, 2017

Kuehne + Nagel International AG
Kuehne + Nagel House
P.O. Box 67
CH-8834 Schindellegi
Telephone +41 (0) 44 786 95 11
Fax +41 (0) 44 786 95 95
www.kuehne-nagel.com