KUEHNE+NAGEL

Annual Report 2020

Kuehne+Nagel Group key data

CHF million	2020	2019	2018	2017	2016	2015	2014
Turnover	23,812	25,295	24,825	22,220	19,985	20,283	21,291
Net turnover	20,382	21,094	20,774	18,594	16,525	16,731	17,501
Gross profit	7,475	7,981	7,709	7,023	6,550	6,251	6,288
In per cent of net turnover	36.7	37.8	37.1	37.8	39.6	37.4	35.9
EBITDA [1]	1,920	1,829	1,209	1,150	1,110	1,041	1,005
In per cent of net turnover [1]	9.4	8.7	5.8	6.2	6.7	6.2	5.7
EBIT	1,070	1,061	987	937	918	850	819
In per cent of net turnover	5.2	5.0	4.8	5.0	5.6	5.1	4.7
In per cent of gross profit (conversion rate)	14.3	13.3	12.8	13.3	14.0	13.6	13.0
EBT	1,059	1,047	994	955	935	878	824
In per cent of net turnover	5.2	5.0	4.8	5.1	5.7	5.2	4.7
Earnings for the year	789	800	772	740	720	679	644
In per cent of net turnover	3.9	3.8	3.7	4.0	4.4	4.1	3.7
Earnings for the year (Kuehne+Nagel share)	788	798	770	737	718	676	633
In per cent of net turnover	3.9	3.8	3.7	4.0	4.3	4.0	3.6
Depreciation, amortisation and impairment of assets [1]	850	768	222	213	192	191	186
In per cent of net turnover [1]	4.2	3.6	1.1	1.1	1.2	1.1	1.1
Operational cash flow [1]	1,904	1,746	1,156	1,148	1,062	1,045	1,000
In per cent of net turnover [1]	9.3	8.3	5.6	6.2	6.4	6.2	5.7
Capital expenditures for fixed assets	177	320	315	225	239	241	186
In per cent of operational cash flow	9.3	18.3	27.2	19.6	22.5	23.1	18.6
Total assets [1]	9,851	9,825	7,878	7,457	6,331	6,099	6,603
Non-current assets [1]	3,815	4,621	2,793	2,445	2,209	2,231	2,175
Equity	2,413	2,322	2,324	2,327	2,165	2,126	2,453
In per cent of total assets [1]	24.5	23.6	29.5	31.2	34.2	34.9	37.1
Total employees at year-end	78,249	83,161	81,900	75,876	70,038	67,236	63,448
FTEs of employees at year-end	72,021	78,448	77,416	71,263	65,718	63,343	59,484
FTEs at year-end including temporary staff	93,238	99,113	99,072	92,372	85,887	80,056	74,497
Personnel expenses	4,443	4,877	4,736	4,243	3,957	3,741	3,764
In per cent of net turnover	21.8	23.1	22.8	22.8	23.9	22.4	21.5
Gross profit in CHF 1,000 per FTE	80	81	78	76	76	78	84
Personnel expenses in CHF 1,000 per FTE	48	49	48	46	46	47	51
Basic earnings per share (nominal CHF 1) in CHF							
Consolidated earnings for the year (Kuehne+Nagel share) [2]	6.59	6.67	6.43	6.16	5.99	5.64	5.28
Distribution in the following year	4.50	4.00	6.00	5.75	5.50	5.00	4.00 [3]
In per cent of the consolidated net income for the year	68.3	60.0	93.3	93.4	91.8	88.6	75.8
Development of share price							
SIX Swiss Exchange (high/low in CHF)	206/121	164/126	181/123	181/133	144/124	148/118	136/115
Average trading volume per day	318,423	267,260	217,865	206,266	190,820	204,420	149,896

1 Figures prior to 2019 have not been restated for the impact of IFRS 16 Leases.
2 Excluding treasury shares.
3 Excluding extraordinary dividend.

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Letter to our shareholders

Dear shareholders,

It is hard to imagine a financial year that has been more demanding for our employees and management teams at all levels than 2020. The Corona phenomenon has taken a huge toll on the global economy. Since January, firstly in China and then throughout the world, the pandemic initially took people by surprise and then became a matter of deep concern. Many things have changed beyond all recognition.

At Kuehne+Nagel we showed great commitment and flexibility in adapting quickly to the changed situation. We now look back with some professional pride and can say that 2020, the year of the pandemic, was a highly successful year for your company, the Kuehne+Nagel Group. We managed to overcome the challenges, some of which were huge, as well as taking opportunities as they presented themselves. Our company has proven successful under these extraordinary circumstances and shown itself to be crisis-proof. This year has also demonstrated what this company is capable of with its 78,000 employees even under the most adverse of circumstances.

In a global economy that has taken a considerable hit, with significant drops in trade flows, net turnover for the Group were only slightly down on the previous year at 20.4 billion Swiss Francs. At 1.1 billion francs, EBIT was almost one percentage point up on 2019, a record high. All of Kuehne+Nagel's business units generated new client business and increased profitability, particularly in the second half of the year.

We feel justified in saying not only that this has been a successful year for Kuehne+Nagel despite the pandemic, but also that in spite of the global lockdown the company has made a crucial contribution towards maintaining global supply chains that are so important and under threat right now. The range of services we offer to the pharmaceutical industry has meant we were able to ship millions of items of protective equipment, and we are now setting standards in the secure, reliable global distribution of COVID-19 vaccines. By doing so, we are also making an important contribution to the public health situation, which will hopefully ease soon.

This is partly a payoff from the bold strategic decision we took several years ago to focus, expand and extend our presence in China and other parts of Asia. That region now largely has the pandemic under control and is acting as one of the key drivers of the global economy. Our company is one of the most significant players in integrated logistics in China. That was another factor that helped us in the pandemic year. In the past, Kuehne+Nagel focussed mainly on Europe and North America, whereas the Group is now systematically expanding its position in the Asia-Pacific region. The Board of Directors is firmly convinced that Asia will be the central driver of global economic development in the years to come. We are not only committed, but also have the capacity, to play an active part in this process. The announcement of the acquisition of Apex International Corporation in February 2021 is an important milestone in this respect.

We're particularly proud of the fact that all four of our business units were involved in the preparations for vaccine logistics: Air and Road Logistics in particular, of course, for shipping the vaccines, but also Contract Logistics, for storing the vaccines properly at below-zero temperatures as well as Sea Logistics, for shipping in ancillary materials such as vials and syringes. The Kuehne+Nagel Group demonstrated convincingly that it can hit the ground running when it comes to rapid-response, integrated, networked and rapid logistics solutions.

> **"It has paid off that we began to strategically build and expand our presence in China and other parts of Asia with purpose, several years ago."**
>
> Dr. Joerg Wolle

But 2020 was also an eventful year for Kuehne+Nagel from a structural perspective: With the disposal of parts of the Contract Logistics activities in the United Kingdom, France and Argentina, we completed the comprehensive restructuring of this unit successfully. We launched a strategic review of these activities at the Board of Directors meeting at the beginning of 2019 and informed you, our business partners and the public accordingly. The division is now in excellent shape to focus globally on scalable solutions, particularly in e-commerce and pharma.

Ladies and gentlemen, dear shareholders, many of you have been with our company for years. We view this as a great responsibility and duty. So I am all the more delighted that we have been able to propose issuing a dividend of 4.50 Swiss Francs per share for the 2020 financial year. This too is definitely an expression of strength and continuity at a time of huge uncertainty. On behalf of the entire Board of Directors, I would like to express my heartfelt thanks for your continuing confidence in Kuehne+Nagel.

Dr. Joerg Wolle
Chairman of the Board of Directors

Status Report

Economic environment

The Kuehne+Nagel Group (the Group) delivered a strong result in 2020 despite the uncertainties of the COVID-19 pandemic. Once again, the Group confirmed its global leading position in Sea Logistics with 4.5 million TEUs managed in container traffic and its global number 2 market position with 1.4 million tons in Air Logistics. Despite the difficult market situation, Air Logistics reported significant growth and improved profitability. While the COVID-19 pandemic affected Road Logistics results overall negatively, a number of shipments rebound in the second half of the year. In Contract Logistics the Group has successfully completed the reorganisation in 2020.

Kuehne+Nagel is specialised in complex end-to-end supply chain solutions. They are managed in the global network through logistics control towers and executed by 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 2020, the world economy experienced a global recession caused by COVID-19 with an estimated negative growth of 4.3 per cent (2019: 2.3 per cent positive growth). While there are signs that global economic activity is recovering, COVID-19 lockdowns reduced overall activity and income below pre-pandemic levels. The global economic recovery with an initial rebound mid-2020 slowed down, however, while trade and activity in the goods sector has increased, the services sector remains weak. For 2021 global growth of 4.0 per cent is forecasted.

The deceleration of the economic growth in 2020 was widespread and affected emerging markets and developing economies as well as mature economies. In mature economies the growth rate in 2020 declined to an estimated –5.4 per cent in comparison to 1.6 per cent in 2019. Emerging markets grew by 3.6 per cent in 2019 and by an estimated –2.6 per cent in 2020. (Based on: World Bank, Global Economic Prospects, January 2021)

In 2020, the international logistics industry experienced world trade volume growth below the level of 2019. The world trade volume growth is estimated to have slowed down to –9.6 per cent in 2020 versus 1.0 per cent in 2019.

Advanced economies' world trade volume grew by 1.4 per cent in 2019 and is estimated at –10.1 per cent in 2020. In emerging markets and developing economies these indicators were at 0.3 per cent in 2019 and estimated at –8.9 per cent in 2020. (Based on: IMF, World Economic Outlook Update, January 2021)

On the carrier side, the market in 2020 was characterised by a significant increase in freight rates caused by capacity shortage in Air Logistics but also Sea Logistics.

Kuehne + Nagel‘s volume growth was negative in line with the market, resulting in a 3.4 per cent lower net turnover than in 2019. Gross profit reduced by 6.3 per cent. The Group was able to increase EBIT by 0.8 per cent in 2020 by applying strict cost control.

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 over the entire timeline of the strategy programmes, 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 is well on track in the programme and will reach its ambitions 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.

As a pioneer in the industry, Kuehne+Nagel addresses proactively the CO2 footprint of the transportation services involving 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 are CO2 neutral since 2020.

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 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. Kuehne+Nagel's net turnover decreased by CHF 712 million or

Key financial figures

CHF million	2020	2019	Variance in per cent
Turnover	23,812	25,295	–5.9
Net turnover	20,382	21,094	–3.4
Gross profit	7,475	7,981	–6.3
Gross profit in per cent of net turnover	36.7	37.8	
EBITDA	1,920	1,829	5.0
EBIT	1,070	1,061	0.8
In per cent of net turnover	5.2	5.0	
In per cent of gross profit	14.3	13.3	
Earnings for the year	789	800	–1.4
Earnings for the year (Kuehne+Nagel share)	788	798	–1.3
Earnings per share basic (in CHF)	6.59	6.67	–1.2
Operational cash flow	1,904	1,746	9.1
Capital expenditures for fixed assets	177	320	–44.7
Total employees at year-end	78,249	83,161	–5.9
Total full-time equivalents of employees at year-end	72,021	78,448	–8.2

3.4 per cent in 2020, and gross profit declined by CHF 506 million or 6.3 per cent compared to the previous year.

In 2020, EBIT increased by CHF 9 million or 0.8 per cent. At constant exchange rates and excluding acquisitions the increase would have been CHF 75 million or 7.0 per cent. Earnings for the year 2020 decreased by CHF 11 million or 1.4 per cent compared to 2019. In constant currencies and excluding acquisitions the Group would have increased the earnings for the year by CHF 37 million or 4.7 per cent.

Capital expenditure in fixed assets decreased by CHF 143 million or 44.7 per cent to CHF 177 million compared to the previous year. In 2020, the Kuehne + Nagel Group decreased the number of employees year-on-year by 4,912 or 5.9 per cent from 83,161 to 78,249 employees. The number of full time equivalents of employees reached 72,021 versus 78,448, which is a decrease of 6,427 or 8.2 per cent.

Income Statement

Turnover

In 2020, Kuehne+Nagel's turnover amounted to CHF 23,812 million representing a decrease of 5.9 per cent or CHF 1,483 million compared to the previous year. Organic business growth resulted in a decrease of turnover of CHF 151 million (0.7 per cent) while acquisitions contributed with an increase of CHF 145 million (0.6 per cent). The exchange rate fluctuation had a negative impact of CHF 1,477 million (5.8 per cent).

Volumes in Sea Logistics decreased by 6.8 per cent (–332,000 TEUs), and turnover per TEU decreased by 1.2 per cent to CHF 1,981 per TEU (2019: CHF 2,006). In Air Logistics, the volume decreased by 12.8 per cent (–210,000 Tons), and the freight rate increased by 22 per cent per 100 kg to CHF 406 (2019: CHF 333).

From a regional view, Asia-Pacific (0.4 per cent) reported a slight increase in turnover for 2020. Europe, Middle East and Africa "EMEA" (5.5 per cent) and the Americas (9.2 per cent) reported a decreased turnover in 2020.

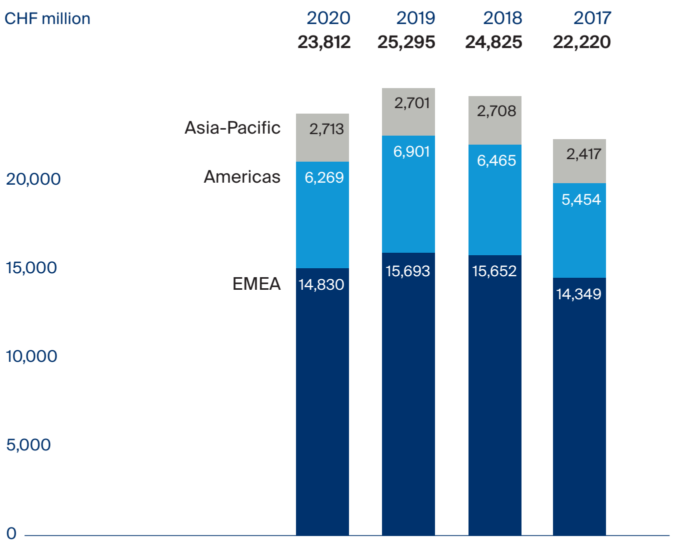
Exchange rate fluctuations between 2019 and 2020, based on average yearly exchange rates, led to a devaluation of the Euro, the British Pound and US Dollar as well as dependent currencies by 3.6, 4.7 and 5.2 per cent respectively, against the Swiss Franc, resulting in a negative impact of CHF 1,477 million (5.8 per cent) on turnover.

Net turnover

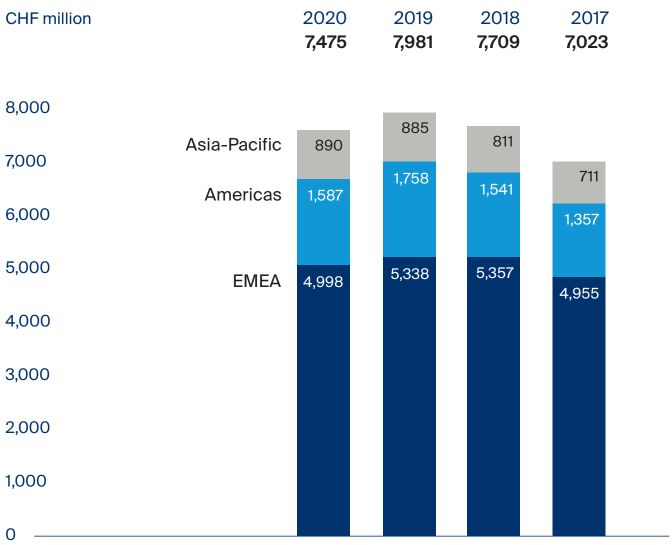
In 2020, Kuehne+Nagel's net turnover amounted to CHF 20,382 million representing a decrease of 3.4 per cent or CHF 712 million compared to the previous year. Organic business growth resulted in an increase in net turnover of CHF 401 million (1.9 per cent) and acquisitions contributed CHF 147 million (0.7 per cent). The exchange rate fluctuation had a negative impact of CHF 1,266 million (6.0 per cent).

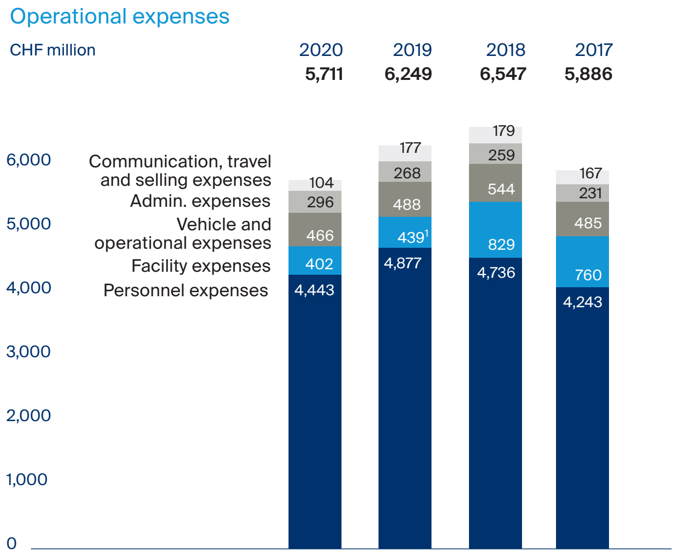
From a regional view, Asia-Pacific (1.1 per cent) reported an increase of net turnover in 2020. EMEA (3.1 per cent) and the Americas (5.9 per cent) reported a decrease of net turnover in 2020.

Regional turnover

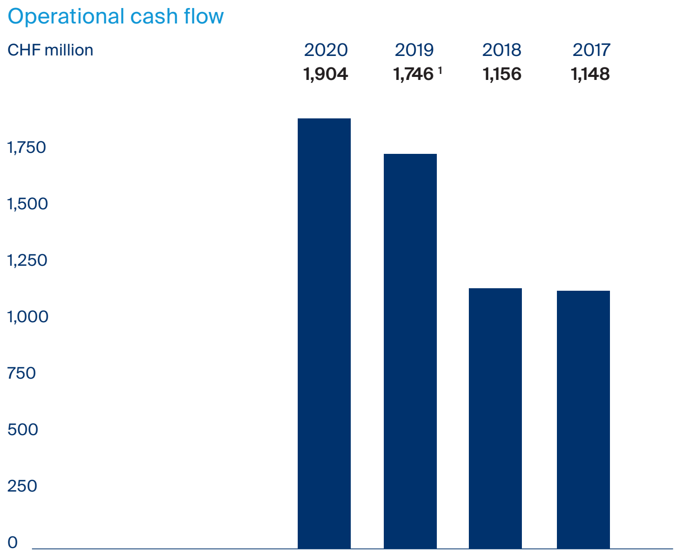


Regional gross profit





1 Figures prior to 2019 have not been restated for the impact of IFRS 16 Leases.



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Gross profit
Gross profit amounted to CHF 7,475 million in 2020, which represents a decrease of 6.3 per cent or CHF 506 million compared to the previous year. Organic business growth resulted in a decrease in gross profit of CHF 158 million (2.0 per cent). Exchange rate fluctuation had a negative impact of CHF 425 million (5.3 per cent) and acquisitions contributed CHF 77 million (1.0 per cent) positively.

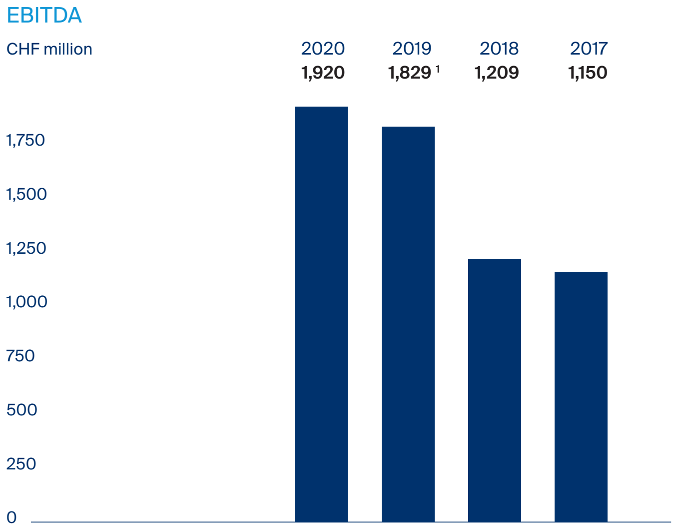
From a regional view, Asia-Pacific (0.6 per cent) reported a slight increase in gross profit for 2020. EMEA (6.4 per cent) and the Americas (9.7 per cent) reported a lower gross profit in 2020.

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 158 million to CHF 1,904 million in 2020 (for further information, please refer to the Cash Flow Statement in the Consolidated Financial Statements 2020 on page 47).

EBITDA
In 2020, earnings before interest, tax, depreciation, amortisation and impairment of property, plant and equipment, goodwill and other intangible assets, increased by CHF 91 million or 5.0 per cent to CHF 1,920 million compared to the previous year's CHF 1,829 million; EBITDA of organic business increased by CHF 331 million (18.1 per cent), acquisitions contributed CHF 6 million (0.3 per cent), and the exchange rate development had a negative impact of CHF 246 million (13.4 per cent).

EMEA generated the largest EBITDA contribution with CHF 978 million (50.9 per cent), followed by the Americas with CHF 535 million (27.9 per cent), and Asia-Pacific with CHF 407 million (21.2 per cent).

EBIT / Earnings for the year
In 2020, earnings before interest and tax (EBIT) increased by CHF 9 million to CHF 1,070 million (2019: CHF 1,061 million).



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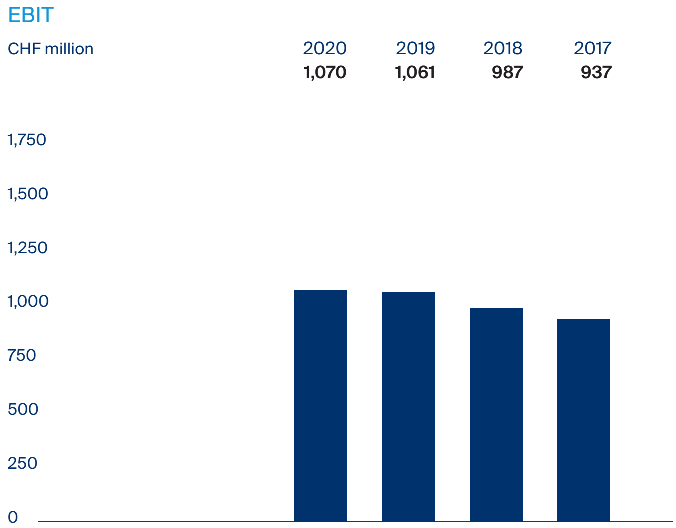
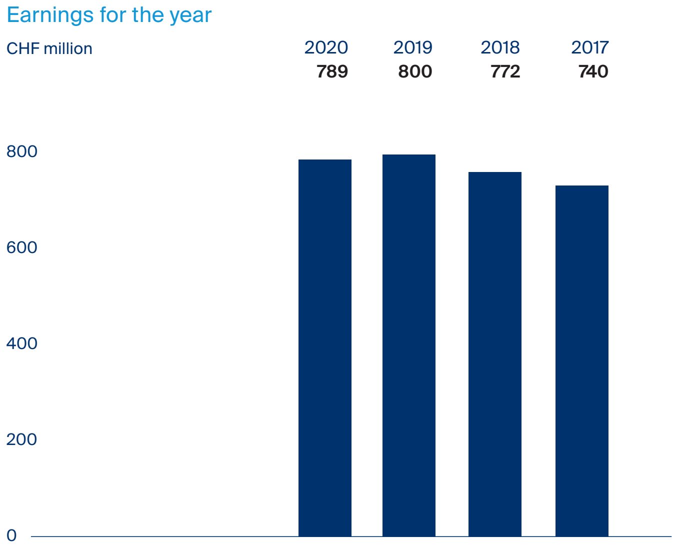


The increase was mainly due to higher contribution from the organic business by CHF 75 million (7.0 per cent), whereas acquired business had a negative impact of CHF 2 million (0.2 per cent), the exchange rate development had a negative impact of CHF 64 million (6.0 per cent). The EBIT margin to net turnover for the Group increased to 5.2 per cent compared to 5.0 per cent in 2019. EBIT in per cent of gross profit (conversion rate), an important KPI for the Group, increased from 13.3 per cent in 2019 to 14.3 per cent in 2020.



In 2020, the region EMEA contributed CHF 444 million (41.5 per cent) to the Group's EBIT, followed by Asia-Pacific with CHF 318 million (29.7 per cent), and the Americas with CHF 308 million (28.8 per cent).

Earnings for the year 2020 decreased by CHF 11 million to CHF 789 million compared to the previous year's CHF 800 million, whereby the margin increased to 3.9 per cent (in per cent of net turnover) compared to the previous year's 3.8 per cent.

Financial position

In 2020, total assets and liabilities of the Group increased by CHF 26 million to CHF 9,851 million compared to 2019. The amount of cash and cash equivalents increased by CHF 787 million to CHF 1,697 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 3,412 million represent the most significant asset of the Kuehne + Nagel Group. The days of trade receivables outstanding improved to 50.5 days as of December 2020 compared to the previous year's 52.5 days.

As of December 31, 2020, the equity of the Group increased by CHF 91 million to CHF 2,413 million compared to CHF 2,322 million as of December 31, 2019, which represents an equity ratio of 24.5 per cent (2019: 23.6 per cent).

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

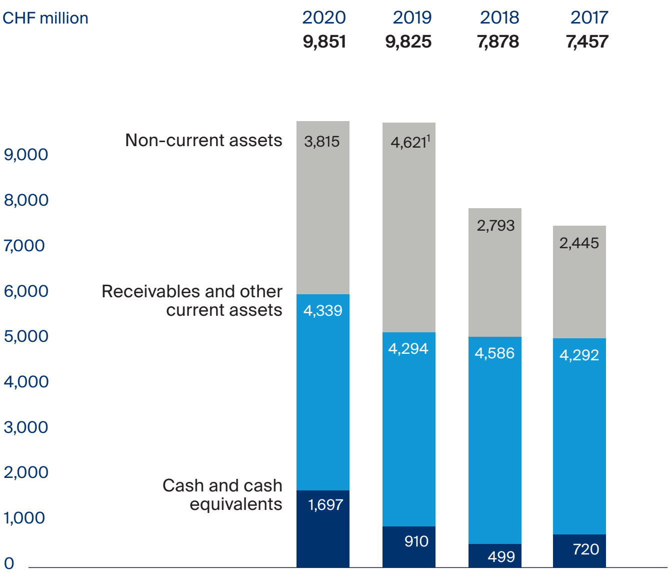
Kuehne+Nagel Group key figures on capital structure

Key figures on capital structure	2020	2019	2018	2017	2016
1 Equity ratio (in per cent) *	24.5	23.6	29.5	31.2	34.2
2 Return on equity (in per cent)	32.8	33.6	32.4	32.1	32.8
3 Debt ratio (in per cent) *	75.5	76.4	70.5	68.8	65.8
4 Short-term ratio of indebtedness (in per cent)*	53.9	50.1	61.9	60.5	55.7
5 Intensity of long-term indebtedness (in per cent)*	21.6	26.2	8.6	8.3	10.1
6 Fixed assets coverage ratio (in per cent)	119.1	106.0	107.4	120.5	126.9
7 Working capital (in CHF million)	727	275	208	502	595
8 Receivables terms (in days)	50.5	52.5	54.2	53.9	46.6
9 Vendor terms (in days)	66.6	63.7	61.5	69.0	60.2
10 Intensity of capital expenditure (in per cent)*	38.7	47.0	35.5	32.8	34.9

* Figures prior to 2019 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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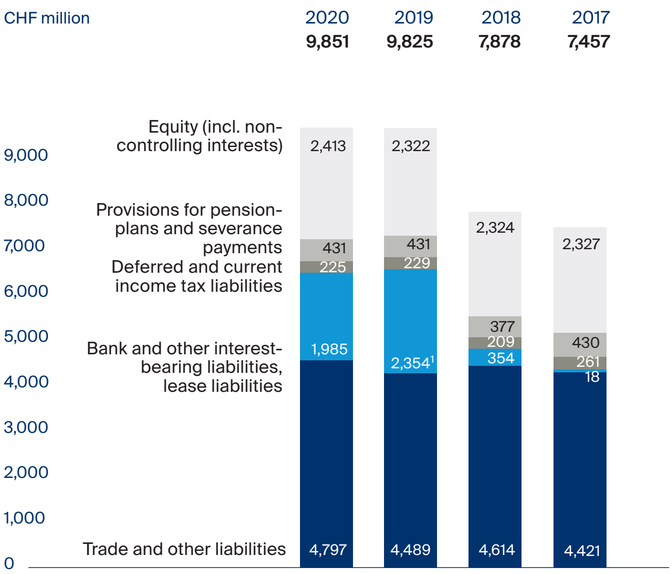
Liabilities and equity



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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 2020, the Kuehne+Nagel Group invested a total of CHF 177 million (2019: CHF 320 million) in fixed assets. Investments in properties and buildings amounted to CHF 16 million (2019: CHF 59 million). CHF 161 million (2019: CHF 261 million) were invested in other fixed assets, operating and office equipment.

Depreciation of property, plant and equipment for the year 2020 amounted to CHF 185 million (2019: CHF 206 million). Refer to note 26 of the Consolidated Financial Statements for further details.

All capital expenditure in 2020 was financed through operational cash flow.

In 2020, the following major investments were made in properties and buildings:

Location	CHF million	Centres
Villefranche, France	8	Reconstruction of a logistics facility
Bremen, Germany	4	Construction of a new office building
Others	4	
Total Group	**16**	

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

CHF million	2020	2019
Operating equipment	69	107
Vehicles	10	26
Leasehold improvements	40	70
IT hardware	33	43
Office furniture and equipment	9	15
Total Group	**161**	**261**

The allocation by region is as follows:

CHF million	2020	2019
EMEA	118	165
Americas	27	57
Asia-Pacific	16	39
Total Group	**161**	**261**

The allocation by business unit is as follows:

CHF million	2020	2019
Sea Logistics	13	20
Air Logistics	16	22
Road Logistics	19	31
Contract Logistics	113	188
Total Group	**161**	**261**

Right-of-use assets

A total of CHF 512 million (2019: CHF 688 million) was invested in right-of-use assets. The allocation of investments in right-of-use assets is as follows:

CHF million	2020	2019
Buildings	418	598
Operating equipment	46	37
Vehicles	48	53
Total Group	**512**	**688**

The allocation by region is as follows:

CHF million	2020	2019
EMEA	394	422
Americas	68	195
Asia-Pacific	50	71
Total Group	**512**	**688**

The allocation by business unit is as follows:

CHF million	2020	2019
Sea Logistics	31	19
Air Logistics	24	21
Road Logistics	30	35
Contract Logistics	427	613
Total Group	**512**	**688**

Depreciation of right-of-use assets amounted to CHF 506 million (2019: CHF 497 million). Refer to note 27 of the Consolidated Financial Statements for further details.

Acquisitions
Effective January 7, 2020 the Group acquired 100 per cent of the shares of the road logistics activities of Rotrexma 2 Holding BV (Rotra), a company headquartered in the Netherlands, together with its subsidiaries. With approximately 800 employees and a yearly net revenue of above CHF 110 million the Group of companies operates a fleet of over 200 trucks, providing Europe-wide overland transportation as well as contract logistics services for Dutch, Belgian and international customers. It manages cross-dock facilities in the Netherlands and in Belgium.

Agreed upon divestment
On March 8, 2020, Kuehne+Nagel entered into a binding agreement to sell a major part of its contract logistics portfolio in the United Kingdom to XPO Logistics, Inc. (NYSE: XPO). The scope of the transaction includes the drinks logistics, food services and retail & technology businesses, whereas the pharma & healthcare businesses are retained. On December 31, 2020, the assets and liabilities related to this divestment are classified as assets held for sale (CHF 434 million) and liabilities directly associated with the assets held for sale (CHF 419 million) and are presented separately in the Balance Sheet. Impairments of goodwill allocated to the disposal group of CHF 18 million as well as CHF 49 million of the other assets were recognised to reduce the net carrying amount of the assets held for sale to their fair value less costs to sell. In addition, the Group recorded transaction costs of CHF 4 million (included in the line item "selling, general and administrative expenses" in the Income Statement). The transaction closed on January 1, 2021.

Agreed upon acquisition
On February 22, 2021, the Group entered into an agreement to acquire 87.3% of the shares of Apex International Corporation (Apex), one of the leading Asian freight forwarders, especially in the transpacific and intra-Asia. The Group of companies is a renowned specialist for air logistics services, founded in China in 2001 and headquartered in Shanghai and Hong Kong. With approximately 1,600 employees, Apex generates a yearly turnover in excess of CHF 2.1 billion. In 2020, it handled a total air freight volume of approximately 750,000 tons and sea freight volume of 190,000 TEU. The acquisition of Apex follows the Group's strategic growth ambition in Asia. The purchase price in the range between CHF 1.1 and 1.2 billion will be financed by the Company's own funds and, if needed, by available credit lines. The acquisition is subject to customary closing conditions, including merger clearance by the competent competition authorities. The transaction is expected to close in the third quarter of 2021.

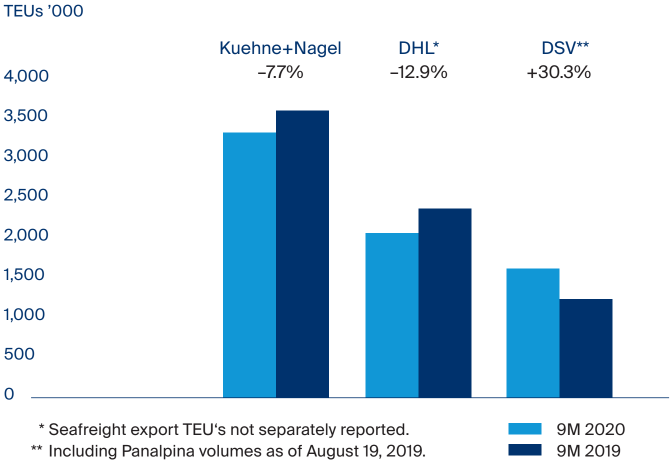
Business units
The main contributor to the Group's result are the business units Sea and Air Logistics. In 2020, major profitability improvements were generated in the Air Logistics business unit.

Sea Logistics
Sea Logistics volumes decreased by 6.8 per cent to 4,529,000 TEUs. Specialised services for temperature controlled cargo in reefer containers, pharma and e-commerce have significantly contributed to the result. In an uncertain market environment during COVID-19 pandemic Kuehne+Nagel maintained its global leading position in Sea Logistics. Customers from the pharma and healthcare industry use Kuehne+Nagel to handle temperature-

sensitive products. From a regional perspective, the volume increase of imports in Europe and North America from Asia has continued in 2020. Despite lower SME (small and medium-sized enterprises) volumes a favourable cargo mix and tight cost control contributed to the increased margins. In 2020, the absolute amount of EBIT decreased by 7.2 per cent compared to the previous year, while the ratio of EBIT to gross profit (conversion rate) increased to 29.9 per cent (2019: 29.6 per cent).

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

Sea Logistics volumes: Market growth ~ –5%



* Seafreight export TEU's not separately reported.
** Including Panalpina volumes as of August 19, 2019.
Source: quarterly company publications.

Performance Sea Logistics

CHF million	2020	2019	2018
Turnover	8,973	9,751	9,366
Net turnover	7,091	7,457	7,129
Gross profit	1,417	1,539	1,482
EBITDA	451	485	441
EBIT	423	456	418
EBIT in per cent of gross profit (conversion rate)	29.9	29.6	28.2
Number of operating staff	10,393	10,535	10,025
TEUs '000	4,529	4,861	4,690

Air Logistics

Due to the global reduction in Air Logistics volumes, the Group experienced lower levels of volumes by 12.8 per cent with 1,433,000 tons, therewith maintaining the number two position in the global airfreight market. EBIT-to-gross-profit margin increased to 37.9 per cent in 2020 (2019: 25.0 per cent). EBIT increased by 53.5 per cent compared to the previous year. In 2020, the increased demand for transport services of higher yielding crisis related goods contributed to better results. A positive one-off impact related to a former acquisition of net CHF 63 million impacted EBIT significantly. While demand in certain industries increased, volumes in other industries, especially in automotive, aviation and aerospace, reduced until Q2 2020. The automotive and perishables industries show signs of recovery starting in the second half of the year 2020 while the aviation sector remained weak.

The outlook for the time-critical logistics business, acquired through Quick International Courier (Quick) at the end of 2018, was affected negatively by the COVID-19 pandemic, driven from a down-trading of several major aviation customers. The recovery of these customers is uncertain and depending on the recovery of air travel – which is expected to take well beyond 2021 and will not return to pre-crisis levels until 2024 as per the International Air Transport Association (IATA). In the third quarter 2020, a slower than initially expected recovery of the aviation sector and the changed medium and long-term outlook for aviation customers led to an impairment charge of other intangible assets (customer lists) in Air Logistics of CHF 52 million.

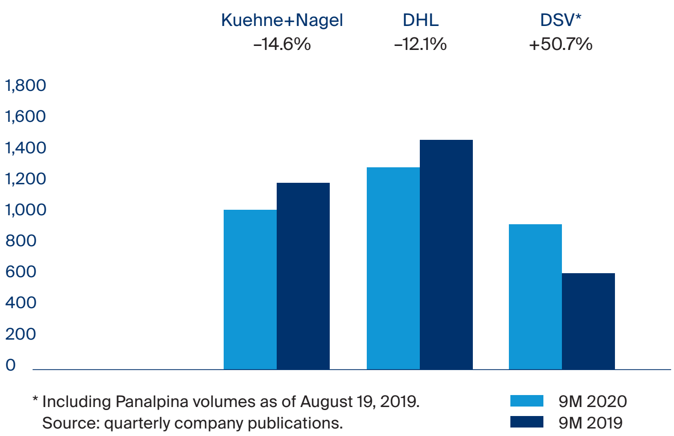
In the light of the above, the Kuehne+Nagel Group reached an agreement with the sellers of Quick for an early settlement of the contingent consideration, resulting in the aforementioned net positive one-off impact of CHF 63 million. Further details regarding the measurement of contingent considerations are described in note 45.

The successful global COVID-19 vaccine rollout will heavily depend on an efficient and fast distribution. Most notably, the Kuehne+Nagel Group has entered into an agreement with Moderna, Inc. (NASDAQ: MRNA) to support the storage and distribution of its COVID-19 vaccine via road and air using the existing network of more than 240 pharma certified operations worldwide.

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 and pharma logistics, together with selected bolt-on acquisitions, continue to ascertain the Group's leading position.

Air Logistics volumes: Market growth ~ –11%

Tons '000



* Including Panalpina volumes as of August 19, 2019.
Source: quarterly company publications.

Performance Air Logistics

CHF million	2020	2019	2018
Turnover	5,817	5,465	5,620
Net turnover	5,194	4,653	4,870
Gross profit	1,331	1,317	1,202
EBITDA	600	394	380
EBIT	505	329	355
EBIT in per cent of gross profit (conversion rate)	37.9	25.0	29.5
Number of operating staff	7,845	8,115	7,412
Tons '000	1,433	1,643	1,743

Road Logistics

Road Logistics experienced a strong decline in net turnover by 10.2 per cent in 2020, due to down-trading caused by the COVID-19 pandemic measures with reduced land transport activities in Europe. The Group continued to expand its service offering through the acquisition of Rotra in Belgium and the Netherlands to further intensify the Europe-wide road transportation. The key performance indicator EBITDA to net turnover margin deteriorated to 3.7 per cent from previous year's 3.8 per cent. EBIT decreased to CHF 62 million (2019: CHF 78 million).

While the second quarter of 2020 was characterised by a significant decline in Road Logistics volumes, the third quarter marked a significant increase in the number of shipments. In particular, the demand for national transport capacities in Europe was at pre-crisis level. In North America, demand for all product segments, with the exception of pharma & healthcare and e-commerce, was well below the previous year. In the last quarter, however, a further recovery in the market was evident.

Further, the digital platform "Your Easy Brexit Solution" developed by Kuehne+Nagel enables uninterrupted shipping of goods to and from the UK. With this digital solution, Kuehne+Nagel customers can handle customs processes automatically.

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

Performance Road Logistics

CHF million	2020	2019	2018
Turnover	3,633	4,102	4,009
Net turnover	3,222	3,586	3,526
Gross profit	1,089	1,121	1,088
EBITDA	119	136	118
EBIT	62	78	76
EBIT in per cent of gross profit (conversion rate)	5.7	7.0	7.0
Number of operating staff	9,363	8,781	8,456

Contract Logistics

The focus on specialised end-to-end solutions for industries such as high-tech, consumer goods, pharmaceuticals, healthcare, and e-commerce fulfilment led to numerous new customer contracts. However, overall lower demand caused by COVID-19 down-trading, impacted net turnover (net of currency impact) negatively and the Group recorded a negative growth of 9.7 per cent for 2020. Market share gains in pharma & healthcare services and in e-commerce fulfillment as well as productivity gains improved the operational results.

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 was successfully completed in 2020.

EBITDA to net turnover margin improved to 15.4 per cent versus 15.1 per cent in 2019. The sale of a major part of the Contract Logistics business in the UK had a negative one-off impact on EBIT of CHF 62 million. Hence, EBIT decreased by 59.6 per cent.

Kuehne+Nagel further strengthened its global leading position in the field of integrated logistics. The Group offers specialised global 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 optimise 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	2020	2019	2018
Turnover	5,389	5,977	5,830
Net turnover	4,875	5,398	5,249
Gross profit	3,638	4,004	3,937
EBITDA	750	814 [1]	270
EBIT	80	198	138
EBIT in per cent of gross profit (conversion rate)	2.2	4.9	3.5
Number of operating staff	39,360	43,661	43,694
Warehousing and logistics space in sqm	11,343,955	11,388,643	11,587,597
Idle space in sqm	227,889	336,696	343,081
Idle space in per cent	2.0	3.0	3.0

1 Figures prior to 2019 have not been restated for the impact of IFRS 16 Leases.

Shareholder return

Dividend

For 2020, the Board of Directors is proposing a dividend amounting to CHF 4.50 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 538 million (2019: CHF 478 million) resulting in a payout ratio of 68.3 per cent (2019: 60.0 per cent) of the earnings for the year attributable to the equity holders of the Company. Based on the share price at year-end 2020, the dividend yield on the Kuehne+Nagel share is 2.0 per cent (2019: 3.7 per cent).

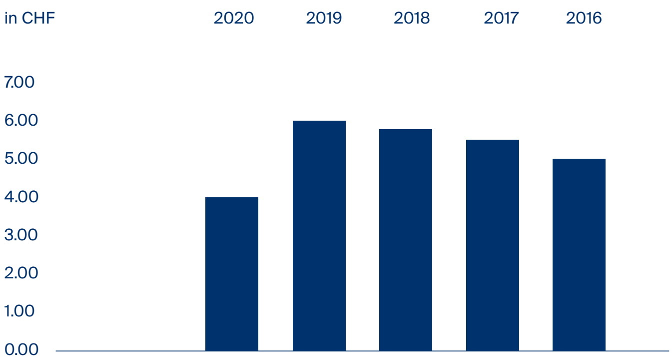
Share price and market capitalisation (December 31)

Share price and market capitalisation	2020	2019	2018	2017	2016
Share price (in CHF)	200.80	163.20	126.35	172.50	134.60
Market capitalisation (in CHF million)	24,096	19,584	15,162	20,700	16,152

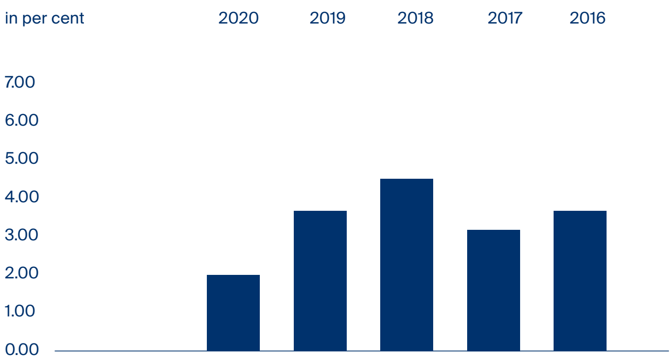
Total shareholder return development

in CHF per share	2020	2019	2018	2017	2016
Increase/(decrease) of share price year over year	37.60	36.85	–46.15	37.90	–3.20
Dividend per share paid	4.00	6.00	5.75	5.50	5.00
Total return	41.60	42.85	–40.40	43.40	1.80
Dividend yield in per cent	2.0	3.7	4.6	3.2	3.7

Dividend per share paid



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 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 2020

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

Based on the risk assessment, the most material risks remain the uncertainty of the global economic development, in particular in relation to the COVID-19 measures, the geopolitical instability, volatile currency fluctuations and the financial markets, thus all of those factors being in focus of the management.

Since the overall development of the COVID-19 pandemic is still unforeseeable, predictions remain difficult. The impact of the COVID-19 outbreak and containment measures taken by various governments are considered and assessments for the future are based on various scenarios. The Kuehne+Nagel Group has precautionary measures in place to provide safe working environments for its employees and maintain business continuity. Further details regarding the impact from COVID-19 pandemic are described in the Consolidated Financial Statements on pages 51 to 52.

In 2020, the Group successfully managed and partially mitigated the above risks and demonstrated high levels of resilience resulting in strong financial performance.

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://home.kuehne-nagel.com/company/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 share-holders. 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:

- Sea Logistics
- Air Logistics
- Road Logistics
- Contract Logistics

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

- Europe, Middle East 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 24,096 million (120 million registered shares of nominal value CHF 1 at CHF 200.80 market value per share) on the closing date December 31, 2020.

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

- the free float consisted of 55,683,849 shares = 46.4 per cent,
- and treasury shares consisted of 416,151 shares = 0.3 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 109 to 116), 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, 2020, 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.
- Black Rock Inc., New York, United States of America, held 3.1 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, 2020, shares of unregistered owners amounted to 17.9 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 5, 2020, extended its approval of authorised share capital up to a maximum of CHF 20 million by a further two years until May 5, 2022.

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://home.kuehne-nagel.com/company/corporate-governance).

Change in capital over the past three years

From the year 2018 to 2020, 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.

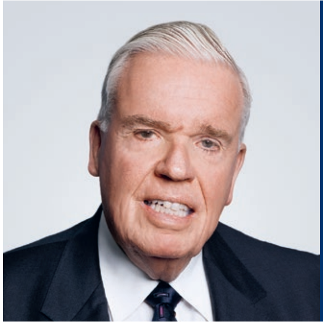
Convertible bonds and warrants/options

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

Board of Directors

At the Annual General Meeting of May 5, 2020, Klaus-Michael Kuehne, Dr. Joerg Wolle, Karl Gernandt, Dr. Renato Fassbind, David Kamenetzky, Hauke Stars and Dr. Martin C. Wittig were re-elected to the Board of Directors for a one-year term. Dominik Buergy was newly elected to the Board of Directors for a one-year term. Dr. Thomas Staehelin's mandate expired at the Annual General Meeting. 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.

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 2021
- Member of the Chairman's Committee
- Member of the Nomination and Compensation Committee elected until the Annual General Meeting 2021

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 2021
- 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. Member of the Board of Directors of Signa Prime Selection AG, Innsbruck.

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 2021
- Chairman of the Nomination and Compensation Committee elected until the Annual General Meeting 2021
- Member of the Chairman's Committee

Dominik Buergy
Member
Board of Directors
Swiss, 1966

Dominik Buergy holds a degree in Law (lic. iur) from the University of Bern, Switzerland and is a Swiss Certified Tax Expert. Since 2019, Dominik Buergy has been a Partner at the Swiss law firm Wenger & Vieli in Zurich. He is also chairing the alliance «allianz denkplatz schweiz». From 2012 to 2018, he was a board member of the Swiss corporate union, economiesuisse, and from 2013 to 2018 of the Swiss Employer's Association. From 2011 to 2018, he was chairman of EXPERTsuisse, the association of certified auditors, tax experts and fiduciary experts in Switzerland. Previously, from 2002 to 2019, he was as Partner at Ernst & Young (EY), where he was a member of the management board of the Swiss firm from 2008 to 2016, managing partner Tax & Legal from 2009 to 2012, and had held other national and international management positions. From 1993 to 2002, he was at Arthur Andersen, latest as a Partner.

Positions within the Kuehne+Nagel Group:

2020–today:
- Member of the Board of Directors elected until the Annual General Meeting 2021
- Member of the Audit Committee

Dr. Renato Fassbind
Member
Board of Directors
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 2021

2011–today:
- Member of the Audit Committee

David Kamenetzky
Member
Board of Directors
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 2021

Hauke Stars
Member
Board of Directors
German, 1967

After graduating in computer science and engineering from Otto-von-Guericke University in Magdeburg, and obtaining a MSc by research in Engineering from University of Warwick, Coventry, Ms. Stars started her professional career in 1992 at Bertelsmann SE & Co. KGaA, Guetersloh, working in various fields of information technology. In 1998, she joined ThyssenKrupp AG and became a Member of the Management Board of the technology company Triaton GmbH in 2000. With the sale of Triaton GmbH to Hewlett Packard in 2004, she joined Hewlett Packard Netherlands B.V., Utrecht, as a member of the Country Management Board. From 2007 to 2012, she led Hewlett Packard Switzerland GmbH, Zurich, as CEO and Managing Director. From 2012 to 2020, she was a member of the Executive Board of Deutsche Börse AG, Frankfurt, where she was responsible for technology, the cash market business and HR (Labour Director). During her career, Ms. Stars has been working on various supervisory boards. Among others, she was a member of the supervisory boards of GfK SE from 2009 to 2016, Klöckner & Co SE from 2011 to 2016, Eurex Exchange from 2013 to 2020 and Clearstream from 2013 to 2020.

Other significant activities: Member of the Supervisory Board of Fresenius SE & Co. KGaA; Member of the Advisory Board of Fraport AG.

Position within the Kuehne+Nagel Group:

May 2016–today:
- Member of the Board of Directors elected until the Annual General Meeting 2021

May 2019–today:
- Member of the Nomination and Compensation Committee elected until the Annual General Meeting 2021

Dr. Martin C. Wittig
Member
Board of Directors
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 2021

2016–today:
- Member of the Audit Committee

2020–today:
- Chairman 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 2020

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:

- 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 contact 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. Martin C. Wittig was the Chairman of the Audit Committee on the closing date, and Karl Gernandt, Dominik Buergy and Dr. Renato Fassbind 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 2020, 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 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, 2020, 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 2020	6 [1]	5	24	3
Approximate duration of each meeting	4 hours	3 hours	2 hours	2 hours
Klaus-Michael Kuehne	6	5	24	3
Dr. Joerg Wolle	6	5	22	3
Karl Gernandt	5	5	22	3
Dominik Buergy [2]	4	3	1	–
Dr. Renato Fassbind	6	5	1	–
David Kamenetzky	6	1	1	–
Dr. Thomas Staehelin [3]	3	2	1	–
Hauke Stars	6	1	1	3
Dr. Martin C. Wittig	6	5	6	–

1 Thereof two extraordinary meetings.
2 Member of the Board of Directors as of May 5, 2020.
3 Retired from the Board of Directors as of May 5, 2020.

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 2020. This programme provides guidance for legal, regulatory, and other compliance requirements, as well as global communication and training initiatives. Ongoing compliance trainings continue 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
CEO
German, 1962

Markus Blanka-Graff
CFO
Austrian, 1967

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 Air Logistics 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

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 Corporate Finance & Investor Relations

2014–today:
- Chief Financial Officer (CFO) of the Group

Management Board

Lothar Harings
CHRO
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
CIO
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
Executive Vice President
Road Logistics
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 Road Logistics.

Positions within the Kuehne+Nagel Group:

1990–1997:
- Various management positions in Sales and Operations

2013–today:
- Executive Vice President Road Logistics of the Group

Horst Joachim (Otto) Schacht
Executive Vice President
Sea Logistics
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 Sea Logistics

1999–2011:
- Senior Vice President Global Sea Logistics

2011–today:
- Executive Vice President Sea Logistics of the Group

Yngve Ruud
Executive Vice President
Air Logistics
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 Air Logistics of the Group

Gianfranco Sgro
Executive Vice President
Contract Logistics
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 106 and listed furthermore in note 13 to the Financial Statements of Kuehne + Nagel International AG on pages 130 to 131.

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 Company's 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 2020 was confirmed at the Annual General Meeting held on May 5, 2020. 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 2020 amounted to CHF 3.7 million (2019: CHF 3.6 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 2020, an amount of CHF 0.3 million (2019: CHF 0.5 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 2020, the auditor in charge attended three Audit Committee meetings. The main criteria for the selection of the external audit company are its worldwide network, 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.

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 Kuehne+Nagel Group's Annual Report covering the past financial year as well as the published quarterly financial data are available for download at https://home.kuehne-nagel.com/-/company/investor-relations/financial-performance. Prior to the release of the first quarterly results, the Group publishes a financial calendar announcing the dates of the upcoming quarterly reports as well as the date of the Annual General Meeting on the same web page.

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://www.kuehne-nagel.com.

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 (AGM) on May 5, 2020, as in the previous year, the shareholders of Kuehne + Nagel International AG (Company) individually elected the members of the Board of Directors, the Chairman, the members of the Compensation Committee as well as the independent proxy. The AGM 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 2021.

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://home.kuehne-nagel.com/company/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;
- nomination of 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 (medium 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 medium/long-term performance of the Group	Medium/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 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 were blocked for three years whereby voting rights and rights to receive dividends remained intact with the holder of the shares. For each invested share, the Company matched 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) was 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 was recognised as a personnel expense with a corresponding increase in equity. The fair value of matched shares was 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 was adjusted to reflect actual and expected levels of vesting. This plan had 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 5, 2020, for the period ending at the 2021 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 2020 amounted to CHF 4.5 million (2019: CHF 4.3 million).

The following tables show details of the remuneration of the members of the Board of Directors for 2020 and 2019:

2020

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	39	799
Dr. Joerg Wolle (Chairman)	2,000	–	116	2,116
Karl Gernandt (Vice Chairman)	550	25	34	609
Dominik Buergy [1]	117	10	9	136
Dr. Renato Fassbind	180	15	11	206
David Kamenetzky	180	–	11	191
Dr. Thomas Staehelin [2]	63	5	3	71
Hauke Stars	180	10	12	202
Dr. Martin C. Wittig	180	15	12	207
Total	**4,200**	**90**	**247**	**4,537**

1 Member of the Board of Directors as of May 5, 2020.
2 Retired from the Board of Directors as of May 5, 2020.

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.

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 2020, 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 2020 amounted to CHF 19.1 million (2019: CHF 17.8 million).

The following tables show details of the remuneration for the Chief Executive Officer and the other members of the Management Board for 2020 and 2019:

2020

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	26.5	2,120	54.0	208	135	391	10.0	32	3,926
Members of the Management Board	4,642	30.6	7,175	47.2	596	656	1,961	12.9	162	15,192
Total	**5,682**	**29.7**	**9,295**	**48.6**	**804**	**791**	**2,352**	**12.3**	**194**	**19,118**

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**

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 2020 and 2019 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 2020 and 2019 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 2020 and 2019, 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, 2020.

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, 2020 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, March 2, 2021

Income Statement

CHF million	Note	2020	2019	Variance in per cent
Net turnover	19	**20,382**	**21,094**	–3.4
Net expenses for services from third parties		–12,907	–13,113	
Gross profit	19	**7,475**	**7,981**	–6.3
Personnel expenses	20	–4,443	–4,877	
Selling, general and administrative expenses	21	–1,268	–1,372	
Other operating income/expenses, net	22	156	97	
EBITDA		**1,920**	**1,829**	5.0
Depreciation of property, plant and equipment	26	–185	–206	
Depreciation of right-of-use assets	27	–506	–497	
Amortisation of other intangibles	28	–40	–54	
Impairment of assets	28/40/47	–119	–11	
EBIT		**1,070**	**1,061**	0.8
Financial income	23	9	11	
Financial expenses	23	–22	–29	
Result from joint ventures and associates		2	4	
Earnings before tax (EBT)		**1,059**	**1,047**	1.1
Income tax	24	–270	–247	
Earnings for the year		**789**	**800**	–1.4
Attributable to:				
Equity holders of the parent company		788	798	–1.3
Non-controlling interests		1	2	
Earnings for the year		**789**	**800**	–1.4
Basic earnings per share in CHF	25	**6.59**	**6.67**	–1.2
Diluted earnings per share in CHF	25	**6.57**	**6.66**	–1.4

Statement of Comprehensive Income

CHF million	Note	2020	2019
Earnings for the year		**789**	**800**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange differences		–188	–47
Items that will not be reclassified to profit or loss:			
Actuarial gains/(losses) on defined benefit plans	33/24	–8	–66
Income tax on actuarial gains/(losses) on defined benefit plans	24	1	16
Total other comprehensive income, net of tax		**–195**	**–97**
Total comprehensive income for the year		**594**	**703**
Attributable to:			
Equity holders of the parent company		593	701
Non-controlling interests		1	2

Balance Sheet

CHF million	Note	Dec. 31, 2020	Dec. 31, 2019
Assets			
Property, plant and equipment	26	797	1,089
Right-of-use assets	27	1,500	1,899
Goodwill	28	1,155	1,220
Other intangibles	28	101	185
Investments in joint ventures and associates		12	9
Deferred tax assets	24	250	219
Non-current assets		**3,815**	**4,621**
Prepayments		82	161
Contract assets	29	259	223
Trade receivables	29	3,412	3,601
Other receivables	30	112	264
Income tax receivables		40	45
Cash and cash equivalents	31	1,697	910
Assets held for sale	40	434	–
Current assets		**6,036**	**5,204**
Total assets		**9,851**	**9,825**

CHF million	Note	Dec. 31, 2020	Dec. 31, 2019
Liabilities and equity			
Share capital		120	120
Reserves and retained earnings		1,499	1,398
Earnings for the year		788	798
Equity attributable to the equity holders of the parent company		**2,407**	**2,316**
Non-controlling interests		6	6
Equity	32	**2,413**	**2,322**
Provisions for pension plans and severance payments	33	431	431
Deferred tax liabilities	24	61	60
Borrowings	35	400	400
Non-current provisions	36	35	45
Other non-current liabilities	38	52	206
Non-current lease liabilities	27	1,150	1,432
Non-current liabilities		**2,129**	**2,574**
Bank and other interest-bearing liabilities	35	2	12
Trade payables	37	1,875	1,890
Contract liabilities	37	87	74
Accrued trade expenses	37	1,338	1,190
Income tax liabilities		164	169
Current provisions	36	86	80
Other current liabilities	39	905	1,004
Current lease liabilities	27	433	510
Liabilities directly associated with the assets held for sale	40	419	–
Current liabilities		**5,309**	**4,929**
Total liabilities and equity		**9,851**	**9,825**

Schindellegi, March 2, 2021

Kuehne + Nagel International AG
Dr. Detlef Trefzger — CEO
Markus Blanka-Graff — CFO

Statement of Changes in Equity

CHF million	Note	Share capital	Share premium	Treasury shares	Cumulative translation adjustment	Actuarial gains/ (losses)	Retained earnings	Total equity attributable to the equity holders of parent company	Non-controlling interests	Total equity
Balance as of January 1, 2020		120	469	–28	–1,042	–161	2,958	2,316	6	2,322
Earnings for the year		–	–	–	–	–	788	788	1	789
Other comprehensive income										
Foreign exchange differences		–	–	–	–188	–	–	–188	–	–188
Actuarial gains/(losses) on defined benefit plans, net of tax	33/24	–	–	–	–	–7	–	–7	–	–7
Total other comprehensive income, net of tax		**–**	**–**	**–**	**–188**	**–7**	**–**	**–195**	**–**	**–195**
Total comprehensive income for the year		**–**	**–**	**–**	**–188**	**–7**	**788**	**593**	**1**	**594**
Purchase of treasury shares	32	–	–	–37	–	–	–	–37	–	–37
Disposal of treasury shares	32	–	–10	10	–	–	–	–	–	–
Dividend paid	32	–	–	–	–	–	–478	–478	–1	–479
Expenses for share-based compensation plans	34	–	–	–	–	–	13	13	–	13
Total contributions by and distributions to owners		**–**	**–10**	**–27**	**–**	**–**	**–465**	**–502**	**–1**	**–503**
Balance as of December 31, 2020		**120**	**459**	**–55**	**–1,230**	**–168**	**3,281**	**2,407**	**6**	**2,413**

CHF million	Note	Share capital	Share premium	Treasury shares	Cumu-lative trans-lation adjust-ment	Actuarial gains/ (losses)	Retained earnings	Total equity attribu-table to the 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**

Cash Flow Statement

CHF million	Note	2020	2019
Cash flow from operating activities			
Earnings for the year		789	800
Adjustments to reconcile earnings for the year to net cash flows:			
Income tax	24	270	247
Financial income	23	–9	–11
Financial expenses	23	22	29
Result from joint ventures and associates		–2	–4
Depreciation of property, plant and equipment	26	185	206
Depreciation of right-of-use assets	26/27	506	497
Amortisation of other intangibles	28	40	54
Impairment of assets	28/40/47	119	11
Expenses for share-based compensation plans	34	13	15
(Gain)/loss on disposal of subsidiaries and associates	22	–	–1
(Gain)/loss on disposal of property, plant and equipment, net	22	–25	–96
Net addition to provisions for pension plans and severance payments	33	–4	–1
Subtotal operational cash flow		**1,904**	**1,746**
(Increase)/decrease contract assets		–63	72
(Increase)/decrease trade and other receivables, prepayments		–74	217
Increase/(decrease) provisions		27	11
Increase/(decrease) other liabilities		–123	11
Increase/(decrease) trade payables, contract liabilities and accrued trade expenses		353	–84
Income taxes paid		–306	–252
Total cash flow from operating activities		**1,718**	**1,721**

CHF million	Note	2020	2019
Cash flow from investing activities			
Capital expenditure			
– Property, plant and equipment	26	–177	–320
– Other intangibles	28	–9	–10
Disposal of property, plant and equipment		430	245
Acquisition of subsidiaries, net of cash acquired	40	–35	–37
Settlement of deferred/contingent considerations from business combinations		–53	–29
Disposal of subsidiaries and associates		–	1
Capital (contributions to) / distributions from joint ventures and associates		–3	–3
Dividend received from joint ventures and associates		2	2
Interest received		3	8
Total cash flow from investing activities		**158**	**–143**
Cash flow from financing activities			
Proceeds from borrowings and other interest-bearing liabilities		–	470
Repayment of other interest-bearing liabilities		–1	–405
Repayment of lease liabilities	27	–497	–475
Interest paid on borrowings and other interest-bearing liabilities		–8	–11
Interest paid on lease liabilities		–14	–17
Purchase of treasury shares	32	–37	–
Dividend paid to equity holders of parent company	32	–478	–718
Dividend paid to non-controlling interests		–1	–2
Total cash flow from financing activities		**–1,036**	**–1,158**
Foreign exchange difference on cash and cash equivalents		–31	–4
Increase/(decrease) in cash and cash equivalents		**809**	**416**
Cash and cash equivalents at the beginning of the year, net	31	**904**	**488**
Cash and cash equivalents at the end of the year, net	31	**1,713**	**904**

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 leading global logistics providers. Its strong market position lies in the sea logistics, air logistics, road logistics and contract logistics businesses.

The Consolidated Financial Statements of the Company for the year ended December 31, 2020, 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, 2020. 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, 2019, except for the adoption of new standards, interpretations and amendments effective as of January 1, 2020. Apart from the early adoption of COVID-19-Related Rent Concessions – Amendment to IFRS 16 Leases as of May 28, 2020, the Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. There were no significant impacts from changes in accounting policies in 2020.

Adoption of new and revised standards and interpretations in 2021 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
Interest Rate Benchmark Reform – Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 [1]	January 1, 2021	Reporting year 2021
Annual improvements to IFRS Standards 2018 – 2020 [1]	January 1, 2022	Reporting year 2022
Property, Plant and Equipment - Proceeds before intended use – Amendments to IAS 16 [1]	January 1, 2022	Reporting year 2022
Onerous contracts - Cost of fulfilling a contract – Amendments to IAS 37 [1]	January 1, 2022	Reporting year 2022
Reference to the Conceptual Framework – Amendments to IFRS 3 the Conceptual Framework in IFRS Standards [1]	January 1, 2022	Reporting year 2022
Amendments to the classification of liabilities as current or non-current – Amendments to IAS 1 [1]	January 1, 2023	Reporting year 2023
IFRS 17 Insurance Contracts [1]	January 1, 2023	Reporting year 2023

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

Impact from COVID-19

On March 11, 2020, the World Health Organisation declared the COVID-19 outbreak to be a pandemic due to its rapid spread worldwide. Various governments introduced containment measures in order to reduce the growth of infections.

The Kuehne+Nagel Group has precautionary measures in place to provide safe working environments for its employees and maintain business continuity. Dedicated teams at global and regional level are monitoring the situation as it develops and will adjust any measures based on the guidance of governments and other relevant authorities.

While demand in certain industries increased, volumes in other industries, especially in automotive, aviation and aerospace reduced significantly until Q2 2020. Demand in industries such as pharma, healthcare, high-tech, and e-commerce remained high. The Group recorded increasing volumes in imports to Europe and North America from Asia in the second half of the year. The automotive and perishables industries showed signs of recovery while the aviation sector remained weak. Since the overall development of the COVID-19 pandemic is still unforeseeable, predictions remain difficult.

For these Consolidated Financial Statements, the impact of the COVID-19 outbreak and containment measures taken by various governments are considered and assessments for the future are made based on various scenarios.

The Group has analysed whether any triggering events can be identified that would indicate an impairment of its assets.

The outlook for the time-critical logistics business, acquired through Quick International Courier (Quick) at the end of 2018, was affected significantly by the COVID-19 pandemic, resulting in a down-trading of several major aviation customers. The recovery of these customers is uncertain and depending on the recovery of air travel – which is expected to take well beyond 2021 and will not return to pre-crisis levels until 2024 as per the International Air Transport Association (IATA). In the third quarter 2020 a slower than initially expected recovery of the aviation sector and the changed medium and long-term outlook for aviation customers led to an impairment charge of other intangible assets (customer lists) in the reportable segment Air Logistics in the region Americas of CHF 52 million.

Kuehne+Nagel considered the COVID-19 outbreak and the impact on the wider economy as a triggering event and performed a goodwill impairment test for the relevant aggregated cash generating units (CGU) in the third quarter 2020. The recoverable amounts of the aggregated CGUs clearly exceeded their carrying amounts. The annual impairment tests (described in note 28) performed in the fourth quarter 2020 confirmed these results.

The Kuehne+Nagel Group reached an agreement with the sellers of Quick for an early settlement of the contingent consideration, resulting in a payment of CHF 46 million and a release of the unused contingent consideration liability through the income statement (included in other operating income) of CHF 115 million. Further details regarding the measurement of contingent considerations are described in note 45.

The Group has reassessed the expected credit loss by applying updated credit ratings and probabilities of default. The impairment allowance in per cent of trade receivables and contract assets has increased from 1.95 per cent as of December 31, 2019 to 2.39 per cent as of December 31, 2020.

The Group introduced short-time work in several jurisdictions and recorded benefits in the amount of CHF 83 million as a deduction of personnel expenses in the Consolidated Financial Statements for the year ending December 31, 2020.

As of December 31, 2020, the Group received no material government subsidies or other assistance.

The Kuehne+Nagel Group has successfully extended the revolving credit facility of CHF 750 million by one year until April 24, 2023 to ensure immediate access to liquidity.

The Group closely monitors the business and results of its recent acquisitions, for which performance based earnouts have been agreed to be paid in the future.

While the Kuehne+Nagel Group has ensured the continuation of its operations, the future impact of COVID-19 on business growth and profitability cannot be quantified at this stage as it depends on the further development of the pandemic and its effects on global trade. The successful global COVID-19 vaccine rollout will heavily depend on an efficient and fast distribution. Most notably, the Kuehne+Nagel Group has entered into an agreement with Moderna, Inc. (NASDAQ: MRNA) to support the storage and distribution of its COVID-19 vaccine via road and air, using the existing network of more than 240 pharma certified operations worldwide. Kuehne+Nagel has also signed partnerships with authorities in several countries for local storage and last-mile distribution, such in Germany's most populous state, North Rhine-Westphalia.

4 Scope of consolidation

The Group's significant consolidated subsidiaries and joint ventures are listed on pages 109 to 116.

Changes in the scope of consolidation in 2020 relate to the following companies (for further information on the financial impact of the acquisitions refer to note 40):

2020	Capital share in per cent equals voting rights	Incorporation/ acquisition date
Incorporation		
Pluto Holdings Logistics Ltd., Great Britain	100	August 1, 2020
Acquisitions		
Newco Logistics NV, Belgium	100	January 7, 2020
Rotra Forwarding NV, Belgium	100	January 7, 2020
Rotrexma 2 Holding BV, Netherlands	100	January 7, 2020
Exmijro 2 BV, Netherlands	100	January 7, 2020
TS Holding BV, Netherlands	100	January 7, 2020
Global Parcel Services BV, Netherlands	100	January 7, 2020
Roelofsen Transport BV, Netherlands	100	January 7, 2020
Rotra Logistics Solutions BV, Netherlands	100	January 7, 2020
Rotra Forwarding BV, Netherlands	100	January 7, 2020
Logistics Software Solutions Holding BV, Netherlands	100	January 7, 2020
Logistics Software Solutions BV, Netherlands	100	January 7, 2020
Truck Supply Europe Srl, Romania	100	January 7, 2020
S.C. Rotra Forwarding Srl, Romania	100	January 7, 2020

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

2019	Capital share in per cent equals voting rights	Incorporation/ acquisition date
Incorporation		
Modern Office Pte Ltd, Singapore	100	January 1, 2019
Acquisitions		
KN-Sincero Logistics Co. Ltd., China (formerly Shanghai Ruichun Logistics Co., Ltd.)	51	January 1, 2019
Zhejiang Jiajin Logistics Co. Ltd., China	51	January 1, 2019
Wuhan Zhisheng Logistics Co. Ltd., China	51	January 1, 2019
Shenzhen Hua Tie Xun Logistics CO. Ltd., China	51	January 1, 2019
JOELOG Beteiligungs GmbH, Austria	100	September 10, 2019
Jöbstl Gesellschaft mbH, Austria	100	September 10, 2019
Kurt Jöbstl Transport GmbH, Austria	100	September 10, 2019
SLM Spedition & Logistik GmbH, Austria	100	September 10, 2019
Jöbstl I d.o.o., Slovenia	100	September 10, 2019

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 translated at year-end exchange rates and all items included in the income statement are translated at average exchange rates for the year, which approximate actual rates. Exchange differences originating from such translation 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	2020 CHF	2019 CHF	Variance in per cent
EUR 1.-	1.0717	1.1120	–3.6
USD 1.-	0.9408	0.9926	–5.2
GBP 1.-	1.2104	1.2697	–4.7

Balance Sheet
(year-end rates)

Currency	Dec. 2020 CHF	Dec. 2019 CHF	Variance in per cent
EUR 1.-	1.0865	1.0889	–0.2
USD 1.-	0.8895	0.9769	–8.9
GBP 1.-	1.2016	1.2755	–5.8

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 transaction costs, in the case of a financial asset not measured at fair value through profit and loss. 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, 2020 and December 31, 2019.

Financial liabilities
All financial liabilities are initially recognised at fair value minus, in the case of financial liabilities not at fair value through profit or loss, transactions costs. 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 furniture	5
Office machines	4
IT hardware	3

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

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, initial direct costs less lease incentives received. 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.

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. The Kuehne+Nagel Group has changed the level at which goodwill is tested in 2020. For further details refer to note 28.

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, 2020 and 2019, 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.

The Group has changed the level of goodwill impairment testing. Details on the change are described in note 28.

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. For the purposes of the goodwill impairment testing, the cash-generating units are aggregated into the global business units.

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 or 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) Sea Logistics, 2) Air Logistics, 3) Road Logistics, 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 Sea Logistics, Air Logistics and Road Logistics 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 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, **Sea Logistics, Air Logistics, Road Logistics** 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 Sea Logistics, Air Logistics and Road Logistics 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 2020	Total Group 2019	Sea Logistics 2020	Sea Logistics 2019	Air Logistics 2020	Air Logistics 2019
Turnover (external customers)	**23,812**	**25,295**	**8,973**	**9,751**	**5,817**	**5,465**
Customs duties and taxes	–3,430	–4,201	–1,882	–2,294	–623	–812
Net turnover (external customers)	**20,382**	**21,094**	**7,091**	**7,457**	**5,194**	**4,653**
Inter-segment turnover	–	–	2,244	2,506	3,345	2,556
Net expenses for services	–12,907	–13,113	–7,918	–8,424	–7,208	–5,892
Gross profit	**7,475**	**7,981**	**1,417**	**1,539**	**1,331**	**1,317**
Total expenses [1]	–5,555	–6,152	–966	–1,054	–731	–923
EBITDA	**1,920**	**1,829**	**451**	**485**	**600**	**394**
Depreciation of property, plant and equipment	–185	–206	–23	–25	–22	–23
Depreciation of right-of-use assets	–506	–497	–3	–2	–2	–3
Amortisation of other intangibles	–40	–54	–2	–2	–19	–30
Impairment of assets [2]	–119	–11	–	–	–52	–9
EBIT (segment profit)	**1,070**	**1,061**	**423**	**456**	**505**	**329**
Financial income	9	11				
Financial expenses	–22	–29				
Result from joint ventures and associates	2	4				
Earnings before tax (EBT)	**1,059**	**1,047**				
Income tax	–270	–247				
Earnings for the year	**789**	**800**				
Attributable to:						
Equity holders of the parent company	788	798				
Non-controlling interests	1	2				
Earnings for the year	**789**	**800**				
Additional information not regularly reported to the CODM						
Reportable non-current segment assets	3,815	4,621	331	393	649	785
Segment assets	9,851	9,825	1,737	1,868	1,737	1,763
Segment liabilities	7,438	7,503	1,860	1,876	1,283	1,251
Allocation of goodwill	1,155	1,220	35	37	394	433
Allocation of other intangibles	101	185	–	–	56	133
Capital expenditure property, plant and equipment	177	320	13	20	16	22
Capital expenditure right-of-use assets	512	688	31	19	24	21
Capital expenditure other intangibles	9	10	2	2	2	2
Property, plant and equipment, goodwill and intangibles through business combinations	37	104	–	–	–	5
Non-cash expenses	92	75	15	13	6	6

1 2020 figures include an income from the release of unused contingent consideration liability of CHF 115 million in the business unit Air Logistics (region Americas) - described in more detail in note 3 section “Impact from COVID-19” and note 45.
2 2020 figures include a write-off of CHF 18 million of goodwill and CHF 49 million of assets held for sale in the business unit Contract Logistics in 2020 (region EMEA) and an impairment of other intangibles (customer lists) in the business unit Air Logistics (region Americas) of CHF 52 million described in notes 28 and 3 section “Impact from COVID-19”.

	Road Logistics		Contract Logistics		Total reportable segments		Eliminations		Unallocated corporate	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	3,633	**4,102**	**5,389**	**5,977**	**23,812**	**25,295**	**–**	**–**	**–**	**–**
	–411	–516	–514	–579	–3,430	–4,201	–	–	–	–
	3,222	**3,586**	**4,875**	**5,398**	**20,382**	**21,094**	**–**	**–**	**–**	**–**
	1,385	1,511	214	237	7,188	6,810	–7,188	–6,810	–	–
	–3,518	–3,976	–1,451	–1,631	–20,095	–19,923	7,188	6,810	–	–
	1,089	**1,121**	**3,638**	**4,004**	**7,475**	**7,981**	**–**	**–**	**–**	**–**
	–970	–985	–2,888	–3,190	–5,555	–6,152	–	–	–	–
	119	**136**	**750**	**814**	**1,920**	**1,829**	**–**	**–**	**–**	**–**
	–24	–28	–116	–130	–185	–206	–	–	–	–
	–20	–14	–481	–478	–506	–497	–	–	–	–
	–13	–14	–6	–8	–40	–54	–	–	–	–
	–	–2	–67	–	–119	–11	–	–	–	–
	62	**78**	**80**	**198**	**1,070**	**1,061**	**–**	**–**	**–**	**–**
	581	608	1,992	2,607	3,553	4,393	–	–	262	228
	1,109	1,314	3,249	3,696	7,832	8,641	–	–	2,019	1,184
	1,053	1,077	2,615	2,659	6,811	6,863	–	–	627	640
	335	326	391	424	1,155	1,220	–	–	–	–
	38	43	7	9	101	185	–	–	–	–
	19	31	129	247	177	320	–	–	–	–
	30	35	427	613	512	688	–	–	–	–
	1	1	4	5	9	10	–	–	–	–
	37	20	–	79	37	104	–	–	–	–
	20	14	51	42	92	75	–	–	–	–

b) Geographical information

CHF million	Total Group 2020	Total Group 2019	EMEA 2020	EMEA 2019	Americas 2020	Americas 2019
Turnover (external customers)	**23,812**	**25,295**	**14,830**	**15,693**	**6,269**	**6,901**
Customs duties and taxes	–3,430	–4,201	–2,398	–2,865	–812	–1,102
Net turnover (external customers)	**20,382**	**21,094**	**12,432**	**12,828**	**5,457**	**5,799**
Inter-regional turnover	–	–	4,441	4,355	1,064	1,197
Net expenses for services	–12,907	–13,113	–11,875	–11,845	–4,934	–5,238
Gross profit	**7,475**	**7,981**	**4,998**	**5,338**	**1,587**	**1,758**
Total expenses [1]	–5,555	–6,152	–4,020	–4,285	–1,052	–1,340
EBITDA	**1,920**	**1,829**	**978**	**1,053**	**535**	**418**
Depreciation of property, plant and equipment	–185	–206	–120	–138	–41	–44
Depreciation of right-of-use assets	–506	–497	–332	–337	–112	–104
Amortisation of other intangibles	–40	–54	–15	–13	–22	–37
Impairment of assets [2]	–119	–11	–67	–4	–52	–6
EBIT	**1,070**	**1,061**	**444**	**561**	**308**	**227**
Financial income	9	11				
Financial expenses	–22	–29				
Result from joint ventures and associates	2	4				
Earnings before tax (EBT)	**1,059**	**1,047**				
Income tax	–270	–247				
Earnings for the year	**789**	**800**				
Attributable to:						
Equity holders of the parent company	788	798				
Non-controlling interests	1	2				
Earnings for the year	**789**	**800**				
Reportable non-current assets	**3,815**	**4,621**	**2,162**	**2,675**	**1,098**	**1,370**
Additional information not regulary reported to the CODM						
Segment assets	9,851	9,825	4,781	5,309	2,229	2,503
Segment liabilities	7,438	7,503	4,606	4,516	1,319	1,587
Capital expenditure property, plant and equipment	177	320	134	211	27	56
Capital expenditure right-of-use assets	512	688	394	422	68	195
Capital expenditure other intangibles	9	10	8	7	1	2
Property, plant and equipment, goodwill and intangibles through business combinations	37	104	37	20	–	5
Non-cash expenses	92	75	79	52	9	17

1 2020 figures include an income from the release of unused contingent consideration liability of CHF 115 million in the business unit Air Logistics (region Americas) – described in more detail in note 3 section “Impact from COVID-19” and note 45.
2 2020 figures include a write-off of CHF 18 million of goodwill and CHF 49 million of assets held for sale in the business unit Contract Logistics in 2020 (region EMEA) and an impairment of other intangibles (customer lists) in the business unit Air Logistics (region Americas) of CHF 52 million described in notes 28 and 3 section “Impact from COVID-19”.

Asia-Pacific		Eliminations		Unallocated corporate	
2020	2019	2020	2019	2020	2019
2,713	**2,701**	**–**	**–**	**–**	**–**
–220	–234	–	–	–	–
2,493	**2,467**	**–**	**–**	**–**	**–**
1,683	1,258	–7,188	–6,810	–	–
–3,286	–2,840	7,188	6,810	–	–
890	**885**	**–**	**–**	**–**	**–**
–483	–527	–	–	–	–
407	**358**	**–**	**–**	**–**	**–**
–24	–24	–	–	–	–
–62	–56	–	–	–	–
–3	–4	–	–	–	–
–	–1	–	–	–	–
318	**273**	**–**	**–**	**–**	**–**
293	**348**	**–**	**–**	**262**	**228**
822	829	–	–	2,019	1,184
886	760	–	–	627	640
16	53	–	–	–	–
50	71	–	–	–	–
–	1	–	–	–	–
–	79	–	–	–	–
4	6	–	–	–	–

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	2020		2019	
Countries	Reportable non-current assets [1]	Net turnover	Reportable non-current assets [1]	Net turnover
France [2]	396	1,484	482	1,630
Germany [2]	749	3,415	820	3,457
Great Britain [2]	234	1,892	611	2,119
Switzerland [2]	24	311	20	277
USA [3]	870	3,566	1,069	3,798
Others	1,280	9,714	1,391	9,813
Total	**3,553**	**20,382**	**4,393**	**21,094**

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	2020	2019
Salaries and wages	3,621	3,907
Social expenses and benefits	783	848
Expenses for share-based compensation plans	13	15
Expenses for pension plans		
– defined benefit plans	12	14
– defined contribution plans	67	75
Government compensation for short-time work and social security	–83	–
Others	30	18
Total	**4,443**	**4,877**

Number of employees	Dec. 31, 2020	Dec. 31, 2019
EMEA	54,560	58,086
Americas	14,848	15,712
Asia-Pacific	8,841	9,363
Total employees	**78,249**	**83,161**
Full-time equivalents of employees (unaudited)	72,021	78,448
Full-time equivalents of temporary staff (unaudited)	21,217	20,665
Full-time equivalents (total/unaudited)	**93,238**	**99,113**

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	2020	2019
Administration	296	268
Communication	64	70
Travel and promotion	40	107
Vehicles	207	232
Operating expenses	259	256
Facilities	402	439
Total	**1,268**	**1,372**

22 Other operating income/expenses, net

CHF million	2020	2019
Gain/(loss) on disposal of property, plant and equipment	2	15
Gain/(loss) on sale and leaseback of property, plant and equipment [1]	23	81
Gain/(loss) on sale of subsidiaries and associates	–	1
Gain/(loss) on release of unused contingent consideration liability [2]	115	–
Other operating income/(expenses)	16	–
Total	**156**	**97**

1 In 2020, the Group has completed seven sale and leaseback transactions of real estate facilities in Australia, France, Germany and Great Britain. The agreed leaseback periods range between three and ten years (2019: eleven transactions in Australia, Germany, Great Britain, Greece, New Zealand and Switzerland with leaseback periods ranging between three and ten years).

2 In Q3 2020, CHF 46 million was paid to the sellers of Quick under the early settlement agreement and CHF 115 million of unused amounts were released. For further details refer to note 3 section "Impact from COVID-19".

23 Financial income and expenses

CHF million	2020	2019
Interest income	3	8
Exchange differences, net	6	3
Financial income	**9**	**11**
Interest expenses on other interest-bearing liabilities	–6	–10
Interest expenses on lease liabilities	–14	–17
Discount unwind on contingent consideration liabilities	–2	–2
Financial expenses	**–22**	**–29**
Net financial result	**–13**	**–18**

24 Income tax

CHF million	2020	2019
Current tax expense		
– in current year	303	299
– under/(over) provided in previous years	1	–2
	304	297
Deferred tax expense from		
– changes in temporary differences and tax losses	–34	–50
Income tax	**270**	**247**

Deferred tax assets of CHF 1 million (2019: CHF 16 million) relating to actuarial losses of CHF 8 million before tax (2019 actuarial losses of CHF 66 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	2020	per cent	2019	per cent
Earnings before tax according to the income statement	1,059		1,047	
Income tax / expected tax rate	**253**	**23.9**	**244**	**23.3**
Tax effect on				
– tax exempt (income)/non-deductible expenses	–13	–1.2	8	0.8
– utilisation of previously unrecognised tax losses	–1	–0.1	–1	–0.1
– change of deferred tax due to tax rate adjustments	1	0.1	–	–
– under/(over) provided in previous years	1	0.1	–2	–0.2
– unrecoverable withholding taxes	29	2.7	18	1.7
– effect of tax value step-up in basis [1]	–	–	–20	–1.9
Income tax/effective tax rate	**270**	**25.5**	**247**	**23.6**

1 Impact from step-up mechanism under the Swiss tax reform 2019.

Deferred tax assets and liabilities

	Assets		Liabilities		Net deferred income tax balance	
CHF million	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019
Property, plant and equipment and right-of-use assets	19	16	–216	–236	–197	–220
Goodwill and other intangibles	46	34	–36	–40	10	–6
Trade receivables	17	12	–10	–8	7	4
Other receivables	2	3	–32	–20	–30	–17
Lease liabilities	245	250	–	–	245	250
Provisions for pension plans and severance payments	71	75	–	–	71	75
Other liabilities	82	73	–11	–14	71	59
Tax value of loss carry-forwards recognised	12	14	–	–	12	14
Total net deferred income tax balance	**494**	**477**	**–305**	**–318**	**189**	**159**
Thereof deferred income tax assets					250	219
Thereof deferred income tax liabilities					–61	–60

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	2020 Unused tax losses	2020 Unrecognised deferred tax asset on unused tax losses	2019 Unused tax losses	2019 Unrecognised deferred tax asset on unused tax losses
Balance as of December 31	72	16	71	16

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	2020		2019
Expiry			
2021	17	2020	–
2022	5	2021	32
2023	4	2022	2
2024 & later	37	2023 & later	30
No expiry	9	No expiry	7
Total unused tax losses	**72**		**71**

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	2020	2019
Earnings for the year attributable to the equity holders of the parent company in CHF million	**788**	**798**
Weighted average number of ordinary shares outstanding during the year	119,593,010	119,764,337
Dilutive effect on number of shares outstanding:		
Share-based compensation plans	258,409	180,824
Adjusted weighted number of ordinary shares applicable to diluted earnings per share	119,851,419	119,945,161
Basic earnings per share in CHF	6.59	6.67
Diluted earnings per share in CHF	6.57	6.66

26 Property, plant and equipment

2020

CHF million	Properties including buildings on third parties' land	Other operating and office equipment	Total
Cost			
Balance as of January 1, 2020	752	1,231	1,983
Additions through business combinations [1]	–	2	2
Additions	16	161	177
Disposals	–240	–129	–369
Transfers	–25	25	–
Reclassification to "assets held for sale" [1]	–31	–66	–97
Effect of movements in foreign exchange	–16	–66	–82
Balance as of December 31, 2020	**456**	**1,158**	**1,614**
Accumulated depreciation and impairment losses			
Balance as of January 1, 2020	128	766	894
Depreciation charge for the year	16	169	185
Disposals	–56	–110	–166
Reclassification to "assets held for sale" [1]	–11	–37	–48
Effect of movements in foreign exchange	–3	–45	–48
Balance as of December 31, 2020	**74**	**743**	**817**
Carrying amount			
As of January 1, 2020	624	465	1,089
As of December 31, 2020	382	415	797

1 Refer to note 40 for further details.

2019

CHF million	Properties including buildings on third parties' land	Other operating and office equipment	Total
Cost			
Balance as of January 1, 2019	926	1,149	2,075
Additions through business combinations [1]	–	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
Effect of movements in foreign exchange	–6	–28	–34
Balance as of December 31, 2019	**128**	**766**	**894**
Carrying amount			
As of January 1, 2019	767	455	1,222
As of December 31, 2019	624	465	1,089

1 Refer to note 40 for further details.

27 Leases

Right-of-use assets

2020

CHF million	Right-of-use assets properties, buildings	Right-of-use assets other operating and office equipment	Total
Cost			
Balance as of January 1, 2020	1,692	207	1,899
Additions through business combinations [1]	21	6	27
Additions	418	94	512
Depreciation charge for the year	–459	–47	–506
Modifications and reassessments	–47	–16	–63
Reclassification to “assets held for sale” [1]	–232	–56	–288
Effect of movements in foreign exchange	–75	–6	–81
Balance as of December 31, 2020	**1,318**	**182**	**1,500**

1 Refer to note 40 for further details.

2019

CHF million	Right-of-use assets properties, buildings	Right-of-use assets other operating and office equipment	Total
Cost			
Balance as of January 1, 2019	1,575	182	1,757
Additions	598	90	688
Depreciation charge for the year	–441	–56	–497
Modifications and reassessments	–13	–5	–18
Effect of movements in foreign exchange	–27	–4	–31
Balance as of December 31, 2019	**1,692**	**207**	**1,899**

Lease liabilities

CHF million	2020	2019
Balance as of January 1	1,942	1,757
Additions	547	699
Modifications and reassessments	–87	–14
Repayment	–497	–475
Reclassification to "liabilities directly associated with the assets held for sale" [1]	–267	–
Effect of movements in foreign exchange	–55	–25
Balance as of December 31	**1,583**	**1,942**
of which		
– Current portion	433	510
– Non-current portion	1,150	1,432
Total lease liabilities	**1,583**	**1,942**

1 Refer to note 40 for further details.

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	2020	2019
Depreciation of right-of-use assets	506	497
Interest expense on lease liabilities (included in financial expenses)	14	17
Expense relating to short-term and low value leases (included in selling, general and administrative expenses)	151	207
Profits on sale-and-leaseback transactions (included in other operating income/expense, net)	–23	–81
Total expense recognised in the Income Statement	**648**	**640**

The total cash outflow for leases (including short-term leases and low value assets) was CHF 662 million in 2020 (2019: CHF 699 million). The total cash inflow from sale and leaseback transactions was CHF 406 million in 2020 (2019: CHF 195 million).

28 Goodwill and other intangibles

2020

CHF million	Goodwill	Other intangibles[1]
Cost		
Balance as of January 1, 2020	1,234	883
Additions through business combinations[2]	25	10
Additions	–	9
Deletions	–	–14
Reclassification to “assets held for sale”[2]	–18	–
Effect of movements in foreign exchange	–73	–35
Balance as of December 31, 2020	**1,168**	**853**
Accumulated amortisation and impairment losses		
Balance as of January 1, 2020	14	698
Amortisation charge	–	40
Impairment charge[3]	–	52
Deletions	–	–14
Effect of movements in foreign exchange	–1	–24
Balance as of December 31, 2020	**13**	**752**
Carrying amount:		
As of January 1, 2020	1,220	185
As of December 31, 2020	1,155	101

1 Other intangibles mainly comprise customer contracts/lists, trademarks, field office agent contracts and software.
2 Refer to note 40 for further details.
3 Due to the down-trading of major aviation customers caused by the COVID-19 pandemic, the Group has fully impaired the respective customer lists in the reportable segment Air Logistics of CHF 52 million. Refer to note 3 section “Impact from COVID-19” for further details.

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, trademarks, 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 Air Logistics and Road Logistics, an impairment charge on the respective customer lists of CHF 9 million in Air Logistics and CHF 2 million in Road Logistics had to be recognised.

Impairment testing of goodwill

Over the last decade, the Group's acquisition strategy has expanded from being decentralised and focused on local markets to increasingly include a focus on global scale with the intention to broaden the Group's geographic presence, enhance the service offering and to realise synergies and economies of scale through globally centralised and standardised processes as well as cross-regional roll-outs of acquired businesses. The Management Board (the chief operational decision maker, CODM) assesses the performance of its acquisitions on a global and business unit level. As a consequence of this development, the Group reassessed the allocation level of goodwill for the purpose of impairment testing.

In 2020, the Group redefined the level of goodwill impairment testing from a country or regional and business unit to a global business unit level – in line with how the CODM assesses the performance of its acquisitions. This is considered a change in circumstances accounted for prospectively and therefore prior years are not impacted. No impairment of goodwill would have arisen in 2020 if testing had continued to be performed on the previous basis. The Group has performed impairment tests of goodwill at the end of the financial years 2020 and 2019.

Following a business combination, goodwill is allocated to aggregated cash-generating units which are expected to benefit from the synergies of the corresponding business combination. For the purposes of goodwill impairment testing, the cash-generating units are aggregated into the global business units – the level at which the Management Board conducts reviews. The allocation of goodwill to the reportable segments (business units) is further illustrated in note 19.

For the goodwill allocated to the aggregated 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).

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

	Sea Logistics	Air Logistics	Road Logistics	Contract Logistics	Total Group
Carrying amount of goodwill in CHF million 2020	**35**	**394**	**335**	**391**	**1,155**
Carrying amount of goodwill in CHF million 2019	37	433	326	424	1,220
Basis for recoverable amount	Value in use	Value in use	Value in use	Value in use	
Pre-tax discount rate in per cent 2020	9.1	9.0	9.0	8.9	
Pre-tax discount rate in per cent 2019	8.6 – 13.6	8.6 – 16.0	8.7 – 13.6	8.6 – 13.6	
Projection period	3 years	3 years	3 years	3 years	
Terminal growth rate in per cent 2020	1.5	1.5	1.5	1.5	
Terminal growth rate in per cent 2019	1.5	1.5	1.5	1.5	

Key assumptions have not changed compared to the previous year with the exception of discount rates used. For both 2020 and 2019, all recoverable amounts exceeded their carrying amounts and consequently no impairment of goodwill was recognised for the years 2020 and 2019 other than stated in note 40 for the disposal group. 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	2020	2019
Trade receivables	3,498	3,675
Impairment allowance	–86	–74
Total trade receivables	**3,412**	**3,601**

The majority of all billing is done in the respective Group companies' own functional currencies and is mainly in EUR 39.9 per cent (2019: 39.2 per cent), USD 20.0 per cent (2019: 18.9 per cent) and GBP 7.4 per cent (2019: 10.6 per cent).

Trade receivables outstanding at year-end averaged 50.5 days (2019: 52.5 days).

No trade receivables are pledged in 2020 and 2019.

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 increased from CHF 223 million in 2019 to CHF 259 million in 2020.

CHF million	2020	2019
Contract assets	263	225
Impairment allowance	–4	–2
Total contract assets	**259**	**223**

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 90 million (2019: CHF 76 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 37 million at year-end 2020 (2019: CHF 41 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, 2020, the Group has established a collective impairment allowance of CHF 53 million, which represents 1.4 per cent of total outstanding trade receivables and contract assets (2019: CHF 35 million/0.9 per cent).

	2020		2019	
CHF million	Trade receivables	Impairment allowance on trade receivables	Trade receivables	Impairment allowance on trade receivables
Default probability < 1 per cent	1,467	19	1,470	10
Default probability 1 to 3 per cent	1,857	26	1,981	17
Default probability 3 to 10 per cent	97	2	115	3
Default probability 10 to 30 per cent	31	5	64	9
Default probability > 30 per cent	46	34	45	35
Total	**3,498**	**86**	**3,675**	**74**

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:

	2020			2019		
CHF million	Specific allowance	Collective allowance	Total allowance	Specific allowance	Collective allowance	Total allowance
Balance as of January 1	41	35	76	34	31	65
Additional impairment losses recognised	31	44	75	22	15	37
Reversal of impairment losses and write-offs	–35	–26	–61	–15	–11	–26
Balance as of December 31	**37**	**53**	**90**	**41**	**35**	**76**

30 Other receivables

CHF million	Dec. 31, 2020	Dec. 31, 2019
Receivables from tax authorities	35	26
Deposits	48	55
Receivables from sale / sale and leaseback of property plant and equipment	–	151
Sundry	29	32
Total other receivables	**112**	**264**

The majority of the other receivables are held in the respective Group companies' own functional currencies, which represents EUR 34.2 per cent (2019: 50.3 per cent) USD 7.5 per cent (2019: 5.3 per cent) and GBP 3.9 per cent (2019: 1.6 per cent).

31 Cash and cash equivalents

CHF million	Dec. 31, 2020	Dec. 31, 2019
Cash at banks	881	652
Short-term deposits	816	258
Cash and cash equivalents	**1,697**	**910**
Cash as part of "assets held for sale" [1]	18	–
Bank overdraft	–2	–6
Cash and cash equivalents in the cash flow statement, net	**1,713**	**904**

1 Refer to note 40 for further details.

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 2020

	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	55,683,849	56	46.4	46.6	55,893,800
Entitled to voting rights and dividends	**119,583,849**	**120**	**99.7**	**100.0**	**119,793,800**
Treasury shares	416,151	–	0.3		206,200
Total	**120,000,000**	**120**	**100.0**		**120,000,000**

In 2020 the Company matched 67,506 treasury shares of which the main portion relates to the matured share matching plan 2017 (2019: 760 treasury shares sold, 58,508 matched for the matured share matching plan 2016) for less than CHF 1 million (2019: less than CHF 1 million) under the employee share-based compensation plans. In addition, the Company purchased 277,457 treasury shares for CHF 37 million (2019: none).

On December 31, 2020, the Company had 416,151 treasury shares (2019: 206,200), of which 416,151 (2019: 206,200) 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
2021	CHF 4.50	538

The dividend payment 2020 to owners amounted to CHF 4.00 per share or CHF 478 million (2019: CHF 6.00 per share or CHF 718 million).

Share capital and treasury shares 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**

Authorised and conditional share capital

The Annual General Meeting held on May 5, 2020, extended its approval of authorised share capital up to a maximum of CHF 20 million by a further two years until May 5, 2022.

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

CHF million	2020	2019	2018	2017	2016
Total equity	2,413	2,322	2,324	2,327	2,165
Total assets [1]	9,851	9,825	7,878	7,457	6,331
Equity ratio in per cent	**24.5**	**23.6**	**29.5**	**31.2**	**34.2**

1 Figures prior to 2019 have not been restated for the impact of IFRS 16 Leases.

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, 2019	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**
Provisions made	12	2	14
Provisions used	–16	–2	–18
Actuarial (gains)/losses recognised in other comprehensive income	8	–	8
Effect of movements in foreign exchange	–2	–2	–4
Balance as of December 31, 2020	**405**	**26**	**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.

			2020			2019
CHF million	Funded plans	Unfunded plans	Total	Funded plans	Unfunded plans	Total
Net liability for defined benefit obligations						
Present value of obligations	262	341	603	247	348	595
Fair value of plan assets	–198	–	–198	–192	–	–192
Present value of net obligations	64	341	405	55	348	403
Recognised net liability for defined benefit obligations	**64**	**341**	**405**	**55**	**348**	**403**
Expected payments to defined benefit plan in the next year	7	11	18	6	11	17

CHF million	2020	2019
Allocation of plan assets		
Debt securities	64	65
Equity securities	20	23
Insurance contracts and others	114	104
Total	**198**	**192**

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.

	2020	2019
CHF million	Funded plans	Funded plans
Movements of fair value of plan assets		
Opening fair value of plan assets	192	173
Employer contribution	6	6
Employee contribution	4	4
Return on plan assets, excluding interest	5	14
Interest on plan assets	3	4
Benefits paid by the plan	–4	–8
Effect of movements in foreign exchange	–8	–1
Closing fair value of plan assets	**198**	**192**
Actual return on plan assets for the year	8	18

CHF million	2020 Funded plans	2020 Unfunded plans	2020 Total	2019 Funded plans	2019 Unfunded plans	2019 Total
Movements of present value of defined benefit obligations						
Opening liability for defined benefit obligations	247	348	595	212	312	524
Current service costs	7	5	12	7	5	12
Interest costs	3	3	6	5	6	11
Employee contribution	4	–	4	4	–	4
Actuarial (gains)/losses recognised in other comprehensive income:						
— due to changes in demographic assumptions	–1	–	–1	–1	–	–1
— due to changes in financial assumptions	11	3	14	35	50	85
— due to experience (gains)/losses	4	–3	1	–2	–2	–4
Benefits paid by the plan	–4	–11	–15	–8	–10	–18
Past service costs - amendments	–1	–2	–3	–4	–	–4
Past service costs - curtailment	–	–1	–1	–	–	–
Effect of movements in foreign exchange	–8	–1	–9	–1	–13	–14
Closing liability for defined benefit obligations	**262**	**341**	**603**	**247**	**348**	**595**
Expense recognised in the income statement						
Service costs	7	2	9	3	5	8
Net interest on the net defined benefit liability	–	3	3	–	6	6
Expense recognised in personnel expenses (refer to note 20)	**7**	**5**	**12**	**3**	**11**	**14**
Actuarial gains/(losses) recognised in other comprehensive income						
Cumulative amount as of January 1	–56	–152	–208	–39	–108	–147
Recognised during the year	–8	–	–8	–18	–48	–66
Effect of movements in foreign exchange	2	1	3	1	4	5
Cumulative amount as of December 31	**–62**	**–151**	**–213**	**–56**	**–152**	**–208**

	Active		Deferred		Retired		Total	
Plan participants	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Number of plan participants	13,626	11,968	1,258	1,314	2,415	2,387	17,299	15,669
Present value of defined benefit obligations								
In CHF million	314	309	69	69	220	217	603	595
Share in per cent	52.1	51.9	11.4	11.6	36.5	36.5	100.0	100.0
Duration in years	21.2	22.9	16.9	18.5	10.7	11.0	16.9	18.1

The duration in years corresponds to the average weighted period.

Weighted actuarial assumptions at the balance sheet date

	2020			2019		
Per cent	**Funded plans**	**Unfunded plans**	**Total**	**Funded plans**	**Unfunded plans**	**Total**
Discount rate	0.3	0.6	0.6	0.6	0.9	0.9
Future salary increases	1.4	2.0	1.9	1.5	2.2	2.1
Future pension increases	–	1.2	1.2	–	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 percentage points in the respective assumption would have the following impact on the defined benefit obligation:

	2020			2019		
CHF million	**Funded plans**	**Unfunded plans**	**Total**	**Funded plans**	**Unfunded plans**	**Total**
Reasonably possible change +/- in percentage points	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**
Discount rate						
Change of defined benefit obligation -/+	11	15	26	10	14	24
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 90.4 per cent (2019: 89.6 per cent) of the defined benefit obligations and 86.9 per cent (2019: 85.9 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	2020	2019
Recognised liability for defined benefit obligations	317	320
Expense recognised in personnel expenses	6	9
Actuarial gains / (losses) recognised in other comprehensive income	–1	–45
Number of plan participants	3,244	3,311
Duration in years	16.7	18.0

The duration in years corresponds to the average weighted period.

Weighted actuarial assumptions at the balance sheet date

Per cent	2020	2019
Discount rate	0.60	0.85
Future salary increases	2.00	2.00
Future pension increases	1.50	1.75
Mortality table	Dr. K. Heubeck 2018 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	2020	2019
Net liability for defined benefit obligations		
Present value of obligations	158	141
Fair value of plan assets	–107	–98
Recognised net liability for defined benefit obligations	**51**	**43**
Allocation of plan assets		
Insurance contracts and others	107	98
Expense recognised in the Income Statement		
Service costs	6	2
Actuarial gains/(losses) recognised in other comprehensive income	–7	–14
Number of plan participants	508	502
Duration in years	19.3	19.3

The duration in years corresponds to the average weighted period.

Weighted actuarial assumptions at the balance sheet date

Per cent	2020	2019
Discount rate	0.00	0.15
Future salary increases	1.50	1.50
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	2020	2019
Net liability for defined benefit obligations		
Present value of obligations	70	72
Fair value of plan assets	–65	–67
Recognised net liability for defined benefit obligations	**5**	**5**
Allocation of plan assets		
Debt securities	57	57
Equity securities	7	9
Insurance contracts and others	1	1
Total plan assets	**65**	**67**
Actual return on plan assets for the year	7	10
Actuarial gains/(losses) recognised in other comprehensive income	–	–3
Number of plan participants	1,330	1,337
Duration in years	13.8	13.8

The duration in years corresponds to the average weighted period.

Weighted actuarial assumptions at the balance sheet date

Per cent	2020	2019
Discount rate	2.50	3.10
Mortality table	Scale MP-2020 released by SOA in October 2020	Scale MP-2019 released by SOA in October 2019

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 matched 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 was 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 was 50 shares) could 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 was allocated after the vesting period. Was the number of allocated shares a fraction of shares, then the number of shares was 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	2020	2019	2018
Grant date	July 24, 2020	July 26, 2019	July 25, 2018
Vesting, service and blocking period	July 24, 2020 - June 30, 2023	July 26, 2019 - June 30, 2022	July 25, 2018 - June 30, 2021
Number of shares invested/granted at grant date	192,526	161,464	166,255
Number of shares to be matched as of Dec. 31, 2020	192,076	156,324	145,961
Number of shares to be matched as of Dec. 31, 2019	n/a	161,464	154,332
Share match ratio	0.8	0.8	0.8
Fair value of shares to be matched at grant date in CHF per share	114.7	102.50	106.58

On July 1, 2020, the SMP 2017 matured with an actual share match ratio of 0.5 resulting in a matching of 65,761 shares to the participating employees of this plan.

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.

CHF million	2020	2019
Personnel expense for employee share-based compensation plans	13	15

35 Bank and other interest-bearing liabilities and borrowings

CHF million	Dec. 31, 2020	Dec. 31, 2019
Bank overdrafts	2	6
Short-term bank loans	–	6
Bank and other interest-bearing liabilities	**2**	**12**
0.02 per cent Bond due 2022	200	200
0.2 per cent Bond due 2025	200	200
Borrowings	**400**	**400**

Current bank and other interest-bearing liabilities include bank overdrafts of CHF 2 million (2019: CHF 6 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, 2020, there was no bank loan drawn from the revolving credit facility of CHF 750 million. The credit facility has a remaining contract duration of 3 years until 2023 with no covenants. A contingent one year extension option is available to the Kuehne+Nagel Group in 2021. Bank loans can be drawn with a tenor of one, three and six months.

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, 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**
Balance as of January 1, 2020	59	19	47	125
Provisions used	–16	–11	–10	–37
Provisions reversed	–7	–	–2	–9
Provisions made	34	4	34	72
Reclassification to “liabilities directly associated with the assets held for sale”	–	–	–25	–25
Effect of movements in foreign exchange	–3	–	–2	–5
Balance as of December 31, 2020	**67**	**12**	**42**	**121**
of which				
— Current portion	54	5	27	86
— Non-current portion	13	7	15	35
Total provisions	**67**	**12**	**42**	**121**

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 30 million (2019: CHF 35 million).

37 Trade payables/contract liabilities/accrued trade expenses

CHF million	Dec. 31, 2020	Dec. 31, 2019
Trade payables	1,875	1,890
Contract liabilities	87	74
Accrued trade expenses	1,338	1,190
Total	**3,300**	**3,154**

The majority of all trade payables is in the respective Group companies' own functional currencies, which is in EUR 39.9 per cent (2019: 41.7 per cent), USD 17.3 per cent (2019: 14.0 per cent) and GBP 7.5 per cent (2019: 11.7 per cent).

Contract liabilities increased from CHF 74 million on December 31, 2019, to CHF 87 million as of December 31, 2020. The entire balance of December 31, 2019, was recognised as turnover in 2020.

38 Other non-current liabilities

CHF million	Dec. 31, 2020	Dec. 31, 2019
Contingent consideration liabilities [1]	52	206

1 The balance in 2020 mainly represents the long-term portion of the contingent considerations from the acquisition of KN-Sincero Logistics Co. Ltd., China (formerly Shanghai Ruichun Logistics Co., Ltd.). In Q3 2020 CHF 46 million was paid to the sellers of Quick under the early settlement agreement and CHF 115 million of unused amounts were released. For further details refer to note 3 section "Impact from COVID-19". The balance in 2019 mainly represents the long-term portion of the contingent considerations from the acquisition of the Quick Group and of KN-Sincero Logistics Co. Ltd., China. 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, 2020	Dec. 31, 2019
Personnel expenses (including social security)	580	588
Other tax liabilities	123	124
Other operating expenses	151	192
Contingent and deferred consideration liabilities [1]	–	28
Sundry	51	72
Total	**905**	**1,004**

1 The balance in 2019 mainly represents the short-term portion of the contingent and deferred considerations from the acquisitions of the Quick Group and KN-Sincero Logistics Co. Ltd., China. In Q3 2020 the contingent consideration portion of Quick was paid to the sellers under the early settlement agreement, for further details refer to note 3 section "Impact from COVID-19". The deferred consideration was paid to the sellers of KN-Sincero Logistics Co. in 2020. The long-term portion is included in the balance sheet position "Other non-current liabilities" in note 38. Further details regarding acquisitions are described in note 40.

40 Acquisitions and agreed-upon divestments

2020 Acquisitions

CHF million	Recognised fair values
Property, plant and equipment	2
Right-of-use assets	27
Other intangibles	10
Trade receivables	17
Other current assets	1
Acquired cash and cash equivalents (net)	3
Subtotal assets	**60**
Non-current lease liabilities	–23
Other non current liabilities	–3
Trade payables	–11
Current lease liabilities	–4
Other current liabilities	–6
Total identifiable assets and liabilities, net	**13**
Goodwill	25
Purchase price, paid in cash	**38**
Acquired cash and cash equivalents (net)	–3
Net cash outflow	**35**

Effective January 7, 2020 the Group acquired 100 per cent of the shares of the road logistics activities of Rotrexma 2 Holding BV (Rotra), a company headquartered in the Netherlands, together with its subsidiaries. With approximately 800 employees and a yearly net revenue of above CHF 110 million the Group of companies operates a fleet of over 200 trucks, providing Europe-wide overland transportation as well as contract logistics services for Dutch, Belgian and international customers. It manages cross-dock facilities in the Netherlands and in Belgium. The purchase price of CHF 38 million was paid in cash.

Other intangibles of CHF 10 million recognised on the acquisition represent customer contracts and non-contractual customer lists having a useful life of five years.

The trade receivables comprise gross contractual amounts due of CHF 17 million, and all amounts are expected to be collectible. Goodwill of CHF 25 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 tax deductible.

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

No material adjustments to the values previously reported were deemed necessary after having finalised the acquisition accounting in 2020.

2019 Acquisitions

CHF million	Recognised fair values
Property, plant and equipment	3
Other intangibles	26
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 (exercisable in 2022) 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, of which CHF 7 million was paid in 2020 (2019: CHF 6 million). In addition, the purchase price includes a contingent consideration of CHF 49 million depending on the achieved profitability targets until 2021. The contingent 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.

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.

No material adjustments to the values previously reported were deemed necessary after having finalised the acquisition accounting in 2020.

Agreed upon divestment

On March 8, 2020, Kuehne+Nagel entered into a binding agreement to sell a major part of its contract logistics portfolio in the United Kingdom to XPO Logistics, Inc. (NYSE: XPO). The scope of the transaction includes the drinks logistics, food services and retail & technology businesses, whereby the pharma & healthcare businesses are retained. In 2020, which was adversely impacted by the COVID-19 crisis, these operations contributed CHF 630 million turnover, gross profit of CHF 515 million and a loss for the period of CHF 14 million, excluding any transaction costs and impairment charges.

On December 31, 2020, the assets and liabilities related to this divestment are classified as assets held for sale (CHF 434 million) and liabilities directly associated with the assets held for sale (CHF 419 million) and are presented separately in the Balance Sheet. Impairments of goodwill allocated to the disposal group of CHF 18 million as well as CHF 49 million of the other assets were recognised to reduce the net carrying amount of the assets held for sale to their fair value less costs to sell. In addition, the Group recorded transaction costs of CHF 4 million (included in the line item "selling, general and administrative expenses" in the Income Statement). The transaction closed on January 1, 2021.

CHF million	Dec. 31, 2020
Property, plant and equipment	41
Right of use assets	248
Deferred tax assets	2
Trade receivables	64
Other current assets	61
Cash and cash equivalents	18
Assets held for sale	**434**
Non-current lease liabilities	–215
Other non-current liabilities	–9
Current lease liabilities	–52
Other current liabilities	–97
Trade payables	–46
Liabilities directly associated with the assets held for sale	**–419**
Net assets held for sale	**15**

41 Contingent liabilities

As of year-end, the following contingent liabilities existed:

CHF million	Dec. 31, 2020	Dec. 31, 2019
Guarantees in favour of customers and others	14	12
Contingency under unrecorded claims	2	4
Total	**16**	**16**

Some Group companies are defendants in various legal proceedings. Based on respective legal advice, the management is of the opinion that the outcome of those proceedings will have no effect on the financial situation of the Group beyond the existing provision for pending claims (refer to note 36) of CHF 67 million (2019: CHF 59 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 2020.

42 Other financial commitments

As of year-end, the following financial commitments mainly related to short-term and low value leases existed:

As of December 31, 2020

CHF million	Properties and buildings	Operating and office equipment	Total
2021	22	53	75
2022–2025	12	54	66
Later	2	–	2
Total	**36**	**107**	**143**

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**

Details regarding the 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, 2020	Dec. 31, 2019
Italy	4	2
Great Britain	16	10
Total	**20**	**12**

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 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 2020	Carrying amount 2019
Variable rate instruments		
Cash and cash equivalents (excluding cash on hand)	1,697	910
Current bank and other interest-bearing liabilities	–2	–12
Total	**1,695**	**898**

Fair value sensitivity analysis – fixed rate instruments
As of December 31, 2020 and 2019, 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, 2020, would increase or decrease pre-tax profit or loss by CHF 17 million (2019: CHF 9 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 2020 and 2019 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:

	2020			2019		
CHF million	EUR	USD	GBP	EUR	USD	GBP
Cash and cash equivalents [1]	81	108	82	152	87	77
Trade receivables	58	394	5	69	336	52
Interest-bearing liabilities	–	1	–	–	–	–
Trade payables	–47	–136	–1	–47	–116	–2
Net balance sheet exposure	**92**	**367**	**86**	**174**	**307**	**127**

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.

2020

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)	9.2	36.7	7.7	30.5	10.3

The impact on the profit or loss is mainly a result of foreign exchange gains or losses arising from revaluation of trade receivables, trade payables and cash and cash equivalents in foreign currencies. Significant fluctuations of foreign currency exchange rates would not result in an impact on other comprehensive income. No securities measured at fair value were held and no cash flow hedge accounting was applied.

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

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	2020	2019
Trade receivables	3,412	3,601
Contract assets	259	223
Other receivables	100	263
Cash and cash equivalents	1,697	910
Total	**5,468**	**4,997**

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	2020	2019
EMEA	2,160	2,356
Americas	1,045	1,049
Asia-Pacific	466	419
Total	**3,671**	**3,824**

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:

2020

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	2	2	2	–	–	–
Borrowings	400	402	–	–	402	
Trade payables	1,875	1,875	1,875	–	–	–
Accrued trade expenses	1,338	1,338	1,338	–	–	–
Contingent consideration liabilities	52	54	–	–	54	–
Other liabilities	232	232	232	–	–	–
Lease liabilities [1]	1,583	1,604	230	208	867	299
Total	**5,482**	**5,507**	**3,677**	**208**	**1,323**	**299**

1 The majority of lease payments over five years falls due until 2030.

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	402	–	–	202	200
Trade payables	1,890	1,890	1,890	–	–	–
Accrued trade expenses	1,190	1,190	1,190	–	–	–
Contingent and deferred consideration liabilities	234	238	28	–	210	–
Other liabilities	252	252	252	–	–	
Lease liabilities [1]	1,942	1,981	271	247	1,100	363
Total	**5,920**	**5,965**	**3,642**	**248**	**1,512**	**563**

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

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, 2020

CHF million	Financial assets at FVPL	Financial assets at amortised cost	Total carrying amount	Total fair value
Trade receivables	–	3,412	3,412	3,412
Other receivables	6	106	112	112
Total	**6**	**3,518**	**3,524**	**3,524**

CHF million	Financial liabilities at FVPL	Financial liabilities at amortised cost	Total carrying amount	Total fair value
Borrowings	–	400	400	400
Bank and other interest-bearing liabilities	–	2	2	2
Trade payables	–	1,875	1,875	1,875
Accrued trade expenses	–	1,338	1,338	1,338
Contingent consideration liabilities	52	–	52	52
Other liabilities	–	232	232	232
Total	**52**	**3,847**	**3,899**	**3,899**

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 liabilities	227	7	234	234
Other liabilities	–	252	252	252
Total	**227**	**3,751**	**3,978**	**3,982**

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 400 million on December 31, 2020, CHF 404 million in 2019). There are no other non-current fixed rate interest-bearing loans or other liabilities outstanding (December 31, 2019: none).

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

Other than the early settlement agreement with the sellers of Quick, no significant impact resulted from the remeasurement of the liabilities measured at fair value through profit and loss (FVPL) in 2020 and 2019. For further details on the early settlement agreement Quick, refer to note 3 section "Impact from COVID-19".

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), other than the Quick early settlement no significant change compared to December 31, 2019 has resulted.

Level 3 fair values

CHF million	Contingent consideration liabilities
Balance as of January 1, 2020	227
Utilised for settlements [1]	–46
Total (gains)/losses included in the income statement	
– Unused amounts reversed - recorded within other operating income/expenses, net [1]	–115
– Discount unwind – recorded within financial expenses	2
Total (gains)/losses included in other comprehensive income	
Effects of movements in foreign exchange	–16
Balance as of December 31, 2020	**52**
of which	
– Current portion	–
– Non-current portion	52

1 In Q3 2020, CHF 46 million was paid to the sellers of the Quick Group under the early settlement agreement and CHF 115 million of unused amounts were released. For further details refer to note 3 section "Impact from COVID-19".

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, joint ventures and associates

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, is shown in the table below:

	Management Board		Board of Directors	
CHF million	2020	2019	2020	2019
Wages, salaries and other short-term employee benefits	15.1	14.6	4.3	4.1
Post-employment benefits	1.6	1.5	0.2	0.2
Share-based compensation	2.4	1.7	–	–
Total compensation	**19.1**	**17.8**	**4.5**	**4.3**

As of December 31, 2020, 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 53.7 per cent (2019: 53.6 per cent) of the voting shares of the Company.

For disclosure requirements according to the Swiss law (Article 663bbis/c CO), refer to pages 130 to 131; 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 109 to 116 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. Refer to note 3 and 28 for further details on changes in accounting 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 1,155 million (2019: CHF 1,220 million) for impairment every year as disclosed in note 10.

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.

In addition to the yearly impairment testing, the Group considered the COVID-19 outbreak and the possible impact as a triggering event in 2020. The recoverable amounts of the aggregated CGUs clearly exceeded their carrying amounts. As a result of the impairment testing, no impairment loss on goodwill was recognised in 2020 and 2019, other than mentioned in the next paragraph. However, due to the down-trading of several aviation customers, other intangible assets (customer lists) with the carrying amount of CHF 52 million were impaired in 2020. Please refer to note 3 section "Impact from COVID-19" for further details.

In relation to binding agreement to sell a major part of its Contract Logistics business in the United Kingdom to XPO Logistics, Inc. (NYSE: XPO), the Group recorded impairment charges on goodwill of CHF 18 million as well as CHF 49 million on other assets held for sale to reduce the net carrying amount of the assets held for sale to their fair value less costs to sell. For further details refer to note 40.

In 2020, the Group recorded impairment charges of CHF 18 million on goodwill (2019: no impairment), CHF 52 million on other intangible assets (2019: CHF 11 million) and CHF 49 million on assets held for sale (2019: no impairment) resulting in a total impairment charge of CHF 119 million (2019: CHF 11 million). The carrying amount of other intangibles is CHF 101 million (2019: CHF 185 million), and that of property, plant and equipment is CHF 797 million (2019: CHF 1,089 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, 2020, the Group has recognised total contingent consideration liabilities of CHF 52 million (2019: 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 405 million (2019: CHF 403 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 judgement is involved in the estimate of costs and deferral of revenue and their completeness.

Income tax

Judgement 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 189 million (2019: CHF 159 million). Furthermore, the Group has unrecognised deferred tax assets relating to unused tax losses of CHF 16 million (2019: CHF 16 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 121 million (2019: CHF 125 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 March 8, 2020, Kuehne+Nagel entered into a binding agreement to sell a major part of its contract logistics portfolio in the United Kingdom to XPO Logistics, Inc. (NYSE: XPO). The scope of the transaction includes the drinks logistics, food services and retail & technology businesses, whereby the pharma & healthcare businesses are retained. The transaction closed on January 1, 2021. For further details on the transaction and its implications on the Consolidated Financial Statements refer to note 40.

On February 22, 2021, the Group entered into an agreement to acquire 87.3% of the shares of Apex International Corporation (Apex), one of the leading Asian freight forwarders, especially in the transpacific and intra-Asia. The Group of companies is a renowned specialist for air logistics services, founded in China in 2001 and headquartered in Shanghai and Hong Kong. With approximately 1,600 employees, Apex generates a yearly turnover in excess of CHF 2.1 billion. In 2020, it handled a total air freight volume of approximately 750,000 tons and sea freight volume of 190,000 TEU. The acquisition of Apex follows the Group's strategic growth ambition in Asia. The purchase price in the range between CHF 1.1 and 1.2 billion will be financed by the Company's own funds and, if needed, by available credit lines. The acquisition is subject to customary closing conditions, including merger clearance by the competent competition authorities. The transaction is expected to close in the third quarter of 2021.

There have been no other material events between December 31, 2020, 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 March 2, 2021. A resolution to approve the Consolidated Financial Statements will be proposed at the Annual General Meeting on May 4, 2021.

Significant consolidated subsidiaries and joint ventures

Holding and management companies

Country	Name of the company	Location	Currency	Share capital in thousand	Voting rights 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 thousand	Voting rights 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
	SLM Spedition & Logistik GmbH	Wiener Neudorf	EUR	35	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
	Newco Logistics NV	Kampenhout	EUR	65	100
	Rotra Forwarding NV	Kampenhout	EUR	1,877	100
	Nacora Insurance Brokers NV	Brussels	EUR	155	100
	Logistics Kontich BVBA	Kontich	EUR	837	100
	Logistics Nivelles NV	Nivelles	EUR	3,681	100

1 Directly held by Kuehne + Nagel International AG.

Europe, Middle East and Africa (EMEA)					
Country	**Name of the company**	**Location**	**Currency**	**Share capital in thousand**	**Voting rights 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	113,697	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.

Europe, Middle East and Africa (EMEA)					
Country	Name of the company	Location	Currency	Share capital in thousand	Voting rights 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
Morocco	Kuehne + Nagel SAS	Casablanca	MAD	300	100

1 Directly held by Kuehne + Nagel International AG.

Europe, Middle East and Africa (EMEA)					
Country	Name of the company	Location	Currency	Share capital in thousand	Voting rights in per cent
Mozambique	Kuehne & Nagel Mocambique Lda. [1]	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 [1]	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
	Truck Supply Europe Srl	Ploiesti	RON	442	100
	S.C. Rotra Forwarding Srl	Ploiesti	RON	213	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.

Europe, Middle East and Africa (EMEA)					
Country	Name of the company	Location	Currency	Share capital in thousand	Voting rights 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 A.S.	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

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Americas					
Country	Name of the company	Location	Currency	Share capital in thousand	Voting rights in per cent
Argentina	Kuehne + Nagel S.A.	Buenos Aires	ARS	3,208	100
	Nacora S.A.	Buenos Aires	ARS	20	100
Bolivia	Kuehne + Nagel Ltda. [1]	Santa Cruz	BOB	260	100
Brazil	Kuehne + Nagel Serviços Logisticos Ltda. [1]	Sao Paulo	BRL	175,986	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	1,522	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
Colombia	Kuehne + Nagel S.A.S. [1]	Bogotá	COP	5,184,600	100

1 Directly held by Kuehne + Nagel International AG.

Americas

Country	Name of the company	Location	Currency	Share capital in thousand	Voting rights in per cent
	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	11,067	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
	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 thousand	Voting rights 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	6,589	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

1 Directly held by Kuehne + Nagel International AG.

Asia-Pacific					
Country	**Name of the company**	**Location**	**Currency**	**Share capital in thousand**	**Voting rights in per cent**
	Nacora (Malaysia) Sdn. Bhd.	Kuala Lumpur	MYR	100	100
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	CNY	10,500	51
Singapore	Kuehne + Nagel Pte. Ltd. [1]	Singapore	SGD	72,250	100
	Modern Office Pte. Ltd.	Singapore	USD	6,401	100
	Nacora Insurance Agency Pte. Ltd.	Singapore	SGD	100	100
	Kuehne + Nagel (Asia Pacific) Management Pte. Ltd. [1]	Singapore	SGD	5,229	100
	Kuehne + Nagel Real Estate Pte Ltd	Singapore	SGD	72,000	100
	Kuehne+Nagel (Asia Pacific) Holding Pte Ltd [1]	Singapore	SGD	10,169	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 2020 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 116) give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, 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 International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code) 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	Our audit response
As of 31 December 2020, the Group has recorded goodwill of CHF 1,155 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.	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	Our audit response
As of 31 December 2020, the Group has recorded deferred tax assets of CHF 189 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.	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	**Our audit response**
During the financial year 2020, the Group recognized net turnover in the amount of CHF 20'382 million. As of 31 December 2020, the Group has recognized CHF 259 million of contract assets and CHF 87 million of contract liabilities. The Group generates its revenues from four principal services (Sea Logistics, Air Logistics, Road Logistics 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 procedures included assessing the accounting policies for revenue recognition applied by management and comparing these to IFRS 15. We tested the Group's internal control system with regards to revenue recognition, including related IT controls. Further, our audit procedures included analytics to identify any unusual or non-standard transactions and, on a sample basis, agreeing amounts recorded to underlying evidence, i.e. customer contracts. Our audit procedures did not lead to any reservations concerning the recognition of net turnover and the accounting for contract assets and liabilities.

Other information in the Annual Report

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

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

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

Responsibility of the Board of Directors for the consolidated financial statements

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

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

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

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

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

Report on other legal and regulatory requirements

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

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

Ernst & Young Ltd

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

Zurich, March 2, 2021

Income Statement

CHF million	Note	2020	2019
Income			
Income from investments in Group companies	1	918	515
Finance income			
– Interest income on loan receivables from Group companies		11	18
– Exchange gains		75	51
– Profit on sale of treasury shares		1	1
Other operational income	2	6	78
Total income		**1,011**	**663**
Expenses			
Finance expenses			
– Interest expenses on liabilities towards Group companies		–9	–7
– Exchange losses		–84	–47
Other operational expenses	3	–23	–23
Total expenses		**–116**	**–77**
Earnings before tax and impairment		**895**	**586**
Impairment of investment in Group companies	6	–60	–
Earnings before tax (EBT)		**835**	**586**
Income tax		–17	–16
Earnings for the year		**818**	**570**

Balance Sheet

CHF million	Note	Dec. 31, 2020	Dec. 31, 2019
Assets			
Cash and cash equivalents	4	1,269	511
Other current receivables			
– from third parties		13	5
– from Group companies	5	901	1,238
Total current assets		**2,183**	**1,754**
Investments	6	1,775	1,870
Non-current assets		**1,775**	**1,870**
Total assets		**3,958**	**3,624**
Liabilities and equity			
Liabilities towards Group companies	7	1,492	1,464
Current liabilities			
– Other provisions and accruals		1	2
– Tax provision		3	9
Current liabilities		**1,496**	**1,475**
Non-current liabilities			
– from third parties	8	400	400
Non-current liabilities		**400**	**400**
Total liabilities		**1,896**	**1,875**
Share capital	9	120	120
Legal capital contribution reserves	10	6	6
Legal reserves		60	60
Free reserves			
– Retained earnings	10	1,113	1,021
– Earnings for the year		818	570
Treasury shares	11	–55	–28
Equity		**2,062**	**1,749**
Total liabilities and equity		**3,958**	**3,624**

Schindellegi, March 2, 2021

Kuehne + Nagel International AG

Dr. Detlef Trefzger
CEO

Markus Blanka-Graff
CFO

Notes to the Financial Statements 2020

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

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

Receivables

- *from Group companies*
  Balances outstanding are recorded at their nominal value less valuation allowance.
- *other*
  Other receivables are recorded at their nominal value less valuation allowance.

Treasury shares

Treasury shares are valued at average 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.

Notes to the Income Statement

1 Income from investments in Group companies

Income from investments in Group companies mainly relates to dividends received.

CHF million	2020	2019
Income from investments and others	918	430
Trademark fee	–	85
Total	**918**	**515**

2 Other operational income

CHF million	2020	2019
Refund from antitrust claims	5	1
Income from amortised paid-in surplus previously written off	1	–
Sale of investment Kuehne + Nagel AG, Opfikon Switzerland	–	77
Total	**6**	**78**

3 Other operational expenses

CHF million	2020	2019
Board of Directors fee	5	4
Trademark marketing/IP concept	–	5
Other operational expenses	18	14
Total	**23**	**23**

Notes to the Balance Sheet

4 Cash and cash equivalents

CHF million	Dec. 31, 2020	Dec. 31, 2019
Bank deposits are in the following currencies:		
CHF	1,193	392
EUR	39	106
USD	37	13
Total	**1,269**	**511**

5 Receivables from Group companies

Current receivables

CHF million	Dec. 31, 2020	Dec. 31, 2019
Kuehne + Nagel Ltd., Nairobi	13	17
Kuehne + Nagel Ltd., Bogota	3	4
Kuehne + Nagel Ltd., Amman	–	1
Kuehne + Nagel Ltd., Antwerp	10	1
Kuehne + Nagel Ltd., Bahrain	2	2
Kuehne + Nagel Ltd., Buenos Aires	–	4
Kuehne + Nagel Ltd., Copenhagen	–	1
Kuehne + Nagel Ltd., Jeddah	1	–
Kuehne + Nagel Ltd., Prague	1	–
Kuehne + Nagel Ltd., Dublin	–	11
Kuehne + Nagel Ltd., Dubai	2	2
Kuehne + Nagel S.r.l., Milano	–	1
Kuehne + Nagel Inc. Manila	1	3
Kuehne + Nagel L.L.C., Erbil	–	1
Kuehne + Nagel d.o.o., Ljubljana	1	–
Kuehne + Nagel AG, Luxembourg	–	2
Kuehne + Nagel Investment S.a.r.l., Luxembourg	10	11
Kuehne + Nagel Investment Inc., New York	133	420
Kuehne + Nagel Pty., Panama	1	2
Kuehne + Nagel N.N., Rotterdam	15	–
Kuehne + Nagel Investment B.V., Rotterdam	326	327
Kuehne + Nagel Ltd. Santiago	2	6
Kuehne + Nagel Shared Service Centre d.o.o., Belgrade	–	1
Kuehne + Nagel Real Estate Holding AG, Schindellegi	7	22
Kuehne + Nagel Liegenschaften AG, Schindellegi	18	19
Kuehne + Nagel Finance AG, Schindellegi	353	353
Kuehne + Nagel AG, Zurich	–	21
Kuehne + Nagel Co. W.L.L., Kuwait	1	–
Other Group companies	1	6
Total	**901**	**1,238**

6 Development of investments

CHF million	Investments in consolidated companies	Investments in affiliated companies	Total
Cost			
Balance as of January 1, 2020	2,088	2	2,090
Additions	182	–	182
Repayments	–198	–	–258
Disposals	–19	–	–19
Balance as of December 31, 2020	**2,053**	**2**	**2,055**
Cumulative amortisation			
Balance as of January 1, 2020	218	2	220
Additions	–	–	–
Impairments	60	–	60
Disposals	–	–	–
Balance as of December 31, 2020	**278**	**2**	**280**
Carrying amount			
As of January 1, 2020	**1,870**	**–**	**1,870**
As of December 31, 2020	**1,775**	**–**	**1,775**

A schedule of the Group's direct and main indirect subsidiaries and Kuehne+Nagel's share in the respective equity is shown in "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 of the cumulative amortisation, repor-ted as disposals.

7 Liabilities towards Group companies

CHF million	Dec. 31, 2020	Dec. 31, 2019
Kuehne + Nagel Ltd., Dublin	6	1
Kuehne + Nagel S.a.r.l., Luxembourg	12	37
Kuehne + Nagel S.A.S., Paris	128	207
Kuehne + Nagel N.V., Rotterdam	–	11
Kuehne + Nagel NV/SA, Antwerp	1	–
Kuehne + Nagel Services Ltd., Vancouver	1	466
Kuehne + Nagel A/S, Oslo	–	–
Kuehne + Nagel GmbH, Vienna	231	222
Kuehne + Nagel Eastern Europe AG., Vienna	9	–
Kuehne + Nagel Ltd., London	4	–
Kuehne + Nagel spol.s.r.o., Prague	1	–
Kuehne + Nagel Ltd., Singapore	1	2
Kuehne + Nagel (AG & Co.) KG, Hamburg	386	–
Kuehne + Nagel Ltd. Mississauga	–	15
Kuehne + Nagel Ltd., Mexico	2	10
Kuehne + Nagel AS, Oslo	–	1
Kuehne + Nagel Real Estate Pty. Ltd., Melbourne	–	16
Kuehne + Nagel Ltd., Hongkong	70	31
Kuehne + Nagel Ltd., Auckland	2	2
Kuehne + Nagel Kft., Budapest	6	6
Kuehne + Nagel Ltd., Sydney	–	1
Kuehne + Nagel Ltd., Shanghai	89	52
Kuehne + Nagel s.r.l., Bucharest	1	–
Kuehne + Nagel S.A., Madrid	–	1
Kuehne + Nagel Investment SL, Madrid	51	46
Kuehne + Nagel Investment AB, Stockholm	18	15
Kuehne + Nagel Inc., New York	72	–
Kuehne + Nagel Management AG, Schindellegi	307	224
Kühne + Nagel AG, Zurich	25	2
Nacora Insurance Brokers AG, Zurich	1	–
Kuehne + Nagel Finance AG, Schindellegi	16	19
Nacora Holding AG, Schindellegi	11	35
Nacora Agencies AG, Schindellegi	17	31
Kuehne + Nagel LLC, Dubai	10	3
Other Group companies	14	8
Total	**1,492**	**1,464**

8 Borrowings

CHF million	Dec. 31, 2020	Dec. 31, 2019
0.02 per cent bond due 2022	200	200
0.2 per cent bond due 2025	200	200
Borrowings	400	400

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.

9 Share capital

Share capital	Registered shares at nominal value of CHF 1 each	CHF million
Balance as of December 31, 2020	120,000,000	120

Authorised and conditional share capital

The Annual General Meeting held on May 5, 2020, extended its approval of authorised share capital up to a maximum of CHF 20 million by a further two years until May 5, 2022.

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 Legal capital contribution reserves and retained earnings

Legal capital contribution reserves	CHF million
Capital contribution reserves as of December 31, 2020	**6**

Retained earnings	CHF million
Balance as of January 1, 2019 (before earnings for the year)	1,021
Earnings for the year 2019	570
Retained earnings as of December 31, 2019 (prior to appropriation of available earnings)	**1,591**
Distribution to the shareholders (representing CHF 4.00 per share)	–478
Balance as of December 31, 2020 (before earnings for the year)	**1,113**

11 Treasury shares

Own shares	Average price of transactions in CHF	Number of shares	CHF million
Balance as of January 1, 2020		206,200	28
Purchases of own shares	132.01	277,457	37
Sale of own shares	133.35	-67,506	-10
Closing balance as of December 31, 2020		**416,151**	**55**

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 Shareholding of members of the Board of Directors and Management Board

Shareholdings of members of the Board of Directors

As of December 31, 2020, the following number of shares were held by members of the Board of Directors and/or parties closely associated with them.

Name	2020	2019
Klaus-Michael Kuehne (Honorary Chairman)	63,996,860	64,055,000
Dr. Joerg Wolle (Chairman)	22,000	58,000
Karl Gernandt (Vice Chairman)	15,840	65,000
Dominik Buergy [1]	–	n/a
Dr. Renato Fassbind	1,700	1,700
David Kamenetzky	–	–
Dr. Thomas Staehelin [2]	n/a	10,000
Hauke Stars	–	–
Dr. Martin C. Wittig	–	–
Total	**64,036,400**	**64,189,700**

1 Member of the Board of Directors as of May 5, 2020.
2 Retired from the Board of Directors as of May 5, 2020.

Shareholdings by members of the Management Board

As of December 31, 2020, the following number of shares were held by members of the Management Board and/or parties closely associated with them:

Name	2020	2019
Dr. Detlef Trefzger, Chief Executive Officer	33,804	47,712
Markus Blanka-Graff, Chief Financial Officer	13,755	15,436
Lothar Harings, Chief Human Resources Officer	16,166	24,166
Martin Kolbe, Chief Information Officer	9,951	33,132
Stefan Paul, Executive Vice President Road Logistics	14,734	15,915
Horst Joachim Schacht, Executive Vice President Sea Logistics	33,375	36,406
Yngve Ruud, Executive Vice President Air Logistics	22,846	32,037
Gianfranco Sgro, Executive Vice President Contract Logistics	7,835	8,050
Total	**152,466**	**212,854**

14 Major shareholders

According to the share register as of December 31, 2020, 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.
- Black Rock Inc., New York, United States of America, held 3.1 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 on May 4, 2021, regarding the appropriation of available earnings

For 2020 the Board of Directors is proposing a regular dividend amounting to CHF 4.50 per share for approval at the Annual General Meeting. If the dividend proposal is approved by shareholders, dividend payments will amount to CHF 538 million (2019: CHF 478 million) towards regular dividend resulting in a payout ratio of 68.4 per cent (2019: 59.9 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, 2020 (before income for the year)	1,113
Earnings for the year 2020	818
Available earnings as of December 31, 2020	1,931
Distribution to the shareholders (representing CHF 4.50 per share) [1]	–538
Retained earnings as of December 31, 2020 (after appropriation of available earnings)	**1,393**

1 The total dividend amount covers all outstanding shares (as per December 31, 2020: 119,583,849 shares). However, shares held in treasury on the date of the dividend declaration are not eligible for dividend payments. As a consequence, and if required, the reported total dividend amount will be adjusted accordingly.

Report of the statutory auditor to the 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 121 to 132), for the year ended 31 December 2020.

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 2020 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 state-

ments 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	Our audit response
As of December 31, 2020, the Company's investments amounted to CHF 1,775 million and accounted for 45% 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".	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, March 2, 2021

Financial calendar

April 26, 2021	Three-months 2021 results
May 4, 2021	Annual General Meeting
May 10, 2021	Dividend payment for 2020
July 20, 2021	Half-year 2021 results
October 20, 2021	Nine-months 2021 results
March 2, 2022	Full-year 2021 results

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