Annual Report 2019

KUEHNE+NAGEL

Kuehne + Nagel Group Key Data

CHF million	2019	2018	2017	2016	2015	2014	2013
Turnover	25,295	24,825	22,220	19,985	20,283	21,291	20,929
Net turnover	21,094	20,774	18,594	16,525	16,731	17,501	17,178
Gross profit	7,981	7,709	7,023	6,550	6,251	6,288	6,257
In per cent of net turnover	37.8	37.1	37.8	39.6	37.4	35.9	36.4
EBITDA [1]	1,829	1,209	1,150	1,110	1,041	1,005	962
In per cent of net turnover [1]	8.7	5.8	6.2	6.7	6.2	5.7	5.6
EBIT	1,061	987	937	918	850	819	761
In per cent of net turnover	5.0	4.8	5.0	5.6	5.1	4.7	4.4
In per cent of gross profit (conversion rate)	13.3	12.8	13.3	14.0	13.6	13.0	12.2
EBT	1,047	994	955	935	878	824	767
In per cent of net turnover	5.0	4.8	5.1	5.7	5.2	4.7	4.5
Earnings for the year	800	772	740	720	679	644	607
In per cent of net turnover	3.8	3.7	4.0	4.4	4.1	3.7	3.5
Earnings for the year (Kuehne + Nagel share)	798	770	737	718	676	633	597
In per cent of net turnover	3.8	3.7	4.0	4.3	4.0	3.6	3.5
Depreciation, amortisation and impairment of intangible assets [1]	768	222	213	192	191	186	201
In per cent of net turnover [1]	3.6	1.1	1.1	1.2	1.1	1.1	1.2
Operational cash flow [1]	1,746	1,156	1,148	1,062	1,045	1,000	966
In per cent of net turnover [1]	8.3	5.6	6.2	6.4	6.2	5.7	5.6
Capital expenditures for fixed assets	320	315	225	239	241	186	181
In per cent of operational cash flow	18.3	27.2	19.6	22.5	23.1	18.6	18.7
Total assets [1]	9,825	7,878	7,457	6,331	6,099	6,603	6,374
Non-current assets [1]	4,621	2,793	2,445	2,209	2,231	2,175	2,133
Equity	2,322	2,324	2,327	2,165	2,126	2,453	2,558
In per cent of total assets [1]	23.6	29.5	31.2	34.2	34.9	37.1	40.1
Total employees at year end	83,161	81,900	75,876	70,038	67,236	63,448	62,744
FTEs of employees at year end	78,448	77,416	71,263	65,718	63,343	59,484	58,575
FTEs at year end including temporary staff	99,113	99,072	92,372	85,887	80,056	74,497	72,036
Personnel expenses	4,877	4,736	4,243	3,957	3,741	3,764	3,735
In per cent of net turnover	23.1	22.8	22.8	23.9	22.4	21.5	21.7
Gross profit in CHF 1,000 per FTE	81	78	76	76	78	84	87
Personnel expenses in CHF 1,000 per FTE	49	48	46	46	47	51	52
Basic earnings per share (nominal CHF 1) in CHF							
Consolidated earnings for the year (Kuehne + Nagel share) [2]	6.67	6.43	6.16	5.99	5.64	5.28	4.98
Distribution in the following year	4.00	6.00	5.75	5.50	5.00	4.00 [3]	3.85 [3]
In per cent of the consolidated net income for the year	60.0	93.3	93.4	91.8	88.6	75.8	77.4
Development of share price							
SIX Swiss Exchange (high/low in CHF)	164/126	181/123	181/133	144/124	148/118	136/115	122/99
Average trading volume per day	267,260	217,865	206,266	190,820	204,420	149,896	164,482

1 Prior year figures have not been restated for the impact of IFRS 16 Leases.
2 Excluding treasury shares.
3 Excluding extraordinary dividend.

CONTENTS

Ladies and Gentlemen,
dear shareholders,

Kuehne + Nagel, one of the world's leading logistics providers, has once again achieved record results in 2019. With the current state of the global economy, that's anything but a given. The estimated growth in the global economy last year was just 2.4% due to persistently low trading and investment activities – the lowest rate of expansion since the financial crisis over ten years ago. Geopolitical tensions and disagreements over trade policy dampened international investment and caused a certain amount of uncertainty. Global trade increased by just 1.0% in 2019, compared with 3.7% in the previous year.

Kuehne + Nagel's net turnover was up 1.5% in the 2019 business year, putting it well above market growth. The Company also delivered on the earnings side, with EBIT up by a very respectable 7.5%. In fact, EBIT was above the billion mark for the first time in the Company's history. Thanks to Kuehne + Nagel's focus on customer service and cost efficiency, on the constant improvement of its operational systems and their further digitalisation, the Company managed to increase its market share again across all business units. Overall, Kuehne + Nagel once again achieved its strategic goal of growing twice as fast as the market in its transportation networks.

All four business units contributed to Kuehne + Nagel's success in 2019. Overland and in particular Seafreight showed considerable growth in a stagnating market environment. Results remained largely stable in the more volatile Airfreight business. The takeover of Quick International Courier, a specialist in time-critical shipping in the pharma and aviation sector, has had a positive long-term impact there. In Contract Logistics, the restructuring of the customer portfolio and associated real estate has begun to pay off with a considerable improvement in results.

After concentrating mainly on Europe and the US in recent years in terms of organisational measures and acquisitions, Kuehne + Nagel is now systematically and quite deliberately expanding its position in the Asia-Pacific region. The Company has already built up a very strong position there. Kuehne + Nagel is firmly convinced that Asia will be the central driver of global economic development in the years to come. With the merger of our two Asian organisations, the Company has created the perfect launchpad for further expansion in the region, both organically and through acquisitions.

In 2020, the Kuehne + Nagel Group celebrates 130 years since it was established. Over the course of many years, the Company has been turned into an outstanding, truly global logistics provider by the efforts of many people and great entrepreneurs. The Company has very good prospects for continuing its success story – in Asia and all over the world.

Ladies and gentlemen, dear shareholders, many of you have been invested in our Company for a long time, while others have joined us more recently. On behalf of the Board of Directors, I would like to thank you for your continued trust in Kuehne + Nagel.

Dr. Joerg Wolle
Chairman of the Board of Directors

ECONOMIC ENVIRONMENT

In 2019, the Kuehne + Nagel Group (the Group) expanded its global leading position in Seafreight with 4.9 million TEUs managed in container traffic. The Group confirmed with 1.6 million tons in Airfreight its global number 2 market position, reported significant growth and profitability improvement in Overland and continues its successful reorganisation of the Contract Logistics business.

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

In 2019, the world economy grew by estimated 2.4 per cent (2018: 3.0 per cent) impacted by continuous weak trade and investment activities – the lowest rate of expansion since the financial crisis. Geopolitical and trade tensions as well as the implementation of trade barriers not only weakened the trade and investment activities but led to a high level of uncertainty in the markets. Bilateral negotiations between the United States and China and the planned partial rollback of tariffs offered positive factors for the outlook for 2020, however the outbreak of the Coronavirus has added a great uncertainty. For 2020 global growth of 2.5 per cent is estimated.

The remarkable deceleration of the economic growth in 2019 was widespread and affected emerging markets and developing economies as well as mature economies. In mature economies the growth rate in 2019 declined to 1.6 per cent in comparison to 2.2 per cent in 2018. Emerging markets are estimated to have grown by 4.3 per cent in 2018 and a weaker-than-expected 3.5 per cent in 2019. (Based on: World Bank, Global Economic Prospects, January 2020)

In 2019, the international logistics industry experienced world trade volume growth below the level of 2018. The world trade volume growth has slowed down to 1.0 per cent in 2019 versus 3.7 per cent in 2018. Advanced economies' world trade volume grew at 3.2 per cent in 2018 and is estimated at 1.3 per cent in 2019. In emerging markets and developing economies these indicators were at 4.6 per cent in 2018 and at 0.4 per cent in 2019. (Based on: IMF, World Economic Outlook Update, January 2020)

On the carrier side, the market in 2019 was characterised by volatile freight rates caused by continued imbalance of capacity and demand of carriers and ongoing consolidation in the shipping industry.

Kuehne + Nagel's volume growth was above the market despite the changes in market growth dynamics in 2019, resulting in a turnover growth of 1.9 per cent. These gains in market share were made possible through the industry-specific service offerings in all business units. Despite margin pressure due to consolidation in the supplier market and a more competitive market environment, the Group was able to increase gross profit by 3.5 per cent and grew its EBIT by 7.5 per cent in 2019.

The Group's strategy Roadmap 2022 was presented at the Capital Markets Day 2017 with the focus on creating additional value through customer excellence and expansion into new services and leveraging the Group's strengths to extend from supply chain to value chain services. The ambition is formulated as growing twice as fast as the market in the Group's core business, creating sustainable growth in gross profit with new value chain services and selective acquisitions to leverage synergies and expertise.
The overall aim is to reach an EBIT to gross profit margin (conversion rate) for the entire Group in excess of 16 per cent by 2022. The Group will reach this through cost control to ascertain leverage benefits, digitisation as a game changer for productivity improvements, investments in new opportunities connected to value expansion and acquisitions as an accelerator for reaching the strategic goals.

As a pioneer in the industry, Kuehne + Nagel has also decided to proactively address the CO2 footprint of the transportation services performed by its suppliers – airlines, shipping lines and haulage companies. Kuehne + Nagel targets comprehensive CO2 neutralisation (Scope 3 of the Greenhouse Gas Protocol – GHG) by 2030. As a first step, all less-than-container-load (LCL) shipments will be CO2 neutral from 2020 onwards.

Kuehne + Nagel's Net Zero Carbon programme leverages three fields of action: detection, reduction and compensation of CO2. The Group has started its own nature projects in Myanmar and New Zealand and has invested in various nature-based CO2 compensation projects, where carbon is being taken from the atmosphere. The emission credits obtained are in accordance with the highest international standards.

The Group's sustainability report addresses in detail Kuehne + Nagel's commitment to the principles of sustainable business practices and performance for the respective calendar year.

KEY FINANCIAL FIGURES

CHF million	2019	2018	Variance in per cent
Turnover	25,295	24,825	1.9
Net turnover	21,094	20,774	1.5
Gross profit	7,981	7,709	3.5
Gross profit in per cent of net turnover	37.8	37.1	
EBITDA [1]	1,829	1,209	51.3
EBIT	1,061	987	7.5
In per cent of net turnover	5.0	4.8	
In per cent of gross profit	13.3	12.8	
Earnings for the year	800	772	3.6
Earnings for the year (Kuehne + Nagel share)	798	770	3.6
Earnings per share basic (in CHF)	6.67	6.43	3.7
Operational cash flow [1]	1,746	1,156	51.0
Capital expenditures for fixed assets	320	315	1.6
Total employees at year end	83,161	81,900	1.5
Total full-time equivalents of employees at year end	78,448	77,416	1.3

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

As of January 1, 2019, the Group applies, for the first time, IFRS 16 Leases. IFRS 16 requires the Group to recognise a majority of the previously off balance sheet lease contracts on the balance sheet. As of January 1, 2019, CHF 1,753 million of right-of-use assets and lease liabilities were recognised on the balance sheet. 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 CHF 508 million. There were no material impacts on EBIT and Earnings after tax.

Kuehne + Nagel's net turnover increased in 2019 by CHF 320 million or 1.5 per cent and gross profit increased by CHF 272 million or 3.5 per cent compared to the previous year.

In 2019, EBIT increased by CHF 74 million or 7.5 per cent. At constant exchange rates and excluding acquisitions the increase would have been CHF 102 million or 10.3 per cent. The Group increased earnings for the year 2019 by CHF 28 million or 3.6 per cent compared to 2018, in constant currencies and excluding acquisitions by CHF 47 million or 6.0 per cent.

Capital expenditure in fixed assets increased by CHF 5 million or 1.6 per cent to CHF 320 million compared to the previous year.

In 2019, the Kuehne + Nagel Group increased the number of employees year-on-year by 1,261 or 1.5 per cent from 81,900 to 83,161 employees. The number of full time equivalents of employees reached 78,448 versus 77,416, which is an increase of 1,032 or 1.3 per cent.

INCOME STATEMENT

Turnover

In 2019, Kuehne + Nagel's turnover amounted to CHF 25,295 million representing an increase of 1.9 per cent or CHF 470 million compared to the previous year. Organic business growth resulted in an increase of turnover of CHF 769 million (3.1 per cent) and acquisitions contributed CHF 370 million (1.5 per cent). The exchange rate fluctuation had a negative impact of CHF 669 million (2.7 per cent).

Volumes in Seafreight increased by 3.6 per cent (+171,000 TEUs), whereas turnover per TEU increased by 0.5 per cent to CHF 2,006 per TEU (2018: CHF 1,997). In Airfreight, the volume decrease was 5.7 per cent (–100,000 Tons), whereas the rate increase was 3.4 per cent per 100 kg to CHF 333 (2018: CHF 322).

From a regional view, Europe, Middle East, Central Asia and Africa "EMEA" (0.3 per cent) and the Americas (6.7 per cent) reported an increased turnover in 2019. Asia-Pacific (0.3 per cent) reported a slight decrease in turnover for 2019.

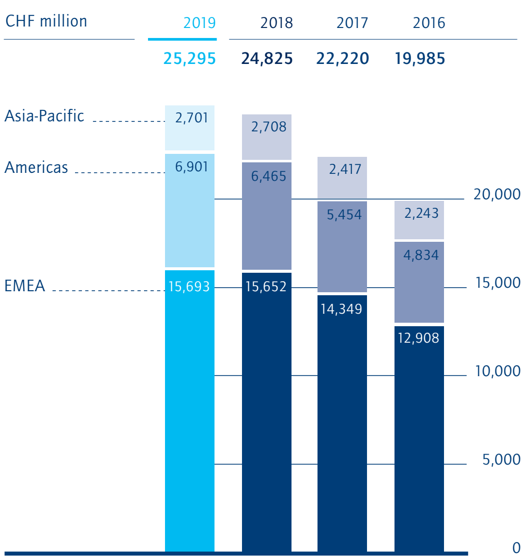
Exchange rate fluctuations between 2018 and 2019, based on average yearly exchange rates, led to a devaluation of the Euro and the British Pound by 3.6 and 2.5 per cent respectively, an increased valuation of the US Dollar as well as dependent currencies by 1.7 per cent, against the Swiss Franc, resulting in a negative impact of CHF 669 million (2.7 per cent) on turnover.

Net turnover

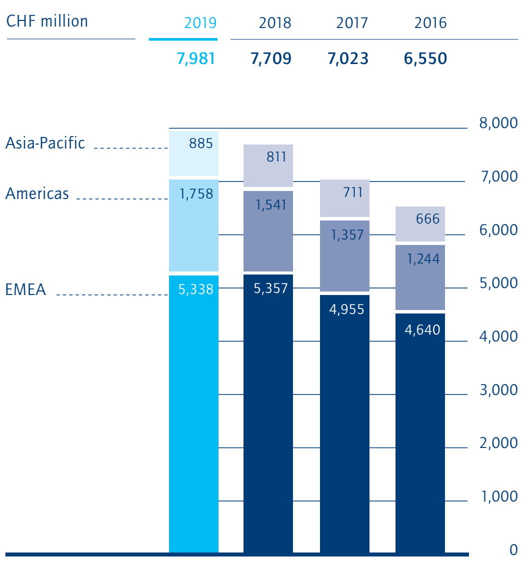
In 2019, Kuehne + Nagel's net turnover amounted to CHF 21,094 million representing an increase of 1.5 per cent or CHF 320 million compared to the previous year. Organic business growth resulted in an increase in net turnover of CHF 526 million (2.5 per cent) and acquisitions contributed CHF 357 million (1.7 per cent). The exchange rate fluctuation had a negative impact of CHF 563 million (2.7 per cent).

From a regional view, the Americas (5.5 per cent) and Asia-Pacific (0.9 per cent) reported an increased net turnover in 2019. EMEA (< 0.1 per cent) reported a slightly decreased net turnover in 2019.

Regional turnover

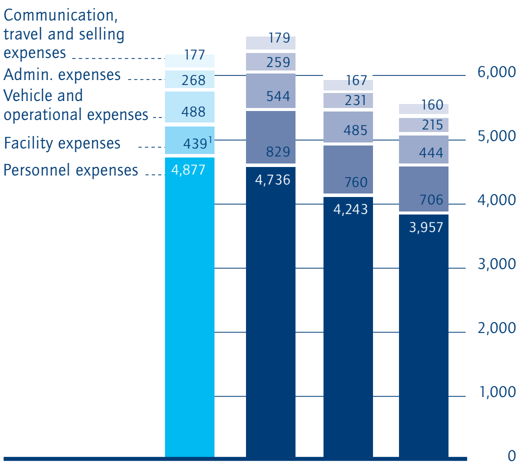


Regional gross profit



Operational expenses

CHF million	2019	2018	2017	2016
	6,249	6,547	5,886	5,482



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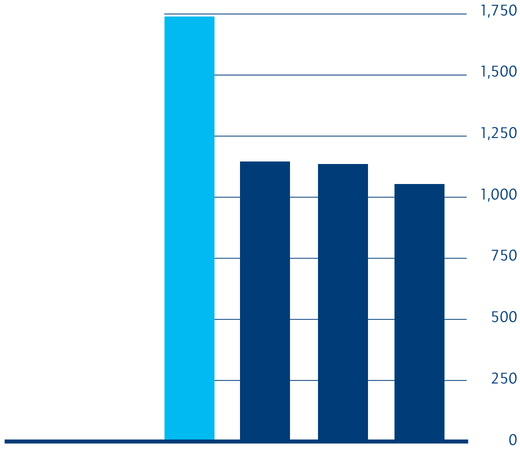
Operational cash flow

CHF million	2019	2018	2017	2016
	1,746 [1]	1,156	1,148	1,062



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

Gross profit

Gross profit reached CHF 7,981 million in 2019, which represents an increase of 3.5 per cent or CHF 272 million compared to the previous year. Organic business growth resulted in an increase in gross profit of CHF 358 million (4.6 per cent). Exchange rate fluctuation had a negative impact of CHF 220 million (2.9 per cent) and acquisitions contributed CHF 134 million (1.7 per cent).

From a regional view, the Americas (14.1 per cent) and Asia-Pacific (9.1 per cent) reported an increased gross profit in 2019. EMEA (0.4 per cent) reported a slightly decreased gross profit in 2019.

Operational cash flow

The operational cash flow, the sum of the net income for the year plus/minus non-cash-related transactions, increased by CHF 590 million to CHF 1,746 million in 2019 (for further information, please refer to the Cash Flow Statement in the Consolidated Financial Statements 2019 on page 47).

EBITDA

In 2019, earnings before interest, tax, depreciation, amortisation and impairment of property, plant and equipment, goodwill and other intangible assets, increased by CHF 620 million or 51.3 per cent compared to the previous year; EBITDA of organic business increased by CHF 633 million, acquisitions contributed CHF 32 million, and the exchange rate development had a negative impact of CHF 45 million. The implementation of IFRS 16 Leases had a positive impact of CHF 508 million in 2019 as prior year figures have not been restated.

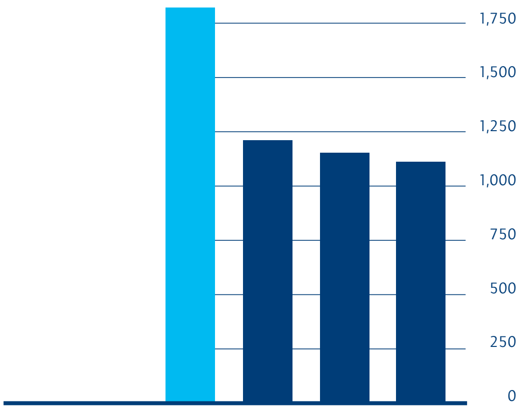
EMEA generated the largest EBITDA contribution with CHF 1,053 million (57.6 per cent), followed by the Americas with CHF 418 million (22.8 per cent), and Asia-Pacific with CHF 358 million (19.6 per cent).

EBIT / Earnings for the year

In 2019, earnings before interest and tax (EBIT) increased by CHF 74 million to CHF 1,061 million (2018: CHF 987 million). The increase was mainly due to higher contribution from the organic business by CHF 102 million, whereas acquired business had a negative impact of CHF 1 million, after accounting for the amortisation of intangible assets of CHF 55 million; the exchange rate development had a negative impact of CHF 27 million. The EBIT margin to net turnover for the Group increased to 5.0 per cent compared to 4.8 per cent in 2018. EBIT in per cent of gross profit (conversion rate), an important KPI for the Group, increased from 12.8 per cent in 2018 to 13.3 per cent in 2019.

EBITDA

CHF million	2019	2018	2017	2016
	1,829 [1]	1,209	1,150	1,110



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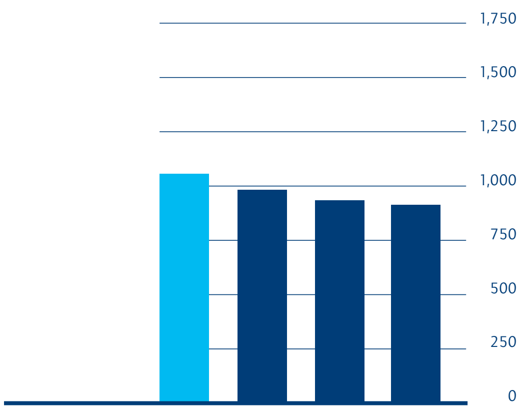
EBIT

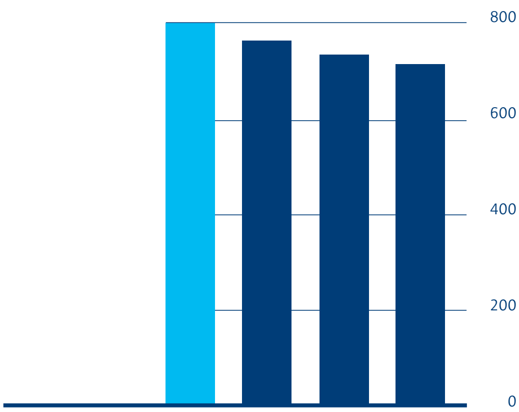
CHF million	2019	2018	2017	2016
	1,061	987	937	918



In 2019, the region EMEA contributed CHF 561 million (52.9 per cent) to the Group's EBIT, followed by Asia-Pacific with CHF 273 million (25.7 per cent), and the Americas with CHF 227 million (21.4 per cent).

Earnings for the year

CHF million	2019	2018	2017	2016
	800	772	740	720



Earnings for the year 2019 increased by CHF 28 million to CHF 800 million compared to the previous year's CHF 772 million, whereby the margin increased to 3.8 per cent (in per cent of net turnover) compared to the previous year's 3.7 per cent.

FINANCIAL POSITION

In 2019, total assets and liabilities of the Group increased by CHF 1,947 million to CHF 9,825 million compared to 2018. The amount of cash and cash equivalents increased by CHF 411 million. For details of changes in the Balance Sheet and Cash Flow Statement, please refer to the Consolidated Financial Statements.

Trade receivables amounting to CHF 3,601 million represent the most significant asset of the Kuehne + Nagel Group. The days of trade receivables outstanding decreased by December 2019 to 52.5 days compared to 54.2 of December 2018.

As of December 31, 2019, the equity of the Group remained largely unchanged at CHF 2,322 million compared to CHF 2,324 million as of December 31, 2018, which represents an equity ratio of 23.6 per cent (2018: 29.5 per cent).

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

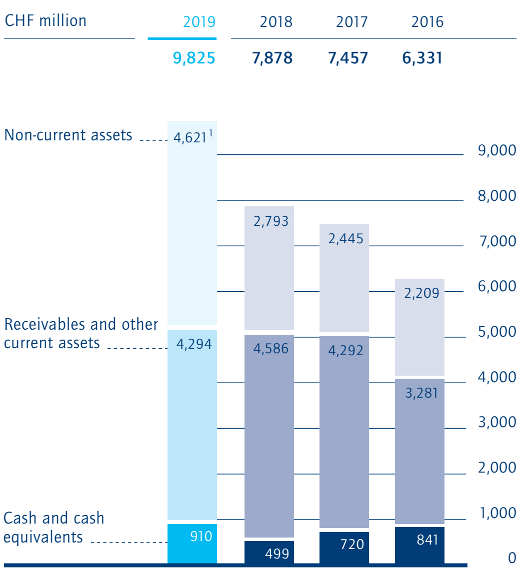
Kuehne + Nagel Group key figures on capital structure

Key figures on capital structure	2019	2018	2017	2016	2015
[1] Equity ratio (in per cent) *	23.6	29.5	31.2	34.2	34.9
[2] Return on equity (in per cent)	33.6	32.4	32.1	32.8	28.7
[3] Debt ratio (in per cent) *	76.4	70.5	68.8	65.8	65.1
[4] Short-term ratio of indebtedness (in per cent)*	50.1	61.9	60.5	55.7	55.3
[5] Intensity of long-term indebtedness (in per cent)*	26.2	8.6	8.3	10.1	9.9
[6] Fixed assets coverage ratio (in per cent)	106.0	107.4	120.5	126.9	122.2
[7] Working capital (in CHF million)	275	208	502	595	496
[8] Receivables terms (in days)	52.5	54.2	53.9	46.6	44.4
[9] Vendor terms (in days)	63.7	61.5	69.0	60.2	55.1
[10] Intensity of capital expenditure (in per cent)*	47.0	35.5	32.8	34.9	36.6

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

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

Assets



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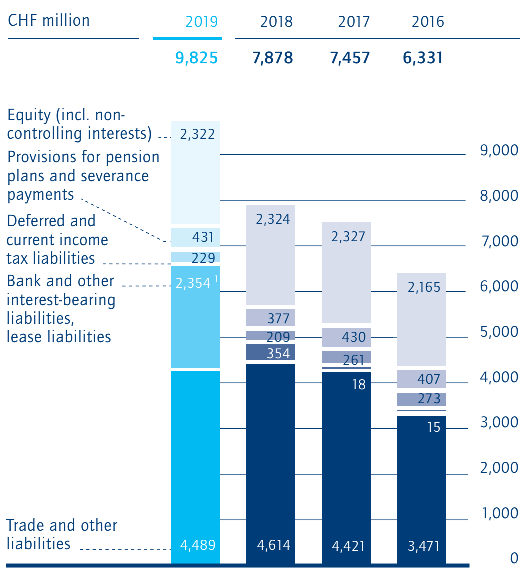
Liabilities



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

INVESTMENTS AND DEPRECIATION

Property, plant and equipment

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

In 2019, the Kuehne + Nagel Group invested a total of CHF 320 million (2018: CHF 315 million) in fixed assets. Investments in properties and buildings amounted to CHF 86 million (2018: CHF 64 million), of which the most substantial amount into a new large-scale pharma logistics facility in Moehlin, Switzerland, into the construction of a new office building in Bremen, Germany, and into the extension of the Logistics Hub in Haiger, Germany. CHF 234 million (2018: CHF 251 million) were invested in other fixed assets, operating and office equipment. Depreciation of property, plant and equipment for the year 2019 amounted to CHF 206 million (2018: CHF 192 million). Refer to note 26 of the Consolidated Financial Statements for further details. All capital expenditure in 2019 was financed through operational cash flow.

In 2019, the following major investments were made in properties and buildings:

Location	CHF million	Centres
Bremen, Germany	12	Construction of a new office building and logistics facilities
Haiger, Germany	16	Expansion and construction of logistics facilities
Auckland, New Zealand	10	Construction of an airfreight perishable facility
Moehlin, Switzerland	9	Construction of a large-scale pharma logistics facility
Geel, Belgium	4	Expansion of a logistics facility
Others	35	
Total Group	**86**	

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

CHF million	2019	2018
Operating equipment	80	81
Vehicles	26	28
Leasehold improvements	70	86
IT hardware	43	39
Office furniture and equipment	15	17
Total Group	**234**	**251**

The allocation by region is as follows:

CHF million	2019	2018
EMEA	146	153
Americas	52	70
Asia-Pacific	36	28
Total Group	**234**	**251**

The allocation by business unit is as follows:

CHF million	2019	2018
Seafreight	20	28
Airfreight	22	23
Overland	31	36
Contract Logistics	161	164
Total Group	**234**	**251**

Right-of-use assets

A total of CHF 688 million was invested in right-of-use assets.

The allocation of investments in right-of-use assets is as follows:

CHF million	2019
Buildings	599
Operating equipment	36
Vehicles	53
Total Group	**688**

The allocation by region is as follows:

CHF million	2019
EMEA	422
Americas	195
Asia-Pacific	71
Total Group	**688**

The allocation by business unit is as follows:

CHF million	2019
Seafreight	19
Airfreight	21
Overland	35
Contract Logistics	613
Total Group	**688**

Depreciation of right-of-use assets amounted to CHF 497 million. Refer to note 27 of the Consolidated Financial Statements for further details.

Acquisitions

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

Effective July 1, 2019, the Group acquired the business of Worldwide Perishables Canada Co., specialised in seafood logistics. With a strong footprint on the East Coast, the business will strengthen the existing Kuehne + Nagel perishables network in Canada.

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.

Other intangibles of CHF 26 million recognised on the acquisitions represent contractual and non-contractual customer lists.

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.

BUSINESS UNITS

The main contributor to the Group's result is the business unit Seafreight. In 2019, major profitability improvements were generated in the Seafreight and Contract Logistics business units.

Seafreight

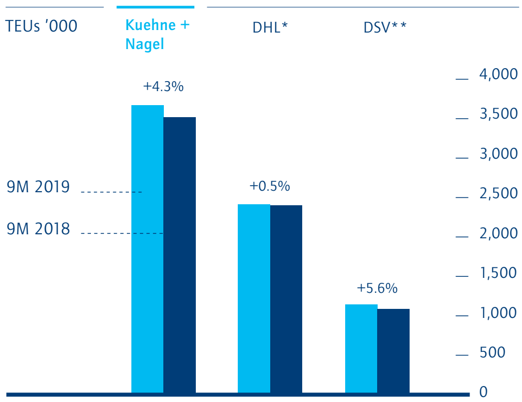
Seafreight volumes increased by 3.6 per cent to 4,861,000 TEUs. Services for temperature controlled cargo in reefer containers and order management business have significantly contributed to the growth. Customers from the pharma and healthcare industry use Kuehne + Nagel to handle temperature-sensitive products. The exports from Asia to Europe and the US as well as the intra-Asia trade contributed to the strong volume growth. In 2019, EBIT increased by 9.1 per cent compared to the previous year, while the ratio of EBIT to gross profit (conversion rate) increased to 29.6 per cent (2018: 28.2 per cent).

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

Performance Seafreight

CHF million	2019	2018	2017
Turnover	9,751	9,366	8,805
Net turnover	7,457	7,129	6,583
Gross profit	1,539	1,482	1,416
EBITDA	485	441	437
EBIT	456	418	414
In per cent of gross profit (conversion rate)	29.6	28.2	29.2
Number of operating staff	10,535	10,025	9,543
TEUs '000	4,861	4,690	4,355

Seafreight volumes: *Market growth ~0 to 1%*



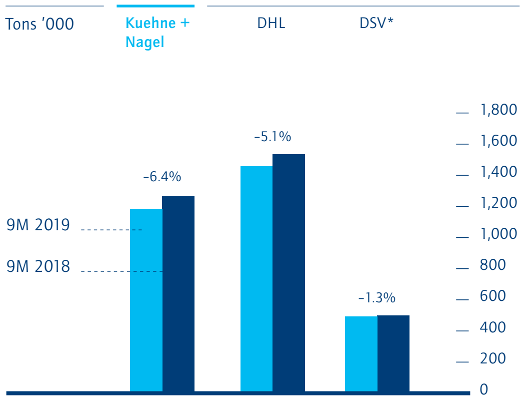
* Seafreight export TEU's not separately reported.
** For 9M 2019: Excluding Panalpina volumes.
Source: quarterly company publications.

Airfreight

Due to the global reduction in Airfreight volumes, the Group had to record decreased volumes by 5.7 per cent to 1,643,000 tons, therewith holding the number two position as global airfeight provider. EBIT-to-gross-profit margin decreased to 25.0 per cent in 2019 (2018: 29.5 per cent). EBIT declined by 7.3 per cent compared to the previous year. In 2019 the Group was leveraging the industry-specific expertise acquired through Quick International Courier (as per 31.12.2018) and gained a substantial new customer base. Quick International Courier is a global market leader in time critical shipments and serves mainly the pharma and healthcare as well as the aerospace industry.

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

Airfreight volumes: *Market growth ~–5 to –6 %*



* For 9M 2019: Excluding Panalpina volumes.
Source: quarterly company publications.

Performance Airfreight

CHF million	2019	2018	2017
Turnover	5,465	5,620	4,759
Net turnover	4,653	4,870	4,080
Gross profit	1,317	1,202	1,036
EBITDA	394	380	333
EBIT	329	355	313
In per cent of gross profit (conversion rate)	25.0	29.5	30.2
Number of operating staff	8,115	7,412	6,693
Tons '000	1,643	1,743	1,570

Overland

Overland increased its net turnover by 1.7 per cent in 2019, with a strong performance of its land transport activities in Europe. The Group continues to expand its service offering through the acquisition of the Joebstl Group in Austria strengthening the access to the eastern European market and the acquisition of Rotra in Belgium and the Netherlands to further intensify the Europe-wide Overland transportation. The key performance indicator EBITDA to net turnover margin improved to 3.8 per cent from previous year's 3.3 per cent. EBIT increased to CHF 78 million (2018: CHF 76 million).

With the expansion of services to industry-specific solutions, Overland has significantly contributed to the success of the Group's integrated logistics offering.

Performance Overland

CHF million	2019	2018	2017
Turnover	4,102	4,009	3,356
Net turnover	3,586	3,526	3,117
Gross profit	1,121	1,088	952
EBITDA	136	118	92
EBIT	78	76	49
In per cent of gross profit (conversion rate)	7.0	7.0	5.1
Number of operating staff	8,781	8,456	8,040

Contract Logistics

The focus on specialised end-to-end solutions for industries such as automotive, high-tech, consumer goods, aerospace, pharmaceuticals, healthcare, and e-commerce fulfilment led to numerous new customer contracts. This resulted in a (net of currency impact) net turnover growth of 5.8 per cent for 2019. More than 100 new logistics projects were implemented for customers in 2019, enabling the Company to manage 11.4 million square meters of warehouse and logistics space worldwide. At the same time the Group has focused on a customer portfolio that allows leveraging the other business units and makes use of scalable and sustainable logistics solutions. This has led to the reshaping of business size in some European countries including adaption of the real estate footprint. This initiative will continue in the years 2020 and 2021.

The restructuring of the product, real estate, and customer portfolio as well as the impact from the new accounting standard IFRS 16 Leases in 2019 led to an increase of the EBITDA to net turnover margin to 15.1 per cent versus 5.1 per cent in 2018; EBIT increased by 43.5 per cent.

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

Performance Contract Logistics

CHF million	2019	2018	2017
Turnover	5,977	5,830	5,300
Net turnover	5,398	5,249	4,814
Gross profit	4,004	3,937	3,619
EBITDA	814 [1]	270	288
EBIT	198	138	161
In per cent of gross profit (conversion rate)	4.9	3.5	4.4
Number of operating staff	43,661	43,694	39,957
Warehousing and logistics space in sqm	11,388,643	11,587,597	10,631,779
Idle space in sqm	336,696	343,081	283,690
Idle space in per cent	3.0	3.0	2.7

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

SHAREHOLDER RETURN

Dividend

For 2019, the Board of Directors is proposing a dividend amounting to CHF 4.00 per share for approval at the Annual General Meeting. If the dividend proposal is approved by the shareholders, the dividend payment on the shares will amount to CHF 479 million (2018: CHF 718 million) resulting in a payout ratio of 60.0 per cent (2018: 93.3 per cent) of the earnings for the year attributable to the equity holders of the Company. Based on the share price at year-end 2019 the dividend yield on the Kuehne + Nagel share is 3.7 per cent (2018: 4.6 per cent).

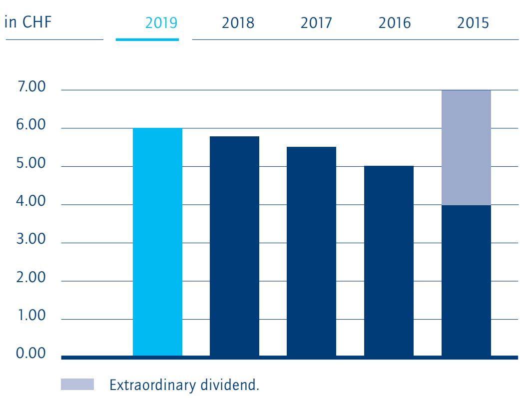
Share price and market capitalisation (December 31)

Share price and market capitalisation	2019	2018	2017	2016	2015
Share price (in CHF)	163.20	126.35	172.50	134.60	137.80
Market capitalisation (in CHF million)	19,584	15,162	20,700	16,152	16,536

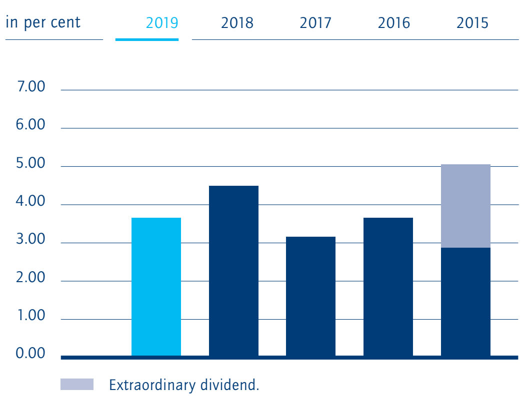
Total shareholder return development

in CHF	2019	2018	2017	2016	2015
Increase/(decrease) of share price year over year	36.85	–46.15	37.90	–3.20	2.50
Dividend per share	6.00	5.75	5.50	5.00	7.00
Total return	42.85	–40.40	43.40	1.80	9.50
Dividend yield in per cent	3.7	4.6	3.2	3.7	5.1

Dividend per share



Dividend yield



RISK MANAGEMENT, OBJECTIVES AND POLICIES

Group risk management

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

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

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

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

Risk management as an integral part of the Internal Control System (ICS) for financial reporting

Risk management is incorporated within the ICS. Preventive, risk-mitigating measures to control risks are proactively taken at different levels and are an integral part of management responsibility.

Risk assessment in 2019

An independent risk assessment procedure is implemented for operational risks review. The Regional Management is interviewed on a regular basis in order to assess the risks for each country in their respective region. In addition, each Management Board member assesses the overall strategic risk exposure of the Group. Within the framework of the Corporate Governance process, the updated risk assessment is presented to the Audit Committee of the Board of Directors.

Financial risks analysis and assessment are carried out by the finance and accounting department. The following risk areas have been identified amongst others for which mitigating actions have been implemented:

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

Organisation of risk management

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

Summarised assessment of the risk situation

In 2019, no significant risks were identified that would have the potential to substantially negatively impact the Group and its future development. The most material risks remain the uncertainty of the global economic development, the geopolitical instability, volatile currency fluctuations and the financial markets, thus all of those factors being in focus of the management.

CORPORATE GOVERNANCE

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

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

PRINCIPLES

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

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

GROUP STRUCTURE AND SHAREHOLDERS

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

Operational group structure

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

- Seafreight
- Airfreight
- Overland
- Contract Logistics

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

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

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

Listed companies of the Group

Kuehne + Nagel International AG, the ultimate holding company, is the only company listed on the Stock Exchange within the scope of the Group's consolidation. Kuehne + Nagel International AG has its registered office in Schindellegi (Feusisberg), Switzerland, and its shares are listed on the SIX Swiss Exchange, Zurich. The Company's market capitalisation amounted to CHF 19,584 million (120 million registered shares of nominal value CHF 1 at CHF 163.20 market value per share) on the closing date December 31, 2019.

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

- the free float consisted of 55,893,800 shares = 46.5 per cent, and
- treasury shares consisted of 206,200 shares = 0.2 per cent

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

Non-listed companies in the Group's consolidation

The main subsidiaries and associated companies of the Group are disclosed in appendix "Significant consolidated subsidiaries and joint ventures" to the Consolidated Financial Statements (pages 111 to 118), including particulars as to the country, name of the company, location, share capital, and the Group's stake in per cent.

Major shareholders

According to the share register as of December 31, 2019, the following registered shareholders held more than three per cent of the total share capital of Kuehne + Nagel International AG:

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

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

On December 31, 2019, shares of unregistered owners amounted to 18.7 per cent of the issued shares.

Cross-shareholdings

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

CAPITAL STRUCTURE

Ordinary share capital on the closing date

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

Authorised and conditional share capital

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

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

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

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

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

Change in capital over the past three years

From the year 2017 to 2019 no changes in capital occurred other than related to authorised and conditional share capital as outlined above.

Shares and participating certificates

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

Profit sharing certificates

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

Limitations on transferability and nominee registrations

Each share has one vote. All shares have equal voting rights, and no preferential rights or similar entitlements exist. The Articles of Association do not provide for any limitations on the transfer of shares. Nominees are entered in the share register only upon their written agreement to declare the names, addresses, and shareholdings of the respective persons, on whose account they are holding shares.

Convertible bonds and warrants/options

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

BOARD OF DIRECTORS

At the Annual General Meeting of May 7, 2019, Klaus-Michael Kuehne, Dr. Joerg Wolle, Karl Gernandt, Dr. Renato Fassbind, Dr. Thomas Staehelin, Hauke Stars, and Dr. Martin Wittig were re-elected to the Board of Directors for a one-year term. David Kamenetzky was newly elected to the Board of Directors for a one-year term. Juergen Fitschen and Hans Lerch, whose mandate expired at the Annual General Meeting, retired from the Board. Dr. Joerg Wolle was re-elected Chairman of the Board of Directors for a one-year term.

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

Klaus-Michael Kuehne, Honorary Chairman, German, 1937

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

Positions within the Kuehne + Nagel Group:

1958	Entrance into the family business followed by various management positions
1966–1975	Chief Executive Officer of the Group
1975–1992	Delegate and member of the Board of Directors
1992–2009	Executive Chairman of the Board of Directors Chairman of the Nomination and Compensation Committee
2009–2011	Chairman of the Board of Directors Chairman of the Nomination and Compensation Committee
2010–2011	Chairman of the Chairman's Committee
2011–today	Honorary Chairman of Kuehne + Nagel International AG Member of the Board of Directors elected until the Annual General Meeting 2020 Member of the Chairman's Committee Member of the Nomination and Compensation Committee elected until the Annual General Meeting 2020

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

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

Positions within the Kuehne + Nagel Group:

2010–2012	Member of the Board of Directors
2011–May 2016	Chairman of the Nomination and Compensation Committee
2013–May 2016	Vice Chairman of the Board of Directors
May 2016–today	Chairman of the Board of Directors elected until the Annual General Meeting 2020 Chairman of the Chairman's Committee

Karl Gernandt, Vice Chairman, German, 1960

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

Positions within the Kuehne + Nagel Group:

2008–2009	Member of the Board of Directors
2009–2011	Executive Vice Chairman and Delegate of the Board of Directors
2009–today	Member of the Audit Committee
May–Aug 2013	Chief Executive Officer (CEO) of the Group
2011–May 2016	Executive Chairman of the Board of Directors Chairman of the Chairman's Committee Member of the Nomination and Compensation Committee
May 2016–today	Vice Chairman of the Board of Directors elected until the Annual General Meeting 2020 Chairman of the Nomination and Compensation Committee elected until the Annual General Meeting 2020 Member of the Chairman's Committee

Dr. Renato Fassbind, Swiss, 1955

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

Positions within the Kuehne + Nagel Group:

2011–today	Member of the Board of Directors elected until the Annual General Meeting 2020
2011–today	Member of the Audit Committee

David Kamenetzky, German/Swiss, 1969

David Kamenetzky holds a degree in Accounting and Finance (lic. oec. HSG) from the University of St. Gallen, Switzerland, and a Master of Science in Foreign Service from Georgetown University, USA. Since July 2019, he is Chief Executive Officer of Joh. A. Benckiser and non-executive Chairman of JAB Investors. Between 2016 and 2019, Mr. Kamenetzky was the Chief Strategy & External Affairs Officer and a Member of the Executive Board of Management of the Anheuser-Busch Inbev SA / NV (AB InBev), a globally leading consumer goods company. From 2006 to 2016, he served as Member of the Executive Board of MARS Inc., a leading company in confectionery products and veterinary health services and one of the largest family owned companies globally. Previously, from 2000 to 2006, he acted as Vice President at Goldman Sachs in London and Frankfurt, and from 1993 to 1998 he was Chief of Staff in the Office of Ignatz Bubis, President of the Central Council of the Jews in Germany.

Positions within the Kuehne + Nagel Group:

2019–today	Member of the Board of Directors elected until the Annual General Meeting 2020

Dr. Thomas Staehelin, Swiss, 1947

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

Positions within the Kuehne + Nagel Group:

1978–today	Member of the Board of Directors elected until the Annual General Meeting 2020
2006–today	Chairman of the Audit Committee

Hauke Stars, German, 1967

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

Position within the Kuehne + Nagel Group:

May 2016–today	Member of the Board of Directors elected until the Annual General Meeting 2020
May 2019–today	Member of the Nomination and Compensation Committee elected until the Annual General Meeting 2020

Dr. Martin C. Wittig, German, 1964

Studies in mining engineering and business administration at RWTH Aachen followed by a Ph.D. in engineering at the Technical University of Berlin. After his studies he worked as a lecturer at the Technical University of Berlin and in project finance for the mining industry. In 1995 he joined Roland Berger Strategy Consultants and was elected Partner in 1999. In 2001 he became Managing Partner and Head of Roland Berger's office in Zurich and was elected to the global Executive Committee in 2003, where he held the position as CFO. From 2010 to 2013 he was Global Managing Partner and CEO of Roland Berger Strategy Consultants. Currently he advises CEOs of leading international companies.

Other significant activities: Adjunct lecturer at the University of St. Gallen, elected to the HSG Advisory Board in 2011; Honorary Consul of Germany in Switzerland; Member of the Supervisory Board and Chairman of the Audit Committee of UBS SE, Frankfurt; Chairman of the Advisory Board of Signa Sports United, Berlin.

Positions within the Kuehne + Nagel Group:

2014–today	Member of the Board of Directors elected until the Annual General Meeting 2020
May 2016–today	Member of the Audit Committee

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

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

Election and duration of tenure

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

Internal organisation, Board committees and meetings in 2019

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

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

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

- appointment and dismissal of Management Board members and other senior executives;
- preparation of the Annual General Meeting including submission of proposals and the implementation of its resolutions;
- maintainance of the share register.

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

Certain tasks of the Board of Directors have been delegated to the Chairman and comprise the following:

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

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

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

Audit Committee

The Audit Committee consists of three to five non-executive, predominantly independent members of the Board of Directors elected for a period of one year. Re-election as a member of the Audit Committee is possible. Members of the Management Board cannot be members of the Audit Committee.

As part of the regular contacts between the Audit Committee and both the internal and external auditors, the quality and effectiveness of the internal control mechanisms and the risk assessments are reviewed and evaluated continuously on the basis of written reports of the internal audit department as well as of management letters of the external auditors based on their interim audits. Furthermore, a regular contact with the external auditors throughout the year enables the Audit Committee to obtain knowledge of problem areas at an early stage. This allows proposing the timely introduction of any corrective actions to the Management Board.

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

The Audit Committee holds at a minimum four meetings a year, usually quarterly before the publication of the financial results. The Honorary Chairman can take part in the meetings as an advisor. Unless otherwise determined by the Audit Committee, the CEO, the CFO and the auditor in charge take part in all meetings, whilst the Head of Internal Audit, and the Group General Counsel or the Chief Compliance Officer, each, are invited as advisors whenever needed. In 2019 the auditor in charge attended three meetings of the Audit Committee. The Committee's Chairman informs the other members of the Board of Directors about the topics discussed in detail and decisions to be submitted to the entire Board of Directors for approval.

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

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

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

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

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

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

Chairman's Committee

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

The Chairman's Committee has the following responsibilities:

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

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

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

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

Nomination and Compensation Committee

The Nomination and Compensation Committee consists of two to six members of the Board of Directors elected at the Annual General Meeting (Compensation Committee) on the one hand and designated by the Board of Directors (Nomination Committee) on the other hand, each for a period of one year and meeting regularly as one joint Committee.

On the closing date December 31, 2019, Karl Gernandt was the Chairman of the Nomination and Compensation Committee; Klaus-Michael Kuehne and Hauke Stars were members.

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

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

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

The Nomination and Compensation Committee has the following responsibilities:

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

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

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

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

Board and committees	Board of Directors	Audit Committee	Chairman's Committee	Nomination and Compensation Committee
Number of meetings in 2019	4	5	7	3
Approximate duration of each meeting	12 hours	4 hours	4 hours	3 hours
Klaus-Michael Kuehne	3	–	7	3
Dr. Joerg Wolle	4	–	7	–
Karl Gernandt	4	5	7	3
Dr. Renato Fassbind	4	5	–	–
Juergen Fitschen [1]	2	–	–	–
David Kamenetzky [2]	3	–	–	–
Hans Lerch [1]	2	–	–	1
Dr. Thomas Staehelin	4	5	–	–
Hauke Stars	4	–	–	2
Dr. Martin C. Wittig	4	5	–	–

1 Retired from the Board of Directors as of May 7, 2019.
2 Member of the Board of Directors as of May 7, 2019.

Rules of competence between the Board of Directors and the Management Board

The Board of Directors executes the non-transferable and inalienable duties of the ultimate management of the Group. As far as the non-transferable and inalienable duties of the Board of Directors are not concerned, the Chairman of the Board of Directors overlooks the responsibilities of the assigned members of the Management Board of the Kuehne + Nagel Group. As per the Organisational Rules the responsibilities and competences relating to the operational management are transferred to the Management Board. The Management Board is responsible for the development, execution, and supervision of the day-to-day operations of the Group and the Group companies to the extent they are not incumbent on the Annual General Meeting, the Statutory Auditor, the Board of Directors, or the Chairman of the Board of Directors by applicable law, by the Articles of Association, or by the Organisational Rules. The Organisational Rules define which businesses can be approved by the Management Board and which ones require the approval of the Chairman of the Board of Directors or the Board of Directors pursuant to approval requirements based on the extent and nature of the respective business.

Information and control system of the Management Board

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

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

Risk Management

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

Risk management is part of the Internal Control System (ICS). Preventive and risk-reducing measures to control risks are proactively taken on different levels and are a fundamental part of the management responsibility. The finance and accounting department conducts, in collaboration with regional management and the Management Board, a risk assessment at least once a year. Details on risk management, including identified risks, are provided in the Status Report on page 16.

Compliance

Integrity as key element of business behaviour creates trust amongst business partners. Therewith the Group is able to carry the responsibility as a reliable and successful business partner. The Chairman of the Board of Directors and the CEO issued an updated release of the KN Ethics & Compliance Programme in December 2019. This KN Ethics & Compliance Programme includes clear and consistent guidance for policies and procedures, providing guidance for legal, regulatory, and other compliance requirements, as well as global communication and training initiatives. Ongoing compliance live and computer-based trainings resume to form key elements to ensure that members of all levels of the Group are and remain adequately knowledgeable and skilled to apply the KN Ethics & Compliance Programme in their day-to-day work. This includes top-down KN Code of Conduct live trainings as well as comprehensive live anti-bribery, anti-corruption, and anti-trust training initiatives. The Group encourages employees to raise concerns of potential violations of the KN Code of Conduct, amongst other channels, to a global 24/7 Confidential Reporting Line enabling reports in a safe, confident and, if desired, anonymous manner. The Kuehne + Nagel Group applies a risk-based Integrity Due Diligence (IDD) process for evaluating business partners.

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

MANAGEMENT BOARD

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

Dr. Detlef Trefzger, German, 1962

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

Positions within the Kuehne + Nagel Group:

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

Markus Blanka-Graff, Austrian, 1967

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

Positions within the Kuehne + Nagel Group:

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

Lothar Harings, German, 1960

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

Positions within the Kuehne + Nagel Group:

2009–today	Chief Human Resources Officer (CHRO) of the Group
2010–2019	Corporate Secretary

Martin Kolbe, German, 1961

Graduated computer scientist. Positions in IT management including CIO with Deutsche Post World Net (DPWN) from 2002 to 2005, responsible for DHL Europe and DHL Germany as well as member of the Supervisory Board in several DPWN-associated companies.

Position within the Kuehne + Nagel Group:

2005–today	Chief Information Officer (CIO) of the Group

Stefan Paul, German, 1969

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

Positions within the Kuehne + Nagel Group:

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

Yngve Ruud, Norwegian, 1964

Graduated from the Norwegian School of Management.

Positions within the Kuehne + Nagel Group:

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

Horst Joachim (Otto) Schacht, German, 1959

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

Positions within the Kuehne + Nagel Group:

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

Gianfranco Sgro, Italian, 1967

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

Position within the Kuehne + Nagel Group:

2015–today	Executive Vice President Contract Logistics of the Group

The Articles of Association (AoA) of Kuehne + Nagel International AG limit the number of mandates that members of the Management Board may hold outside the Kuehne + Nagel Group. Article 21 of the AoA limits the maximum number of permitted mandates of members of the Management Board to five board memberships, whereof no more than one may be held in a stock-listed company. Each mandate requires the approval of the Board of Directors.

Mandates in companies, which are controlled by Kuehne + Nagel or which control Kuehne + Nagel, are not subject to this limitation. In addition, members of the Management Board may hold no more than 25 mandates at Kuehne + Nagel's request, and no more than 25 mandates in associations, charitable organisations, foundations, trusts, and employee welfare foundations.

Compensation, shareholdings and loans

All details regarding compensation, shareholdings and loans are set forth in the separate Remuneration Report on pages 33 to 39 and in the Consolidated Financial Statements, note 46, on page 108 and listed furthermore in note 13 to the Financial Statements of Kuehne + Nagel International AG on pages 133 to 134.

SHAREHOLDERS' PARTICIPATION

Restrictions and delegation of voting rights

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

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

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

Statutory quorums

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

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

Calling of an Annual General Meeting

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

Agenda of the Annual General Meeting

Shareholders owning shares with a total nominal value of at least CHF 1 million can request that items be added to the agenda up to 45 days prior to the date fixed for the Annual General Meeting by submitting details of their proposals in writing.

Registration of shareholders into the share registers

Registered shares can only be represented at the Annual General Meetings by either shareholders or beneficiary owners whose personal particulars and size of shareholdings have been entered in the KNI share register. Such shareholders and/or beneficiary owners who are not in a position to attend the Annual General Meeting are entitled to nominate a representative by written proxy.

The share register remains closed for any movements during six calendar days preceding and including the date of the Annual General Meeting.

CHANGES OF CONTROL AND DEFENCE MEASURES

Duty to make an offer

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

Clauses on changes of control

No member of either the Board of Directors or the Management Board or other senior management staff has clauses on change of control in their employment contracts.

STATUTORY AUDITORS

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

Ernst & Young Ltd (EY), Zurich, as Kuehne + Nagel's auditor started in 2013. The auditor in charge since 2019 is Christian Schibler. The re-election of EY for the financial year 2019 was confirmed at the Annual General Meeting held on May 7, 2019.

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

Audit fees

According to the Group's financial records the fees charged for auditing services for the year 2019 amounted to CHF 3.6 million (2018: CHF 3.7 million).

Additional fees

In addition to the fees mentioned above, the statutory auditors are asked on a very restrictive basis to provide certain consulting services beyond the annual audit mandate. In 2019 an amount of CHF 0.5 million (2018: CHF 0.4 million) was incurred mainly related to tax consultancy mandates.

Supervisory and controlling instruments towards the statutory auditors

The work performed by the external statutory auditors is supervised, controlled, and duly monitored by the Board of Directors' Audit Committee. The statutory auditors report regularly to the Audit Committee. In 2019 the auditor in charge attended three Audit Committee meetings in person. The main criteria for the selection of the external audit company are its worldwide network, its reputation, and pricing.

INFORMATION POLICY

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

To this end, Kuehne + Nagel uses print media and, in particular, its website where up-to-date information is available. This information contains an overall presentation of the Group, detailed financial data as well as information on environmental and safety matters, which are the main elements of the corporate sustainability efforts. The Group aims for an integral approach to economic, ecologic and social responsibility. Furthermore, Kuehne + Nagel provides up-to-date information on significant, business-related occurrences and organisational changes, and updates all general information regarding the Company on a continuous basis.

All press releases are posted on the website when released and can be viewed, downloaded and subscribed to under the following link: https://newsroom.kuehne-nagel.com/media-releases. The Annual Report covering the past financial year is available for download at https://www.kn-portal.com/about_us/investor_relations/annual_reports

Kuehne + Nagel publishes its quarterly financial data on its website (https://www.kn-portal.com/about_us/investor_relations/financial_results_presentations). Prior to the first quarterly results being released, the financial calendar is published announcing the dates of the upcoming quarterly reports as well as of the Annual General Meeting (https://www.kn-portal.com/about_us/investor_relations/financial_calendar).

The contact address for Investor Relations is:

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

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

REMUNERATION REPORT

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

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

Introduction

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

At the Annual General Meeting 2019, as in the previous year, the shareholders of Kuehne + Nagel International AG individually elected the members of the Board of Directors, the Chairman, the members of the Compensation Committee as well as the independent proxy. The Annual General Meeting (AGM) on May 7, 2019, furthermore approved each of the total aggregate remuneration amounts, for the members of the Board of Directors for the period until the next ordinary AGM, and for the members of the Management Board for the fiscal year 2020.

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

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

Remuneration principles

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

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

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

Determination of remuneration

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

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

The Nomination and Compensation Committee has the following responsibilities:

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

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

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

REMUNERATION COMPONENTS

Board of Directors

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

Management Board

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

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

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

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

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

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

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

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

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

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

Other benefits

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

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

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

BOARD OF DIRECTORS REMUNERATION

The total maximum amount of remuneration for the members of the Board of Directors approved by the Annual General Meeting on May 7, 2019, for the period ending at the 2020 Annual General Meeting, amounted to CHF 5.0 million.

The total actual remuneration accrued for and paid to the members of the Board of Directors for their tenure 2019 amounted to CHF 4.3 million (2018: CHF 3.9 million).

The following tables show details of the remuneration of the members of the Board of Directors for 2019 and 2018:

2019 Remuneration to the members of the Board of Directors in CHF thousand	Compensation for Board of Directors	Compensation for Committees	Social insurance	Total
Klaus-Michael Kuehne (Honorary Chairman)	750	10	38	798
Dr. Joerg Wolle (Chairman)	1,718	–	98	1,816
Karl Gernandt (Vice Chairman)	550	25	33	608
Dr. Renato Fassbind	180	15	12	207
Juergen Fitschen [1]	64	–	2	66
David Kamenetzky [2]	117	–	7	124
Hans Lerch [1]	64	2	3	69
Dr. Thomas Staehelin	180	15	9	204
Hauke Stars	180	7	11	198
Dr. Martin C. Wittig	180	15	12	207
Total	**3,983**	**89**	**225**	**4,297**

1 Retired from the Board of Directors as of May 7, 2019.
2 Member of the Board of Directors as of May 7, 2019.

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

MANAGEMENT BOARD REMUNERATION

The total maximum amount of remuneration for the members of the Management Board approved by the Annual General Meeting on May 7, 2019, for the fiscal year 2019, amounted to CHF 20.0 million.

The total actual remuneration accrued for and paid to the Chief Executive Officer and to the members of the Management Board in the financial year 2019 amounted to CHF 17.8 million (2018: CHF 16.2 million).

The following tables show details of the remuneration for the Chief Executive Officer and the other members of the Management Board for 2019 and 2018:

2019 In CHF thousand	Salary	In per cent of total remuneration	Variable part of remuneration	In per cent of total remuneration	Social Insurance	Pension [1]	Share Plan	In per cent of total remuneration	Others [2]	Total
Dr. Detlef Trefzger, Chief Executive Officer	1,040	28.3	1,989	54.1	191	123	302	8.2	32	3,677
Members of the Management Board	4,593	32.4	6,805	48.0	545	615	1,443	10.2	162	14,163
Total	**5,633**	**31.6**	**8,794**	**49.3**	**736**	**738**	**1,745**	**9.8**	**194**	**17,840**

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

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

OTHER REMUNERATION

Remuneration for former members of the Board of Directors or Management Board and related parties
During the reporting years 2019 and 2018 no remuneration was paid to or accrued for former members of the Board of Directors and the Management Board in connection with their previous activities in the Company. Furthermore, no payments which are not at arm's length were made during 2019 and 2018 to former members of the Board of Directors, Management Board and to individuals who are closely related to them.

Loans and credits granted
In the reporting years 2019 and 2018, neither Kuehne + Nagel International AG nor one of its subsidiaries provided any guarantees, loans, advances, credit facilities or similar either to former or current members of the Board of Directors or Management Board or to related parties nor are there any receivables of any kind outstanding.

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

We have audited the remuneration report of Kuehne + Nagel International AG on the pages 33 to 39 for the year ended December 31, 2019.

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

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

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

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

Opinion
In our opinion, the remuneration report for the year ended December 31, 2019 of Kuehne + Nagel International AG complies with Swiss law and articles 14 – 16 of the Ordinance.

Ernst & Young Ltd

Christian Schibler Licensed Audit Expert (Auditor in Charge)	**Andreas Traxler** Licensed Audit Expert

Zurich, February 26, 2020

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 attribut-able 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		Total Reportable Segments		Eliminations		Unallocated Corporate	
2019	2018	2019	2018	2019	2018	2019	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 on trade receivables	Trade receivables	Impairment allowance on trade receivables
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		Deferred		Retired		Total	
	2019	2018	2019	2018	2019	2018	2019	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			2018		
	Funded plans	Unfunded plans	Total	Funded plans	Unfunded plans	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			2018		
	Funded plans	Unfunded plans	Total	Funded plans	Unfunded plans	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

1 Directly held by Kuehne + Nagel International AG.

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

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)
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: https://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

Income Statement

CHF million	Note	2019	2018
Income			
Income from investments in Group companies	1	515	551
Finance income			
– Interest income on loan receivables from Group companies		18	8
– Exchange gains		51	57
– Profit on sale of treasury shares		1	2
Other operational income	2	78	197
Total income		**663**	**815**
Expenses			
Finance expenses			
– Interest expenses on liabilities towards Group companies		–7	–5
– Exchange losses		–47	–54
Other operational expenses	3	–23	–21
Total expenses		**–77**	**–80**
Earnings before tax and impairment		**586**	**735**
Impairment of investment in Group companies		–	–32
Earnings before tax (EBT)		**586**	**703**
Income tax		–16	–9
Earnings for the year		**570**	**694**

Balance Sheet

CHF million	Note	Dec. 31, 2019	Dec. 31, 2018
Assets			
Cash and cash equivalents	4	511	113
Other current receivables			
– from third parties		5	2
– from Group companies	5	1,238	954
Total current assets		**1,754**	**1,069**
Long term receivables from Group companies	5	–	51
Investments	6	1,870	1,678
Non-current assets		**1,870**	**1,729**
Total assets		**3,624**	**2,798**
Liabilities and equity			
Liabilities towards Group companies	7	1,464	556
Current liabilities			
– from third parties		–	337
– Other provisions and accruals		2	7
– Tax provision		9	9
Current liabilities		**1,475**	**909**
Non-Current liablilities			
– from third parties	8	400	–
Non-Current liablilities		**400**	**–**
Total liabilities		**1,875**	**909**
Share capital	9	120	120
Legal capital contribution reserves		6	6
Legal reserves		60	60
Free reserves			
– Retained earnings	10	1,021	1,045
– Earnings for the year		570	694
Treasury shares	11	–28	–36
Equity		**1,749**	**1,889**
Total liabilities and equity		**3,624**	**2,798**

Schindellegi, February 26, 2020

KUEHNE + NAGEL INTERNATIONAL AG

Dr. Detlef Trefzger — CEO

Markus Blanka-Graff — CFO

NOTES TO THE FINANCIAL STATEMENTS 2019

GENERAL

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

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

BASIS OF PREPARATION/ACCOUNTING POLICIES

Investments

The investments in subsidiaries, associates and joint ventures are recognised in the balance sheet at cost less valuation allowance.

Receivables

– *from Group companies*
  The balances outstanding are recorded at their nominal value less valuation allowance at year-end.

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

Treasury shares

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

Tax provision

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

Liabilities

– *towards Group companies*
  Liabilities towards consolidated companies are recorded at their nominal value at year-end.

NOTES TO THE INCOME STATEMENT

1 INCOME FROM INVESTMENTS IN GROUP COMPANIES

The income from investments in Group companies relates mainly to dividends received.

CHF million	2019	2018
Income from investments and others	430	432
Trademark fee	85	119
Total	**515**	**551**

2 OTHER OPERATIONAL INCOME

CHF million	2019	2018
Refund from Antitrust claims	1	9
Income of amortised paid-in surplus previously written off	–	188
Sale of investment Kuehne + Nagel AG, Opfikon Switzerland	77	–
Total	**78**	**197**

3 OTHER OPERATIONAL EXPENSES

CHF million	2019	2018
Board of Directors fee	4	4
Trademark Marketing/IP concept	5	5
Other operational expenses	14	12
Total	**23**	**21**

NOTES TO THE BALANCE SHEET

4 CASH AND CASH EQUIVALENTS

CHF million	Dec. 31, 2019	Dec. 31, 2018
The bank deposits are in the following currencies:		
CHF	392	53
EUR	106	51
USD	13	9
Total	**511**	**113**

5 RECEIVABLES FROM GROUP COMPANIES

Current receivables

CHF million	Dec. 31, 2019	Dec. 31, 2018
Kuehne + Nagel Ltd., Nairobi	17	19
Kuehne + Nagel Ltd., Bogota	4	6
Kuehne + Nagel Ltd., Amman	1	1
Kuehne + Nagel ltd., Antwerp	1	4
Kuehne + Nagel Ltd., Bahrain	2	4
Kuehne + Nagel Ltd., Bermuda	–	11
Kuehne + Nagel Ltd., Buenos Aires	4	7
Kuehne + Nagel Ltd., Copenhagen	1	2
Kuehne + Nagel Ltd., Costa Rica	–	1
Kuehne + Nagel Ltd., Doha	–	1
Kuehne + Nagel Ltd., Dublin	11	12
Kuehne + Nagel Ltd., Dubai	2	2
Kuehne + Nagel S.r.l., Milano	1	–
Kuehne + Nagel Inc. Manila	3	–
Kuehne + Nagel L.L.C. , Erbil	1	–
Kuehne + Nagel Ltd., Lima	–	1
Kuehne + Nagel AG, Luxembourg	2	4
Kuehne + Nagel Investment S.a.r.l., Luxembourg	11	16
Kuehne + Nagel Investment Inc., New York	420	148
Kuehne + Nagel Pty., Panama	2	1
Kuehne + Nagel N.N., Rotterdam	–	9
Kuehne + Nagel Investment B.V., Rotterdam	327	339
Kuehne + Nagel Ltd. Santiago	6	6
Kuehne + Nagel Shared Service Centre d.o.o.	1	–
Kuehne + Nagel Real Estate Holding AG, Schindellegi	22	36
Kuehne + Nagel Liegenschaften AG, Schindellegi	19	19
Kuehne + Nagel Finance AG, Schindellegi	353	–
Kuehne + Nagel AG, Zurich	21	19
Kuehne + Nagel (AG & Co.) KG, Hamburg	–	74
Kuehne + Nagel Services Ltd., Vancouver	–	210
Other Group companies	6	2
Total	**1,238**	**954**

Non-current receivables

CHF million	Dec. 31, 2019	Dec. 31, 2018
Kuehne + Nagel Pte. Ltd., Singapore	–	51
Total	**–**	**51**

6 DEVELOPMENT OF INVESTMENTS

CHF million	Investments in consolidated companies	Investments in affiliated companies	Total
Cost			
Balance as of January 1, 2019	1,896	2	1,898
Additions	244	–	244
Repayment	–51	–	–51
Disposals	–1	–	–1
Balance as of December 31, 2019	**2,088**	**2**	**2,090**
Cumulative amortisation			
Balance as of January 1, 2019	218	2	220
Additions	–	–	–
Disposals	–	–	–
Balance as of December 31, 2019	**218**	**2**	**220**
Carrying amount			
As of January 1, 2019	**1,678**	**–**	**1,678**
As of December 31, 2019	**1,870**	**–**	**1,870**

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

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

7 LIABILITIES TOWARDS GROUP COMPANIES

CHF million	Dec. 31, 2019	Dec. 31, 2018
Kuehne + Nagel Ltd., Dublin	1	2
Kuehne + Nagel S.a.r.l., Luxembourg	37	23
Kuehne + Nagel S.A.S., Paris	207	128
Kuehne + Nagel N.V., Rotterdam	11	2
Kuehne + Nagel NV/SA, Antwerp	–	1
Kuehne + Nagel Services Ltd., Vancouver	466	–
Kuehne + Nagel A/S, Oslo	–	1
Kuehne + Nagel GmbH, Vienna	222	1
Kuehne + Nagel Ltd., London	–	1
Kuehne + Nagel S.r.l., Milano	–	1
Kuehne + Nagel Ltd., Singapore	2	1
Kuehne + Nagel (AG & Co.) KG, Hamburg	–	4
Kuehne + Nagel Ltd. Mississauga	15	–
Kuehne + Nagel Ltd., Mexico	10	–
Kuehne + Nagel AS, Oslo	1	–
Kuehne + Nagel Real Estate Pty. Ltd., Melbourne	16	–
Kuehne + Nagel Ltd., Hongkong	31	1
Kuehne + Nagel Ltd., Auckland	2	2
Kuehne + Nagel Kft., Budapest	6	–
Kuehne + Nagel Ltd., Sydney	1	1
Kuehne + Nagel Ltd., Shanghai	52	28
Kuehne + Nagel s.r.o., Bratislava	–	1
Kuehne + Nagel S.A., Madrid	1	–
Kuehne + Nagel Investment SL, Madrid	46	50
Kuehne + Nagel Investment AB, Stockholm	15	17
Kuehne + Nagel Inc., New York	–	26
Kuehne + Nagel Management AG, Schindellegi	224	148
Kühne + Nagel AG, Zürich	2	–
Nacora Insurance Brokers AG, Zurich	–	1
Kuehne + Nagel Finance AG, Schindellegi	19	12
Nacora Holding AG, Schindellegi	35	18
Nacora Agencies AG, Schindellegi	31	82
Kuehne + Nagel LLC, Dubai	3	–
Other	8	4
Total	**1,464**	**556**

8 BORROWINGS

CHF million	Dec. 31, 2019	Dec. 31, 2018
0.02 per cent Bond due 2022	200	–
0.2 per cent Bond due 2025	200	–
Borrowings	**400**	**–**

On June 18, 2019, Kuehne + Nagel International AG 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.

9 SHARE CAPITAL

Share capital	Registered shares at nominal value of CHF 1 each	CHF million
Balance as of December 31, 2019	120,000,000	120

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 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.

10 RETAINED EARNINGS

Retained earnings	CHF million
Balance as of January 1, 2018 (before earnings for the year)	1,045
Earnings for the year 2018	694
Retained earnings as of December 31, 2018 (prior to appropriation of available earnings)	**1,739**
Distribution to the shareholders (representing CHF 6.00 per share)	–718
Subtotal (before earnings for the year)	**1,021**
Earnings for the year 2019	570
Balance as of December 31, 2019	**1,591**

Capital contribution reserves	CHF million
Capital contribution reserves as of December 31, 2019	6
Balance capital contribution reserves as of December 31, 2019	**6**

11 TREASURY SHARES

Own Shares	Number of transactions	All time low in CHF during the year	Maximum rate in CHF during the year	Average price of transactions in CHF	Number of shares	CHF million
Balance as of January 1, 2019					265,469	36
Purchases of own shares	–	–	–	–	–	–
Sale of own shares	15	133.15	148.05	134.96	–59,269	–8
Closing balance as of December 31, 2019					**206,200**	**28**

Treasury shares are valued at average cost.

OTHER NOTES

12 PERSONNEL

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

13 SHAREHOLDINGS OF MEMBERS OF THE BOARD OF DIRECTORS AND MANAGEMENT BOARD

Shareholdings of members of the Board of Directors

As of December 31, 2019, the following number of shares were held by members of the Board of Directors and/or parties closely associated with them.

Name	2019	2018
Klaus-Michael Kuehne (Honorary Chairman)	64,055,000	64,080,000
Dr. Joerg Wolle (Chairman)	58,000	58,000
Karl Gernandt (Vice Chairman)	65,000	87,185
Dr. Renato Fassbind	1,700	1,700
Juergen Fitschen [1]	n/a	–
David Kamenetzky [2]	–	n/a
Hans Lerch [3]	n/a	2,500
Dr. Thomas Staehelin	10,000	10,000
Hauke Stars	–	–
Dr. Martin C. Wittig	–	–
Total	**64,189,700**	**64,239,385**

1 Retired from the Board of Directors as of May 7, 2019.
2 As of May 7, 2019 member of the Board of Directors.
3 Retired from the Board of Directors as of May 7, 2019.

Shareholdings of members of the Management Board

As of December 31, 2019, the following number of the shares were held by members of the Management Board and/or parties closely associated with them:

Name	2019	2018
Dr. Detlef Trefzger, Chief Executive Officer	47,712	46,543
Markus Blanka-Graff, Chief Financial Officer	15,436	14,559
Lothar Harings, Chief Human Resources Officer	24,166	23,289
Martin Kolbe, Chief Information Officer	33,132	32,255
Stefan Paul, Executive Vice President Overland	15,915	15,038
Horst Joachim Schacht, Executive Vice President Seafreight	36,406	35,529
Yngve Ruud, Executive Vice President Airfreight	32,037	31,150
Gianfranco Sgro, Executive Vice President Contract Logistics	8,050	7,850
Total	**212,854**	**206,213**

14 MAJOR SHAREHOLDERS

According to the share register as of December 31, 2019, the following registered shareholders held more than three per cent of the total share capital of Kuehne + Nagel International AG:

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

15 CONTINGENT LIABILITIES

For further information regarding contingent liabilities refer to note 41 of the Consolidated Financial Statements.

PROPOSAL OF THE BOARD OF DIRECTORS TO THE ANNUAL GENERAL MEETING MAY 5, 2020, REGARDING THE APPROPRIATION OF THE AVAILABLE EARNINGS

For 2019 the Board of Directors is proposing a regular dividend amounting to CHF 4.00 per share for approval at the Annual General Meeting. If the dividend proposal is approved by shareholders, dividend payments will amount to CHF 479 million (2018: CHF 718 million) towards regular dividend resulting in a payout ratio of 60.0 per cent (2018: 93.3 per cent) of the earnings for the year attributable to the equity holders of the Company.

Available earnings	CHF million
Balance as of January 1, 2019 (before income for the year)	1,021
Earnings for the year 2019	570
Available earnings as of December 31, 2019	1,591
Distribution to the shareholders (representing CHF 4.00 per share) [1]	–479
Retained earnings as of December 31, 2019 (after appropriation of available earnings)	**1,112**

1 The total dividend amount covers all outstanding shares (as per December 31, 2019: 119,793,800 shares). However, shares held in treasury on the date of the dividend declaration are not eligible for dividend payments. As a consequence, and if required, the reported total dividend amount is adjusted accordingly.

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

As statutory auditor, we have audited the financial statements of Kuehne + Nagel International AG, which comprise the income statement, balance sheet and notes (pages 125 to 134), for the year ended 31 December 2019.

Board of Directors' responsibility

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

Auditor's responsibility

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

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

Opinion

In our opinion, the financial statements for the year ended 31 December 2019 comply with Swiss law and the company's articles of incorporation.

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

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

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

Valuation of investments and related income statement accounts

Area of focus

As of December 31, 2019, the Company's investments amounted to CHF 1,870 million and accounted for 52% of total assets.

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

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

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

Our audit response

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

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

Report on other legal requirements

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

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

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

Ernst & Young Ltd

Christian Schibler
Licensed audit expert
(Auditor in charge)

Andreas Traxler
Licensed audit expert

Zurich, February 26, 2020

April 27, 2020	Three-months 2020 results
May 5, 2020	Annual General Meeting
May 11, 2020	Dividend payment for 2019
July 21, 2020	Half-year 2020 results
October 20, 2020	Nine-months 2020 results
March 3, 2021	Full-year 2020 results

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