Consolidated Financial Statements 2019

KUEHNE+NAGEL

CONTENTS

Income Statement

CHF million	Note	2019	2018	Variance per cent
Net turnover	19	**21,094**	**20,774**	**1.5**
Net expenses for services from third parties		–13,113	–13,065	
Gross profit	19	**7,981**	**7,709**	**3.5**
Personnel expenses	20	–4,877	–4,736	
Selling, general and administrative expenses	21	–1,372	–1,811	
Other operating income/expenses, net	22	97	47	
EBITDA		**1,829**	**1,209**	**51.3**
Depreciation of property, plant and equipment	26	–206	–192	
Depreciation of right-of-use assets	27	–497	–	
Amortisation of other intangibles	28	–65	–30	
EBIT		**1,061**	**987**	**7.5**
Financial income	23	11	10	
Financial expenses	23	–29	–7	
Result from joint ventures and associates		4	4	
Earnings before tax (EBT)		**1,047**	**994**	**5.3**
Income tax	24	–247	–222	
Earnings for the year		**800**	**772**	**3.6**
Attributable to:				
Equity holders of the parent company		798	770	3.6
Non-controlling interests		2	2	
Earnings for the year		**800**	**772**	**3.6**
Basic earnings per share in CHF	25	**6.67**	**6.43**	**3.7**
Diluted earnings per share in CHF	25	**6.66**	**6.42**	**3.7**

Statement of Comprehensive Income

CHF million	Note	2019	2018
Earnings for the year		**800**	**772**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange differences		–47	–98
Items that will not be reclassified to profit or loss:			
Actuarial gains/(losses) on defined benefit plans	33/24	–66	27
Income tax on actuarial gains/(losses) on defined benefit plans	24	16	–8
Total other comprehensive income, net of tax		**–97**	**–79**
Total comprehensive income for the year		**703**	**693**
Attributable to:			
Equity holders of the parent company		701	691
Non-controlling interests		2	2

Balance Sheet

CHF million	Note	Dec. 31, 2019	Dec. 31, 2018
Assets			
Property, plant and equipment	26	1,089	1,226
Right-of-use assets	27	1,899	–
Goodwill	28	1,220	1,170
Other intangibles	28	185	215
Investments in joint ventures and associates		9	7
Deferred tax assets	24	219	175
Non-current assets		**4,621**	**2,793**
Prepayments		161	161
Contract assets	29	223	300
Trade receivables	29	3,601	3,872
Other receivables	30	264	200
Income tax receivables	30	45	53
Cash and cash equivalents	31	910	499
Current assets		**5,204**	**5,085**
Total assets		**9,825**	**7,878**

CHF million	Note	Dec. 31, 2019	Dec. 31, 2018
Liabilities and equity			
Share capital		120	120
Reserves and retained earnings		1,398	1,428
Earnings for the year		798	770
Equity attributable to the equity holders of the parent company		**2,316**	**2,318**
Non-controlling interests		6	6
Equity	32	**2,322**	**2,324**
Provisions for pension plans and severance payments	33	431	377
Deferred tax liabilities	24	60	101
Borrowings	35	400	–
Non-current provisions	36	45	50
Other non-current liabilities	38	206	148
Non-current lease liabilities	27	1,432	1
Non-current liabilities		**2,574**	**677**
Bank and other interest-bearing liabilities	35	12	351
Trade payables	37	1,890	1,888
Contract liabilities	37	74	146
Accrued trade expenses	37	1,190	1,272
Income tax liabilities		169	108
Current provisions	36	80	65
Other current liabilities	39	1,004	1,044
Current lease liabilities	27	510	3
Current liabilities		**4,929**	**4,877**
Total liabilities and equity		**9,825**	**7,878**

Schindellegi, February 26, 2020

KUEHNE + NAGEL INTERNATIONAL AG

Dr. Detlef Trefzger — CEO

Markus Blanka-Graff — CFO

Statement of Changes in Equity

CHF million	Note	Share capital	Share premium	Treasury shares	Cumulative translation adjustment	Actuarial gains & losses	Retained earnings	Total equity attributable to equity holders of parent company	Non-controlling interests	Total equity
Balance as of January 1, 2019		120	477	–36	–995	–111	2,863	2,318	6	2,324
Earnings for the year		–	–	–	–	–	798	798	2	800
Other comprehensive income										
Foreign exchange differences		–	–	–	–47	–	–	–47	–	–47
Actuarial gains/(losses) on defined benefit plans, net of tax	33/24	–	–	–	–	–50	–	–50	–	–50
Total other comprehensive income, net of tax		**–**	**–**	**–**	**–47**	**–50**	**–**	**–97**	**–**	**–97**
Total comprehensive income for the year		**–**	**–**	**–**	**–47**	**–50**	**798**	**701**	**2**	**703**
Disposal of treasury shares	32	–	–8	8	–	–	–	–	–	–
Dividend paid	32	–	–	–	–	–	–718	–718	–2	–720
Expenses for share-based compensation plans	34	–	–	–	–	–	15	15	–	15
Total contributions by and distributions to owners		**–**	**–8**	**8**	**–**	**–**	**–703**	**–703**	**–2**	**–705**
Balance as of December 31, 2019		**120**	**469**	**–28**	**–1,042**	**–161**	**2,958**	**2,316**	**6**	**2,322**

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, 2018		120	496	–43	–897	–130	2,775	2,321	6	2,327
Earnings for the year		–	–	–	–	–	770	770	2	772
Other comprehensive income										
Foreign exchange differences		–	–	–	–98	–	–	–98	–	–98
Actuarial gains/(losses) on defined benefit plans, net of tax	33/24	–	–	–	–	19	–	19	–	19
Total other comprehensive income, net of tax		**–**	**–**	**–**	**–98**	**19**	**–**	**–79**	**–**	**–79**
Total comprehensive income for the year		**–**	**–**	**–**	**–98**	**19**	**770**	**691**	**2**	**693**
Purchase of treasury shares	32	–	–	–12	–	–	–	–12	–	–12
Disposal of treasury shares	32	–	–19	19	–	–	–	–	–	–
Dividend paid	32	–	–	–	–	–	–688	–688	–2	–690
Expenses for share-based compensation plans	34	–	–	–	–	–	6	6	–	6
Total contributions by and distributions to owners		**–**	**–19**	**7**	**–**	**–**	**–682**	**–694**	**–2**	**–696**
Balance as of December 31, 2018		**120**	**477**	**–36**	**–995**	**–111**	**2,863**	**2,318**	**6**	**2,324**

Cash Flow Statement

CHF million	Note	2019	2018
Cash flow from operating activities			
Earnings for the year		800	772
Adjustments to reconcile earnings for the year to net cash flows:			
Income tax	24	247	222
Financial income	23	–11	–10
Financial expenses	23	29	7
Result from joint ventures and associates		–4	–4
Depreciation of property, plant and equipment	26	206	192
Depreciation of right-of-use assets	27	497	–
Amortisation of other intangibles	28	65	30
Expenses for share-based compensation plans	20	15	6
Gain on disposal of subsidiaries	22	–1	–7
(Gain)/loss on disposal of property, plant and equipment, net	22	–96	–40
Net addition to provisions for pension plans and severance payments	33	–1	–12
Subtotal operational cash flow		**1,746**	**1,156**
(Increase)/decrease contract assets		72	95
(Increase)/decrease trade and other receivables, prepayments		217	–480
Increase/(decrease) provisions		11	–4
Increase/(decrease) other liabilities		11	97
Increase/(decrease) trade payables, contract liabilities and accrued trade expenses		–84	32
Income tax paid		–252	–217
Total cash flow from operating activities		**1,721**	**679**

CHF million	Note	2019	2018
Cash flow from investing activities			
Capital expenditure			
– Property, plant and equipment	26	–320	–315
– Other intangibles	28	–10	–9
Disposal of property, plant and equipment		245	117
Acquisition of subsidiaries, net of cash acquired	40	–37	–319
Settlement of deferred/contingent considerations from business combinations		–29	–
Disposal of subsidiaries and associates		1	7
Capital (contributions to)/distributions from joint ventures		–3	1
Dividend received from joint ventures and associates		2	4
Interest received		8	5
Total cash flow from investing activities		**–143**	**–509**
Cash flow from financing activities			
Proceeds from borrowings and other interest-bearing liabilities		470	340
Repayment of other interest-bearing liabilities		–405	–3
Repayment of lease liabilities	27	–475	–
Interest paid on borrowings and other interest-bearing liabilities		–11	–7
Interest paid on lease liabilities		–17	–
Purchase of treasury shares	32	–	–12
Dividend paid to equity holders of parent company	32	–718	–688
Dividend paid to non-controlling interests		–2	–2
Total cash flow from financing activities		**–1,158**	**–372**
Exchange difference on cash and cash equivalents		–4	–20
Increase/(decrease) in cash and cash equivalents		**416**	**–222**
Cash and cash equivalents at the beginning of the year, net	31	**488**	**710**
Cash and cash equivalents at the end of the year, net	31	**904**	**488**

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, 2019, comprise the Company, its subsidiaries (the Group), its interests in joint ventures and associates.

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, 2019. Those financial statements have been prepared in accordance with uniform accounting policies issued by the Group, which comply with the requirements of the International Financial Reporting Standards (IFRS) and Swiss law (Swiss Code of Obligations). The Consolidated Financial Statements are prepared on a historical cost basis except for certain financial instruments, which are stated at fair value.

The preparation of financial statements in accordance with IFRS requires 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 47.

The accounting policies applied in the preparation of the Consolidated Financial Statements are consistent with those followed in the preparation of the Group's Consolidated Financial Statements for the year ended December 31, 2018, except for the adoption of new standards, interpretations and amendments effective as of January 1, 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 16 Leases. As of December 31, 2018, Kuehne + Nagel disclosed undiscounted lease commitments classified as operating leases and thus recorded off balance sheet of CHF 1,786 million. IFRS 16 requires the Group to recognise a majority of these lease contracts on balance sheet.

The right-of-use assets are measured at the amount of the discounted lease liability. As of January 1, 2019, CHF 1,753 million of right-of-use assets and lease liabilities were recognised on the balance sheet, the difference to the undiscounted lease commitments of CHF 1,786 million mainly comprising of the discount to the present value. In 2019 the weighted average incremental borrowing rate applied to discount the lease payments to the present value for the initial measurement and subsequent amortisation of the lease liabilities was 0.93 per cent.

Retained earnings were not affected, as the right-of-use assets match the lease liabilities. The Group makes use of the recognition exemption for short-term leases and leases of low-value assets. Leases ending within 12 months of the date of initial application were not recognised. The Group applied the cumulative catch-up approach, adjusting balances as of January 1, 2019, without restatement of previous periods. The depreciation of right-of-use assets and interest expense on the lease liabilities also impacts reported earnings, in particular EBITDA. EBITDA for the year was positively impacted by approximately CHF 508 million. There were no material impact on EBIT and Earnings after tax.

Adoption of new and revised standards and interpretations in 2020 and later

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

Standard/interpretation	Effective date	Planned application
Definition of material – Amendments to IAS 1 and IAS 8 [1]	January 1, 2020	Reporting year 2020
Definition of a Business – Amendments to IFRS 3 [1]	January 1, 2020	Reporting year 2020
Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7 [1]	January 1, 2020	Reporting year 2020
IFRS 17 Insurance Contracts [1]	January 1, 2021	Reporting year 2021
Amendments to the classification of liabilities as current or non-current – Amendments to IAS 1 [1]	January 1, 2022	Reporting year 2022

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

4 SCOPE OF CONSOLIDATION

The Group's significant consolidated subsidiaries and joint ventures are listed on pages 111 to 118.

Changes in the scope of consolidation in 2019 relate to the following companies (for further information on the financial impact of the acquisitions refer to note 40):

Changes in the scope of consolidation 2019	Capital share in per cent equals voting rights	Currency	Share capital in 1,000	Incorporation/ acquisition date
Incorporation				
Modern Office Pte Ltd, Singapore	100	SGD	4,583	January 1, 2019
Acquisitions				
KN-Sincero Logistics Co. Ltd., China (formerly Shanghai Ruichun Logistics Co., Ltd.)	51	CNY	30,000	January 1, 2019
Zhejiang Jiajin Logistics Co. Ltd., China	51	CNY	10,000	January 1, 2019
Wuhan Zhisheng Logistics Co. Ltd., China	51	CNY	10,000	January 1, 2019
Shenzhen Hua Tie Xun Logistics CO. Ltd., China	51	CNY	5,000	January 1, 2019
JOELOG Beteiligungs GmbH, Austria	100	EUR	100	September 10, 2019
Joebstl Gesellschaft mbH, Austria	100	EUR	800	September 10, 2019
Kurt Joebstl Transport GmbH, Austria	100	EUR	110	September 10, 2019
SLM Spedition & Logistik GmbH, Austria	100	EUR	35	September 10, 2019
JOEBSTL I d.o.o., Slovenia	100	EUR	84	September 10, 2019

Changes in the scope of consolidation for the year 2018 are related to the following companies (for further information on the financial impact of the acquisitions refer to note 40):

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

1 The Group previously owned 50 per cent of the share capital and applied the equity method. For further information refer to note 40.
2 Refer to note 40 for details to the acquisition of subsidiaries.
3 Effective March 1, 2018, the Group signed a sale and purchase agreement to sell 100 per cent of the shares of Transeich Armazens Gerais S.A. and Transeich Assessoria e Transportes S.A., Brazil. The profit on the sale amounts to CHF 7 million.

5 PRINCIPLES OF CONSOLIDATION

Business combinations

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

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

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, equity interests issued by the Group, and the fair value of any contingent consideration. If the contingent consideration is classified as equity it is not re-measured, and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in the income statement. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the income statement.

Transaction costs other than those associated with the issue of debt or equity securities incurred in connection with a business combination are expensed as incurred.

Written put options held by non-controlling shareholders

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

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

Acquisitions and disposals of non-controlling interests

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

Subsidiaries

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

Disposal of subsidiaries

When the Group ceases to have control over a subsidiary, it derecognises the assets and liabilities of the respective subsidiary as well as any related non-controlling interests 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 interests 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 retranslated 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 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	2019 CHF	Variance per cent	2018 CHF
EUR 1.–	1.1120	–3.6	1.1536
USD 1.–	0.9926	1.7	0.9760
GBP 1.–	1.2697	–2.5	1.3026

Balance sheet (year-end rates)

Currency	Dec. 2019 CHF	Variance per cent	Dec. 2018 CHF
EUR 1.–	1.0889	–3.6	1.1292
USD 1.–	0.9769	–1.4	0.9903
GBP 1.–	1.2755	1.8	1.2527

6 FINANCIAL ASSETS AND LIABILITIES

Financial assets

The Group measures and classifies its financial assets at amortised cost or at fair value through profit or loss.

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

– Financial assets measured at **amortised cost**
  A majority of the Group's financial assets are measured at amortised cost. The Group measures financial assets at amortised cost if both of the following conditions are met:
  The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
  The assets are measured at the amount recognised at initial recognition minus principal repayments, plus or minus the cumulative amortisation of any difference between that initial amount and the maturity amount, and any loss allowance. Interest income is calculated using the effective interest method and is recognised in the income statement. Gains and losses are recognised in the income statement when the asset is derecognised or reclassified.
  The Group recognises an allowance for the expected credit losses (ECL) on financial assets that are measured at amortised cost. For trade receivables and contract assets the Group applies the simplified approach in calculating the ECL (for more details refer to note 29).
– Financial assets measured at **fair value through profit or loss (FVPL)**
  Financial assets, such as derivatives, are measured at fair value. Changes in fair value are recognised in the income statement as they arise.

No financial assets were measured at fair value through other comprehensive income (FVOCI) for the periods ended December 31, 2019 and December 31, 2018.

Financial liabilities

All financial liabilities are initially recognised at fair value minus transactions costs, in the case of financial liabilities not at fair value through profit or loss. The Group measures and classifies its financial liabilities at amortised cost, unless they are measured at fair value through profit or loss such as derivatives and contingent considerations.

– Financial liabilities measured at **amortised cost**
  The liabilities are measured at the amount recognised at initial recognition minus principal repayments, plus or minus the cumulative amortisation of any difference between the initial and the maturity amount. Interest expense is calculated using the effective interest method and is recognised in the income statement. Gains and losses are recognised in the income statement when the liability is derecognised or reclassified. A majority of the Group's financial liabilities are measured at amortised cost.
– Financial liabilities measured at **fair value through profit or loss (FVPL)**
  Financial liabilities, such as derivatives and contingent consideration arrangements from business combinations classified as financial liabilities, are measured at fair value. Changes in fair value are recognised in the income statement as they arise.

Derivatives

Derivative financial instruments (foreign exchange contracts) are used to hedge foreign exchange exposures on outstanding balances in the Group's internal clearing system centralised at the head office. Given that the Group's hedging activities are limited to hedges of recognised foreign currency monetary items, the Group does not apply hedge accounting. Derivatives are measured at fair value through profit or loss, and all changes in fair value are recognised immediately in the income statement as part of financial income or expenses. All derivatives with a positive fair value are presented as derivative assets and included in the line "other receivables" on the balance sheet, while all derivatives with a negative fair value are presented as derivative liabilities and included in the line "other current liabilities".

7 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated 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 or shorter lease term
Building installations	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

As described in note 3 Basis of preparation, the Group applies, for the first time, IFRS 16 Leases as of January 1, 2019.

The Group as lessee recognises right-of-use assets and lease liabilities for most leases in the balance sheet.

Right-of-use assets are measured at cost, which include the lease liability, lease payments made prior to delivery, less lease incentives received, initial direct costs and estimated asset retirement obligations. Subsequently, they are depreciated over the lease term generally on a straight line basis. If the lease transfers ownership of the underlying asset by the end of the lease term, the Group depreciates the right-of-use assets over the useful life of the underlying asset.

Lease liabilities include fixed payments, less lease incentive receivables, variable payments that depend on an index or rate, expected residual payments under residual value guarantees, the exercise price of a purchase option if it is reasonably certain that the option is exercised and payments of penalties of the lease term reflects the lessee exercising an option to terminate the lease. The lease payments are discounted using the incremental borrowing rate (IBR) where the rate implicit in the lease is not readily determinable. Subsequently, the carrying amount is increased by the interest on the lease liabilities and reduced by the lease payments made. The liabilities are remeasured to reflect a reassessment of the lease contract or contract modifications.

The Group does not recognise right-of-use assets and lease liabilities for short term (lease duration of less than 12 months) and low value leases. These lease payments are expensed on a straight-line basis over the lease period.

The Group does not separate non-lease from lease components, but instead accounts for both as a single lease.

In case of **sale and leaseback transactions** that qualify as a sale, the Group measures the right-of-use asset from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right-of-use retained. Accordingly, only the amount of any gain or loss that relates to the rights transferred is recognised in the income statement. If the fair value of the consideration for the sale of the asset does not equal the fair value of the asset, or if the payments for the lease are not at market rates, the Group accounts for the difference as either prepayments or additional financing.

Accounting Policies applied until December 31, 2018
The Group applied IFRS 16 retrospectively, but elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy in accordance with the previous standard IAS 17:

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 lives. Otherwise, leased assets are depreciated over the shorter of the lease term and their useful lives. The interest portion of the lease payments is expensed through the income statement based on the effective interest rate inherent in the lease.

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

Any gain or loss from sale and leaseback 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 leaseback 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

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

Other intangibles

Other identifiable intangibles (i.e. software, customer lists, customer contracts, brands) purchased from third parties or acquired in a business combination are separately recognised as intangibles, and are stated at cost less accumulated amortisation and accumulated impairment losses. Intangibles acquired in a business combination are recognised separately from goodwill if they are subject to contractual or legal rights or are separately transferable. Software is amortised over its estimated useful life, three years maximum. Other intangibles are amortised on a straight line basis over their estimated useful lives (up to ten years maximum). As of December 31, 2019 and 2018, there are no intangibles with indefinite useful life recognised in the Group's balance sheet.

10 IMPAIRMENT OF NON-FINANCIAL ASSETS

The carrying amounts of the Group's investments in associates and joint ventures, its intangibles, property, plant and equipment and right-of-use assets, 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.

11 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.

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 equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, 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 gain or loss on the transaction, net of any tax effects, 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 classified as 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. Service cost and net interest income/expense is recognised in personnel expenses.

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 and measured using the projected unit credit method with all actuarial gains and losses immediately recognised in the income statement.

Share-based compensation plans

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

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

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

15 REVENUE RECOGNITION

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

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

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

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

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

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

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

16 INTEREST EXPENSES AND INCOME

Interest expenses and income are recognised as they accrue using the effective interest method.

17 INCOME TAX

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 affect 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: **Europe, Middle East and Africa (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 ten per cent of the Group's total revenue.

a) Reportable segments

CHF million	Total Group		Seafreight		Airfreight		Overland	
	2019	2018	2019	2018	2019	2018	2019	2018
Turnover (external customers)	**25,295**	**24,825**	**9,751**	**9,366**	**5,465**	**5,620**	**4,102**	**4,009**
Customs duties and taxes	–4,201	–4,051	–2,294	–2,237	–812	–750	–516	–483
Net turnover	**21,094**	**20,774**	**7,457**	**7,129**	**4,653**	**4,870**	**3,586**	**3,526**
Inter-segment turnover	–	–	2,506	2,486	2,556	3,280	1,511	1,512
Net expenses for services	–13,113	–13,065	–8,424	–8,133	–5,892	–6,948	–3,976	–3,950
Gross profit	**7,981**	**7,709**	**1,539**	**1,482**	**1,317**	**1,202**	**1,121**	**1,088**
Total expenses	–6,152	–6,500	–1,054	–1,041	–923	–822	–985	–970
EBITDA	**1,829**	**1,209**	**485**	**441**	**394**	**380**	**136**	**118**
Depreciation of property, plant and equipment	–206	–192	–25	–21	–23	–18	–28	–28
Depreciation of right-of-use assets	–497	–	–2	–	–3	–	–14	–
Amortisation of other intangibles	–65	–30	–2	–2	–39	–7	–16	–14
EBIT (segment profit/(loss))	**1,061**	**987**	**456**	**418**	**329**	**355**	**78**	**76**
Financial income	11	10						
Financial expenses	–29	–7						
Result from joint ventures and associates	4	4						
Earnings before tax (EBT)	**1,047**	**994**						
Income tax	–247	–222						
Earnings for the year	**800**	**772**						
Attributable to:								
Equity holders of the parent company	798	770						
Non-controlling interests	2	2						
Earnings for the year	**800**	**772**						
Additional information not regularly reported to the CODM								
Reportable non-current segment assets	4,621	2,793	393	96	785	648	608	448
Segment assets	9,825	7,878	1,868	1,772	1,763	1,714	1,314	1,047
Segment liabilities	7,503	5,554	1,876	1,584	1,251	966	1,077	895
Allocation of goodwill	1,220	1,170	37	38	433	442	326	322
Allocation of other intangibles	185	215	–	–	133	165	43	50
Capital expenditure property, plant and equipment	320	315	20	26	22	22	31	34
Capital expenditure right-of-use assets	688	–	19	–	21	–	35	–
Capital expenditure other intangibles	10	9	2	2	2	1	1	2
Property, plant and equipment, goodwill and intangibles through business combinations	104	520	–	–	5	490	20	–
Non-cash expenses	75	39	13	10	6	2	14	8

Contract Logistics 2019	Contract Logistics 2018	Total Reportable Segments 2019	Total Reportable Segments 2018	Eliminations 2019	Eliminations 2018	Unallocated Corporate 2019	Unallocated Corporate 2018
5,977	**5,830**	**25,295**	**24,825**	**–**	**–**	**–**	**–**
–579	–581	–4,201	–4,051	–	–	–	–
5,398	**5,249**	**21,094**	**20,774**	**–**	**–**	**–**	**–**
237	298	6,810	7,576	–6,810	–7,576	–	–
–1,631	–1,610	–19,923	–20,641	6,810	7,576	–	–
4,004	**3,937**	**7,981**	**7,709**	**–**	**–**	**–**	**–**
–3,190	–3,667	–6,152	–6,500	–	–	–	–
814	**270**	**1,829**	**1,209**	**–**	**–**	**–**	**–**
–130	–125	–206	–192	–	–	–	–
–478	–	–497	–	–	–	–	–
–8	–7	–65	–30	–	–	–	–
198	**138**	**1,061**	**987**	**–**	**–**	**–**	**–**
2,607	1,419	4,393	2,611	–	–	228	182
3,696	2,612	8,641	7,145	–	–	1,184	733
2,659	1,545	6,863	4,990	–	–	640	564
424	368	1,220	1,170	–	–	–	–
9	–	185	215	–	–	–	–
247	233	320	315	–	–	–	
613	–	688	–	–	–	–	–
5	4	10	9	–	–	–	–
79	30	104	520	–	–	–	–
42	19	75	39	–	–	–	–

b) Geographical information

CHF million	Total Group		EMEA		Americas	
	2019	2018	2019	2018	2019	2018
Turnover (external customers)	**25,295**	**24,825**	**15,693**	**15,652**	**6,901**	**6,465**
Customs duties and taxes	–4,201	–4,051	–2,865	–2,819	–1,102	–968
Net turnover	**21,094**	**20,774**	**12,828**	**12,833**	**5,799**	**5,497**
Inter-regional turnover	–	–	4,355	4,957	1,197	1,270
Net expenses for services	–13,113	–13,065	–11,845	–12,433	–5,238	–5,226
Gross profit	**7,981**	**7,709**	**5,338**	**5,357**	**1,758**	**1,541**
Total expenses	–6,152	–6,500	–4,285	–4,664	–1,340	–1,278
EBITDA	**1,829**	**1,209**	**1,053**	**693**	**418**	**263**
Depreciation of property, plant and equipment	–206	–192	–138	–138	–44	–35
Depreciation of right-of-use assets	–497	–	–337	–	–104	–
Amortisation of other intangibles	–65	–30	–17	–10	–43	–18
EBIT	**1,061**	**987**	**561**	**545**	**227**	**210**
Financial income	11	10				
Financial expenses	–29	–7				
Result from joint ventures and associates	4	4				
Earnings before tax (EBT)	**1,047**	**994**				
Income tax	–247	–222				
Earnings for the year	**800**	**772**				
Attributable to:						
Equity holders of the parent company	798	770				
Non-controlling interests	2	2				
Earnings for the year	**800**	**772**				
Reportable non-current assets	**4,621**	**2,793**	**2,675**	**1,457**	**1,370**	**995**
Additional information not regularly reported to the CODM						
Segment assets	9,825	7,878	5,309	4,103	2,503	2,384
Segment liabilities	7,503	5,554	4,516	3,259	1,587	1,197
Allocation of goodwill	1,220	1,170	514	514	623	634
Allocation of other intangibles	185	215	39	5	137	210
Capital expenditure property, plant and equipment	320	315	211	204	56	72
Capital expenditure right-of-use assets	688	–	422	–	195	–
Capital expenditure other intangibles	10	9	7	3	2	6
Property, plant and equipment, goodwill and intangibles through business combinations	104	520	20	28	5	490
Non-cash expenses	75	39	52	34	17	2

Asia-Pacific		Eliminations		Unallocated Corporate	
2019	2018	2019	2018	2019	2018
2,701	**2,708**	**–**	**–**	**–**	**–**
–234	–264	–	–	–	–
2,467	**2,444**	**–**	**–**	**–**	**–**
1,258	1,349	–6,810	–7,576	–	–
–2,840	–2,982	6,810	7,576	–	–
885	**811**	**–**	**–**	**–**	**–**
–527	–558	–	–	–	–
358	**253**	**–**	**–**	**–**	**–**
–24	–19	–	–	–	–
–56	–	–	–	–	–
–5	–2	–	–	–	–
273	**232**	**–**	**–**	**–**	**–**
348	**159**	**–**	**–**	**228**	**182**
829	658	–	–	1,184	733
760	534	–	–	640	564
83	22	–	–	–	–
9	–	–	–	–	–
53	39	–	–	–	–
71	–	–	–	–	–
1	–	–	–	–	–
79	2	–	–	–	–
6	3	–	–	–	–

b) Geographical information
Country information

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

CHF million	2019		2018	
Countries	Reportable non-current assets [1]	Net turnover	Reportable non-current assets	Net turnover
France [2]	482	1,630	311	1,624
Germany [2]	820	3,457	493	3,602
Great Britain [2]	611	2,119	205	2,030
Switzerland [2]	20	277	45	275
USA [3]	1,069	3,798	897	3,509
Others	1,391	9,813	660	9,734
Total	**4,393**	**21,094**	**2,611**	**20,774**

1 Non-current assets excluding investments in joint ventures and associates and deferred tax assets.
2 Part of region EMEA.
3 Part of region Americas.

20 PERSONNEL EXPENSES

CHF million	2019	2018
Salaries and wages	3,907	3,792
Social expenses and benefits	848	813
Expenses for share-based compensation plans	15	6
Expenses for pension plans		
– defined benefit plans	14	19
– defined contribution plans	75	73
Others	18	33
Total	**4,877**	**4,736**

Number of employees	Dec. 31, 2019	Dec. 31, 2018
EMEA	58,086	58,135
Americas	15,712	14,466
Asia-Pacific	9,363	9,299
Total employees	**83,161**	**81,900**
Full-time equivalents of employees (unaudited)	**78,448**	**77,416**
Full-time equivalents of temporary staff (unaudited)	**20,665**	**21,656**
Full-time equivalents (total/unaudited)	**99,113**	**99,072**

Employees within the Group are defined as persons with valid employment contracts as of December 31, and on the payroll of the Group. Expenses for temporary staff are generally included in “salaries and wages”.

21 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

CHF million	2019	2018
Administration	268	259
Communication	70	70
Travel and promotion	107	109
Vehicles	232	254
Operating expenses	256	290
Facilities [1]	439	829
Total	**1,372**	**1,811**

1 Prior year figures have not been restated for the impact of IFRS 16 Leases.

22 OTHER OPERATING INCOME/EXPENSES, NET

CHF million	2019	2018
Gain/(loss) on disposal of property, plant and equipment	15	29
Gain/(loss) on sale and leaseback of property, plant and equipment [1]	81	11
Gain on sale of subsidiaries and associates [2]	1	7
Total	**97**	**47**

1 In connection with its asset-light business model, in 2019 the Group has completed eleven sale and leaseback transactions of real estate facilities in Australia, Germany, Great Britain, Greece, New Zealand and Switzerland. The agreed leaseback periods range between three and ten years (2018: three transactions in France, Great Britain and Switzerland with leaseback periods ranging between five and nine years).

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

23 FINANCIAL INCOME AND EXPENSES

CHF million	2019	2018
Interest income	8	5
Exchange differences, net	3	5
Financial income	**11**	**10**
Interest expenses on other interest bearing liabilities	–10	–7
Interest expenses on lease liabilities	–17	–
Fair value change of contingent consideration liabilities	–2	–
Financial expenses	**–29**	**–7**
Net financial result	**–18**	**3**

24 INCOME TAX

CHF million	2019	2018
Current tax expense		
– in current year	299	217
– under/(over) provided in previous years	–2	–3
	297	**214**
Deferred tax expense from		
– changes in temporary differences and tax losses	–50	8
Income tax	**247**	**222**

Deferred tax assets of CHF 16 million (2018: CHF –8 million) relating to actuarial losses of CHF 66 million before tax (2018 actuarial gains of CHF 27 million) arising from defined benefit plans were 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	2019	per cent	2018	per cent
Earnings before tax according to the income statement	1,047		994	
Income tax/expected tax rate	**244**	**23.3**	**203**	**20.4**
Tax effect on				
– tax exempt (income)/non-deductible expenses	8	0.8	10	1.0
– utilisation of previously unrecognised tax losses	-1	-0.1	-1	-0.1
– under/(over) provided in previous years	-2	-0.2	-3	-0.3
– unrecoverable withholding taxes	18	1.7	13	1.3
– effect of tax value step-up in basis [1]	-20	-1.9	–	–
Income tax/effective tax rate	**247**	**23.6**	**222**	**22.3**

1 Impact from step-up mechanism under the Swiss tax reform.

Deferred tax assets and liabilities

CHF million	Assets		Liabilities		Net deferred income tax balance	
	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018
Property, plant and equipment and right-of-use assets	16	27	-236	-30	-220	-3
Goodwill and other intangibles	34	13	-40	-41	-6	-28
Trade receivables	12	11	-8	-8	4	3
Other receivables	3	3	-20	-31	-17	-28
Lease liabilities	250	1	–	–	250	1
Provisions for pension plans and severance payments	75	63	–	–	75	63
Other liabilities	73	67	-14	-15	59	52
Tax value of loss carry-forwards recognised	14	14	–	–	14	14
Total net deferred income tax balance	**477**	**199**	**-318**	**-125**	**159**	**74**
Thereof deferred income tax assets					**219**	**175**
Thereof deferred income tax liabilities					**-60**	**-101**

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

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

Unrecognised deferred tax assets

CHF million	2019		2018	
	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	71	16	78	17

It is not probable that future taxable profits will be available against which the unrecognised deferred tax assets can be used.

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

CHF million Expiry	2019		2018
2020	–	2019	1
2021	32	2020	1
2022	2	2021	34
2023 & later	30	2022 & later	39
No expiry	7	No expiry	3
Total unused tax losses	**71**		**78**

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	2019	2018
Earnings for the year attributable to the equity holders of the parent company in CHF million	**798**	**770**
Weighted average number of ordinary shares outstanding during the year	119,764,337	119,676,434
Dilutive effect on number of shares outstanding:		
Share-based compensation plans	180,824	103,245
Adjusted weighted number of ordinary shares applicable to diluted earnings per share	119,945,161	119,779,679
Basic earnings per share in CHF	**6.67**	**6.43**
Diluted earnings per share in CHF	**6.66**	**6.42**

26 PROPERTY, PLANT AND EQUIPMENT

2019 CHF million	Properties including buildings on third parties' land	Other operating and office equipment	Other operating and office equipment under finance leases	Total
Cost				
Balance as of December 31, 2018	926	1,149	4	2,079
Reclassification to right-of-use assets [1]	–	–	–4	–4
Balance as of January 1, 2019	**926**	**1,149**	**–**	**2,075**
Additions through business combinations [2]	–	3	–	3
Additions	86	234	–	320
Disposals	–244	–109	–	–353
Transfers	10	–10	–	–
Effect of movements in foreign exchange	–26	–36	–	–62
Balance as of December 31, 2019	**752**	**1,231**	**–**	**1,983**
Accumulated depreciation and impairment losses				
Balance as of January 1, 2019	159	694	–	853
Depreciation charge for the year	20	186	–	206
Disposals	–45	–86	–	–131
Transfers	–	–	–	–
Effect of movements in foreign exchange	–6	–28	–	–34
Balance as of December 31, 2019	**128**	**766**	**–**	**894**
Carrying amount				
As of December 31, 2018	767	455	4	1,226
As of January 1, 2019	767	455	–	1,222
As of December 31, 2019	624	465	–	1,089

1 Refer to note 27.
2 Refer to note 40 for further details.

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

1 Refer to note 40 for further details.

27 LEASES

Right-of-use assets

2019 CHF million	Right-of-use assets Properties, buildings	Right-of-use assets Other operating and office equipment	Total
Cost			
Recognition of previous operating leases on adoption of IFRS 16	1,571	182	1,753
Reclassification from property, plant and equipment under finance lease [1]	4	–	4
Balance as of January 1, 2019	**1,575**	**182**	**1,757**
Additions	598	90	688
Modifications and reassessments	–31	–6	–37
Effect of movements in foreign exchange	–34	–5	–39
Balance as of December 31, 2019	**2,108**	**261**	**2,369**
Accumulated depreciation and impairment losses			
Balance as of January 1, 2019	–	–	–
Depreciation charge for the year	441	56	497
Modifications and reassessments	–18	–1	–19
Effect of movements in foreign exchange	–7	–1	–8
Balance as of December 31, 2019	**416**	**54**	**470**
Carrying amount			
As of January 1, 2019	1,575	182	1,757
As of December 31, 2019	1,692	207	1,899

1 Refer to note 26.

Lease liabilities

2019 CHF million	Lease liabilities
Recognition of previous operating leases on adoption of IFRS 16	1,753
Reclassification of finance lease liabilities	4
Balance as of January 1, 2019	1,757
Additions	699
Modifications and reassessments	–14
Repayment	–475
Effect of movements in foreign exchange	–25
Balance as of December 31, 2019	**1,942**
of which	
– Current portion	510
– Non-current portion	1,432
Total lease liabilities	**1,942**

For the maturity analysis of the lease liabilities, refer to the disclosure of the liquidity risk included in note 44 – Risk Management.

Amounts recognised in the income statement

CHF million	2019
Depreciation of right-of-use assets	497
Interest expense on lease liabilities (included in financial expenses)	17
Expense relating to short-term and low value leases (included in selling, general and administrative expenses)	207
Profits on sale-and-leaseback transactions (included in other operating income/expense, net)	–81
Total recognised in the income statement	**640**

The total cash outflow for leases (including short-term leases and low value assets) was CHF 699 million in 2019. The total cash inflow from sale and leaseback transactions was CHF 195 million in 2019 (2018: CHF 18 million).

28 GOODWILL AND OTHER INTANGIBLES

2019

CHF million	Goodwill	Other intangibles [1]
Cost		
Balance as of January 1, 2019	1,184	868
Additions through business combinations [2]	75	26
Additions	–	10
Deletions	–	–2
Effect of movements in foreign exchange	–25	–19
Balance as of December 31, 2019	**1,234**	**883**
Accumulated amortisation and impairment losses		
Balance as of January 1, 2019	14	653
Amortisation charge	–	54
Impairment charge [3]	–	11
Deletions	–	–2
Effect of movements in foreign exchange	–	–18
Balance as of December 31, 2019	**14**	**698**
Carrying amount		
As of January 1, 2019	1,170	215
As of December 31, 2019	1,220	185

1 Other intangibles mainly comprise customer contracts/lists, brands, field office agent contracts and software.
2 Refer to note 40 for further details.
3 Due to the loss of certain customers in the reportable segments Airfreight and Overland, an impairment charge on the respective customer lists of CHF 9 million in Airfreight and CHF 2 million in Overland had to be recognised.

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

1 Other intangibles mainly comprise customer contracts/lists, brands, field office agent contracts and software.
2 Refer to note 40 for further details.

Impairment testing of goodwill

The Group has performed impairment tests of goodwill at the end of the financial years 2019 and 2018. 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, [1] Europe	Alloin Group, France	ReTrans Group, USA	CFI, USA	Quick Group	Sincero	Multiple [2] units	Total
Year of acquisition	2001	2006	2009	2015	2017	2018	2019	2004–2019	
Carrying amount of goodwill in CHF million 2019	**86**	**257**	**78**	**129**	**53**	**339**	**62**	**216**	**1,220**
Carrying amount of goodwill in CHF million 2018	87	262	81	130	54	347	–	209	1,170
Cash-generating unit within segment	Contract Logistics	Contract Logistics	Overland	Overland	Airfreight	Airfreight	All Segments	All Segments	
Basis for recoverable amount	Value in use	Value in use	Value in use	Value in use	Value in use	Value in use	Value in use	Value in use	
Pre-tax discount rate in per cent 2019	9.3	8.6–11.6	10.4	8.7	9.1	9	9.7	8.5–16.0	
Pre-tax discount rate in per cent 2018	10.1	9.1–12.9	11.2	8.9	9.9	n/a	n/a	9.1–17.4	
Projection period	3 years	3 years	3 years	3 years	3 years	3 years	3 years	3 years	
Terminal growth rate in per cent 2019	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	
Terminal growth rate in per cent 2018	1.5	1.5	1.5	1.5	1.5	1.5	n/a	1.5	

1 ACR Group, Europe, goodwill relates to Great Britain (2019: CHF 85 million; 2018: CHF 84 million), France (2019: CHF 62 million; 2018: CHF 64 million), Netherlands (2019: CHF 51 million; 2018: CHF 53 million) and other various countries (2019: CHF 59 million; 2018: CHF 61 million).

2 Including cash-generating units without significant goodwill: Cordes & Simon Group, Germany (2019: CHF 34 million; 2018: CHF 35 million), G.L. Kayser Group, Germany (2019: CHF 32 million; 2018: CHF 33 million) and J. Martens Group, Norway (2019: CHF 21 million; 2018: CHF 21 million), RH Group, United Kingdom (2019: CHF 46 million; 2018: CHF 45 million), Cooltainer, New Zealand (2019: CHF 18 million; 2018: CHF 19 million), J. Van de Put, Netherlands (2019: CHF 11 million; 2018: CHF 11 million), Trillvane Ltd, Kenya (2019: CHF 11 million; 2018: CHF 11 million) and Joebstl (2019: CHF 11 million; 2018: none), others (2019: CHF 32 million; 2018: CHF 34 million).

Key assumptions have not changed compared to the previous year with the exception of discount rates used. For both 2019 and 2018, all recoverable amounts exceeded their carrying amounts and consequently no impairment of goodwill was recognised for the years 2019 and 2018.

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

29 TRADE RECEIVABLES AND CONTRACT ASSETS

CHF million	2019	2018
Trade receivables	3,675	3,935
Impairment allowance	–74	–63
Total trade receivables	**3,601**	**3,872**

The majority of all billing is done in the respective Group companies' own functional currencies and is mainly in EUR 39.2 per cent (2018: 39.8 per cent), USD 18.9 per cent (2018: 22.1 per cent) and GBP 10.6 per cent (2018: 9.0 per cent).

Trade receivables outstanding at year-end averaged 52.5 days (2018: 54.2 days). 97.1 per cent (2018: 97.3 per cent) of the total trade receivables were outstanding between 1 and 90 days.

No trade receivables are pledged in 2019 and 2018.

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

Contract assets decreased from CHF 300 million in 2018 to CHF 223 million in 2019.

CHF million	2019	2018
Contract assets	225	302
Impairment allowance	–2	–2
Total contract assets	**223**	**300**

The Group applies the simplified approach regarding the measurement of expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The Group establishes an impairment allowance that represents its estimate of expected losses in respect of trade receivables and contract assets. The two components of this impairment allowance of CHF 76 million (2018: CHF 65 million) are:

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

The specific expected loss allowance relates to specific receivables under legal disputes, based on the expected legal outcome. The impairment allowance for individually significant exposures is CHF 41 million at year-end 2019 (2018: CHF 34 million).

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

On this basis, the loss allowance as at December 31, 2019, the Group has established a collective impairment allowance of CHF 35 million which represents 0.9 per cent of total outstanding trade receivables and contract assets (2018: CHF 31 million/0.7 per cent).

CHF million	2019		2018	
	Trade Receivables	Impairment allowance	Trade Receivables	Impairment allowance
Default probability < 1 per cent	1,470	10	1,327	6
Default probability 1 per cent to 3 per cent	1,981	17	2,403	19
Default probability 3 per cent to 10 per cent	115	3	138	2
Default probability 10 per cent to 30 per cent	64	9	32	6
Default probability > 30 per cent	45	35	35	30
Total	**3,675**	**74**	**3,935**	**63**

For trade receivables that are covered by credit insurance, no impairment allowance has been created.

The movement in the impairment allowance on trade receivables and contract assets during the year was as follows:

CHF million	2019			2018		
	Specific allowance	Collective allowance	Total allowance	Specific allowance	Collective allowance	Total allowance
Balance as of January 1	34	31	65	32	30	62
Additional impairment losses recognised	22	15	37	15	17	32
Reversal of impairment losses and write-offs	–15	–11	–26	–13	–16	–29
Balance as of December 31	**41**	**35**	**76**	**34**	**31**	**65**

30 OTHER RECEIVABLES

CHF million	Dec. 31, 2019	Dec. 31, 2018
Receivables from tax authorities	26	31
Deposits	55	63
Receivables from sale/sale and leaseback of property plant and equipment	151	51
Sundry	32	55
Total other receivables	**264**	**200**
Income tax receivables	45	53
Total	**309**	**253**

The majority of the other receivables are held in the respective Group companies' own functional currencies which represents EUR 50.3 per cent (2018: 62.2 per cent) USD 5.3 per cent (2018: 7.2 per cent) and GBP 1.6 per cent (2018: 1.4 per cent).

31 CASH AND CASH EQUIVALENTS

CHF million	Dec. 31, 2019	Dec. 31, 2018
Cash in hand	–	1
Cash at banks	652	401
Short-term deposits	258	97
Cash and cash equivalents	**910**	**499**
Bank overdraft	–6	–11
Cash and cash equivalents in the cash flow statement, net	**904**	**488**

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.

32 EQUITY

Share capital and treasury shares 2019

2019	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	55,893,800	56	46.5	46.7	55,834,531
Entitled to voting rights and dividends	**119,793,800**	**120**	**99.8**	**100.0**	**119,734,531**
Treasury shares	206,200	–	0.2		265,469
Total	**120,000,000**	**120**	**100.0**		**120,000,000**

In 2019 the Company sold 760 and matched 58,508 treasury shares for the matured share matching plan 2016 (2018: 3,265 treasury shares sold, 142,230 matched for the matured share matching plan 2015) for less than 1 million CHF (2018: less than 1 million CHF) under the employee share-based compensation plans. The Company purchased no treasury shares in 2019 (2018: 80,000 for CHF 12 million).

On December 31, 2019, the Company had 206,200 treasury shares (2018: 265,469), of which 206,200 (2018: 265,469) are reserved under the share-based compensation plans; refer to note 34 for more information.

Dividends

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

Year	per share	CHF million
2020	4.00	479

The dividend payment 2019 to owners amounted to CHF 6.00 per share or CHF 718 million (2018: CHF 5.75 per share or CHF 688 million).

Share capital and treasury shares 2018

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

Authorised and conditional share capital

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

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

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

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

Capital Management

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

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

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

CHF million	2019 [1]	2018	2017	2016	2015
Total equity	2,322	2,324	2,327	2,165	2,126
Total assets	9,825	7,878	7,457	6,331	6,099
Equity ratio in per cent	**23.6**	**29.5**	**31.2**	**34.2**	**34.9**

1 Prior year figures have not been restated for the impact of IFRS 16 Leases. Internal targets have been adjusted accordingly.

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

33 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, 2018	**402**	**28**	**430**
Provisions made	19	3	22
Provisions used	–29	–4	–33
Actuarial (gains)/losses recognised in other comprehensive income	–27	–	–27
Effect of movements in foreign exchange	–14	–1	–15
Balance as of December 31, 2018	**351**	**26**	**377**
Provisions made	14	6	20
Provisions used	–16	–3	–19
Actuarial (gains)/losses recognised in other comprehensive income	66	–	66
Effect of movements in foreign exchange	–12	–1	–13
Balance as of December 31, 2019	**403**	**28**	**431**

a) Defined benefit plans

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

CHF million	2019			2018		
	Funded plans	Unfunded plans	Total	Funded plans	Unfunded plans	Total
Net liability for defined benefit obligations						
Present value of obligations	247	348	595	212	312	524
Fair value of plan assets	–192	–	–192	–173	–	–173
Present value of net obligations	55	348	403	39	312	351
Recognised net liability for defined benefit obligations	**55**	**348**	**403**	**39**	**312**	**351**
Expected payments to defined benefit plan in the next year	6	11	17	6	11	17

CHF million	2019	2018
Allocation of plan assets		
Debt securities	65	56
Equity securities	23	21
Insurance contracts and others	104	96
Total	**192**	**173**

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

CHF million	2019 Funded plans	2018 Funded plans
Movements of fair value of plan assets		
Opening fair value of plan assets	173	163
Employer contribution	6	17
Employee contribution	4	4
Return on plan assets, excluding interest	14	–4
Interest on plan assets	4	3
Benefits paid by the plan	–8	–9
Effect of movements in foreign exchange	–1	–1
Closing fair value of plan assets	**192**	**173**
Actual return on plan assets for the year	18	–1

CHF million	2019 Funded plans	2019 Unfunded plans	2019 Total	2018 Funded plans	2018 Unfunded plans	2018 Total
Movements of present value of defined benefit obligations						
Opening liability for defined benefit obligations	212	312	524	228	337	565
Current service costs	7	5	12	8	5	13
Interest costs	5	6	11	4	5	9
Employee contribution	4	–	4	4	–	4
Actuarial (gains)/losses recognised in other comprehensive income:						
– due to changes in demographic assumptions	–1	–	–1	–8	4	–4
– due to changes in financial assumptions	35	50	85	–13	–10	–23
– due to experience (gains)/losses	–2	–2	–4	–1	–3	–4
Benefits paid by the plan	–8	–10	–18	–9	–11	–20
Past service costs - amendments	–4	–	–4	–	–	–
Net increase/(decrease) in DBO from disposals	–	–	–	–	–2	–2
Effect of movements in foreign exchange	–1	–13	–14	–1	–13	–14
Closing liability for defined benefit obligations	**247**	**348**	**595**	**212**	**312**	**524**
Expense recognised in the income statement						
Service costs	3	5	8	8	5	13
Net interest on the net defined benefit liability	–	6	6	1	5	6
Expense recognised in personnel expenses (refer to note 20)	**3**	**11**	**14**	**9**	**10**	**19**
Actuarial gains/(losses) recognised in other comprehensive income						
Cumulative amount as of January 1	–39	–108	–147	–57	–122	–179
Recognised during the year	–18	–48	–66	18	9	27
Effect of movements in foreign exchange	1	4	5	–	5	5
Cumulative amount as of December 31	**–56**	**–152**	**–208**	**–39**	**–108**	**–147**

Plan participants	Active 2019	Active 2018	Deferred 2019	Deferred 2018	Retired 2019	Retired 2018	Total 2019	Total 2018
Number of plan participants	11,968	11,842	1,314	1,364	2,387	2,347	15,669	15,553
Present value of defined benefit obligations								
In CHF million	309	270	69	59	217	195	595	524
Share in per cent	51.9	51.5	11.6	11.3	36.5	37.2	100.0	100.0
Duration in years	22.9	21.6	18.5	17.5	11.0	10.2	18.1	16.9

The duration in years corresponds to the average weighted period.

Weighted actuarial assumptions at the balance sheet date

Per cent	2019 Funded plans	2019 Unfunded plans	2019 Total	2018 Funded plans	2018 Unfunded plans	2018 Total
Discount rate	0.6	0.9	0.9	1.2	1.9	1.8
Future salary increases	1.5	2.2	2.1	1.1	2.0	1.9
Future pension increases	–	1.4	1.4	–	1.4	1.4

Sensitivities of significant actuarial assumptions

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

CHF million	2019 Funded plans	2019 Unfunded plans	2019 Total	2018 Funded plans	2018 Unfunded plans	2018 Total
Reasonably possible change +/– in per cent	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**
Discount Rate						
Change of defined benefit obligation –/+	10	14	24	8	12	20
Future salary increases						
Change of defined benefit obligation +/–	1	2	3	1	2	3

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 89.6 per cent (2018: 89.7 per cent) of the defined benefit obligations and 85.9 per cent (2018: 86.7 per cent) of the plan assets.

Germany

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

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	2019	2018
Recognised liability for defined benefit obligations	320	286
Expense recognised in personnel expenses	9	9
Actuarial gains/(losses) recognised in other comprehensive income	–145	–104
Number of plan participants	3,311	3,379
Duration in years	18.0	16.7

The duration in years corresponds to the average weighted period.

Weighted actuarial assumptions at the balance sheet date

Per cent	2019	2018
Discount rate	0.85	1.80
Future salary increases	2.00	2.00
Future pension increases	1.75	1.75
Mortality table	Dr. K. Heubeck 2019 G	Dr. K. Heubeck 2018 G

Switzerland

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

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

CHF million	2019	2018
Net liability for defined benefit obligations		
Present value of obligations	141	121
Fair value of plan assets	–98	–90
Recognised net liability for defined benefit obligations	**43**	**31**
Allocation of plan assets		
Insurance contracts and others	98	90
Expense recognised in the income statement		
Service costs	2	7
Actuarial gains/(losses) recognised in other comprehensive income	–26	–12
Number of plan participants	502	530
Duration in years	19.3	18.2

The duration in years corresponds to the average weighted period.

Weighted actuarial assumptions at the balance sheet date

Per cent	2019	2018
Discount rate	0.15	0.95
Future salary increases	1.50	1.00
Mortality table	BVG 2015 Generational	BVG 2015 Generational

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	2019	2018
Net liability for defined benefit obligations		
Present value of obligations	72	63
Fair value of plan assets	–67	–60
Recognised net liability for defined benefit obligations	**5**	**3**
Allocation of plan assets		
Debt securities	57	50
Equity securities	9	9
Insurance contracts and others	1	1
Total plan assets	**67**	**60**
Actual return on plan assets for the year	10	2
Expense recognised in personnel expenses	–	1
Actuarial gains/(losses) recognised in other comprehensive income	–23	–21
Number of plan participants	1,337	1,344
Duration in years	13.8	13.2

The duration in years corresponds to the average weighted period.

Weighted actuarial assumptions at the balance sheet date

Per cent	2019	2018
Discount rate	3.10	4.20
Mortality table	Scale MP-2019 released by SOA on October 2019	Scale MP 2018 released by SOA in October 2018

34 EMPLOYEE SHARE-BASED COMPENSATION PLANS

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

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

Under the SMP 2016, the Company will match for each share invested additional shares upon completion of a three-year vesting period and service condition during the same period. The share match ratio is dependent on the average growth rate of the Group's net profit after tax achieved over the three financial years in the vesting period. The maximum matching ratio of one share for each share invested by the employee (minimum investment is 50 shares) can be obtained by achieving an average growth rate of net profit after tax over three years of at least 15 per cent. A guaranteed minimum matching of 0.2 shares per invested share is allocated 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	2019	2018	2017
Grant date	July 26, 2019	July 25, 2018	Sep 1, 2017
Performance period	n/a	n/a	Jan 2017 – Dec 2019
Vesting, service and blocking period	July 26, 2019 – June 30, 2022	July 25, 2018 – June 30, 2021	Sep 1, 2017 – June 30, 2020
Number of shares invested/granted at grant date	161,464	166,255	180,540
Number of shares to be matched as of Dec. 31, 2019	161,464	154,332	162,507
Number of shares to be matched as of Dec. 31, 2018	n/a	165,830	175,195
Share match ratio/expected share match ratio	0.8	0.8	0.4
Fair value of shares to be matched at grant date in CHF per share	102.50	106.58	141.24

On July 1, 2019, the SMP 2016 matured with an actual share match ratio of 0.4 resulting in a matching of 58,508 shares to the participating employees of this plan.

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

CHF million	2019	2018
Personnel expense for employee share-based compensation plans	**15**	**6**

35 BANK AND OTHER INTEREST-BEARING LIABILITIES AND BORROWINGS

CHF million	Dec. 31, 2019	Dec. 31, 2018
Bank overdrafts	6	11
Short-term bank loans	6	340
Bank and other interest-bearing liabilities	**12**	**351**
0.02 per cent Bond due 2022	200	–
0.2 per cent Bond due 2025	200	–
Borrowings	**400**	**–**

Current bank and other interest-bearing liabilities include bank overdrafts of CHF 6 million (2018: CHF 11 million), which are included in cash and cash equivalents for the purpose of the consolidated cash flow statement. The majority of bank overdraft facilities are repayable upon notice and form an integral part of the Group's cash management.

As of December 31, 2019, there was no bank loan drawn from the revolving credit facility of CHF 750 million. The credit facility has a contract period of 3 years until 2022 with two one-year extension options and no covenants. Bank loans can be drawn with a tenor of one, three and six months.

In 2018, the short-term portion of long-term liabilities includes finance lease obligations (recorded in accordance with the previous IFRS standard IAS 17 Leases) due for payment within one year of CHF 3 million. The non-current portion of finance lease obligations amounts to CHF 1 million and is presented in other non-current liabilities (note 38). In 2019, with the adoption of IFRS 16 Leases, lease liabilities are separately presented on the balance sheet lines current and non-current lease liabilities.

On June 18, 2019, the Kuehne + Nagel Group issued a CHF 200 million public bond with a nominal interest rate of 0.02 per cent due on November 18, 2022, and a CHF 200 million public bond with a nominal interest rate of 0.2 per cent due on June 18, 2025, both with redemption at par.

36 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, 2018	49	34	41	124
Provisions used	–12	–11	–8	–31
Provisions reversed	–7	–	–6	–13
Provisions made	20	6	14	40
Effect of movements in foreign exchange	–3	–	–2	–5
Balance as of December 31, 2018	**47**	**29**	**39**	**115**
of which				
– Current portion	36	9	20	65
– Non-current portion	11	20	19	50
Total provisions	**47**	**29**	**39**	**115**
Balance as of January 1, 2019	47	29	39	115
Provisions used	–10	–13	–10	–33
Provisions reversed	–7	–	–3	–10
Provisions made	30	3	21	54
Effect of movements in foreign exchange	–1	–	–	–1
Balance as of December 31, 2019	**59**	**19**	**47**	**125**
of which				
– Current portion	46	9	25	80
– Non-current portion	13	10	22	45
Total provisions	**59**	**19**	**47**	**125**

1 Some Group companies are involved in legal proceedings on various issues (disputes about logistics services, antitrust etc.). Some legal proceedings have been settled, and corresponding payments have been made. Since October 2007 various competition authorities have investigated certain antitrust allegations against international freight forwarding companies, inter alia against Kuehne + Nagel.
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 (Alloin), a company which was acquired by Kuehne + Nagel in 2009. The decision of the FCA, according to which Alloin/Kuehne + Nagel paid a fine of CHF 34 million (EUR 32 million) was appealed to the Paris Court of Appeals in 2016. In 2017 Kuehne + Nagel was able to settle certain claims, which included a partial recourse claim against the sellers of Alloin. On July 19, 2018, the Paris Court of Appeals in first instance upheld the decision of the FCA against all claimants. Alloin/Kuehne + Nagel have appealed the decision to the French Supreme Court (Court de Cassation) on December 19, 2018.
See also note 41.

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 35 million (2018: CHF 29 million).

37 TRADE PAYABLES/CONTRACT LIABILITIES/ ACCRUED TRADE EXPENSES

CHF million	Dec. 31, 2019	Dec. 31, 2018
Trade payables	1,890	1,888
Contract liabilities	74	146
Accrued trade expenses	1,190	1,272
Total	**3,154**	**3,306**

The majority of all trade payables is in the respective Group companies' own functional currencies, which is in EUR 41.7 per cent (2018: 41.1 per cent), USD 14.0 per cent (2018: 15.5 per cent) and GBP 11.7 per cent (2018: 11.1 per cent).

Contract liabilities decreased from CHF 146 million on December 31, 2018, to CHF 74 million as of December 31, 2019. The entire balance of December 31, 2018, was recognised as revenue in 2019.

38 OTHER NON-CURRENT LIABILITIES

CHF million	Dec. 31, 2019	Dec. 31, 2018
Contingent considerations [1]	206	148

1 Represents the long-term portion of the contingent considerations from the acquisition of the Quick Group and of KN-Sincero Logistics Co. Ltd., China (formerly Shanghai Ruichun Logistics Co., Ltd.). The short-term portion is included in the balance sheet position "Other current liabilities" in note 39. Further details regarding the acquisitions are described in note 40.

39 OTHER CURRENT LIABILITIES

CHF million	Dec. 31, 2019	Dec. 31, 2018
Personnel expenses (including social security)	588	593
Other tax liabilities	124	118
Other operating expenses	192	198
Contingent and deferred considerations [1]	28	58
Sundry	72	77
Total	**1,004**	**1,044**

1 Mainly represents the short-term portion of the contingent and deferred considerations from the acquisitions of the Quick Group, Panatlantic and KN-Sincero. The long-term portion is included in the balance sheet position "Other non-current liabilities" in note 38. Further details regarding the acquisitions are described in note 40.

40 ACQUISITION OF BUSINESSES/SUBSIDIARIES

2019 Acquisitions

CHF million	Recognised fair values
Property, plant and equipment	3
Other intangibles	26
Other non-current assets	–
Trade receivables	6
Other current assets	3
Acquired cash and cash equivalents (net)	7
Subtotal assets	**45**
Non-current liabilities	–5
Other current liabilities	–4
Trade payables	–5
Total identifiable assets and liabilities, net	**31**
Goodwill	75
Total purchase price consideration	**106**
Thereof deferred consideration	–13
Thereof contingent consideration	–49
Purchase price, paid in cash	**44**
Acquired cash and cash equivalents (net)	–7
Net cash outflow	**37**

Effective January 1, 2019, the Group acquired 51 per cent of the shares of KN-Sincero Logistics Co. Ltd., China (formerly Shanghai Ruichun Logistics Co., Ltd.), a new company established to conduct the business of the partnership with Sincero, a Chinese automotive logistics group, to focus on contract logistics business for the automotive sector. With more than 800 employees, it operates close to 120,000 sqm of logistics space in Central, Southern and Western China and generates annual revenues of approximately CHF 60 million.

The Group owns a call option to purchase the remaining 49 per cent and has concluded that as a result of this option it has, in substance, acquired 100 per cent ownership interest in KN-Sincero Logistics Co. Ltd. and no non-controlling interest has been recognised. The liability for the 49 per cent that the Group does not yet legally own, is accounted for as contingent consideration.

The purchase price of CHF 78 million includes a deferred consideration of CHF 13 million, thereof CHF 6 million paid in 2019 and a contingent consideration of CHF 49 million depending on the achieved profitability targets until 2021. The consideration is determined by a multiplier of net profit. A change to the expected net profit scenario of +/– 10 per cent would result in a charge to the income statement of +/– CHF 5 million.

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

Year of payment	Expected payment in CHF million
2020	7
2021	58
Total	**65**

Effective July 1, 2019, the Group acquired the business of Worldwide Perishables Canada Co., specialized in seafood logistics. With a strong footprint on the East Coast, the business will strengthen the existing Kuehne + Nagel perishables network in Canada. The purchase price of CHF 5 million was paid in cash.

Effective September 10, 2019, the Group acquired 100 per cent of the shares of Joebstl Group, a medium-sized logistics group of companies headquartered in Wundschuh, Austria. The Joebstl Group offers international and domestic groupage, and full-truckload and less-than-truckload services mainly in Eastern Europe to customers in Austria and Slovenia. The purchase price of CHF 23 million was paid in cash.

Acquisition-related costs (included in the line item "selling, general and administrative expenses" in the income statement) are below CHF 1 million.

The trade receivables comprise gross contractual amounts due of CHF 6 million, of which none were expected to be uncollectible at the acquisition date.

Other intangibles of CHF 26 million recognised on the acquisitions represent contractual and non-contractual customer lists having a useful life of one to six years. Goodwill of CHF 75 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 tax deductible.

If the acquisitions had occurred on January 1, 2019, the Group's net turnover would have been CHF 21,168 million and consolidated earnings for the period would have been CHF 800 million.

The accounting for the acquisition of KN-Sincero Logistics Co. Ltd. was determined provisionally only. No material adjustments to the values previously reported were deemed necessary after having finalised the acquisition accounting in 2019.

The initial accounting for the acquisition of Woldwide Perishables Canada Co. and Joebstl Group made in 2019 has only been determined provisionally. Adjustments may be made to the fair values assigned to the identifiable assets acquired and liabilities assumed up to twelve months from the date of acquisition.

2018 Acquisitions

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

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

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

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

Effective December 31, 2018, the Group acquired Quick International Courier (Quick), a global market leader in time-critical shipments. The acquisition accelerates the network expansion in the high growth verticals aviation and pharma & health care logistics. With more than 550 employees, Quick manages four control towers in the USA and two control towers in Europe supported by eleven support centers in Europe, South America, Middle East and South Asia Pacific. The business generates annual revenues of approximately CHF 230 million in the business unit Airfreight. The purchase price of CHF 508 million includes a deferred consideration of CHF 22 million paid in 2019 and a contingent consideration with an estimated fair value of CHF 180 million at acquisition.

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

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

Year of payment	Expected payment in CHF million
2020	18
2021	37
2022	115
Total	**170**

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

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

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

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

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

The accounting for the acquisitions was determined provisionally only. No material adjustments to the values previously reported were deemed necessary after having finalised the acquisition accounting in 2019.

41 CONTINGENT LIABILITIES

As of year-end the following contingent liabilities existed:

CHF million	Dec. 31, 2019	Dec. 31, 2018
Guarantees in favour of customers and others	12	12
Contingency under unrecorded claims	4	2
Total	**16**	**14**

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 36) of CHF 59 million (2018: CHF 47 million).

An antitrust proceeding in Brazil is 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 2019.

42 OTHER FINANCIAL COMMITMENTS

The financial commitments in 2018 comprise all undiscounted operating lease commitments, whereas in 2019 only low-value and short-term leases, for which the Group has opted not to recognise the right-of-use assets and the corresponding lease liabilities, are included.

As of December 31, 2019

CHF million	Properties and buildings	Operating and office equipment	Total
2020	34	64	98
2021–2024	15	74	89
Later	–	1	1
Total	**49**	**139**	**188**

As of December 31, 2018

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

Details regarding the amounts of leases recognised in the income statement are described in note 27.

43 CAPITAL COMMITMENTS

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

CHF million	Dec. 31, 2019	Dec. 31, 2018
Italy	2	4
Great Britain	10	13
New Zealand	–	5
Total	**12**	**22**

44 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 page 16.

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 investments at fixed interest rates expose the Group to fair value interest rate risk in case they are measured at fair value.

Exposure

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

Profile

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

CHF million	Carrying amount	
	2019	2018
Variable rate instruments		
Cash and cash equivalents (excluding cash on hand)	910	498
Current bank and other interest-bearing liabilities	–12	–354
Total	**898**	**144**

Fair value sensitivity analysis – fixed rate instruments

As of December 31, 2019 and 2018, the Group does not hold significant investments in fixed rate instruments measured at fair value.

Cash flow sensitivity analysis – variable rate instruments
A change of 100 basis points in interest rates on December 31, 2019, would have increased or decreased profit or loss by CHF 9 million (2018: CHF 1 million) due to changed interest payments on variable rate interest-bearing liabilities and assets. The analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

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

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

To a limited extent, derivative financial instruments (foreign exchange contracts) are in use to hedge the foreign exchange exposure on outstanding balances in the Group's internal clearing system. Given that the Group's hedging activities are limited to hedges of recognised foreign currency monetary items, hedge accounting under IFRS 9 is not applied. As of the 2019 and 2018 year-end there were no material derivative instruments outstanding. Investments in foreign subsidiaries are not hedged as those currency positions are considered to be long-term in nature.

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

CHF million		2019			2018	
	EUR	USD	GBP	EUR	USD	GBP
Cash and cash equivalents [1]	152	87	77	66	58	1
Trade receivables	69	336	52	61	404	15
Trade payables	–47	–116	–2	–45	–115	–1
Net balance sheet exposure	**174**	**307**	**127**	**82**	**347**	**15**

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 and lease liabilities are made in the respective functional currencies of the Group entities.

Sensitivity analysis

A ten 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.

2019 CHF million	1 CHF/EUR	1 CHF/USD	1 GBP/EUR	1 GBP/USD	1 USD/EUR
Reasonably possible change +/– in per cent	10.0	10.0	10.0	10.0	10.0
Effect on income statement +/– (pre-tax)	17.4	30.7	13.6	24.1	17.8

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. No securities measured at fair value were held and no cash flow hedge accounting was applied.

2018 CHF million	1 CHF/EUR	1 CHF/USD	1 GBP/EUR	1 GBP/USD	1 USD/EUR
Reasonably possible change +/– in per cent	10.0	10.0	10.0	10.0	10.0
Effect on income statement +/– (pre-tax)	8.2	34.7	6.6	27.7	8.3

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, contract assets and bank balances.

Exposure

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

CHF million	2019	2018
Trade receivables	3,601	3,872
Contract assets	223	300
Other receivables	263	197
Cash and cash equivalents	910	499
Total	**4,997**	**4,868**

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

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

CHF million	2019	2018
EMEA	2,356	2,468
Americas	1,049	1,274
Asia-Pacific	419	430
Total	**3,824**	**4,172**

It is considered that the credit insurance is sufficient to cover potential credit risk concentrations.

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) which are made in close coordination and management of Centralised Corporate Treasury function. The Group does not invest in equity securities.

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

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

2019

CHF million	Carrying amounts	Contractual cash flow	Up to 6 months	6–12 months	1–5 years	Over 5 years
Bank and other interest-bearing liabilities	12	12	11	1	–	–
Borrowings	400	423	–	4	217	202
Trade payables	1,890	1,890	1,890	–	–	–
Accrued trade expenses	1,190	1,190	1,190	–	–	–
Contingent and deferred consideration	234	238	28	–	210	–
Other liabilities	252	252	252	–	–	–
Lease liabilities [1]	1,942	1,981	271	247	1,100	363
Total	**5,920**	**5,986**	**3,642**	**252**	**1,527**	**565**

1 The majority of lease payments over five years falls due until 2028.

2018

CHF million	Carrying amounts	Contractual cash flow	Up to 6 months	6–12 months	1–5 years	Over 5 years
Bank and other interest-bearing liabilities	354	354	353	1	–	–
Trade payables	1,888	1,888	1,888	–	–	–
Accrued trade expenses	1,272	1,272	1,272	–	–	–
Contingent and deferred consideration	206	206	58	–	148	–
Other liabilities	265	265	265	–	–	–
Lease liabilities	1	1	–	–	1	–
Total	**3,986**	**3,986**	**3,836**	**1**	**149**	**–**

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.

45 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

As of December 31, 2019

CHF million	Financial assets at FVPL	Financial assets at amortised cost	Total carrying amount	Total fair value
Trade receivables	–	3,601	3,601	3,601
Other receivables	2	261	263	263
Total	**2**	**3,862**	**3,864**	**3,864**

CHF million	Financial liabilities at FVPL	Financial liabilities at amortised cost	Total carrying amount	Total fair value
Borrowings	–	400	400	404
Bank and other interest-bearing liabilities	–	12	12	12
Trade payables	–	1,890	1,890	1,890
Accrued trade expenses	–	1,190	1,190	1,190
Contingent and deferred consideration	227	7	234	234
Other liabilities	–	252	252	252
Total	**227**	**3,751**	**3,978**	**3,982**

As of December 31, 2018

CHF million	Financial assets at FVPL	Financial assets at amortised cost	Total carrying amount	Total fair value
Trade receivables	–	3,872	3,872	3,872
Other receivables	1	196	197	197
Total	**1**	**4,068**	**4,069**	**4,069**

CHF million	Financial liabilities at FVPL	Financial liabilities at amortised cost	Total carrying amount	Total fair value
Bank and other interest-bearing liabilities	–	354	354	354
Trade payables	–	1,888	1,888	1,888
Accrued trade expenses	–	1,272	1,272	1,272
Contingent and deferred consideration	184	22	206	206
Other liabilities	4	261	265	265
Total	**188**	**3,797**	**3,985**	**3,985**

On June 18, 2019, the Kuehne + Nagel Group issued a CHF 200 million public bond with a nominal interest rate of 0.02 per cent due on November 18, 2022, and a CHF 200 million public bond with a nominal interest rate of 0.2 per cent due on June 18, 2025, both with redemption at par (quoted prices, level 1 fair value of CHF 404 million on December 31, 2019). There are no other non-current fixed rate interest-bearing loans or other liabilities outstanding (December 31, 2018: none).

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

No significant impact resulted from the remeasurement of the liabilities measured at FVPL in 2019 and 2018.

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

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

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

Contingent considerations, resulting from business combinations, are valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently measured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor. Management has reassessed the estimated performance targets (significant unobservable input, level 3) resulting in no significant change compared to December 31, 2018.

Level 3 fair values

CHF million	Contingent consideration liabilities
Balance as of January 1, 2019	184
Additions through business combinations	49
Utilised for settlements	–7
Total unrealised gains and losses included in the income statement	
– Fair value change included in financial expenses	2
Total gains and losses included in other comprehensive income	
Effects of movements in foreign exchange	–1
Balance as of December 31, 2019	**227**
of which	
– Current portion	21
– Non-current portion	206

46 RELATED PARTIES AND TRANSACTIONS

The Group has a related party relationship with its subsidiaries, joint ventures, associates, shareholders 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 4.3 million (2018: CHF 3.9 million)
- Management Board: CHF 17.8 million (2018: CHF 16.2 million)

As of December 31, 2019, no loans or any other commitments were outstanding towards members neither of the Board of Directors nor of the Management Board. Members of the Board of Directors and the Management Board control 53.6 per cent (2018: 53.8 per cent) of the voting shares of the Company.

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

CHF million	Management Board 2019	2018	Board of Directors 2019	2018
Wages, salaries and other short-term employee benefits	14.6	13.5	4.1	3.7
Post-employment benefits	1.5	1.4	0.2	0.2
Share-based compensation	1.7	1.3	–	–
Total compensation	**17.8**	**16.2**	**4.3**	**3.9**

For disclosure requirements according to the Swiss law (Article 663b^{bis}/c CO), refer to pages 133 to 134; note 13 of the Financial Statements of Kuehne + Nagel International AG. For other related parties refer to note 32 outlining the shareholders' structure, and pages 111 to 118 listing the Group's significant subsidiaries and joint ventures.

47 ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Acquisition accounting

Intangible assets acquired in a business combination are required to be recognised separately from goodwill and amortised over their useful life if they are subject to contractual or legal rights or are separately transferable. The Group has separately recognised customer contracts/lists, brands and field office agent contracts in acquisitions made (see note 28).

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

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

The Group tests its goodwill with a total carrying amount of CHF 1,220 million (2018: CHF 1,170 million) for impairment every year as disclosed in note 10. No impairment loss on goodwill was recognised in 2019 and 2018. 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. An impairment loss of CHF 11 million on other intangible assets was recognised in 2019 (2018: none). The carrying amount of other intangibles is CHF 185 million (2018: CHF 215 million), and that of property, plant and equipment is CHF 1,089 million (2018: CHF 1,226 million).

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

Fair value of contingent considerations

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

As part of the accounting for the acquisitions of KN-Sincero Logistics Co. Ltd. (formerly Shanghai Ruichun Logistics Co., Ltd.), a contingent consideration with an estimated fair value of CHF 49 million was recognised at the acquisition date. As of December 31, 2019, the Group has recognised total contingent consideration liabilities of CHF 227 million. The contingent consideration is classified as other financial liability.
For further details see notes 40 and 45.

Defined benefit pension plans

The Group has recognised a liability for defined benefit pension plans in the amount of CHF 403 million (2018: CHF 351 million). A number of assumptions are made in order to calculate the liability, including discount rate and future salary increases. A relatively minor change in any of these assumptions can have a significant impact on the carrying amount of the defined benefit obligation.

Accrued trade expenses and deferred income

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

Income tax

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

The Group has recognised a net deferred tax asset of CHF 159 million (2018: CHF 74 million). Furthermore, the Group has unrecognised deferred tax assets relating to unused tax losses of CHF 16 million (2018: CHF 17 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 125 million (2018: CHF 115 million) related to legal claims and other exposures in the freight forwarding and logistics operations (see note 36). The provisions represent the best estimate of the risks, whereby the final amount required is subject to uncertainty.

48 POST BALANCE SHEET EVENTS

On November 15, 2019, the Group entered into an agreement to acquire the overland and contract logistics activities of Rotra, a company headquartered in the Netherlands with approximately 800 employees and a yearly net revenue of above CHF 110 million for a purchase price of CHF 38 million. The transaction was closed on January 7, 2020.

There have been no other material events between December 31, 2019, and the date of authorisation of the Consolidated Financial Statements that would require adjustments of the Consolidated Financial Statements or disclosure.

49 RESOLUTION OF THE BOARD OF DIRECTORS

The Consolidated Financial Statements of the Group were authorised for issue by the Board of Directors on February 26, 2020. A resolution to approve the Consolidated Financial Statements will be proposed at the Annual General Meeting on May 5, 2020.

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 [1]	Schindellegi	CHF	1,000	100
	Kuehne + Nagel Liegenschaften AG [1]	Schindellegi	CHF	500	100
	Nacora Holding AG [1]	Schindellegi	CHF	500	100
	Nacora Agencies AG	Schindellegi	CHF	400	100
	Kuehne + Nagel Real Estate Holding AG [1]	Schindellegi	CHF	100	100
	Kuehne + Nagel Finance AG [1]	Schindellegi	CHF	100	100

1 Directly held by Kuehne + Nagel International AG.

Operating Companies

Europe, Middle East and Africa (EMEA)

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
Angola	Kuehne & Nagel (Angola) Transitarios Lda [1]	Luanda	AOA	7,824	100
Austria	Kuehne + Nagel Eastern Europe AG [1]	Vienna	EUR	1,090	100
	Kuehne + Nagel GmbH	Vienna	EUR	1,820	100
	Nacora Insurance Brokers GmbH	Vienna	EUR	35	100
	JOELOG Beteiligungs GmbH	Wundschuh	EUR	100	100
	Joebstl Gesellschaft mbH	Wundschuh	EUR	800	100
	SLM Spedition & Logistik GmbH	Wiener Neudorf	EUR	35	100
	Kurt Joebstl Transport GmbH	Spielfeld	EUR	110	100
Azerbaijan	Kuehne + Nagel LLC	Baku	AZN	42	100
Bahrain	Kuehne + Nagel WLL [1]	Manama	BHD	200	100
Belarus	Kuehne + Nagel FPE	Minsk	BYN	300	100
Belgium	Kuehne + Nagel NV	Antwerp	EUR	6,338	100
	Kuehne + Nagel Logistics NV	Geel	EUR	5,206	100
	Nacora Insurance Brokers NV	Brussels	EUR	155	100
	Logistics Kontich BVBA	Kontich	EUR	837	100
	Logistics Nivelles NV	Nivelles	EUR	1,521	100

1 Directly held by Kuehne + Nagel International AG.

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
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
Denmark	Kuehne + Nagel A/S [1]	Copenhagen	DKK	5,001	100
Egypt	Kuehne + Nagel Ltd. [1]	Cairo	EGP	1,000	100
Estonia	Kuehne + Nagel AS	Tallinn	EUR	26	100
	Kuehne + Nagel IT Service Centre AS	Tallinn	EUR	25	100
Finland	Oy Kuehne + Nagel Ltd	Helsinki	EUR	200	100
France	Kuehne + Nagel SAS	Ferrières	EUR	17,380	100
	Kuehne + Nagel Parts SASU	Trappes	EUR	87	100
	Nacora Courtage d'Assurances SAS	Paris	EUR	40	100
	Kuehne + Nagel Aerospace & Industry SAS	Ferrières	EUR	37	100
	Kuehne + Nagel EASYLOG SAS	Ferrières	EUR	37	100
	Kuehne + Nagel Road SAS	Villefranche	EUR	4,000	100
	IM Overland SARL	Villefranche	EUR	8	100
	Almeca SNC	Villefranche	EUR	32	100
	Kuehne + Nagel Participations Sarl	Ferrières	EUR	203,630	100
	K Logistics Sarl	Le Meux	EUR	91	100
	Kuehne + Nagel Solutions	Saint Vulbas	EUR	10	100
	Kuehne + Nagel Insitu SASU	Chalon sur Saone	EUR	10	100
	Quick International France SAS	Villepinte	EUR	50	100
Germany	Kuehne + Nagel (AG & Co.) KG	Bremen	EUR	15,000	100
	KN Airlift GmbH	Frankfurt	EUR	256	100
	Stute Logistics (AG & Co.) KG	Bremen	EUR	1,023	100
	CS Parts Logistics GmbH	Bremen	EUR	426	50
	Kuehne + Nagel Euroshipping GmbH	Regensburg	EUR	256	51
	Stute Aftermarket Services GmbH-DE	Bremen	EUR	357	100
	STUTE OTS GmbH	Hamburg	EUR	25	100
	Nacora Versicherungsmakler GmbH	Hamburg	EUR	79	100
	Gustav. F. Huebener GmbH	Hamburg	EUR	31	100
	Kuehne + Nagel Logistics Langenau GmbH	Langenau	EUR	25	100
	Kuehne + Nagel Intermodal GmbH	Bielefeld	EUR	300	100
	Aba Logistics GmbH (Joint Venture)	Fulda	EUR	200	50
	Donau Transport und Umschlags GmbH (Joint Venture)	Regensburg	EUR	108	50
	Anchor Risk Services GmbH	Hamburg	EUR	25	100

1 Directly held by Kuehne + Nagel International AG.

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
Great Britain	Kuehne + Nagel (UK) Limited	Uxbridge	EUR	46,300	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 Ltd.	Milton Keynes	GBP	877	100
	Kuehne + Nagel Drinkflow Logistics (Holdings) Ltd.	Milton Keynes	GBP	6,123	100
	Quick International Couriers (UK) Limited	Colnbrook	GBP	–	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
Iraq	Jawharat Al-Sharq Co. for General Transportation and Logistics Services L.L.C.	Baghdad	USD	85	100
	Kuehne + Nagel for General Transportation and Logistics Services L.L.C.	Erbil	USD	45	100
Ireland	Kuehne & Nagel (Ireland) Limited	Dublin	EUR	500	100
Israel	Amex Ltd.	Holon	ILS	2	91
Italy	Kuehne + Nagel Srl	Milan	EUR	4,589	100
	Nacora Srl	Milan	EUR	104	100
Jordan	Kuehne and Nagel Jordan Ltd.	Amman	JOD	300	100
Kazakhstan	Kuehne + Nagel LLC	Almaty	KZT	7,100	100
Kenya	Kuehne + Nagel Limited [1]	Nairobi	KES	63,995	100
	Blue Anchor Line Limited	Nairobi	KES	500	100
	Trillvane Limited	Nairobi	KES	750	100
Kuwait	Kuehne + Nagel Company W.L.L. [1]	Kuwait	KWD	150	100
Latvia	Kuehne + Nagel SIA	Riga	EUR	142	100
Lebanon	KN-ITS SAL (Joint Venture) [1]	Beirut	LBP	113,000	50
Lithuania	Kuehne & Nagel UAB	Vilnius	EUR	232	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. [1]	Contern	EUR	200	100
	Nacora (Luxembourg) S.a.r.l.	Contern	EUR	125	100
	Kuehne + Nagel Beteiligungs-AG [1]	Contern	EUR	10,277	100
Malta	Kuehne + Nagel Limited	Hamrun	EUR	14	100
Mauritius	KN (Mauritius) Limited [1]	Port Louis	MUR	4,000	100

1 Directly held by Kuehne + Nagel International AG.

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
Morocco	Kuehne + Nagel SAS	Casablanca	MAD	300	100
Mozambique	Kuehne & Nagel Mocambique Lda.	Maputo	MZN	125,883	100
Namibia	Kuehne and Nagel (Pty) Ltd. [1]	Windhoek	NAD	340	100
Netherlands	Kuehne + Nagel N.V.	Rotterdam	EUR	3,325	100
	Kuehne + Nagel Investments B.V. [1]	Rotterdam	EUR	50	100
	Nacora Assurantiekantoor B.V.	Rotterdam	EUR	45	100
	Kuehne + Nagel Logistics B.V.	Veghel	EUR	25	100
North Macedonia	Kuehne + Nagel d.o.o.e.l.	Skopje	MKD	3,216	100
Norway	Kuehne + Nagel AS	Oslo	NOK	3,100	100
Oman	Universal Freight Services LLC	Muscat	OMR	250	70
Poland	Kuehne + Nagel Sp.z o.o.	Poznan	PLN	14,869	100
	Kuehne + Nagel Real Estate Sp.z.o.o.	Gadki	PLN	1,451	100
Portugal	Kuehne + Nagel Lda	Porto	EUR	200	100
Qatar	Kuehne + Nagel L.L.C. [1]	Doha	QAR	1,900	100
Romania	Kuehne + Nagel SRL	Bucharest	RON	2,543	100
Russia	OOO Kuehne + Nagel	Moscow	RUB	1,339,036	100
	OOO Kuehne & Nagel Sakhalin	Sakhalin	RUB	500	100
	OOO Nacora	Moscow	RUB	278	100
Saudi Arabia	Kuehne and Nagel Limited [1]	Jeddah	SAR	1,000	100
Serbia	Kuehne + Nagel d.o.o.	Belgrade	RSD	3,039	100
	Kuehne + Nagel Shared Service Centre d.o.o.	Belgrade	RSD	15,000	100
Slovakia	Kuehne + Nagel s r.o.	Bratislava	EUR	470	100
Slovenia	Kuehne + Nagel d.o.o.	Ljubljana	EUR	10	100
	JOEBSTL I d.o.o.	Ljubljana	EUR	84	100
South Africa	Kuehne + Nagel (Proprietary) Limited [1]	Johannesburg	ZAR	1,652	70
	Nacora Insurance Brokers (Proprietary) Limited	Johannesburg	ZAR	35	100
Spain	Kuehne & Nagel S.A.U.	Madrid	EUR	60	100
	Kuehne Nagel Investments S.L.U.	Madrid	EUR	3	100
	Nacora Correduria de Seguros S.A	Barcelona	EUR	150	100
Sweden	Kuehne & Nagel AB	Stockholm	SEK	500	100
	Kuehne & Nagel Investment AB [1]	Stockholm	EUR	112	100
	Nacora International Insurance Brokers AB	Stockholm	SEK	100	100
Switzerland	Kuehne + Nagel AG	Opfikon	CHF	3,000	100
	Nacora Insurance Brokers AG	Opfikon	CHF	100	100

1 Directly held by Kuehne + Nagel International AG.

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
Tanzania	Kuehne + Nagel Limited [1]	Dar es Salaam	TZS	525,000	100
	Blue Anchor Line International Limited	Dar es Salaam	TZS	21,000	100
Turkey	Kuehne + Nagel Nakliyat Ltd. Sti.	Istanbul	TRY	5,195	100
	Zet Farma Lojistik Hizmetleri Sanayi ve Ticaret A.S.	Istanbul	TRY	2,500	100
	Nacora Sigorta Brokerligi Anonim Sirketi	Istanbul	TRY	300	100
UAE	Kuehne + Nagel L.L.C. [1]	Dubai	AED	1,000	100
	Kuehne + Nagel L.L.C. [1]	Abu Dhabi	AED	1,000	100
	Kuehne + Nagel DWC L.L.C.	Dubai	AED	13,000	100
	Kuehne + Nagel Management ME FZE [1]	Dubai	AED	1,000	100
Uganda	Kuehne + Nagel Limited [1]	Kampala	UGX	827,500	100
Ukraine	Kuehne + Nagel SE.	Kiev	UAH	26,975	100

1 Directly held by Kuehne + Nagel International AG.

Americas

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. [1]	Santa Cruz	BOB	260	100
Brazil	Kuehne + Nagel Serviços Logisticos Ltda. [1]	Sao Paulo	BRL	190,986	100
	Nacora Corretagens de Seguros Ltda.	Sao Paulo	BRL	1,094	100
	Podium Kuehne + Nagel Logistica de Eventos Esportivos Ltda. (Joint Venture)	Rio de Janeiro	BRL	100	50
Canada	Kuehne + Nagel Ltd. [1]	Toronto	CAD	2,910	100
	Nacora Insurance Brokers Ltd.	Toronto	CAD	–	100
	Kuehne + Nagel Real Estate Ltd.	Toronto	CAD	–	100
	Kuehne + Nagel Services Ltd. [1]	Vancouver	USD	212,085	100
	GFH Underwriting Agency Ltd.	Toronto	CAD	200	100
	ReTransportation Canada Inc.	Toronto	CAD	1,878	100
Chile	Kuehne + Nagel Ltda. [1]	Santiago	CLP	575,000	100

1 Directly held by Kuehne + Nagel International AG.

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
Colombia	Kuehne + Nagel S.A.S. [1]	Bogotá	COP	5,184,600	100
	Agencia de Aduanas KN Colombia S.A.S. Nivel 2 [1]	Bogotá	COP	595,000	100
	Nacora LTDA Agencia de Seguros	Bogotá	COP	20,000	100
Costa Rica	Kuehne + Nagel S.A. [1]	San Jose	CRC	–	100
	KN Shared Service Centre S.A. [1]	San Jose	CRC	–	100
Cuba	Kuehne Nagel Logistic Services S.A.	Havana	CUC	–	100
Dominican Republic	Nakufreight SAS (Joint Venture)	Santo Domingo	DOP	3,000	50
Ecuador	Kuehne + Nagel S. A. [1]	Quito	USD	7	100
El Salvador	Kuehne + Nagel S.A. de C.V. [1]	San Salvador	USD	69	100
Guatemala	Kuehne + Nagel S.A. [1]	Guatemala	GTQ	4,245	100
Honduras	Kuehne + Nagel S.A. [1]	San Pedro Sula	HNL	25	100
Mexico	Kuehne + Nagel S.A. de C.V. [1]	Mexico City	MXN	24,447	100
	Kuehne + Nagel Servicios Administrativos S.A. de C.V. [1]	Mexico City	MXN	50	100
	Nacora Mexico Agente de Seguros S.A. de C.V.	Mexico City	MXN	50	100
Nicaragua	Kuehne + Nagel S.A. [1]	Managua	NIO	13,735	100
Panama	Kuehne + Nagel S.A.	Colon	USD	1	100
	Kuehne + Nagel Management S.A. [1]	Colon	USD	10	100
Peru	Kuehne + Nagel S.A. [1]	Lima	PEN	10,638	100
Trinidad & Tobago	Kuehne + Nagel Ltd.	Port of Spain	TTD	31	100
Uruguay	Kuehne + Nagel S.A. [1]	Montevideo	UYU	3,908	100
USA	Kuehne + Nagel Investment Inc.	Jersey City	USD	1,400	100
	Kuehne + Nagel Inc.	Jersey City	USD	1,861	100
	Nacora Insurance Brokers Inc.	Jersey City	USD	25	100
	Kuehne + Nagel Special Logistics Inc.	Dulles	USD	30	100
	Kuehne + Nagel Real Estate USA Inc.	Jersey City	USD	–	100
	Kuehne + Nagel Nevada, Inc.	McCarran	USD	2	100
	ReTransportation Inc.	Memphis	USD	543	100
	ReTrans Freight Inc.	Fall River	USD	23,229	100
	Commodity Forwarders Inc.	Los Angeles	USD	1,220	100
	QIC Intermediate Holdings Inc.	Jamaica	USD	–	100
	Q International Courier, LLC	Jamaica	USD	–	100
Venezuela	Kuehne + Nagel S.A. [1]	Caracas	VES	–	100
	KN Venezuela Aduanas C.A.	Caracas	VES	–	100

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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 [1]	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 [1]	Dhaka	BDT	10,000	100
Cambodia	Kuehne + Nagel Limited [1]	Phnom Penh	USD	5	100
China	KN-Sincero Logistics Co. Ltd.	Shanghai	CNY	30,000	51
	Zhejiang Jiajin Logistics Co. Ltd.	Huzhou	CNY	10,000	51
	Wuhan Zhisheng Logistics Co. Ltd.	Wuhan	CNY	10,000	51
	Shenzhen Hua Tie Xun Logistics CO. Ltd.	Shenzhen	CNY	5,000	51
	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. [1]	Hong Kong	HKD	1,560	100
	Transpac Container System Ltd. [1]	Hong Kong	HKD	100	100
	Nacora Insurance Brokers Ltd.	Hong Kong	HKD	500	100
	Kuehne & Nagel Ltd. [1]	Macao	HKD	971	100
India	Kuehne + Nagel Pvt. Ltd. [1]	New Delhi	INR	30,000	100
Indonesia	PT. Naku Freight Indonesia [1]	Jakarta	IDR	13,500,100	95
	PT. Naku Logistics Indonesia	Jakarta	IDR	24,455,000	67
Japan	Kuehne + Nagel Ltd.	Tokyo	JPY	80,000	100
	Nacora Japan Insurance Solutions Ltd.	Tokyo	JPY	9,900	100
Korea	Kuehne + Nagel Ltd. [1]	Seoul	KRW	500,000	100
Malaysia	Kuehne + Nagel Sdn. Bhd. [1]	Kuala Lumpur	MYR	1.000	100
	Nacora (Malaysia) Sdn. Bhd.	Kuala Lumpur	MYR	100	100

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Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
Maldives	Kuehne + Nagel Private Limited [1]	Male	USD	1	100
Myanmar	Kuehne + Nagel Ltd. [1]	Yangon	USD	50	100
New Zealand	Kuehne + Nagel Limited [1]	Auckland	NZD	25,200	100
	Nacora Insurance Services Limited	Auckland	NZD	10	100
Pakistan	Kuehne + Nagel (Private) Limited. [1]	Karachi	PKR	9,800	100
Philippines	Kuehne + Nagel Inc. [1]	Manila	PHP	5,000	100
	Kuehne + Nagel Logistics Solutions Inc. [1]	Manila	PHP	5,000	100
	Kuehne + Nagel Shared Service Center Inc.	Cebu	PHP	10,500	100
Singapore	Kuehne + Nagel Pte. Ltd. [1]	Singapore	SGD	72,250	100
	Modern Office Pte Ltd	Singapore	SGD	4,583	100
	Nacora Insurance Agency Pte. Ltd.	Singapore	SGD	100	100
	Kuehne + Nagel (Asia Pacific) Management Pte. Ltd. [1]	Singapore	SGD	1,592	100
	Kuehne + Nagel Real Estate Pte Ltd	Singapore	SGD	72,000	100
	Kuehne+Nagel (Asia Pacific) Holding Pte Ltd [1]	Singapore	SGD	9,595	100
Sri Lanka	Kuehne & Nagel (Pvt) Ltd. [1]	Colombo	LKR	2,502	100
Taiwan	Kuehne + Nagel Ltd.	Taipei	TWD	20,000	100
	Nacora Insurance Brokers Ltd.	Taipei	TWD	10,000	100
Thailand	Kuehne + Nagel Limited [1]	Bangkok	THB	20,000	100
Vietnam	Kuehne + Nagel Company Limited [1]	Ho Chi Minh City	VND	155,022,000	100

1 Directly held by Kuehne + Nagel International AG.

REPORT OF THE STATUTORY AUDITOR ON THE CONSOLIDATED FINANCIAL STATEMENTS TO THE GENERAL MEETING 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 2019 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 41 to 118) give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

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

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

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

Key audit matters

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

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

Valuation of goodwill	
Area of focus	As of 31 December 2019, the Group has recorded goodwill of CHF 1,220 million. The carrying value of goodwill is tested annually for impairment. The impairment assessment for goodwill is dependent on the estimation of, amongst others, future cash flows and the discount rates applied. Due to the significance of the carrying values of goodwill and the judgment involved in performing the impairment tests, this matter was considered to be significant to our audit. The accounting policies regarding goodwill applied by the Group are explained in the notes to the Consolidated Financial Statements in section 9. Further details on goodwill and the annual impairment tests are disclosed in note 28 to the Consolidated Financial Statements.
Our audit response	We tested, with the support of our valuation specialists, the appropriateness of the Group's valuation model and evaluated management's key assumptions, including growth rates used in the cash flow projections during the forecast period, the terminal growth rate assumption and the discount rate. Further, we assessed the historical accuracy of management's estimates and considered their ability to produce accurate long-term forecasts. Our work moreover included an evaluation of management's sensitivity analysis on changes to the key assumptions, in order to quantify the downside changes in assumptions that could result in an impairment. Our audit procedures did not lead to any reservations concerning the valuation of goodwill and other intangible assets with indefinite useful lives.

Valuation of income tax positions

Area of focus	As of 31 December 2019, the Group has recorded deferred tax assets of CHF 159 million (net). Further, the Group operates across a wide range of tax jurisdictions around the world and is therefore occasionally challenged by local tax authorities, mainly regarding its cross-border transfer pricing arrangements. The Group records deferred tax assets for temporary differences and tax loss carry forwards to the extent that it is probable that future taxable profit will be available against which these deferred tax assets can be used. Where there is uncertainty over income tax treatments, the Group recognizes the related tax assets or liabilities applying management's best estimate. Due to the significant judgment involved in forecasting timing and level of future taxable profits and in accounting for uncertain tax treatments, this matter was considered to be significant to our audit. The accounting policies regarding current and deferred income taxes applied by the Group are explained in the notes to the Consolidated Financial Statements in section 17. Further details on current and deferred income tax positions are disclosed in note 24 to the Consolidated Financial Statements.
Our audit response	We evaluated, with the support of our taxation specialists, the model used to recognize deferred tax assets and liabilities and the tax rates applied. We evaluated management's forecasts regarding timing and level of future taxable profits by comparing these future taxable profits to historical results and assessed any significant assumptions impacting these profits. Further, we assessed correspondence with relevant tax authorities, evaluated the historical accuracy of management's estimates and ensured the consistency between management's estimates regarding future taxable profits and other available prospective financial information, such as future cash flow estimates. Our audit procedures did not lead to any reservations concerning the valuation of income tax positions.

Recognition of net turnover and related balance sheet accounts

Area of focus	During the financial year 2019, the Group recognized net turnover in the amount of CHF 21,094 million. As of 31 December 2019, the Group has recognized CHF 223 million of contract assets and CHF 74 million of contract liabilities. The Group generates its revenues from four principal services (Seafreight, Airfreight, Overland and Contract Logistics), and from ancillary services (such as customs clearance or documentation services) which are incidental to a principal service and are together with a principal service considered to represent one single performance obligation. Turnover is recognized based upon the terms in the contract of carriage and to the extent a service is completed. Accruing for net turnover, including recognizing contract assets for unbilled services rendered and contract liabilities for payments received for services not yet rendered, depends on IT controls. Due to the significance of net turnover, this matter was considered to be significant to our audit. The accounting policies regarding revenue recognition are explained in the notes to the Consolidated Financial Statements in section 15. Further details on net turnover are disclosed in note 19 to the Consolidated Financial Statements.
Our audit response	Our audit procedures included assessing the accounting policies for revenue recognition applied by management and comparing these to IFRS 15. We tested the Group's internal control system with regards to revenue recognition, including related IT controls. Further, our audit procedures included analytics to identify any unusual or non-standard transactions and, on a sample basis, agreeing amounts recorded to underlying evidence, i.e. customer contracts. Our audit procedures did not lead to any reservations concerning the recognition of net turnover and the accounting for contract assets and liabilities.

Other information in the Annual Report
The Board of Directors is responsible for the other information in the Annual Report. The other information comprises all information included in the Annual Report, but does not include the Consolidated Financial Statements, the stand-alone financial statements, remuneration report and our auditor’s reports thereon.

Our opinion on the Consolidated Financial Statements does not cover the other information in the Annual Report and we do not express any form of assurance conclusion thereon.

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

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

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

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

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

Report on other legal and regulatory requirements

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

We recommend that the Consolidated Financial Statements submitted to you be approved.

Ernst & Young Ltd

Christian Schibler	**Andreas Traxler**
Licensed audit expert	Licensed audit expert
(Auditor in charge)	

Zurich, February 26, 2020

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