ANNUAL REPORT
2016

KUEHNE+NAGEL

Kuehne + Nagel Group Key Data

CHF million	2016	2015	2014	2013	2012	2011
Turnover	19,985	20,283	21,291	20,929	20,753	19,596
Net turnover	16,525	16,731	17,501	17,178	17,120	16,218
Gross profit	6,550	6,251	6,288	6,257	6,094	5,898
In per cent of net turnover	39.6	37.4	35.9	36.4	35.6	36.4
EBITDA	1,110	1,041	1,005	962	855	977
In per cent of net turnover	6.7	6.2	5.7	5.6	5.0	6.0
EBIT	918	850	819	761	633	749
In per cent of net turnover	5.6	5.1	4.7	4.4	3.7	4.6
EBT	935	878	824	767	644	765
In per cent of net turnover	5.7	5.2	4.7	4.5	3.8	4.7
Earnings for the year	720	679	644	607	492	605
In per cent of net turnover	4.4	4.1	3.7	3.5	2.9	3.7
Earnings for the year (Kuehne + Nagel share)	718	676	633	597	484	600
In per cent of net turnover	4.3	4.0	3.6	3.5	2.8	3.7
Depreciation, amortisation and impairment of intangible assets and goodwill	192	191	186	201	222	228
In per cent of net turnover	1.2	1.1	1.1	1.2	1.3	1.4
Operational cash flow	1,062	1,045	1,000	966	849	978
In per cent of net turnover	6.4	6.2	5.7	5.6	5.0	6.0
Capital expenditures for fixed assets	239	241	186	181	163	207
In per cent of operational cash flow	22.5	23.1	18.6	18.7	19.2	21.2
Total assets	6,331	6,099	6,603	6,374	6,279	6,141
Non-current assets	2,209	2,231	2,175	2,133	2,203	2,239
Equity	2,165	2,126	2,453	2,558	2,425	2,405
In per cent of total assets	34.2	34.9	37.1	40.1	38.6	39.2
Total employees at year end	70,038	67,236	63,448	62,744	63,248	63,110
Total full-time equivalents at year end	85,887	80,056	74,497	72,036	72,399	71,884
Personnel expenses	3,957	3,741	3,764	3,735	3,606	3,387
In per cent of net turnover	23.9	22.4	21.5	21.7	21.1	20.9
Gross Profit in CHF 1,000 per FTE	76	78	84	87	84	82
Personnel expenses in CHF 1,000 per FTE	46	47	51	52	50	47
Basic earnings per share (nominal CHF 1) in CHF						
Consolidated earnings for the year (Kuehne + Nagel share) [1]	5.99	5.64	5.28	4.98	4.05	5.03
Distribution in the following year	5.50	5.00	4.00 [2]	3.85 [2]	3.50	3.85
In per cent of the consolidated net income for the year	91.8	88.6	75.8	77.4	86.6	76.7
Development of share price						
SIX Swiss Exchange (high/low in CHF)	144/124	148/118	136/115	122/99	125/95	139/92
Average trading volume per day	190,820	204,420	149,896	164,482	160,403	170,427

1 Excluding treasury shares.
2 Excluding extraordinary dividend.

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ECONOMIC ENVIRONMENT

In 2016, Kuehne + Nagel expanded its global leading position in the business unit Seafreight where it exceeded the 4 million TEUs mark for the first time in container traffic. The Group extended with more than 1 million tons in Airfreight its global Number 2 position, reported on significant growth and profitability improvement in Overland and gained substantial business by large-scale projects for high-profile customers in Contract Logistics.

Kuehne + Nagel has specialised in complex end-to-end supply chain management solutions, which are managed via the global network of Logistics Control Towers and performed in cooperation with all Kuehne + Nagel business units. This one-stop offering not only increases transparency and efficiency in the supply chain but also optimises information flows between the participating partners. This allows Kuehne + Nagel to help its customers to improve customer service, a decisive factor in what is a highly competitive and volatile market environment.

With estimated 2.3 per cent global growth (2015: 2.7 per cent), 2016 marked another challenging year for the world economy. Developed economies continue to struggle with subdued growth and increasing political and economic uncertainty. Growth for these countries in 2016 is estimated to have fallen to 1.6 per cent versus 2.1 per cent in 2015. In emerging markets growth declined further from 3.5 per cent in 2015 to 3.4 per cent in 2016 due to weak investment, low external demand, and little productivity growth. (Based on: World Bank, Global Economic Prospects, January 2017)

In 2016 the international logistics industry was confronted with world trade volume growth further slowing down and reaching the lowest level since the global financial crisis 2007/2008. The estimated world trade volume growth fell to 1.9 per cent versus 2.7 per cent in 2015. Developed economies' world trade volume growth reduced from 4.0 per cent in 2015 to estimated 2.0 per cent in 2016, whereas it increased in emerging markets from 0.3 per cent in 2015 to 1.9 per cent in 2016. (Based on: IMF, World Economic Outlook Update, January 25, 2017)
In addition, the market environment in 2016 was characterised by highly volatile freight rates as a result of the continued imbalance of capacity and demand of carriers and a fierce wave of consolidation in the shipping industry.

Above mentioned market characteristics in 2016 led to a decrease in turnover of the Kuehne + Nagel Group. However, the Group was able to increase gross profit by 4.8 per cent and improved its profitability significantly by reaching an EBIT growth of 8.8 per cent in 2016 (excluding negative currency impact of 0.8 per cent). In addition, with 5.6 per cent the Group achieved its target of 5.0 per cent EBIT in per cent of net turnover.

KEY FINANCIAL FIGURES

CHF million	2016	2015	Variance in per cent
Turnover	19,985	20,283	–1.5
Net turnover	16,525	16,731	–1.2
Gross Profit	6,550	6,251	4.8
Gross Profit in per cent of net turnover	39.6	37.4	
EBITDA	1,110	1,041	6.6
EBIT	918	850	8.0
EBIT in per cent of net turnover	5.6	5.1	
Earnings for the year	720	679	6.0
Earnings for the year (Kuehne + Nagel share)	718	676	6.2
Earnings per share (in CHF)	5.99	5.64	6.2
Operational cash flow	1,062	1,045	1.6
Capital expenditures for fixed assets	239	241	–0.8
Total employees at year end	70,038	67,236	4.2
Total full-time equivalents at year end	85,887	80,056	7.3

Kuehne + Nagel's net turnover decreased by CHF 206 million or 1.2 per cent and gross profit increased by CHF 299 million or 4.8 per cent compared to the previous year. At constant exchange rates net turnover would have decreased by 0.2 per cent or CHF 45 million and gross profit increased by 6.2 per cent or CHF 389 million.

EBIT increased by CHF 68 million or 8.0 per cent. At constant exchange rates the increase would have been CHF 75 million or 8.8 per cent. The Group increased earnings for the year 2016 by CHF 41 million or 6.0 per cent compared to 2015, in constant currencies by CHF 46 million or 6.7 per cent. Capital expenditure in fixed assets in 2016 decreased by CHF 2 million or 0.8 per cent to CHF 239 compared to 2015.

The Kuehne + Nagel Group increased the number of employees year-on-year by 2,802 or 4.2 per cent from 67,236 to 70,038 employees. The number of full time equivalents reached 85,887 versus 80,056, which is an increase of 5,831 or 7.3 per cent.

INCOME STATEMENT

Turnover

In 2016 Kuehne + Nagel's turnover amounted to CHF 19,985 million representing a decrease of 1.5 per cent or CHF 298 million compared to the previous year. Organic business growth resulted in a decrease in turnover of CHF 358 million (1.7 per cent) and acquisitions contributed CHF 233 million or 1.1 per cent. The exchange rate fluctuation had a negative impact of CHF 173 million (0.9 per cent).

At a regional level, the Europe, Middle East, Central Asia and Africa "EMEA" (0.7 per cent), the Americas (3.8 per cent) and Asia-Pacific (0.5 per cent) experienced a reduced turnover.

Exchange rate fluctuations between 2015 and 2016, based on average yearly exchange rates, led to an increased valuation of the Euro and the US Dollar as well as dependent currencies of 1.4 and 3.0 per cent respectively and a decreased valuation of the British Pound of 9.0 per cent against the Swiss Franc.

Net turnover

In 2016 Kuehne + Nagel's net turnover amounted to CHF 16,525 million representing a decrease of 1.2 per cent or CHF 206 million compared to the previous year. Organic business growth resulted in a decrease in net turnover of CHF 278 million (1.6 per cent) and acquisitions contributed CHF 233 million (1.4 per cent). The exchange rate fluctuation had a negative impact of CHF 161 million (1.0 per cent).

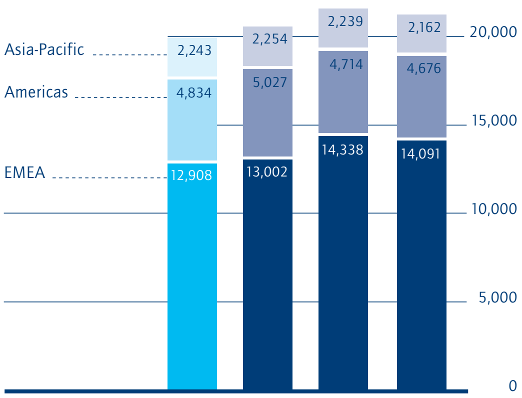
At a regional level, Asia-Pacific (1.7 per cent) region reported an increase in net turnover, whereas EMEA (1.0 per cent) and Americas (3.2 per cent) reported a decrease.

Gross profit

Gross profit, a better indicator of performance than net turnover in the logistics and forwarding industry, reached CHF 6,550 million in 2016, which represents an increase of 4.8 per cent or CHF 299 million compared to the previous year. Organic business growth resulted in an increase in gross profit of CHF 351 million (5.6 per cent) and exchange rate

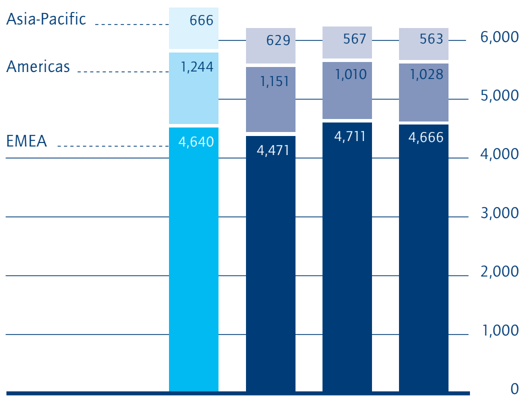
Regional turnover

CHF million	2016	2015	2014	2013
	19,985	20,283	21,291	20,929

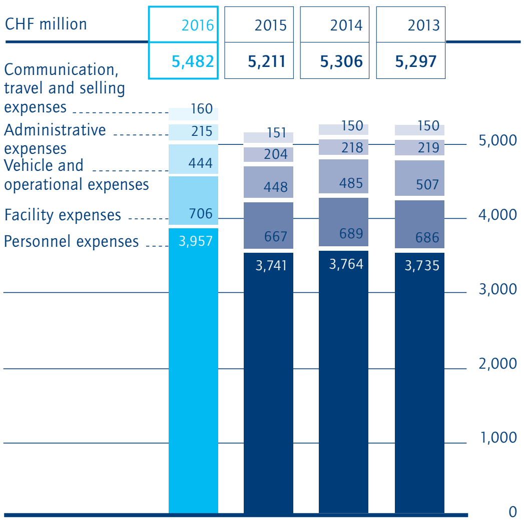


Regional gross profit

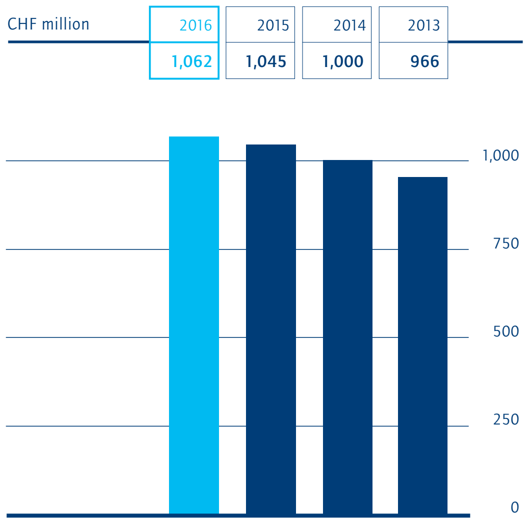
CHF million	2016	2015	2014	2013
	6,550	6,251	6,288	6,257



Operational expenses



Operational cash flow



fluctuation had a negative impact of CHF 90 million (1.4 per cent). Acquisitions contributed CHF 38 million (0.6 per cent).

At a regional level, the EMEA (3.8 per cent), the Americas (8.1 per cent) and the Asia-Pacific (5.9 per cent) reported increases in gross profit.

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 17 million to CHF 1,062 million (for further information, please refer to the cash flow statement in the Consolidated Financial Statements 2016 on page 41).

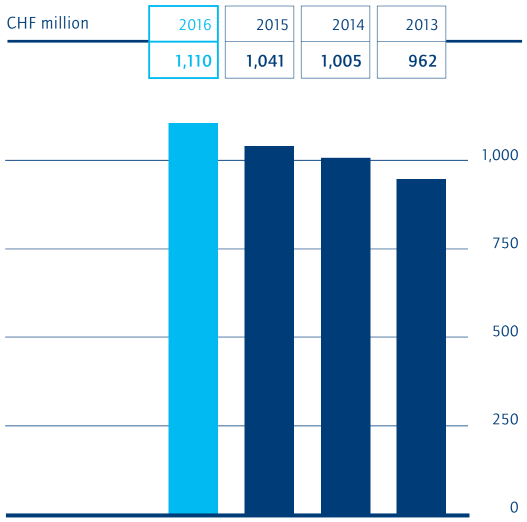
EBITDA

Earnings before interest, tax, depreciation, amortisation and impairment of property, plant and equipment, goodwill and other intangible assets increased by CHF 69 million or 6.6 per cent compared to the previous year; EBITDA of organic business increased by CHF 67 million, business from acquisitions contributed CHF 10 million, and the negative exchange rate development accounted for a decrease of CHF 8 million. EMEA generated the largest EBITDA contribution with CHF 647 million (58.3 per cent) followed by the Americas with CHF 245 million (22.1 per cent) and Asia-Pacific with CHF 218 million (19.6 per cent). The EBITDA margin to net turnover increased to 6.7 per cent compared to 6.2 per cent in 2015.

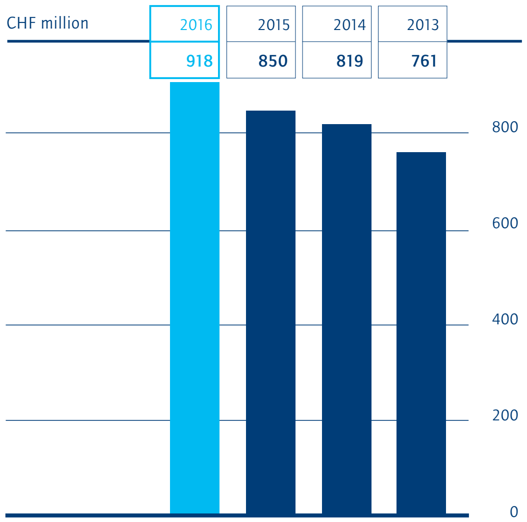
EBIT / Earnings for the year

In 2016, earnings before interest and tax (EBIT) increased by CHF 68 million to CHF 918 million (2015: CHF 850 million). The increase was mainly due to higher profitability of the organic business by CHF 72 million, business from acquisitions contributed CHF 3 million whereas the exchange rate development impacted negatively by CHF 7 million. The EBIT margin to net turnover for the Group has increased to 5.6 per cent compared to 5.1 per cent in 2015.

EBITDA



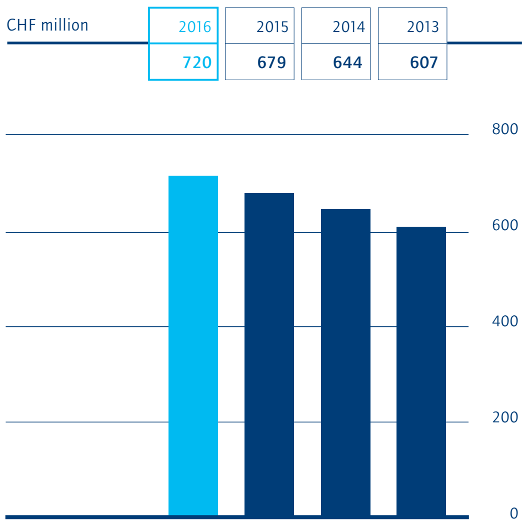
EBIT



The region EMEA contributed CHF 509 million (55.5 per cent) to the Group's EBIT, followed by the Americas with CHF 207 million (22.5 per cent) and Asia-Pacific with CHF 202 million (22 per cent).

The earnings for the year increased by CHF 41 million to CHF 720 million compared to the previous year's CHF 679 million, whereby the margin increased to 4.4 per cent (in per cent of net turnover) compared to the previous year's 4.1 per cent.

Earnings for the year



FINANCIAL POSITION

Total assets and liabilities of the Group increased by CHF 232 million to CHF 6,331 million compared to 2015. Cash and cash equivalents, net decreased by CHF 2 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 2,605 million represent the most significant asset of the Kuehne + Nagel Group. The days of trade receivables outstanding increased to 46.6 days compared to 44.4 of December 31, 2015.

The equity of the Group has increased by CHF 39 million to CHF 2,165 million; this represents an equity ratio of 34.2 per cent (2015: 34.9 per cent).

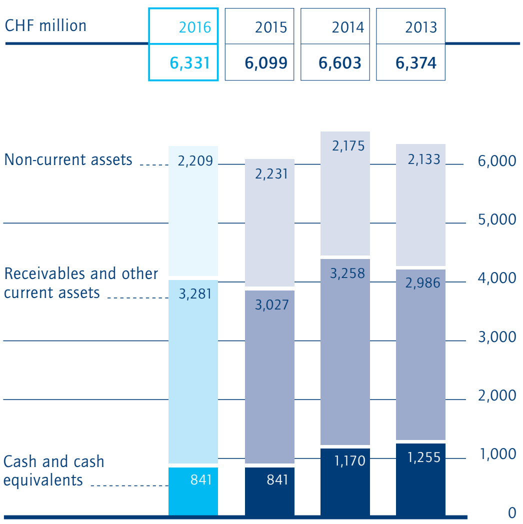
Developments of other key financial indicators on capital structure are shown in the following table:

Kuehne + Nagel Group key figures on capital structure

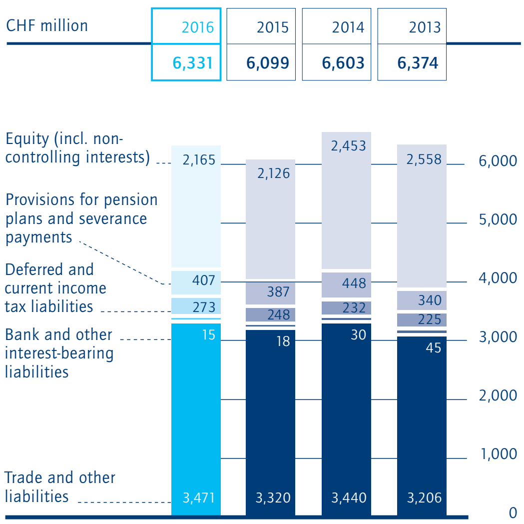
Key figures on capital structure	2016	2015	2014	2013
1 Equity ratio (in per cent)	34.2	34.9	37.1	40.1
2 Return on equity (in per cent)	32.8	28.7	24.9	23.9
3 Debt ratio (in per cent)	65.8	65.1	62.9	59.9
4 Short-term ratio of indebtedness (in per cent)	55.7	55.3	52.7	51.0
5 Intensity of long-term indebtedness (in per cent)	10.1	9.9	10.2	8.8
6 Fixed assets coverage ratio (in per cent)	126.9	122.2	143.6	146.3
7 Working capital (in CHF million)	595	496	949	988
8 Receivables terms (in days)	46.6	44.4	44.4	43.2
9 Vendor terms (in days)	60.2	55.1	54.9	52.6
10 Intensity of capital expenditure (in per cent)	34.9	36.6	32.9	33.5

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

Assets



Liabilities



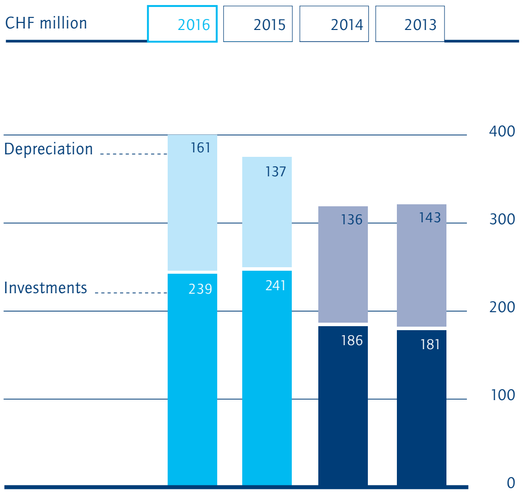
INVESTMENTS, DEPRECIATION AND AMORTISATION

In 2016, the Kuehne + Nagel Group invested a total of CHF 239 million (2015: CHF 241 million) in fixed assets. Investments in properties and buildings amounted to CHF 42 million (2015: CHF 85 million), and CHF 197 million (2015: CHF 156 million) were invested in other fixed assets, operating and office equipment.

All capital expenditure in 2016 was financed by the operational cash flow of CHF 1,062 million generated during 2016.

In 2016 the following major investments were made in properties and buildings:

Investments in fixed assets/depreciation



Location	CHF million	Centres
Mississauga, Canada	10	Construction of a built-to-suit warehouse
Singapore	5	Completion of a built-to-suit logistics centre
Chemnitz, Germany	2	Completion of a cross dock facility
Bremen, Germany	3	Construction of an office building
Moehlin, Switzerland	10	Land plot for a planned warehouse facility
Various locations	12	Improvement of existing logistics and distribution centres
Total	**42**	

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

CHF million	2016
Operating equipment	93
Vehicles	16
Leasehold improvements	43
IT hardware	34
Office furniture and equipment	11
Total	**197**

The allocation by region is as follows:

CHF million	2016
EMEA	151
Americas	26
Asia-Pacific	20
Total	**197**

Depreciation and amortisation in 2016 amounted to CHF 192 million and was allocated in the income statement as indicated in notes 26 and 27 to the Consolidated Financial Statements.

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

CHF million	2016	2015	2014	2013
Capital expenditure				
Fixed Assets				
Properties and buildings	42	85	49	46
Operating and office equipment	197	156	137	135
Intangible assets				
Goodwill in consolidated companies	–	127	–	–
Other intangibles through acquisitions	–	93	–	–
IT software	13	12	10	7
Total	**252**	**473**	**196**	**188**
Depreciation and amortisation				
Fixed assets				
Buildings	30	22	23	23
Operating and office equipment	131	115	113	120
Intangible assets				
Amortisation/impairment of other intangible assets	31	54	50	58
Total	**192**	**191**	**186**	**201**

SHAREHOLDER RETURN

Dividend

For 2016 the Board of Directors is proposing a dividend amounting to CHF 5.50 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 658 million (2015: CHF 599 million) resulting in a payout ratio of 91.6 per cent (2015: 88.6 per cent) of the earnings for the year attributable to the equity holders of the Company. Based on the share price at year-end 2016 the dividend yield on the Kuehne + Nagel share is 3.7 per cent (2015: 5.1 per cent).

Share price and market capitalisation (December 31)

Share price and market capitalisation	2016	2015	per cent change
Share price (in CHF)	134.60	137.80	–2.3
Market capitalisation (in CHF million)	16,152	16,536	–2.3

Total shareholder return development

in CHF	2016	2015
Increase/(decrease) of share price year over year	–3.20	2.50
Dividend per share	5.00	7.00
Total return	1.80	9.50

RISK MANAGEMENT, OBJECTIVES AND POLICIES

Group risk management

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

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

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

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

Risk management as an integral part of the Internal Control System (ICS) for financial reporting
Risk management is incorporated within the ICS. Preventive, risk-mitigating measures to control risks are proactively taken at different levels and are an integral part of management responsibility.

Risk assessment in 2016
An independent risk assessment procedure was adopted for operational risks. The Regional Management was interviewed in order to assess the risks for each country in their respective region. In addition, Management Board members assessed the overall strategic risk exposure of the Group. Within the framework of the corporate governance process, the updated risk assessment was then presented to the Audit Committee of the Board of Directors.

Financial risks analysis and assessment were carried out by the finance and accounting department.

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

- 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.
- The continuing challenges of the global and macroeconomic developments as well as the uncertainties in the financial markets are of essential importance from a risk-policy point of view. These are managed by appropriate risk diversification and avoidance of regional and industry clustering.
- Risks related to IT network availability, IT data and security are managed by the permanent monitoring of systems, redundant infrastructure as well as interlinked data centers with back-up structures and business continuity plans.
- Organised crime and terrorism, and also an increase of regulations, growing complexity and customer expectations have led to rising security requirements and risks; such risks and requirements are considered in the planning of supply chain solutions and worldwide operation.
- Legal and non-compliance risks such as fraud, intentional and unintentional violations of the law and internal regulations are counteracted by comprehensive and worldwide staff training and 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 is maintained in order to assure the Group's effectiveness in this area. The risk management system is governed by the Risk Assessment Guideline defining the risk groups and sub-groups, the structure and the process of risk assessments. The risk catalogue is reviewed regularly and critical analysis ensures a continuous development of the risk management system.

Summarised assessment of the risk situation
In the 2016 business year no significant risks were identified that would have the potential to substantially negatively impact the Group and its future development.

The most material risks remain the uncertainty of the global economic development, the geopolitical instability, volatile currency fluctuations and the financial markets, thus being in the constant focus of the management.

BUSINESS UNITS

The main contributor to the Group's result remains the business unit Seafreight, whereby in 2016 the major improvements of the profitability were generated in the Airfreight, Overland, and Contract Logistics business units with 12.5, 300 and 23.5 per cent EBIT growth, respectively.

Seafreight

Seafreight volumes increased by 6.1% to 4,053,000 TEUs which represents a growth of about twice as strong as the overall market and further solidified the global leadership in Seafreight. The successful expansion of the reefer container and the Full Container (FCL) business contributed significantly. Customers from the pharmaceutical and healthcare industries rely on Kuehne + Nagel to handle temperature-sensitive products. However, the effects of the continuing crisis in the shipping industry resulting in record low freight rates, margin pressure and the insolvency of a large Asian shipping company, also impacted Kuehne + Nagel negatively. Despite productivity increases, EBIT declined by 3.1 per cent compared to the previous year, while the ratio of EBIT to gross profit (conversion rate) was maintained at 31.4 per cent, a leading level in the industry.

Performance Seafreight

CHF million	2016	2015
Turnover	7,981	8,739
Net turnover	5,814	6,406
Gross Profit	1,416	1,381
EBITDA	465	485
EBIT	445	459
EBIT in per cent of Gross Profit	31.4	33.2
Number of operating staff	9,154	8,792
TEUs '000	4,053	3,820

Airfreight

In a volatile international airfreight market which showed growth only in the fourth quarter of 2016, Airfreight increased volumes by 4.3 per cent to 1,304,000 tons, thus strengthening the Group's position as the number two global airfreight provider. The focus on industry-specific Airfreight services like KN EngineChain, a specialized service for production, spare parts logistics, and maintenance of aircraft engines for the Aerospace Industry has significantly contributed to this success. Kuehne + Nagel's leading offer for temperature-sensitive goods, pharmaceutical and perishable products, led to substantial new business. Profitability improvements were achieved through efficiency gains and margin expansion resulting in a conversion rate that increased from 29.3 per cent in the previous year to 30.9 per cent. The EBIT improved by 12.5 per cent compared to the previous year.

Performance Airfreight

CHF million	2016	2015
Turnover	3,935	4,014
Net turnover	3,347	3,424
Gross Profit	964	904
EBITDA	315	286
EBIT	298	265
EBIT in per cent of Gross Profit	30.9	29.3
Number of operating staff	5,734	5,563
Tons '000	1,304	1,250

Overland

Overland increased its net turnover by 11.9 per cent with strong expansion of land transport activities within Europe and the integration of ReTrans, a company that has been part of the Group since 2015, providing intermodal transports to Kuehne + Nagel's North American customers. The key performance indicator EBITDA to net turnover margin was with 2.4 per cent above the previous year's 1.9 per cent (which includes the antitrust fine with a net impact of CHF 12 million imposed by the French Competition Authority in Q4 2015).

Performance Overland

CHF million	2016	2015
Turnover	3,130	2,825
Net turnover	2,898	2,589
Gross Profit	895	834
EBITDA	70	50
EBIT	28	7
Number of operating staff	7,894	8,186

Contract Logistics

The focus on specialized end-to-end solutions for industries such as automotive, e-commerce, high-tech, consumer goods, aerospace, and pharmaceuticals and healthcare led to new customer business in 2016 and resulted in a net of currency impact net turnover growth of 5.7 per cent. A total of more than 100 new logistics projects were implemented for customers in 2016, enabling the company to manage more than 10 million square meters of warehouse and logistics space worldwide. Continuous process improvements led to a significant increase of EBITDA to net turnover margin at 5.8 per cent versus 5.1 per cent in 2015 and an increase of EBIT by 23.5 per cent.

Performance Contract Logistics

CHF million	2016	2015
Turnover	4,939	4,705
Net turnover	4,466	4,312
Gross Profit	3,275	3,132
EBITDA	260	220
EBIT	147	119
Number of operating staff	35,866	33,925
Warehousing and logistics space in sqm	10,021,688	9,556,477

CORPORATE GOVERNANCE

KUEHNE + NAGEL IS COMMITTED TO GOOD CORPORATE GOVERNANCE WHICH IS AN INTEGRAL PART OF THE MANAGEMENT CULTURE OF THE KUEHNE + NAGEL GROUP (THE GROUP).

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

PRINCIPLES

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

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

GROUP STRUCTURE AND SHAREHOLDERS

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

Operational group structure

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

- Seafreight
- Airfreight
- Overland
- Contract Logistics

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

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

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

Listed companies of the Group

Kuehne + Nagel International AG, the ultimate holding company, is the only company listed on the Stock Exchange within the scope of the Group's consolidation. Kuehne + Nagel International AG has its registered office in Schindellegi (Feusisberg), Switzerland, and its shares are listed on the SIX Swiss Exchange, Zurich. The Company's market capitalisation amounted to CHF 16,152 million (120 million registered shares of nominal value CHF 1 at CHF 134.60 market value per share) on the closing date December 31, 2016.

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

- the free float consisted of 55,647,625 shares = 46.4 per cent, and
- treasury shares consisted of 452,375 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 103 to 110), 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, 2016, the following registered shareholders held more than 3 per cent of the total share capital of Kuehne + Nagel International AG:

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

In addition, disclosure notifications pertaining to shareholdings in excess of three per cent in Kuehne + Nagel International AG that were filed with the Company and the SIX Swiss Exchange were:

- Harris Associates L.P.
- The Capital Group Companies, Inc.
- BlackRock Inc.

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, 2016, shares of unregistered owners amounted to 19.4 per cent of the issued shares.

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

CAPITAL STRUCTURE

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

Authorised and conditional share capital
The Annual General Meeting held on May 3, 2016, extended its approval of authorised share capital up to a maximum of CHF 20 million by a further two years until May 3, 2018.

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

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

So far no use has been made of these rights. There is no resolution of the Board of Directors outstanding for further issuance of either authorised or conditional capital. A description of the group of beneficiaries and of the terms and conditions of the authorised and conditional share capital can be found in the Articles of Association, Art. 3.3, 3.4 and 3.5, which are available on the Company website (http://www.kn-portal.com/about_us/investor_relations/corporate_governance).

Change in capital over the past three years
During the years 2014 through 2016 no changes in capital occurred other than related to authorised and conditional share capital as outlined above.

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

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

Limitations on transferability and nominee registrations

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

Convertible bonds and warrants/options

No convertible bonds, warrants or options were outstanding as at the closing date other than related to the Group's Employee Share Purchase and Option Plan (SPOP). For details of the Group's Employee SPOP, please refer to note 36 of the Consolidated Financial Statements on pages 85 to 87.

BOARD OF DIRECTORS

At the Annual General Meeting of May 3, 2016, Klaus-Michael Kuehne, Dr. Joerg Wolle, Karl Gernandt, Dr. Renato Fassbind, Juergen Fitschen, Hans Lerch, Dr. Thomas Staehelin, and Dr. Martin Wittig were re-elected to the Board of Directors for a one-year term. Hauke Stars was newly elected to the Board of Directors for a one-year term. Bernd Wrede, whose mandate expired at the Annual General Meeting, retired from the Board. Dr. Joerg Wolle was elected Chairman of the Board of Directors for a one-year term.

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

Klaus-Michael Kuehne, Honorary Chairman, German, 1937

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

Positions within the Kuehne + Nagel Group:

1958	Entrance into the family business followed by various management positions
1966–1975	Chief Executive Officer of the Group
1975–1992	Delegate and member of the Board of Directors
1992–2009	Executive Chairman of the Board of Directors Chairman of the Nomination and Compensation Committee
2009–2011	Chairman of the Board of Directors Chairman of the Nomination and Compensation Committee
2010–2011	Chairman of the Chairman's Committee
2011–today	Honorary Chairman of Kuehne + Nagel International AG Member of the Board of Directors elected until the Annual General Meeting 2017 Member of the Chairman's Committee Member of the Nomination and Compensation Committee elected until the Annual General Meeting 2017

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

Holds a PhD in engineering sciences. Since June 2002 President and CEO of DKSH Group. Previously he worked in the same function at SiberHegner since 2000. From 1991 to 1995 Dr. Joerg Wolle worked as a Director of Marketing and Sales at SiberHegner in Hong Kong and in 1995 became a member of the Management Board in Zurich. From 1988 to 1990 he was Project Manager at SKF. Since June 6, 2013, Dr. Joerg Wolle is member of the Board of Directors of Kuehne Holding AG, Schindellegi (Feusisberg). Other significant activities: Honorary Professor for "Intercultural Communication" at the University of Applied Sciences, Zwickau, Germany. Member of the Board of Directors of Diethelm Keller Holding Ltd., Switzerland, and member of the Board of Directors of Louis Dreyfus Commodities Holding BV, Netherlands.

Positions within the Kuehne + Nagel Group:

2010–2012	Member of the Board of Directors
2011–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 2017 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 has been nominated as Delegate and as of May 2016 as 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 member of the Board of Trustees of the Klaus-Michael Kuehne Foundation in Hamburg.
Other significant activities: Member of the Board of Directors of Hapag-Lloyd AG, Hamburg; Member of the Board of Directors of HSV Fussball AG, Hamburg; Member of the Board of Directors of VTG AG, Hamburg.

Positions within the Kuehne + Nagel Group:

2008–2011	Member of the Board of Directors
2009–2011	Executive Vice Chairman and Delegate of the Board of Directors
2010–2011	Member of the Chairman's Committee
08.05.2013 – 14.08.2013	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 Audit Committee Member of the Nomination and Compensation Committee
May 2016–today	Vice Chairman of the Board of Directors elected until the Annual General Meeting 2017 Chairman of the Nomination and Compensation Committee elected until the Annual General Meeting 2017 Member of the Chairman's Committee Member of the Audit Committee

Dr. Renato Fassbind, Swiss, 1955

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

Positions within the Kuehne + Nagel Group:

2011–today	Member of the Board of Directors elected until the Annual General Meeting 2017
2011–today	Member of the Audit Committee

Juergen Fitschen, German, 1948

Trained as a wholesale and export trader, then graduated in business administration from Hamburg University. Juergen Fitschen started his career in 1975 at Citibank in Hamburg. In 1983 he was appointed member of the Executive Committee of Citibank Germany. In 1987 he joined Deutsche Bank and after various management positions in Thailand, Japan, Singapore and UK he was appointed member of the Management Board in 2001 responsible for "Corporate and Investment Bank". Juergen Fitschen left the Management Board in 2002 and became a member of the newly created Group Executive Committee of Deutsche Bank until its resolution in 2015. In 2004 he took over the responsibilities as Global Head of Regional Management and CEO of Deutsche Bank Germany. In 2009 he rejoined the Management Board of Deutsche Bank AG retaining both responsibilities. Juergen Fitschen was Co-Chairman of the Management Board of Deutsche Bank AG from June 1, 2012 until his departure on May 19, 2016. Since June 1, 2016 he has served as a Senior Advisor of Deutsche Bank AG.
Other significant activities: Member of the Supervisory Board of Metro AG.

Positions within the Kuehne + Nagel Group:

2008–2009	Member of the Economic Council
2008–today	Member of the Board of Directors elected until the Annual General Meeting 2017

Hans Lerch, Swiss, 1950

Commercial apprenticeship in the travel and tourism industry with a 35 years career at Kuoni Travel Holding Ltd. Assignments in the Far East from 1975–1985, President and CEO from 1999–2005. Chairman and CEO of SR Technics in Zurich from 2005–2008.
Other significant activities: Executive Vice Chairman of Abercrombie & Kent Group of companies, London; Vice Chairman of the Board of Directors of New Venturetec Ltd., Zug; Chairman of the International School of Tourism Management, Zurich; Member of the Board of Directors of Best of Switzerland Tours, Zurich; Chairman of the Board of Trustees of the move>med Foundation, Zurich.

Positions within the Kuehne + Nagel Group:

2005–today	Member of the Board of Directors elected until the Annual General Meeting 2017
2006–today	Member of the Nomination and Compensation Committee elected until the Annual General Meeting 2017

Dr. Thomas Staehelin, Swiss, 1947

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

Positions within the Kuehne + Nagel Group:

1978–today	Member of the Board of Directors elected until the Annual General Meeting 2017
2006–today	Chairman of the Audit Committee

Hauke Stars, German, 1967

Engineering degree in applied computer science from Otto-von-Guericke University in Magdeburg, MSc by research in Engineering from University of Warwick, Coventry.
Since December 2012 Hauke Stars is member of the Executive Board, Deutsche Boerse AG. She started her professional career in 1992 at Bertelsmann mediaSystems GmbH, Guetersloh, Germany. From 1998 to 2004 she worked for ThyssenKrupp Information Systems GmbH, Krefeld, renamed to Triaton GmbH in 2000. In 2004 Hauke Stars joined Hewlett

Packard Netherlands B.V., Utrecht, as member of the Country Management Board. From 2007 to 2012 she was Managing Director of Hewlett Packard Switzerland GmbH and Country Manager Enterprise Business.
Other significant activities: Member of the Supervisory Board of Eurex Frankfurt AG; Member of the Supervisory Board of Fresenius SE & Co. KGaA; Member of the Board of Directors of Eurex Zuerich AG; Member of the Regional Advisory Council of Deutsche Bank AG; Member of the Senate of National Academy of Science and Engineering (acatech); Member of the Executive Committee of Deutsches Aktieninstitut e.V.; Member of the Executive Committee of Frankfurt Main Finance e.V.

Position within the Kuehne + Nagel Group:

May 2016–today	Member of the Board of Directors elected until the Annual General Meeting 2017

Dr. Martin C. Wittig, German, 1964

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

Positions within the Kuehne + Nagel Group:

2014–today	Member of the Board of Directors elected until the Annual General Meeting 2017
May 2016–today	Member of the Audit Committee

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

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

Election and duration of tenure

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

Internal organisation, Board committees and meetings in 2016

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

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

– the ultimate management of the Company
– issuance and review of business policies and guidelines especially regarding the strategic direction and management of the Company as well as any changes thereof;
– establishment of the organisation, determination of the main organisational topics and conduct of the business including the issuance of the Organisational Rules for the Board of Directors and the Management Board;
– approval and regular monitoring of the main elements of Corporate Governance considering the applicable laws and provisions for listed companies in Switzerland;
– monitoring, assessment and control of risks;
– nomination of the external auditors;
– determination of accounting and financial control structure, as well as the financial planning and dividend policies;
– approval of budgets, capital commitments and accounts;
– approval of 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;
– appointing and dismissing of Management Board members and other senior executives;
– preparation of the Annual General Meeting including submission of proposals and the implementation of its resolutions;
– maintainance of the share register.

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

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

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

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

Audit Committee

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

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

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

The Audit Committee holds at a minimum four meetings a year, usually quarterly before the publication of the financial results. The Honorary Chairman can take part in the meetings as an advisor. Unless otherwise determined by the Audit Committee, the CEO, the CFO and the auditor in charge take part in all meetings, whilst the Head of Internal Audit, and the Group General Counsel or the Chief Compliance Officer, each, are invited as advisors whenever needed. In 2016 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:

- securing of a comprehensive and efficient audit concept for the Kuehne + Nagel Group;
- commenting on the audit planning and findings, if any;
- the evaluation of the recommendations made by the external auditors and review of actions, if any;
- the proposal to the Board of Directors regarding the nomination of the independent external auditors for approval by the Annual General Meeting;
- the approval of 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:

- issuance of regulations and directives;
- review of the audit plan and findings, if any;
- evaluation of recommendations made by the internal auditors and discussion with the Management Board;
- proposal for the nomination of the Head of Internal Audit;
- assessment of 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:

- review and evaluation of 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;
- recommendation to the Board of Directors for approval of the financial statements;
- assessment of existence and effectiveness of the Group's internal control system;
- assessment of 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:

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

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

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

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

Nomination and Compensation Committee

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

On the closing date December 31, 2016, Karl Gernandt was the Chairman of the Nomination and Compensation Committee; Klaus-Michael Kuehne and Hans Lerch were members.

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

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

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 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 2016	4	5	5	4
Approximate duration of each meeting	8 hours	4 hours	5 hours	2 hours
Klaus-Michael Kuehne	4		5	4
Dr. Joerg Wolle	4		5	
Karl Gernandt	4	5	5	4
Bernd Wrede [1]	2	2	1	2
Dr. Renato Fassbind	4	5		
Juergen Fitschen	4			
Hans Lerch	4			4
Dr. Thomas Staehelin	4	5		
Hauke Stars [2]	2			
Dr. Martin C. Wittig	4	3		

1 Retired from the Board of Directors on May 3, 2016.
2 Member of the Board of Directors as of May 4, 2016.

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 pages 9 to 10.

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 2016. This KN Ethics & Compliance Programme includes clear and consistent guidance for policies and procedures, providing guidance for legal, regulatory, and other compliance requirements, as well as global communication and training initiatives. Ongoing compliance live and computer-based trainings resume to form key elements to ensure that members of all levels of the Group are and remain adequately knowledgeable and skilled to apply the KN Ethics & Compliance Programme in their day-to-day work. This includes top-down live KN Code of Conduct trainings as well as comprehensive live anti-bribery, anti-corruption, and anti-trust training initiatives. The Group encourages employees to raise concerns of potential violations of the KN Code of Conduct, amongst other channels, to a global 24/7 Confidential Reporting Line enabling reports in a safe, confident and, if desired, anonymous manner.

The Kuehne + Nagel Group applies a risk-based Integrity Due Diligence ("IDD") process for evaluating business partners.

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

As of May 11, 2016, Tim Scharwath stepped down as member of the Management Board responsible for the business unit Airfreight. From May 12 to September 30, 2016, the CEO led the business unit ad interim. The Board of Directors of Kuehne + Nagel International AG appointed Yngve Ruud as a new member of the Management Board effective October 1, 2016. He assumed global responsibility for the business unit Airfreight.

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

Dr. Detlef Trefzger, German, 1962

Dr. 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: Board Member of the Singapore Economic Development Board, Singapore.

Positions within the Kuehne + Nagel Group:

2013–2015	Executive Vice President Contract Logistics of the Group
12.05.2016–30.09.2016	Executive Vice President Airfreight of the Group
2013–today	Chief Executive Officer (CEO) of the Group Chief Executive and Chairman of the Management Board of Kuehne + Nagel International AG

Markus Blanka-Graff, Austrian, 1967

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

Positions within the Kuehne + Nagel Group:

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

Lothar Harings, German, 1960

Lawyer (assessor iur.). Various national and international management positions with Siemens, amongst others, Vice President Human Resources Siemens AG for Enterprise & International HR ICN from 1998 to 2002. Member of the Management Board of T-Mobile International. Responsible for Global Human Resources with T-Mobile AG and Deutsche Telekom from 2002 until March 2009. Other significant activities: Member of the academic advisory board of Bonner Akademie, Bonn; National Curator of Deutsches Komitee of AIESEC e. V., Bonn; Member of the Board of Directors of WHU Foundation, Vallendar.

Positions within the Kuehne + Nagel Group:

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

Martin Kolbe, German, 1961

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

Position within the Kuehne + Nagel Group:

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

Stefan Paul, German, 1969

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

Positions within the Kuehne + Nagel Group:

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

Yngve Ruud, Norwegian, 1964

Graduated from the Norwegian School of Management.

Positions within the Kuehne + Nagel Group:

1990–1996	Operational and Finance Manager Kuehne + Nagel Norway
1997–2011	Managing Director of Kuehne + Nagel Norway
2011–2013	Regional Manager Kuehne + Nagel North West Europe
2013–2016	Regional Manager Kuehne + Nagel Western Europe
01.10.2016–today	Executive Vice President Airfreight of the Group

Horst Joachim (Otto) Schacht, German, 1959

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

Positions within the Kuehne + Nagel Group:

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

Gianfranco Sgro, Italian, 1967

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

Position within the Kuehne + Nagel Group:

2015–today	Executive Vice President Contract Logistics of the Group

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

Compensation, shareholdings and loans

All details regarding compensation, shareholdings and loans are set forth in the separate Remuneration Report on pages 29 to 33 and in the Consolidated Financial Statements, note 49, on page 100 and listed furthermore in note 12 to the Financial Statements of Kuehne + Nagel International AG on pages 125 to 126.

SHAREHOLDERS' PARTICIPATION

Restrictions and delegation of voting rights

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

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

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

Statutory quorums

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

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

Calling of an Annual General Meeting

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

Agenda of the Annual General Meeting

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

Registration of shareholders into the share registers

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

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

CHANGES OF CONTROL AND DEFENCE MEASURES

Duty to make an offer

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

Clauses on changes of control

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

STATUTORY AUDITORS

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

Ernst & Young Ltd (EY), Zurich, as Kuehne + Nagel's auditor started in 2013, with Alessandro Miolo as the auditor in charge. The re-election for the financial year 2016 was confirmed at the Annual General Meeting held on May 3, 2016, and with the letter of acceptance signed on November 23, 2016.

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 2016 amounted to CHF 3.6 million (2015: CHF 3.3 million).

Additional fees

In addition to the fees mentioned above, the statutory auditors are asked on a very restrictive basis to provide certain consulting services beyond the annual audit mandate. In 2016 an amount of CHF 0.3 million (2015: CHF 0.3 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 to the Audit Committee regularly, and in 2016 the auditor in charge attended three Audit Committee meetings in person. In 2016 the auditor in charge also attended one meeting of the Board of Directors. The main criteria for the selection of the external audit company are its worldwide network, its reputation, and pricing.

INFORMATION POLICY

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

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

All press releases are posted on the website when released and can be viewed and downloaded under the following link: http://www.kn-portal.com/about_us/media_relations/news/

Interested parties can subscribe to the Group's free email news service under http://www.kn-portal.com/about_us/media_relations/news/subscribe_to_news/

The Annual Report covering the past financial year is available for download under http://www.kn-portal.com/about_us/investor_relations/annual_reports

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

The contact address for Investor Relations is:

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

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

REMUNERATION REPORT

KUEHNE + NAGEL'S PERFORMANCE-ORIENTED REMUNERATION SYSTEM AIMS TO CREATE LONG-TERM INCENTIVES FOR ITS EMPLOYEES IN ORDER TO ENSURE SUSTAINABLE SUCCESS OF THE COMPANY AND ADD VALUE FOR ITS SHAREHOLDERS.

This remuneration report describes the principles and 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 2016, as in the previous year, the shareholders of Kuehne + Nagel International AG individually elected the members of the Board of Directors, the Chairman, the members of the Compensation Committee as well as the independent proxy. The Annual General Meeting (AGM) on May 3, 2016, furthermore approved the total aggregate remuneration amounts both, for the Board of Directors regarding the period until the next ordinary AGM, and for the Management Board regarding the fiscal year 2017.

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 under the following link: http://www.kn-portal.com/about_us/investor_relations/corporate_governance/.

Remuneration principles

To maintain Kuehne + Nagel's position as one of the world's leading logistics providers and to ensure the Company's sustained success, it is critical to attract and retain best-in-class executives with the Company. The remuneration policy of the Company aims to ensure the generation of sustainable earnings and 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 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 Nomination and Compensation Committee has the following responsibilities:

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

The 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.

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.

Until May 3, 2016, the Executive Chairman of the Board of Directors received a cash compensation with a fixed and a variable component. The variable part of remuneration was calculated based on an individually defined percentage of the adjusted Group's net earnings (adjusted for additional goodwill amortisation and digressive bonus eligibility). He was eligible to participate in the Group's share-based compensation plans (see below comment for Management Board).

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

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

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 August 8, 2016, a new Share Matching Plan (SMP) was introduced, in which plan participants invest at a specified date previously acquired 'own shares' of the Company into the plan. These shares are blocked for three years whereby voting rights and rights to receive dividends remain intact with the holder of the shares. For each invested share, the Company will match additional shares upon completion of a three-year vesting period and service condition during the same period. The level of the share match (share match ratio) is defined based on the average growth rate of the Group's net profit after tax achieved over the three financial years in the vesting period. The maximum matching ratio of one share for each share invested by the employee (minimum investment is 50 shares) can be obtained by achieving an average growth rate of net profit after tax over three years of at least 15 per cent. A guaranteed minimum matching of 0.2 shares per invested share is granted after the vesting period. Should the number of allocated shares be a fraction of shares, then the number of shares is rounded up to the next whole number.

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

The maximum matching ratio of one share for each share purchased (minimum investment is 75 shares), can be obtained by exceeding the defined target by more than 15 per cent. A guaranteed minimum matching of 0.2 shares per share purchased is granted after the vesting period. Should the number of allocated shares be a fraction of shares, then the number of shares is rounded up to the next whole number. This plan has shares eligible for a matching until June 30, 2018.

The Group's "Share Purchase and Option Plan" (SPOP) was discontinued as of July 1, 2012. It allowed selected employees of the Group to acquire shares of the Company at a reduced price at a specified date; such shares are blocked for three years, give its holder immediate voting rights and rights to receive dividends. For each share purchased under this plan the Company granted two options to the participants. Each option entitled the participant to purchase one share of Kuehne + Nagel International AG at a pre-defined price upon completion of the three-year vesting period and service condition during the same period. This plan has outstanding options to be exercised until June 30, 2018.

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

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

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

BOARD OF DIRECTORS REMUNERATION

The total remuneration accrued for and paid to the Board of Directors in the financial year 2016 amounted to CHF 5.2 million (2015: CHF 7.2 million).

The following tables show details of the remuneration of the members of the Board of Directors for 2016 and 2015:

2016

Remuneration to the members of the Board of Directors in CHF thousand	Compensation for Board of Directors	Compensation for Committees	Social insurance	Salary	Variable part of remuneration	Pension [5]	Share Plan	Total
Klaus-Michael Kuehne (Honorary Chairman)	750	10	38	–	–	–	–	798
Dr. Joerg Wolle (Chairman) [1]	809	17	47	–	–	–	–	873
Karl Gernandt (Vice Chairman) [2]	362	20	120	308	911	62	509	2,292
Bernd Wrede (Vice Chairman) [3]	85	9	–	–	–	–	–	94
Dr. Renato Fassbind	180	15	12	–	–	–	–	207
Juergen Fitschen	180	–	8	–	–	–	–	188
Hans Lerch	180	10	9	–	–	–	–	199
Dr. Thomas Staehelin	180	15	9	–	–	–	–	204
Hauke Stars [4]	118	–	8	–	–	–	–	126
Dr. Martin C. Wittig	180	15	12	–	–	–	–	207
Total	**3,024**	**111**	**263**	**308**	**911**	**62**	**509**	**5,188**

1 Chairman as of May 4, 2016.
2 Executive Chairman until May 3, 2016, with a compensation included in the salary.
3 Retired from the Board of Directors as of May 3, 2016.
4 Member of the Board of Directors as of May 4, 2016.
5 Including risk premium and savings contributions.

2015

Remuneration to the members of the Board of Directors in CHF thousand	Compensation for Board of Directors	Compensation for Committees	Social insurance	Salary	Variable part of remuneration	Pension [2]	Share Plan	Total
Klaus-Michael Kuehne (Honorary Chairman)	750	10	38	–	–	–	–	798
Karl Gernandt (Chairman)	– [1]	– [1]	245	900	2,429	187	1,092	4,853
Dr. Joerg Wolle (Vice Chairman)	250	50	18	–	–	–	–	318
Bernd Wrede (Vice Chairman)	250	25	–	–	–	–	–	275
Dr. Renato Fassbind	180	15	12	–	–	–	–	207
Juergen Fitschen	180	–	8	–	–	–	–	188
Hans Lerch	180	10	9	–	–	–	–	199
Dr. Thomas Staehelin	180	15	9	–	–	–	–	204
Dr. Martin C. Wittig	180	–	11	–	–	–	–	191
Total	**2,150**	**125**	**350**	**900**	**2,429**	**187**	**1,092**	**7,233**

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

MANAGEMENT BOARD REMUNERATION

The total remuneration accrued for and paid to the Chief Executive Officer and to the members of the Management Board in the financial year 2016 amounted to CHF 15.0 million (2015: CHF 16.0 million).

The following tables show details of the remuneration for the Chief Executive Officer and the other members of the Management Board for 2016 and 2015:

2016

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	27.9	1,866	50.0	193	116	484	13.0	32	3,731
Members of the Management Board	3,921	34.8	4,666	41.5	396	528	1,588	14.1	153	11,252
Total	**4,961**	**33.1**	**6,532**	**43.6**	**589**	**644**	**2,072**	**13.8**	**185**	**14,983**

2015

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	960	26.9	1,518	42.5	180	116	762	21.4	32	3,568
Members of the Management Board	4,337	34.9	4,261	34.3	449	521	2,710	21.8	151	12,429
Total	**5,297**	**33.1**	**5,779**	**36.1**	**629**	**637**	**3,472**	**21.7**	**183**	**15,997**

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

OTHER REMUNERATION

Remuneration for former members of the Board of Directors or Management Board and related parties

During the reporting year 2016 CHF 1.1 million remuneration (2015: none) 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 2016 and 2015 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 2016 and 2015, 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 OF KUEHNE + NAGEL INTERNATIONAL AG, SCHINDELLEGI (FEUSISBERG), SWITZERLAND

We have audited the remuneration report of Kuehne + Nagel International AG on the pages 29 to 33 for the year ended December 31, 2016.

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, 2016 of Kuehne + Nagel International AG complies with Swiss law and articles 14 – 16 of the Ordinance.

Ernst & Young Ltd

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

Zurich, February 28, 2017

Income Statement

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

Statement of Comprehensive Income

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

Balance Sheet

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

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

Schindellegi, February 28, 2017

KUEHNE + NAGEL INTERNATIONAL AG

Dr. Detlef Trefzger
CEO

Markus Blanka-Graff
CFO

Statement of Changes in Equity

CHF million	Note	Share capital	Share premium	Treasury shares	Cumulative translation adjustment	Actuarial gains & losses	Retained earnings	Total equity attributable to equity holders of parent company	Non-controlling interests	Total equity
Balance as of January 1, 2016		120	532	-19	-959	-106	2,553	2,121	5	2,126
Earnings for the year		–	–	–	–	–	718	718	2	720
Other comprehensive income										
Foreign exchange differences		–	–	–	-7	–	–	-7	–	-7
Actuarial gains/(losses) on defined benefit plans, net of tax	35/24	–	–	–	–	-26	–	-26	–	-26
Total other comprehensive income, net of tax		**–**	**–**	**–**	**-7**	**-26**	**–**	**-33**	**–**	**-33**
Total comprehensive income for the year		**–**	**–**	**–**	**-7**	**-26**	**718**	**685**	**2**	**687**
Purchase of treasury shares	34	–	–	-66	–	–	–	-66	–	-66
Disposal of treasury shares	34	–	-21	26	–	–	–	5	–	5
Dividend paid	34	–	–	–	–	–	-599	-599	-2	-601
Expenses for share-based compensation plans	36	–	–	–	–	–	14	14	–	14
Total contributions by and distributions to owners		**–**	**-21**	**-40**	**–**	**–**	**-585**	**-646**	**-2**	**-648**
Balance as of December 31, 2016		**120**	**511**	**-59**	**-966**	**-132**	**2,686**	**2,160**	**5**	**2,165**

Statement of Changes in Equity

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

Cash Flow Statement

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ACCOUNTING POLICIES

1 ORGANISATION

Kuehne + Nagel International AG (the Company) is incorporated in Schindellegi (Feusisberg), Switzerland. The Company is one of the world's leading global logistics providers. Its strong market position lies in the seafreight, airfreight, overland and contract logistics businesses.

The Consolidated Financial Statements of the Company for the year ended December 31, 2016, comprise the Company, its subsidiaries (the Group) and its interests in joint ventures.

2 STATEMENT OF COMPLIANCE

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

3 BASIS OF PREPARATION

The Consolidated Financial Statements are presented in Swiss Francs (CHF) million and are based on the individual financial statements of the consolidated companies as of December 31, 2016. Those financial statements have been prepared in accordance with uniform accounting policies issued by the Group, which comply with the requirements of the International Financial Reporting Standards (IFRS) and Swiss law (Swiss Code of Obligation). The Consolidated Financial Statements are prepared on a historical cost basis except for certain financial instruments, which are stated at fair value. Non-current assets and disposal groups held for sale are stated at the lower of the carrying amount and fair value less costs to sell.

The preparation of financial statements in accordance with IFRS requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The actual result may differ from these estimates. Judgements made by the management in the application of IFRS that have a significant effect on the Consolidated Financial Statements and estimates with a significant risk of material adjustment in the future are shown in note 50.

The accounting policies are the same as those applied in the Consolidated Financial Statements for the year ended December 31, 2015.

New, revised and amended standards that are effective for the 2016 reporting year are not applicable to the Group or do not have a significant impact on the Consolidated Financial Statements.

Adoption of new and revised standards and interpretations in 2017 and later

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

Standard/interpretation	Effective date	Planned application
Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12 [1]	January 1, 2017	Reporting year 2017
Disclosure Initiative – Amendments to IAS 7 [1]	January 1, 2017	Reporting year 2017
Annual Improvements to IFRS 2014 – 2016 Cycle [1]	January 1, 2017 and January 1, 2018	Reporting year 2017 and reporting year 2018
IFRS 15 – Revenue from Contracts with Customers [2]	January 1, 2018	Reporting year 2018
IFRS 9 – Financial Instruments [1]	January 1, 2018	Reporting year 2018
Clarifications of classification and measurement of share-based payment transactions – Amendments to IFRS 2 [1]	January 1, 2018	Reporting year 2018
IFRIC Interpretation 22 – Foreign Currency Transactions and Advance Consideration [1]	January 1, 2018	Reporting year 2018
IFRS 16 – Leases [3]	January 1, 2019	Reporting year 2019

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

4 SCOPE OF CONSOLIDATION

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

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

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

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

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

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

5 PRINCIPLES OF CONSOLIDATION

Business Combinations

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

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

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

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

Written put options held by non-controlling shareholders

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

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

For the reporting year 2016 there is no written put option outstanding.

Acquisitions and disposals of non-controlling interests

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

Subsidiaries

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

Disposal of subsidiaries

When the Group ceases to have control over a subsidiary, it derecognises the assets and liabilities of the respective subsidiary as well as any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in the income statement. Amounts previously recognised in other comprehensive income are reclassified to the income statement. Any retained interest in the former subsidiary is remeasured to its fair value at the date when the control is lost.

Associates and joint ventures

Associates are companies over which the Group has significant influence but which it does not control. Significant influence is normally evidenced if the Group owns 20 per cent or more of the voting or potential voting rights. Joint ventures are contractual arrangements in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method. They are initially recognised at cost, including transaction costs. Subsequent to initial recognition, the Group's share of the profit or loss and other comprehensive income of associates and joint ventures is included in the Group's financial statements, until the date significant influence or joint control ceases.

Transactions eliminated on consolidation

Intra-group balances, transactions, income and expenses are eliminated in preparing the Consolidated Financial Statements.

Foreign exchange translation

Financial statements of consolidated companies are prepared in their respective functional currencies and translated into CHF (the Group's presentation currency) as of year-end. Assets and liabilities, including goodwill and fair value adjustments arising on consolidation, are translated at year-end exchange rates and all items included in the income statement are translated at average exchange rates for the year, which approximate actual rates. Exchange differences originating from such translation methods have no impact on the income statement since they are recognised in other comprehensive income.

Transactions in foreign currencies in individual subsidiaries are translated into the functional currency at actual rates of the transaction day. Monetary assets and liabilities are translated at year-end rates. Non-monetary assets and liabilities that are stated at historical cost are translated at actual rates of the transaction day. Non-monetary assets and liabilities that are stated at fair value are translated at the rate at the date the values are determined. Exchange differences arising on the translation are included in the income statement.

Conversion rates of major foreign currencies are applied as follows:

Income statement and cash flow statement (average rates for the year)

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

Balance sheet (year-end rates)

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

6 FINANCIAL ASSETS AND LIABILITIES

The accounting policy applied to financial instruments depends on their classification. The Group's financial assets and liabilities are classified into the following categories:

– The category **financial assets or liabilities at fair value through profit or loss** includes financial assets or liabilities held for trading and financial assets designated as such upon initial recognition. As of December 31, 2016 and 2015, there are no financial liabilities that, upon initial recognition, have been designated at fair value through profit or loss.
– **Loans and receivables** are carried at amortised cost calculated by using the effective interest rate method, less allowances for impairment.
– **Financial assets/investments available for sale** include all financial assets/investments not assigned to one of the above mentioned categories. These might include investments in affiliates that are not associates or joint ventures and investments in bonds and notes. Financial assets/investments available for sale are recognised at fair value, changes in value (after tax) are recognised directly in other comprehensive income until the assets are sold, at which time the amount reported in other comprehensive income is transferred to the income statement. As of December 31, 2016 and 2015, the Group did not have any financial assets/investments available for sale.
– **Financial liabilities** that are not at fair value through profit or loss, are carried at amortised cost calculated by using the effective interest rate method.

Derivatives and hedge accounting

Derivative financial instruments (foreign exchange contracts) are used to hedge foreign exchange exposures on outstanding balances in the Group's internal clearing system centralised at the head office. Given that the Group's hedging activities are limited to hedges of recognised foreign currency monetary items, the Group does not apply hedge accounting under IAS 39. Derivatives are carried at fair value, and all changes in fair value are recognised immediately in the income statement as part of financial income or expenses. All derivatives with a positive fair value would be disclosed as derivative assets and included in the line "financial investments" on the balance sheet, while all derivatives with a negative fair value would be disclosed as derivative liabilities and included in the line "other liabilities".

Impairment of financial assets

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

Trade receivables are reported at their anticipated recoverable amounts. The allowance for bad debts is determined based on an individual basis or on a portfolio basis, where there is objective evidence that impairment losses have been incurred. The allowance account is used to record impairment losses unless the Group is satisfied that no recovery of the amount due is possible; at that point the amount considered unrecoverable is written off against the financial assets directly.

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

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

7 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are included in the Consolidated Financial Statements at cost less accumulated depreciation and accumulated impairment losses. The depreciation is calculated on a straight line basis considering the expected useful life of the individual assets. The estimated useful lives for the major categories are:

Category	Years
Buildings	40
Vehicles	4–10
Leasehold improvements	5
Office machines	4
IT hardware	3
Office furniture	5

If parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other expenditure is recognised in the income statement as an expense as incurred.

8 LEASES

Leases that transfer substantially all the risks and rewards of ownership of the leased asset to the Group are classified as finance leases. Other leases are classified as operating leases.

Assets leased under finance leases are included at the present value of the future minimum lease payments or their fair value if lower, less accumulated depreciation and accumulated impairment losses. If there is a reasonable certainty that the Group will obtain ownership by the end of the lease term, leased assets are depreciated over their useful life. Otherwise, leased assets are depreciated over the shorter of the lease term and their useful life. The interest portion of the lease payments is expensed through the income statement based on the effective interest rate inherent in the lease.

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

Any gain or loss from sale and lease-back transactions resulting in operating leases is taken directly to the income statement if the transaction is established at fair value. If the transaction is established below fair value, any loss that is compensated by future lease payments at below market price is deferred and amortised over the length of the period the asset is expected to be used. Any other loss is recognised in the income statement immediately. If the transaction is established above fair value the gain arising from the transaction is deferred and amortised over the period the asset is expected to be used. If the fair value at the time of the sale and lease-back transaction is less than the carrying amount of the asset, a loss equal to the difference between the carrying amount and the fair value is recognised immediately.

9 INTANGIBLES

Goodwill

All business combinations are accounted for by applying the acquisition method. Goodwill arising from an acquisition represents the fair value of the consideration transferred (including the fair value of any previously held equity interest in the acquiree) and the recognised amount of any non-controlling interests in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Goodwill is allocated to cash-generating units.

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

Other intangibles

Other identifiable intangibles (i.e. software, customer lists, customer contracts, etc.) purchased from third parties or acquired in a business combination are separately recognised as intangibles, and are stated at cost less accumulated amortisation and accumulated impairment losses. Intangibles acquired in a business combination are recognised separately from goodwill if they are subject to contractual or legal rights or are separately transferable. Software is amortised over its estimated useful life, three years maximum. Other intangibles are amortised on a straight line basis over their estimated useful life (up to ten years maximum). As of December 31, 2016 and 2015, there are no intangibles with indefinite useful life recognised in the Group's balance sheet.

10 CASH AND CASH EQUIVALENTS

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

11 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

Calculation of a recoverable amount

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

Reversals of impairment losses

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

12 SHARE CAPITAL

Shares

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

Treasury shares

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

13 PROVISIONS

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

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

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

Defined benefit plans

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

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

Defined contribution plans

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

Severance payments

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

Share-based compensation plans

Share Matching Plan (SMP)

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

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

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

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

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

The fair value of shares matched under the SMP is recognised as a personnel expense with a corresponding increase in equity. The fair value of matched shares is equal to the market price at grant date reduced by the present value of the expected dividends during the vesting period and recognised as personnel expense over the relevant vesting periods. The amount expensed is adjusted to reflect actual and expected levels of vesting. This plan has shares eligible for a matching until June 30, 2018.

15 REVENUE RECOGNITION

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

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

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

A better indication of performance in the logistics industry compared to the turnover is the gross profit. The gross profit represents the difference between the turnover and the cost of services rendered by third parties for all reportable segments.

16 INTEREST EXPENSES AND INCOME

Interest income is recognised as it accrues using the effective interest method.

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

17 INCOME TAXES

Income tax on earnings for the year comprises current and deferred tax. Both current and deferred tax are recognised in the income statement, except to the extent that the tax relates to business combinations or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the balance sheet date and any adjustment to tax payable for previous years.

Deferred tax is recognised based on the balance sheet liability method, on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. The following temporary differences are not accounted for: initial recognition of goodwill, initial recognition of assets or liabilities that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax recognised is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset in respect of temporary differences or unused tax losses is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

18 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than from continuing use. The asset (or disposal group) must be available for immediate sale in its present condition and the sale must be highly probable. Immediately before classification as held for sale, the measurement of the assets (and all assets and liabilities in a disposal group) is updated in accordance with applicable IFRS. Then, on initial classification as held for sale, non-current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale are included in the income statement. Intangible assets and property, plant and equipment once classified as held for sale are not amortised or depreciated.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a company acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or, if earlier, when the operation meets the criteria to be classified as held for sale.

OTHER NOTES

19 SEGMENT REPORTING

a) Reportable segments

The Group provides integrated logistics solutions across customers' supply chains using its global logistics network.

The four reportable segments, **Seafreight, Airfreight, Overland** and **Contract Logistics**, reflect the internal management and reporting structure to the Management Board (the chief operating decision maker, CODM) and are managed through specific organisational structures. The CODM reviews internal management reports on a monthly basis. Each segment is a distinguishable business unit and is engaged in providing and selling discrete products and services.

The discrete distinction between Seafreight, Airfreight and Overland is the usage of the same transportation mode within a reportable segment. In addition to common business processes and management routines, a single main transportation mode is used within a reportable segment. For the reportable segment Contract Logistics the services performed are related to customer contracts for warehouse and distribution activities, whereby services performed are storage, handling and distribution.

Pricing between segments is determined on an arm's length basis. The accounting policies of the reportable segments are the same as applied in the Consolidated Financial Statements.

Information about the reportable segments is presented on the next pages. Segment performance is based on EBIT as reviewed by the CODM. The column "eliminations" shows the eliminations of turnover and expenses between segments. All operating expenses are allocated to the segments and included in the EBIT.

b) Geographical information

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

c) Major customers

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

a) Reportable segments

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

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

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

b) Geographical information

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

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

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

b) Geographical information
Country information

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

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

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

20 PERSONNEL EXPENSES

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

21 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

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

22 OTHER OPERATING INCOME/EXPENSES, NET

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

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

23 FINANCIAL INCOME AND EXPENSES

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

24 INCOME TAX

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

Income tax of CHF 12 million (2015: CHF 10 million) relating to actuarial gains and losses of CHF 38 million before tax (2015: CHF 30 million) arising from defined benefit plans is recognised in other comprehensive income.

Reconciliation of the effective tax rate

The contributing factors for the difference between the expected tax rate (the Group's overall expected tax rate is calculated as the weighted average tax rate based on earnings before tax of each subsidiary and can change on a yearly basis) and the effective tax are as follows:

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

Deferred tax assets and liabilities

	Assets [1]		Liabilities [1]		Net [1]	
CHF million	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015
Property, plant and equipment	25	24	–53	–50	–28	–26
Goodwill and other intangibles	17	19	–65	–60	–48	–41
Trade receivables	20	19	–1	–1	19	18
Other receivables	2	1	–31	–21	–29	–20
Finance lease obligations	4	5	–3	–	1	5
Provisions for pension plans and severance payments	70	58	–	–	70	58
Other liabilities	57	58	–12	–12	45	46
Tax value of loss carry-forwards recognised	20	9	–	–	20	9
Tax assets/(liabilities)	**215**	**193**	**–165**	**–144**	**50**	**49**
1 Of which acquired in business combinations	–	2	–	–24	–	–22

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

Unrecognised deferred tax assets

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

It is not probable that future taxable profits will be available against which the unrecognised deferred tax assets can be used. CHF 28 million (2015: CHF 33 million) of unrecognised deferred tax assets relate to tax losses that do not expire.

25 EARNINGS PER SHARE

The following reflects the data used in the basic and diluted earnings per share computations for the years ending December 31.

Earnings per share	2016	2015
Earnings for the year attributable to the equity holders of the parent company in CHF million	**718**	**676**
Weighted average number of ordinary shares outstanding during the year	119,840,170	119,804,164
Dilutive effect on number of shares outstanding: Share-based compensation plans	159,830	195,836
Adjusted weighted number of ordinary shares applicable to diluted earnings per share	120,000,000	120,000,000
Basic earnings per share in CHF	**5.99**	**5.64**
Diluted earnings per share in CHF	**5.98**	**5.63**

26 PROPERTY, PLANT AND EQUIPMENT

2016

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

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

2015

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

27 GOODWILL AND OTHER INTANGIBLES

2016

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

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

2015

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

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

Impairment testing of goodwill

The Group has performed impairment tests of goodwill at the end of the financial years 2016 and 2015. For the purpose of impairment testing, goodwill is allocated to cash-generating units which are expected to benefit from the synergies of the corresponding business combination. The goodwill impairment test is performed at the level of a cash-generating unit or a group of cash-generating units represented by a business unit in the respective country. The allocation of goodwill to reportable segments (business units) and geographical regions is further illustrated in note 19.

For the goodwill allocated to the cash-generating units, the impairment tests are based on calculations of value in use. Cash flow projections are based on actual operating results and three-year business plans. Cash flows beyond the three year period are extrapolated by using estimated long-term growth rates. The growth rates do not exceed the long-term average growth rate for the logistics industry in which the cash-generating units operate. Future cash flows are discounted based on the weighted average cost of capital (WACC), taking into account risks that are specific to the cash-generating units.

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

Business acquired	USCO Group	ACR Group, Europe [1]	Alloin Group, France	ReTrans Group, USA	Multiple units [2]	Total
Year of acquisition	2001	2006	2009	2015	2004–2012	
Carrying amount of goodwill in CHF million 2016	**91**	**254**	**77**	**135**	**201**	**758**
Carrying amount of goodwill in CHF million 2015	87	269	78	130	203	767
Cash-generating unit within segment	Contract Logistics	Contract Logistics	Overland	Overland	All Segments	
Basis for recoverable amount	Value in use	Value in use	Value in use	Value in use	Value in use	
Pre-tax discount rate in per cent 2016	12.0	10.4–13.9	12.7	10.1	10.3–19.9	
Pre-tax discount rate in per cent 2015	12.0	9.7–14.0	13.5	10.4	9.6–18.8	
Projection period	3 years	3 years	3 years	3 years	3 years	
Terminal growth rate in per cent 2016	1.5	1.5	1.5	1.5	1.5	
Terminal growth rate in per cent 2015	1.5	1.5	1.5	1.5	1.5	

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

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

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

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

Sensitivity analysis of goodwill USCO Group

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

CHF million	Discount rate			
Growth rate	12.0 per cent	13.0 per cent	14.0 per cent	15.0 per cent
0.0 per cent	111	95	81	70
0.5 per cent	118	101	86	74
1.0 per cent	125	107	91	78
1.5 per cent	133	113	97	83

Sensitivity analysis of goodwill ACR Group

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

CHF million	Discount rate			
Growth rate	12.0 per cent	13.0 per cent	14.0 per cent	15.0 per cent
0.0 per cent	642	577	521	472
0.5 per cent	670	600	540	489
1.0 per cent	700	625	561	507
1.5 per cent	733	652	584	526

Sensitivity analysis of goodwill Alloin Group

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

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

Sensitivity analysis of goodwill ReTrans Group

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

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

28 INVESTMENTS IN JOINT VENTURES

As of December 31, 2016, the following investments in joint ventures are held (all with 50 per cent voting rights/Kuehne + Nagel share):

- KN-ITS S.A.L., Lebanon
- Kuehne + Nagel Drinkflow Logistics Ltd., Great Britain
- Kuehne + Nagel Drinkflow Logistics (Holdings) Ltd., Great Britain
- Sindos Railcontainer Services S.A., Greece
- Donau Transport und Umschlags GmbH, Germany
- Aba logistics GmbH, Germany
- Kuehne + Nagel Dominicana SAS, Dominican Republic
- Podium Kuehne + Nagel Logistica de Eventos Esportivos Ltda, Brazil

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

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

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

29 WORK IN PROGRESS

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

30 TRADE RECEIVABLES

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

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

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

No trade receivables are pledged in 2016 and 2015.

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

The Group establishes an impairment allowance that represents its estimate of incurred losses in respect of trade receivables. The two components of this impairment allowance of CHF 61 million (2015: CHF 71 million) are:

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

Trade receivables with credit insurance cover are not included in the impairment allowance. The individual impairment allowance relates to specifically identified customers representing extremely high risk of being declared bankrupt, Chapter 11 customers in the USA and customers operating with significant financial difficulties (such as negative equity). The impairment allowance for individually significant exposures is CHF 33 million at year-end 2016 (2015: CHF 42 million).

The collective impairment allowance based on overdue trade receivables is estimated considering statistical information of past payment experience. The Group has established a collective impairment allowance of CHF 28 million (2015: CHF 29 million) which represents 2.3 per cent (2015: 2.3 per cent) of total outstanding trade receivables, excluding trade receivables with insurance cover (see above) and trade receivables included in the individual impairment allowance.

The majority of the trade receivables not past due relates to customers who have good payment records with the Group and are subject to yearly credit risk assessments. Therefore, the Group does not believe that an additional impairment allowance for these trade receivables is necessary.

	2016			2015		
CHF million	Gross (excluding insured receivables and individual allowance)	Collective allowance	Collective allowance per cent of subtotal	Gross (excluding insured receivables and individual allowance)	Collective allowance	Collective allowance per cent of subtotal
Not past due	940	–	–	979	–	–
Past due 1–30 days	170	–	–	181	–	–
Past due 31–90 days	51	3	5	61	3	5
Past due 91–180 days	17	2	10	19	2	10
Past due 181–360 days	18	18	100	20	20	100
More than 1 year	5	5	100	4	4	100
Total	**1,201**	**28**	**2.3**	**1,264**	**29**	**2.3**

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

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

31 OTHER RECEIVABLES

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

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

32 FINANCIAL INVESTMENTS AND DERIVATIVE INSTRUMENTS

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

33 CASH AND CASH EQUIVALENTS

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

The majority of the above mentioned cash and cash equivalents is held in commercial banks and managed centrally in order to limit currency risks. A netting system and a Group cash pool are in place which also further reduce the currency exposure. Most of the bank balances held by Group companies are in their respective functional currencies, which are mainly in CHF, EUR, USD and GBP.

34 EQUITY

Share capital and treasury shares 2016

2016	Balance Dec. 31				Jan. 1
Main shareholders	Registered shares of nominal CHF 1 per share	CHF million	Capital share per cent	Voting share per cent	Registered shares of nominal CHF 1 per share
Kuehne Holding AG, Schindellegi (Feusisberg)	63,900,000	64	53.3	53.5	63,900,000
Public shareholders	55,647,625	56	46.4	46.5	55,946,978
Entitled to voting rights and dividends	**119,547,625**	**120**	**99.7**	**100.0**	**119,846,978**
Treasury shares	452,375	–	0.3		153,022
Total	**120,000,000**	**120**	**100.0**		**120,000,000**

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

On December 31, 2016, the Company had 452,375 treasury shares (2015: 153,022), of which 452,375 (2015: 153,022) are reserved under the share-based compensation plans; refer to note 36 for more information.

Dividends

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

Year	per share	CHF million
2017	CHF 5.50	658

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

Share capital and treasury shares 2015

2015	Balance Dec. 31				Jan. 1
Main shareholders	Registered shares of nominal CHF 1 per share	CHF million	Capital share per cent	Voting share per cent	Registered shares of nominal CHF 1 per share
Kuehne Holding AG, Schindellegi (Feusisberg)	63,900,000	64	53.3	53.3	63,900,000
Public shareholders	55,946,978	56	46.6	46.7	56,050,936
Entitled to voting rights and dividends	**119,846,978**	**120**	**99.9**	**100.0**	**119,950,936**
Treasury shares	153,022	–	0.1		49,064
Total	**120,000,000**	**120**	**100.0**		**120,000,000**

Authorised and conditional share capital

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

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

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

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

Capital Management

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

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

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

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

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

35 PROVISIONS FOR PENSION PLANS AND SEVERANCE PAYMENTS

The Group maintains defined benefit pension plans as well as defined contribution plans. Retirement benefits vary from plan to plan reflecting applicable local practices and legal requirements. Retirement benefits are based on years of credited service and compensation as defined in the respective plan.

Overview of provisions for pension plans and severance payments

CHF million	Pension plans	Severance payments	Total
Balance as of January 1, 2015	**409**	**39**	**448**
Provisions made	21	10	31
Provisions used	–19	–5	–24
Actuarial (gains)/losses recognised in other comprehensive income	–30	–	–30
Effect of movements in foreign exchange	–35	–3	–38
Balance as of December 31, 2015	**346**	**41**	**387**
Provisions made	16	–	16
Provisions used	–18	–14	–32
Actuarial (gains)/losses recognised in other comprehensive income	38	–	38
Effect of movements in foreign exchange	–2	–	–2
Balance as of December 31, 2016	**380**	**27**	**407**

a) Defined benefit plans

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

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

CHF million	2016	2015
Allocation of plan assets		
Debt securities	95	94
Equity securities	40	40
Property	11	10
Others	6	19
Total	**152**	**163**

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

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

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

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

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

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

The duration in years corresponds to the average weighted period.

Weighted actuarial assumptions at the balance sheet date

Per cent	2016 Funded plans	2016 Unfunded plans	2016 Total	2015 Funded plans	2015 Unfunded plans	2015 Total
Discount rate	1.8	1.7	1.7	2.1	2.4	2.4
Future salary increases	0.8	2.0	1.7	1.1	2.0	1.8
Future pension increases	–	1.3	1.3	–	1.3	1.3

Sensitivities of significant actuarial assumptions

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

CHF million	2016 Funded plans	2016 Unfunded plans	2016 Total	2015 Funded plans	2015 Unfunded plans	2015 Total
Reasonably possible change +/– in per cent	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**
Discount Rate						
Increase of defined benefit obligation	9	12	21	7	10	17
Decrease of defined benefit obligation	–9	–12	–21	–7	–10	–17
Future salary increases						
Increase of defined benefit obligation	1	2	3	2	2	4
Decrease of defined benefit obligation	–1	–2	–3	–2	–2	–4

The sensitivity analysis is based on reasonably possible changes as of the end of the reporting year. Each change in a significant actuarial assumption was analysed separately as part of the test. Interdependencies between individual assumptions were not taken into account.

b) Major defined benefit plans
The Group maintains significant defined benefit pension plans in Germany, the USA and in Switzerland constituting 89.3 per cent (2015: 91.0 per cent) of the defined benefit obligations and 83.6 per cent (2015: 77.3 per cent) of the plan assets.

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

Contributions are based on the salary of the employee. Pensions are calculated as a percentage of contributory base salary multiplied with the years of service. The normal retirement age for the plan is 65. Members can draw retirement benefits early with a proportionate reduction of the pension.

The plan is closed to new entrants, who instead can participate in a defined contribution plan.

CHF million	2016	2015
Net liability for defined benefit obligations		
Present value of obligations	283	252
Fair value of plan assets	–	–
Present value of net obligations	283	252
Recognised net liability for defined benefit obligations	**283**	**252**

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

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

The duration in years corresponds to the average weighted period.

Weighted actuarial assumptions at the balance sheet date

Per cent	2016	2015
Discount rate	1.60	2.40
Future salary increases	2.00	2.00
Future pension increases	1.75	1.75
Mortality table	Dr. K. Heubeck 2005 G	Dr. K. Heubeck 2005 G

USA

The US pension plan is a defined benefit pension plan that provides retirement and disability benefits to employees and their dependents. The various insurance benefits are governed by regulations. The US plan is qualified under and is managed in accordance with the requirements of US federal law. In accordance with federal law, there are plan fiduciaries that are responsible for the governance of the plan. Fiduciaries also are responsible for the investment of the plan's assets, which are held in a pension trust that is legally separate from the employer. The plan is entirely funded by Kuehne + Nagel. Risks in relation to guarantees provided, such as investment risk, asset volatility, salary increase and life expectancy, are borne by the Group.

Contributions are based on the salary of the employee. The normal retirement age is 65, with a minimum of five years of service. The plan provides a lifetime pension at normal retirement, which is based on a percentage of the highest average monthly compensation over a five-year period (limited to USD 100,000), multiplied by credited service under the plan. Members can draw retirement benefits early, with a proportionate reduction of the pension, at the age of 55 if the employee has a minimum of 10 years of service.

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

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

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

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

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

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

The duration in years corresponds to the average weighted period.

Weighted actuarial assumptions at the balance sheet date

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

Switzerland

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

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

CHF million	2016	2015
Net liability for defined benefit obligations		
Present value of obligations	127	121
Fair value of plan assets	–83	–77
Present value of net obligations	44	44
Recognised net liability for defined benefit obligations	**44**	**44**

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

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

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

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

The duration in years corresponds to the average weighted period.

Weighted actuarial assumptions at the balance sheet date

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

36 EMPLOYEE SHARE-BASED COMPENSATION PLANS

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

For each share purchased under the previous SMP in the years 2014 and 2015, the Company will match additional shares upon completion of a three-year vesting period and service condition during the same period. The level of the share match (share match ratio) is dependent on the achievement of the Group over the three financial years in the vesting period against defined targets. The maximum matching ratio of one share for each share purchased by the employee (minimum investment is 75 shares) can be obtained by exceeding the defined target by more than 15 per cent. A guaranteed minimum matching of 0.2 shares per share purchased is granted after the vesting period. Should the number of allocated shares be a fraction of shares, then the number of shares is rounded up to the next whole number.

The terms and conditions of the shares allocated under the Share Matching Plans are as follows:

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

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

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

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

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

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

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

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

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

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

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

37 BANK LIABILITIES AND OTHER INTEREST-BEARING LIABILITIES

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

The current bank and other interest-bearing liabilities include finance lease liabilities due for payment within one year of CHF 4 million (2015: CHF 5 million). Current bank and other interest-bearing liabilities also include bank overdrafts of CHF 4 million (2015: CHF 2 million), which are included in cash and cash equivalents for the purpose of the consolidated cash flow statement.

All loans and bank overdrafts are held in the respective Group companies' own functional currencies, which mainly is in EUR 53.9 per cent (2015: 68.5 per cent) and USD 22.9 per cent (2015: 9.7 per cent) on terms of the prevailing market conditions. The majority of bank overdraft facilities are repayable upon notice or within one year of the contractual term. The applicable interest rates are at prime interest rates of the respective country.

The non-current portion of finance lease liabilities amounts to CHF 7 million (2015: CHF 11 million) and is presented separately on the face of the balance sheet.

38 FINANCE LEASE OBLIGATIONS

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

39 TRADE PAYABLES/ACCRUED TRADE EXPENSES/DEFERRED INCOME

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

The majority of all trade payables is in the respective Group companies' own functional currencies, which is in EUR 42.5 per cent (2015: 42.7 per cent), USD 13.3 per cent (2015: 14.5 per cent) and GBP 11.6 per cent (2015: 12.2 per cent).

40 PROVISIONS

The movements in provisions were as follows:

CHF million	Claim provisions [1]	Provision for deductible of transport liability insurance [2]	Others [3]	Total provision
Balance as of January 1, 2015	59	26	45	130
Additions through business combinations	–	–	1	1
Provisions used	–12	–11	–10	–33
Provisions reversed	–18	–	–4	–22
Provisions made	60	12	20	92
Effect of movements in foreign exchange	–5	–	–3	–8
Balance as of December 31, 2015	**84**	**27**	**49**	**160**
of which				
– Current portion	66	9	26	101
– Non-current portion	18	18	23	59
Total provisions	**84**	**27**	**49**	**160**
Balance as of January 1, 2016	84	27	49	160
Provisions used	–46	–8	–14	–68
Provisions reversed	–10	–	–9	–19
Provisions made	25	10	28	63
Effect of movements in foreign exchange	–	–	–1	–1
Balance as of December 31, 2016	**53**	**29**	**53**	**135**
of which				
– Current portion	34	9	32	75
– Non-current portion	19	20	21	60
Total provisions	**53**	**29**	**53**	**135**

1 Some Group companies are involved in legal proceedings on various issues (disputes about logistics services, antitrust etc.). Some legal proceedings have been settled in the reporting period, and corresponding payments have been made. Since October 2007 various competition authorities have investigated certain antitrust allegations against international freight forwarding companies, inter alia against Kuehne + Nagel. A number of these investigations has been concluded meanwhile. The Group has appealed the decision of the EU Commission according to which Kuehne + Nagel had to pay a fine of CHF 65 million (EUR 53.7 million) to the European General Court (EGC) in 2012. On February 29, 2016, the EGC in first instance, upheld the decision of the EU Commission. On May 10, 2016, Kuehne + Nagel filed an appeal on questions of law against the EGC's decision to the European Court of Justice.
During 2015 the French Competition Authority (FCA) has concluded an investigation of certain antitrust allegations in France, mainly against domestic freight forwarding companies, inter alia Alloin Transports, a company which was acquired by Kuehne + Nagel in 2009. The decision of the FCA, according to which Alloin/Kuehne + Nagel paid a fine of CHF 34 million (EUR 32 million) was appealed to the Paris Court of Appeals in 2016. Kuehne + Nagel also reviews possibilities of recourse against the sellers of Alloin Transports.
See also note 44.

2 An additional provision for deductibles in case of transport liability has been recognised for the current year's exposure.

3 Other provisions mainly consist of provisions for dilapidation costs amounting to CHF 26 million (2015: CHF 26 million) and of provisions for onerous contracts amounting to CHF 13 million (2015: CHF 3 million).

41 OTHER LIABILITIES

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

42 ACQUISITION OF BUSINESSES/SUBSIDIARIES

2016 Acquisitions

There were no acquisitions of subsidiaries in 2016.

2015 Acquisitions

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

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

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

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

Acquisition-related costs (included in the line item "Selling, general and administrative expenses" in the Income Statement) amount to CHF 1 million.

The trade receivables comprise gross contractual amounts due of CHF 46 million, of which CHF 1 million were expected to be uncollectible at the acquisition date.

Goodwill of CHF 127 million arose on the acquisitions and represents management expertise and workforce which do not meet the definition of an intangible asset to be recognised separately. Goodwill is not expected to be deductible for tax purposes.

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

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

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

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

43 PERSONNEL

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

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

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

44 CONTINGENT LIABILITIES

As of year-end the following contingent liabilities existed:

CHF million	Dec. 31, 2016	Dec. 31, 2015
Guarantees in favour of customers and others	9	8
Contingency under unrecorded claims	3	3
Total	**12**	**11**

Some Group companies are defendants in various legal proceedings. Based on respective legal advice, the management is of the opinion that the outcome of those proceedings will have no effect on the financial situation of the Group beyond the existing provision for pending claims (refer to note 40) of CHF 53 million (2015: CHF 84 million).

An antitrust proceeding in Brazil is still ongoing, whereby it is currently not possible to reliably estimate a potential financial impact of this case. Consequently, no provision or quantification of the contingent liability for the case was made in the Consolidated Financial Statements 2016.

45 OTHER FINANCIAL COMMITMENTS

The Group operates a number of warehouse facilities under operating lease contracts. The lease contracts run for a fixed period and none of the lease contracts includes contingent rentals.

As of year-end the following financial commitments existed in respect of non-cancellable long-term operating leases and rental contracts:

As of December 31, 2016

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

As of December 31, 2015

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

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

46 CAPITAL COMMITMENTS

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

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

47 RISK MANAGEMENT

Group risk management

Kuehne + Nagel has a centralised risk management in place. The Risk and Compliance Committee ensures that the Group has implemented an effective and adequate risk management system and process. The overall strategical risk exposure of the Group was assessed, for operational risks an independent risk assessment procedure was adopted, and an assessment of financial risks was performed. Identified material risks are monitored on an ongoing basis and mitigating actions and controls are implemented.

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

Financial risk management

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

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

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

Market risk

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

Interest rate risk

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

Exposure

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

Profile

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

Fair value sensitivity analysis – fixed rate instruments

As of December 31, 2016 and 2015, the Group does not hold significant investments in fixed rate instruments. A change of 100 basis points in interest rates would not have increased or decreased profit or loss significantly.

Cash flow sensitivity analysis – variable rate instruments

A change of 100 basis points in interest rates on December 31, 2016, would have increased or decreased profit or loss by CHF 8 million (2015: CHF 8 million) due to changed interest payments on variable rate interest-bearing liabilities and assets. The analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

	Carrying amount	
CHF million	2016	2015
Variable rate instruments		
Cash and cash equivalents	839	840
Current bank and other interest-bearing liabilities	–8	–7
Non-current finance lease obligations	–7	–11
Total	**824**	**822**

Currency risk

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

Exposure

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

To a limited extent, derivative financial instruments (foreign exchange contracts) are in use to hedge the foreign exchange exposure on outstanding balances in the Group's internal clearing system. Given that the Group's hedging activities are limited to hedges of recognised foreign currency monetary items, hedge accounting under IAS 39 is not applied. As of the 2016 and 2015 year-end there were no material derivative instruments outstanding. Investments in foreign subsidiaries are not hedged as those currency positions are considered to be long-term in nature.

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

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

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

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

Sensitivity analysis

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

2016

CHF million	1 CHF/EUR	1 CHF/USD	1 GBP/EUR	1 GBP/USD	1 USD/EUR
Reasonably possible change +/– in per cent	10.0	10.0	10.0	10.0	10.0
Negative effect on P/L	–4.8	–22.2	–3.8	–17.6	–4.7
Positive effect on P/L	4.8	22.2	3.8	17.6	4.7

The impact on the profit or loss is mainly a result of foreign exchange gains or losses arising from revaluation of trade receivables, trade payables and cash and cash equivalents in foreign currencies. Significant fluctuations of foreign currency exchange rates would not result in an impact on other comprehensive income as the Group does not have any securities classified as available for sale or applies cash flow hedge accounting.

2015

CHF million	1 CHF/EUR	1 CHF/USD	1 GBP/EUR	1 GBP/USD	1 USD/EUR
Reasonably possible change +/– in per cent	10.0	10.0	10.0	10.0	10.0
Negative effect on P/L	–9.1	–26.0	–6.2	–17.7	–9.2
Positive effect on P/L	9.1	26.0	6.2	17.7	9.2

Foreign currency exchange rates applied
The major foreign currency exchange rates applied during the year are as explained in note 5 (principles of consolidation).

Credit risk
Credit risk arises from the possibility that the counterparty to a transaction may be unable or unwilling to meet its obligations, causing a financial loss to the Group. Credit risk arises primarily from the Group's trade receivables.

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

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

Trade receivables
Trade receivables are subject to a policy of active risk management which focuses on the assessment of country risk, credit availability, ongoing credit evaluation, and account monitoring procedures. There are no significant concentrations of credit risk due to the Group's large number of customers and their wide geographical spread. For a large part of credit exposures in critical countries, the Group has obtained credit insurance from first-class insurance companies (for further details refer to note 30).

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

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

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

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

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

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

2016

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

2015

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

It is not expected that the cash flow included in the above maturity analysis could occur at significantly different points in time or at significantly different amounts.

48 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

Cash and cash equivalents with a carrying amount of CHF 841 million (2015: CHF 841 million) as well as financial assets with a carrying amount of CHF 2,684 million (2015: CHF 2,567 million) classified as loans and receivables carried at amortised cost, are all classified as current assets.

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

As of December 31, 2016 and 2015, the Group holds no debt instruments designated as financial assets at fair value through profit or loss and no significant derivative instruments.

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

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

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

49 RELATED PARTIES AND TRANSACTIONS

The Group has a related party relationship with its subsidiaries, joint ventures and with its Board of Directors and Management Board.

Subsidiaries and Joint Ventures

The Group's operations involve operating activities between the parent company and its subsidiaries and between the subsidiaries themselves due to the nature of business. Overheads are, to a certain extent, also charged to the subsidiaries based on their use of services provided. All these transactions are eliminated upon consolidation. There were no significant transactions between the Group and its joint ventures and other related parties.

Transactions with related parties are conducted at arm's length.

Board of Directors and Management Board

The total compensation and remuneration paid to and accrued for the members of the Board of Directors and the Management Board of Kuehne + Nagel International AG, Schindellegi, Switzerland, amounted to:

- Board of Directors: CHF 5.2 million (2015: CHF 7.2 million)
- Management Board: CHF 15.0 million (2015: CHF 16.0 million)

As of December 31, 2016, no loans or any other commitments were outstanding towards members neither of the Board of Directors nor of the Management Board. Members of the Board of Directors and the Management Board control 53.9 per cent (2015: 53.6 per cent) of the voting shares of the Company.

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

	Management Board		Board of Directors	
CHF million	2016	2015	2016	2015
Wages, salaries and other short-term employee benefits	11.7	11.3	4.4	5.6
Post-employment benefits	1.2	1.3	0.3	0.5
Share-based compensation	2.1	3.4	0.5	1.1
Total compensation	**15.0**	**16.0**	**5.2**	**7.2**

For disclosure requirements according to the Swiss law (Article 663bbis/c CO), refer to pages 125 to 126, note 12 of the Financial Statements of Kuehne + Nagel International AG. For other related parties refer to note 34 outlining the shareholders' structure, and pages 103 to 110 listing the Group's significant subsidiaries and joint ventures.

50 ACCOUNTING ESTIMATES AND JUDGMENTS

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

Acquisition accounting

Intangible assets acquired in a business combination are required to be recognised separately from goodwill and amortised over their useful life if they are subject to contractual or legal rights or are separately transferable. The Group has separately recognised customer contracts/lists, trademarks and field office agent contracts in acquisitions made (see note 27).

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

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

The Group tests its goodwill with a total carrying amount of CHF 758 million (2015: CHF 767 million) for impairment every year as disclosed in note 11. No impairment loss on goodwill was recognised in 2016 and 2015. The Group also assesses annually whether there is any indication that other intangible assets or property, plant and equipment may be impaired. In such a case, the assets are tested for impairment. No impairment loss on other intangible assets was recognised in 2016 (2015: nil). The carrying amount of other intangibles is CHF 82 million (2015: CHF 98 million), and that of property, plant and equipment is CHF 1,127 million (2015: CHF 1,142 million).

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

Defined benefit pension plans

The Group has recognised a liability for defined benefit pension plans in the amount of CHF 380 million (2015: CHF 346 million). A number of assumptions are made in order to calculate the liability, including discount rate and future salary increases. A relatively minor change in any of these assumptions can have a significant impact on the carrying amount of the defined benefit obligation.

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

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

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

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

Provisions and contingent liabilities
The Group has recognised provisions for an amount of CHF 135 million (2015: CHF 160 million) related to legal claims and other exposures in the freight forwarding and logistics operations (see note 40). The provisions represent the best estimate of the risks, whereby the final amount required is subject to uncertainty.

51 POST BALANCE SHEET EVENTS

There have been no material events between December 31, 2016, and the date of authorisation of the Consolidated Financial Statements that would require adjustments of the Consolidated Financial Statements or disclosure.

52 RESOLUTION OF THE BOARD OF DIRECTORS

The Consolidated Financial Statements of the Group were authorised for issue by the Board of Directors on February 28, 2017. A resolution to approve the Consolidated Financial Statements will be proposed at the Annual General Meeting on May 9, 2017.

SIGNIFICANT CONSOLIDATED SUBSIDIARIES AND JOINT VENTURES

Holding and Management Companies

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
Switzerland	Kuehne + Nagel International AG	Schindellegi	CHF	120,000	100
	Kuehne + Nagel Management AG	Schindellegi	CHF	1,000	100
	Kuehne + Nagel Liegenschaften AG	Schindellegi	CHF	500	100
	Nacora Holding AG	Schindellegi	CHF	500	100
	Nacora Agencies AG	Schindellegi	CHF	400	100
	Kuehne + Nagel Real Estate Holding AG	Schindellegi	CHF	100	100

Operating Companies

Western Europe

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
Belgium	Kuehne + Nagel NV	Antwerp	EUR	6,338	100
	Kuehne + Nagel Logistics NV	Geel	EUR	5,206	100
	Nacora Insurance Brokers NV	Brussels	EUR	155	100
	Logistics Kontich BVBA	Kontich	EUR	50	100
	Logistics Nivelles SA	Nivelles	EUR	1,521	100
Denmark	Kuehne + Nagel A/S	Copenhagen	DKK	5,001	100
	Kuehne + Nagel Holding Denmark A/S	Copenhagen	DKK	750	100
Finland	Oy Kuehne + Nagel Ltd	Helsinki	EUR	200	100
France	Kuehne + Nagel SAS	Ferrières	EUR	17,380	100
	Kuehne + Nagel France Immobilier SCI	Ferrières	EUR	4	100
	Kuehne + Nagel Parts SAS	Trappes	EUR	87	100
	Nacora Courtage d'Assurances SAS	Paris	EUR	40	100
	Kuehne + Nagel Aerospace & Industry SAS	Ferrières	EUR	37	100
	Logistique Distribution Gasocogne SAS	Ferrières	EUR	37	100
	Kuehne + Nagel Road SAS	Villefranche	EUR	4,000	100
	I.M. Alloin SARL	Villefranche	EUR	8	100
	Almeca SNC	Villefranche	EUR	32	100
	Kuehne + Nagel Participations Sarl	Ferrières	EUR	203,630	100
	K Logistics Sarl	Le Meux	EUR	91	100
	Kuehne + Nagel Logistique SASU	Bresles	EUR	37	100
	Kuehne + Nagel Solutions	Saint Vulbas	EUR	10	100
	Kuehne + Nagel Insitu SASU	Chalon sur Saone	EUR	10	100

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
Germany	Kuehne + Nagel (AG & Co.) KG	Bremen	EUR	15,000	100
	KN Airlift GmbH	Frankfurt	EUR	256	100
	Stute Logistics (AG & Co.) KG	Bremen	EUR	1,023	100
	CS Parts Logistics GmbH	Bremen	EUR	426	50
	Kuehne + Nagel Euroshipping GmbH	Regensburg	EUR	256	51
	SPS Zweite Vermögensverwaltungs GmbH	Hamburg	EUR	25	90
	Cargopack Verpackungsgesellschaft für Industriegüter mbH	Bremen	EUR	357	100
	Aircraft Production Logistics GmbH	Hamburg	EUR	25	100
	Kuehne + Nagel Beteiligungs-AG	Bremen	EUR	10,277	100
	Nacora Versicherungsmakler GmbH	Hamburg	EUR	79	100
	Gustav F. Huebener GmbH	Hamburg	EUR	31	100
	Kuehne + Nagel Logistics Langenau GmbH	Langenau	EUR	25	100
	Gebr. Mönkemöller Speditionsgesellschaft mbH	Bielefeld	EUR	300	100
	BIL Spedition Haring KG	Hamburg	EUR	24	94
	Aba Logistics GmbH (Joint Venture)	Fulda	EUR	200	50
	Donau Transport und Umschlags GmbH (Joint Venture)	Regensburg	EUR	108	50
United Kingdom	Kuehne + Nagel (UK) Limited	Uxbridge	EUR	8,000	100
	Kuehne + Nagel Limited	Uxbridge	GBP	8,867	100
	Nacora Insurance Brokers Limited	Uxbridge	GBP	150	100
	Kuehne + Nagel Drinks Logistics Limited	Milton Keynes	GBP	–	100
	Kuehne + Nagel Drinkflow Logistics Limited (Joint Venture)	Milton Keynes	GBP	877	50
	Kuehne + Nagel Drinkflow Logistics Holdings Limited (Joint Venture)	Milton Keynes	GBP	6,123	50
Ireland	Kuehne & Nagel (Ireland) Limited	Dublin	EUR	500	100
Italy	Kuehne + Nagel Srl	Milan	EUR	4,589	100
	Nacora Srl	Milan	EUR	104	100
Luxembourg	Kuehne + Nagel S.a.r.l.	Contern	EUR	5,750	100
	Kuehne + Nagel AG	Contern	EUR	31	100
	Kuehne + Nagel Investments S.a.r.l.	Contern	EUR	200	100
	Nacora (Luxembourg) S.a.r.l.	Contern	EUR	50	100
Malta	Kuehne + Nagel Limited	Hamrun	EUR	14	100
Morocco	Kuehne + Nagel SAS	Casablanca	MAD	300	100
The Netherlands	Kuehne + Nagel N.V.	Rotterdam	EUR	3,325	100
	Kuehne + Nagel Investments B.V.	Rotterdam	EUR	50	100
	Nacora Assurantiekantoor B.V.	Rotterdam	EUR	45	100
	Kuehne + Nagel Logistics B.V.	Veghel	EUR	25	100
Norway	Kuehne + Nagel AS	Oslo	NOK	3,100	100
Portugal	Kuehne + Nagel Lda	Porto	EUR	200	100

Western Europe

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
Spain	Kuehne & Nagel S.A.U.	Madrid	EUR	60	100
	Kuehne Nagel Investments S.L.U.	Madrid	EUR	3	100
	Nacora Correduria de Seguros S.A	Barcelona	EUR	150	100
Sweden	Kuehne & Nagel AB	Stockholm	SEK	500	100
	Kuehne & Nagel Investment AB	Stockholm	EUR	112	100
	Nacora International Insurance Brokers AB	Stockholm	SEK	100	100
Switzerland	Kuehne + Nagel AG	Opfikon	CHF	3,000	100
	LogIndex AG	Schindellegi	CHF	1,000	100
	Nacora Insurance Brokers AG	Opfikon	CHF	100	100

Eastern Europe

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
Albania	Transalbania Sh.p.k	Tirana	ALL	41,725	51
Austria	Kuehne + Nagel Eastern Europe AG	Vienna	EUR	1,090	100
	Kuehne + Nagel GmbH	Vienna	EUR	1,820	100
	Nacora Insurance Brokers GmbH	Vienna	EUR	35	100
Belarus	Kuehne + Nagel FPE	Minsk	BYN	300	100
Bosnia and Herzegovina	Kuehne + Nagel doo	Sarajevo	BAM	95	100
Bulgaria	Kuehne + Nagel EOOD	Sofia	BGN	365	100
Croatia	Kuehne + Nagel d.o.o.	Zagreb	HRK	4,300	100
Cyprus	Nakufreight Limited	Nicosia	EUR	17	100
Czech Republic	Kuehne + Nagel spol. s r.o.	Prague	CZK	21,000	100
Estonia	Kuehne + Nagel AS	Tallinn	EUR	902	100
Greece	Kuehne + Nagel AE	Athens	EUR	10,028	100
	Nacora Brokins International AE	Athens	EUR	60	60
	Sindos Railcontainer Services AE (Joint Venture)	Thessaloniki	EUR	3,038	50
Hungary	Kuehne + Nagel Kft	Budapest	HUF	134,600	100
Latvia	Kuehne + Nagel SIA	Riga	EUR	142	100
Lithuania	Kuehne & Nagel UAB	Vilnius	EUR	232	100
Macedonia	Kuehne + Nagel d.o.o.e.l.	Skopje	MKD	3,216	100

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
Poland	Kuehne + Nagel Sp.z o.o.	Poznan	PLN	281,404	100
	Kuehne + Nagel Real Estate Sp.z.o.o.	Gadki	PLN	40,424	100
Romania	Kuehne + Nagel SRL	Bucharest	RON	2,543	100
Russia	OOO Kuehne + Nagel	Moscow	RUR	1,339,036	100
	OOO Kuehne & Nagel Sakhalin	Sakhalin	RUR	500	100
	OOO Nakutrans	Moscow	RUR	278	100
Serbia	Kuehne + Nagel d.o.o.	Belgrade	RSD	3,039	100
Slovakia	Kuehne + Nagel s r.o.	Bratislava	EUR	470	100
Slovenia	Kuehne + Nagel d.o.o.	Ljubljana	EUR	10	100
Ukraine	Kuehne + Nagel Ltd.	Kiev	UAH	26,975	100

North America

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
Bermuda	Kuehne + Nagel Ltd.	Hamilton	EUR	12	100
Canada	Kuehne + Nagel Ltd.	Toronto	CAD	2,910	100
	Nacora Insurance Brokers Ltd.	Toronto	CAD	–	100
	Kuehne + Nagel Real Estate Ltd.	Toronto	CAD	–	100
	Kuehne + Nagel Services Ltd.	Vancouver	USD	87,085	100
	GFH Underwriting Agency Ltd.	Toronto	CAD	1,850	100
Mexico	Kuehne + Nagel S.A. de C.V.	México' D.F.	MXN	24,447	100
	Kuehne + Nagel Servicios Administrativos S.A. de C.V.	México' D.F.	MXN	50	100
	Agente de Seguros S.A. de C.V.	México' D.F.	MXN	50	100
USA	Kuehne + Nagel Investment Inc.	Jersey City	USD	1,400	100
	Kuehne + Nagel Inc.	Jersey City	USD	1,861	100
	Nacora Insurance Brokers Inc.	Jersey City	USD	25	100
	Kuehne + Nagel Special Logistics Inc.	Dulles	USD	30	100
	Kuehne + Nagel Real Estate USA Inc.	Jersey City	USD	–	100
	Kuehne + Nagel Nevada, Inc.	McCarran	USD	2	100
	Retransportation Inc.	Memphis	USD	543	100
	ReTrans Freight Inc.	Fall River	USD	23,229	100
	ReTranportation Canada Inc.	Toronto	CAD	1,878	100

South America

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
Argentina	Kuehne + Nagel S.A.	Buenos Aires	ARS	3,208	100
	Nacora S.A.	Buenos Aires	ARS	20	100
Barbados	Kuehne + Nagel Logistics Services Limited	Bridgetown	BBD	195	100
Bolivia	Kuehne + Nagel Ltda.	Santa Cruz	BOB	260	100
Brazil	Kuehne + Nagel Serviços Logisticos Ltda.	Sao Paulo	BRL	171,899	100
	Nacora Corretagens de Seguros Ltda.	Sao Paulo	BRL	1,094	100
	Transeich Armazens Gerais S.A.	Porto Alegre	BRL	2,479	100
	Transeich Assessoria e Transportes S.A.	Porto Alegre	BRL	17,918	100
	Podium Kuehne + Nagel Logistica de Eventos Esportivos Ltda. (Joint Venture)	Rio de Janeiro	BRL	100	50
Chile	Kuehne + Nagel Ltda.	Santiago	CLP	575,000	100
Colombia	Kuehne + Nagel S.A.S.	Bogotá	COP	5,184,600	100
	Agencia De Aduanas KN Colombia S.A.S. Nivel 2	Bogotá	COP	595,000	100
	Nacora Ltda. Agencia de Seguros	Bogotá	COP	20,000	100
Costa Rica	Kuehne + Nagel S.A.	San Jose	CRC	–	100
	KN Shared Service Centre S.A.	San Jose	CRC	–	100
Cuba	Kuehne Nagel Logistic Services S.A.	Havana	CUC	–	100
Dominican Republic	Kuehne + Nagel Dominicana SAS (Joint Venture)	Santo Domingo	DOP	3,000	50
Ecuador	Kuehne + Nagel S. A.	Quito	USD	7	100
El Salvador	Kuehne + Nagel S.A. DE C.V.	San Salvador	USD	69	100
Guatemala	Kuehne + Nagel S.A.	Guatemala	GTQ	4,245	100

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
Honduras	Kuehne + Nagel S.A.	San Pedro Sula	HNL	25	100
Nicaragua	Kuehne + Nagel S.A.	Managua	NIO	10	100
Panama	Kuehne + Nagel S.A.	Colon	USD	1	100
	Kuehne + Nagel Management S.A.	Colon	USD	10	100
Peru	Kuehne + Nagel S.A.	Lima	PEN	10,638	100
Trinidad & Tobago	Kuehne + Nagel Ltd.	Port of Spain	TTD	31	100
Uruguay	Kuehne + Nagel S.A.	Montevideo	UYU	3,908	100
Venezuela	Kuehne + Nagel S.A.	Caracas	VEF	1,000	100
	KN Venezuela Aduanas C.A.	Caracas	VEF	2	100

North Asia-Pacific

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
China	Kuehne & Nagel Ltd.	Shanghai	CNY	25,072	100
	Kuehne & Nagel Logistics Co Ltd.	Shanghai	CNY	5,515	100
	Kuehne & Nagel Information Center Ltd.	Foshan	CNY	1,000	100
	Kuehne & Nagel Ltd.	Hong Kong	HKD	1,560	100
	Transpac Container System Ltd.	Hong Kong	HKD	100	100
	Nacora Insurance Brokers Ltd.	Hong Kong	HKD	500	70
	Kuehne & Nagel Ltd.	Macao	HKD	971	100
Taiwan	Kuehne + Nagel Ltd.	Taipei	TWD	20,000	100
	Nacora Insurance Brokers Ltd.	Taipei	TWD	6,000	100

South Asia-Pacific

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
Australia	Kuehne & Nagel Pty Ltd	Melbourne	AUD	2,900	100
	Nacora Insurance Services Pty Ltd	Melbourne	AUD	–	100
	Kuehne + Nagel Real Estate Pty Ltd	Melbourne	AUD	–	100
Bangladesh	Kuehne + Nagel Limited	Dhaka	BDT	10,000	100
Cambodia	Kuehne + Nagel Limited	Phnom Penh	USD	5	100
India	Kuehne + Nagel Pvt. Ltd.	New Delhi	INR	30,000	100
Indonesia	PT. Naku Freight Indonesia	Jakarta	IDR	1,730,100	95
Japan	Kuehne + Nagel Ltd.	Tokyo	JPY	80,000	100
	Nacora Japan Insurance Solutions Ltd.	Tokyo	JPY	9,900	100
Korea	Kuehne + Nagel Ltd.	Seoul	KRW	500,000	100
Malaysia	Kuehne + Nagel Sdn. Bhd.	Kuala Lumpur	MYR	1,000	100
	Nacora (Malaysia) Sdn. Bhd.	Kuala Lumpur	MYR	100	100
Maldives	Kuehne + Nagel Private Limited	Male	USD	1	100
Myanmar	Kuehne + Nagel Ltd.	Yangon	USD	50	100
New Zealand	Kuehne + Nagel Limited	Auckland	NZD	200	100
	Nacora Insurance Services Limited	Auckland	NZD	10	100
Pakistan	Kuehne + Nagel (Private) Limited.	Karachi	PKR	9,800	100
Philippines	Kuehne + Nagel Inc.	Manila	PHP	5,000	100
	Kuehne + Nagel Logistics Solutions Inc.	Manila	PHP	5,000	100
Singapore	Kuehne + Nagel Pte. Ltd.	Singapore	SGD	500	100
	Nacora Insurance Agency Pte. Ltd.	Singapore	SGD	100	100
	Kuehne + Nagel (Asia-Pacific) Management Pte. Ltd.	Singapore	SGD	200	100
	Kuehne + Nagel Real Estate Pte Ltd	Singapore	SGD	250	100
Sri Lanka	Kuehne & Nagel (Pvt) Ltd.	Colombo	LKR	2,502	100
Thailand	Kuehne + Nagel Limited	Bangkok	THB	20,000	100
Vietnam	Kuehne + Nagel Company Limited	Ho Chi Minh	VND	15,502,200	100

Middle East and Africa

Country	Name of the company	Location	Currency	Share capital (in 1,000)	KN voting share (in per cent)
Angola	Kuehne & Nagel (Angola) Transitarios Lda	Luanda	AOA	7,824	100
Bahrain	Kuehne + Nagel WLL	Manama	BHD	200	100
Egypt	Kuehne + Nagel Ltd.	Cairo	EGP	1,000	100
Iraq	Jawharat Al-Sharq Co. for General Transportation & Support Services Ltd	Baghdad	USD	85	100
	Kuehne + Nagel for General Transportation and Logistics Services L.L.C.	Erbil	USD	45	100
Israel	Amex Ltd.	Holon	ILS	2	87.5
Jordan	Kuehne and Nagel Jordan LLC	Amman	JOD	300	100
Kenya	Kuehne + Nagel Limited	Nairobi	KES	63,995	100
	Blue Anchor Line Limited	Nairobi	KES	500	100
Kuwait	Kuehne + Nagel Company W.L.L.	Kuwait	KWD	150	100
Lebanon	KN-ITS SAL (Joint Venture)	Beirut	LBP	113,000	50
Mauritius	KN (Mauritius) Limited	Port Louis	MUR	4,000	100
Mozambique	Kuehne & Nagel Mocambique Lda.	Maputo	MZN	125,883	100
Namibia	Kuehne and Nagel (Pty) Ltd.	Windhoek	NAD	340	100
Oman	Kuehne + Nagel LLC.	Muscat	OMR	250	70
Qatar	Kuehne + Nagel L.L.C.	Doha	QAR	1,900	100
Saudi Arabia	Kuehne and Nagel Limited	Jeddah	SAR	1,000	100
South Africa	Kuehne + Nagel (Proprietary) Limited	Johannesburg	ZAR	1,652	75
	Nacora Insurance Brokers (Proprietary) Limited	Johannesburg	ZAR	35	100
Tanzania	Kuehne + Nagel Limited	Dar Salaam	TZS	525,000	100
Turkey	Kuehne + Nagel Nakliyat Sti.	Istanbul	TRY	5,195	100
UAE	Kuehne + Nagel L.L.C.	Dubai	AED	1,000	100
	Kuehne + Nagel L.L.C.	Abu Dhabi	AED	1,000	100
	Kuehne + Nagel DWC L.L.C.	Dubai	AED	13,000	100
	Kuehne + Nagel Management ME FZE	Dubai	AED	1,000	100
Uganda	Kuehne + Nagel Limited	Kampala	UGX	827,500	100

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

Opinion

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

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

Basis for opinion

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

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

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

Key audit matters

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

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

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

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

Income tax positions

Area of focus

Income tax positions were significant to our audit because the Group has extensive international operations and, in the normal course of business, makes judgments and estimates in relation to tax issues and exposures resulting in the recognition of other tax liabilities.

Our audit response

We tested the completeness and accuracy of the amounts recognized as current and deferred tax, including the assessment of other judgmental tax positions.

In this area our audit procedures included, amongst others, assessment of correspondence with the relevant tax authorities and the evaluation of tax exposures. In addition, in respect of deferred tax assets we assessed management's assumptions to determine the probability that deferred tax assets recognized in the statement of financial position will be recovered through taxable income in future years and available tax planning strategies. We included tax and valuation specialists to evaluate the assumptions used to determine tax positions. During our procedures, we also used management's budgets and forecasts. In addition, where considered relevant, we evaluated the historical accuracy of management's assumptions.

Net turnover

Area of focus

A description of the key accounting policy for revenue recognition is included in Note 15. Total net turnover for the business year 2016 amounted to CHF 16,525 million. The Group generates turnover from four principal services: Seafreight, Airfreight, Overland and Contract Logistics. In addition to these principal services, turnover is also generated from additional services that are incidental to the primary service, such as customs clearance and door-to-door service. Turnover is recognized according to the terms in the contract, i.e. at the time the service is rendered.

Given the significance of net turnover and related balance sheet accounts such as trade receivables, we considered this area to be important for our audit.

Our audit response

We tested revenue recognition, including testing of the related internal controls. Our procedures included analytical reviews on net turnover, work in progress and deferred income. We also designed and performed audit procedures on the nature of revenues and the timing of the recognition and unusual contractual terms. Our testing included agreeing amounts to customer contracts and confirming the extent, timing and customer acceptance of delivery, where relevant.

Other information in the annual report

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

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

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

Responsibility of the Board of Directors for the consolidated financial statements

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

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

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

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

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

Report on other legal and regulatory requirements

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

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

Ernst & Young Ltd

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

Zurich, February 28, 2017

Income Statement

CHF million	Note	2016	2015
Income			
Income from investments in Group companies	1	526	539
Finance income			
– Interest income on loan receivables from Group companies		6	3
– Exchange gains		20	25
– Profit on sale of treasury shares		1	–
Other operational income	2	5	–
Total income		**558**	**567**
Expenses			
Finance expenses			
– Interest expenses on liabilities towards Group companies		–4	–3
– Exchange losses		–12	–11
– Loss on sale of treasury shares		–	–2
Other operational expenses	3	–18	–9
Total expenses		**–34**	**–25**
Earnings before tax (EBT), depreciation and impairment		**524**	**542**
Depreciation and impairment of investment in Group companies		–6	–3
Earnings before tax (EBT)		**518**	**539**
Income Taxes		–16	–18
Earnings for the year		**502**	**521**

Balance Sheet

CHF million	Note	Dec. 31, 2016	Dec. 31, 2015
Assets			
Cash and cash equivalents	4	496	463
Other current receivables			
– from third parties		19	20
– from Group companies	5	154	236
Total current assets		**669**	**719**
Long term receivables from Group companies	5	51	50
Investments	6	1,252	1,078
Non-current assets		**1,303**	**1,128**
Total assets		**1,972**	**1,847**
Liabilities and equity			
Liabilities towards Group companies	7	874	609
Current liabilities			
– Other provisions and accruals		7	9
– Tax provision		13	14
Current liabilities		**894**	**632**
Total liabilities		**894**	**632**
Share capital	8	120	120
Legal capital contribution reserves		6	6
Legal reserves		60	60
Free reserves			
– Retained earnings	9	449	527
– Earnings for the year		502	521
Treasury shares	10	-59	-19
Equity		**1,078**	**1,215**
Total liabilities and equity		**1,972**	**1,847**

Schindellegi, February 28, 2017

KUEHNE + NAGEL INTERNATIONAL AG

Dr. Detlef Trefzger	Markus Blanka-Graff
CEO	CFO

NOTES TO THE FINANCIAL STATEMENTS 2016

GENERAL

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

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

BASIS OF PREPARATION / ACCOUNTING POLICIES

Investments

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

Receivables

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

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

Treasury shares

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

Tax provision

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

Liabilities

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

NOTES TO THE INCOME STATEMENT

1 INCOME FROM INVESTMENTS IN GROUP COMPANIES

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

CHF million	2016	2015
Income from investments and others	417	411
Trademark fee	109	128
Total	**526**	**539**

2 OTHER OPERATIONAL INCOME

CHF million	2016	2015
Repayment of amortized paid-in surplus	5	–
Total operational income	**5**	**–**

3 OTHER OPERATIONAL EXPENSES

CHF million	2016	2015
Board of Directors fee	3	3
Trademark Marketing/IP concept	5	5
Other operational expenses	10	1
Total operational expenses	**18**	**9**

NOTES TO THE BALANCE SHEET

4 CASH AND CASH EQUIVALENTS

CHF million	Dec. 31, 2016	Dec. 31, 2015
The bank deposits are in the following currencies:		
CHF	428	340
EUR	41	84
USD	27	39
Total	**496**	**463**

5 RECEIVABLES FROM GROUP COMPANIES

Current receivables

CHF million	Dec. 31, 2016	Dec. 31, 2015
Kuehne + Nagel Ltd., Nairobi	–	3
Kuehne + Nagel S.A.S., Bogota	3	4
Kuehne + Nagel Real Estate Holding AG, Schindellegi	41	37
Kuehne + Nagel Liegenschaften AG, Schindellegi	21	22
Kuehne + Nagel AS, Oslo	1	1
Kuehne + Nagel (AG & Co.) KG, Hamburg	–	85
Kuehne + Nagel Services Ltd., Vancouver	84	57
Kuehne + Nagel Ltd., Toronto	–	14
Other Group companies	4	13
Total	**154**	**236**

Long term receivables

CHF million	Dec. 31, 2016	Dec. 31, 2015
Kuehne + Nagel Pte. Ltd., Singapore	51	50
Total	**51**	**50**

6 DEVELOPMENT OF INVESTMENTS

CHF million	Investments in consolidated companies	Investments in affiliated companies	Total
Cost			
Balance as of January 1, 2016	2,021	2	2,023
Additions	206	–	206
Repayment/Disposals	–39	–	–39
Balance as of December 31, 2016	**2,188**	**2**	**2,190**
Cumulative amortisation			
Balance as of January 1, 2016	943	2	945
Additions	–	–	–
Disposals	–7	–	–7
Balance as of December 31, 2016	**936**	**2**	**938**
Carrying amount			
As of January 1, 2016	**1,078**	**–**	**1,078**
As of December 31, 2016	**1,252**	**–**	**1,252**

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

7 LIABILITIES TOWARDS GROUP COMPANIES

CHF million	Dec. 31, 2016	Dec. 31, 2015
Kuehne + Nagel Ltd., Dublin	1	5
Kuehne + Nagel S.a.r.l., Luxembourg	29	21
Kuehne + Nagel S.A.S., Paris	12	29
Kuehne + Nagel N.V., Rotterdam	21	27
Kuehne + Nagel NV/SA, Antwerp	8	23
Kuehne + Nagel A/S, Copenhagen	4	1
Kuehne + Nagel GmbH, Vienna	7	6
Kuehne + Nagel Srl., Milano	–	1
Kuehne + Nagel (AG & Co.) KG, Hamburg	163	1
Kuehne + Nagel Sp.z.o.o., Poznan	18	2
Kuehne + Nagel Ltd., Bermuda	18	53
Kuehne + Nagel Ltd., Auckland	–	1
Kuehne + Nagel Kft., Budapest	8	10
Kuehne + Nagel Pty. Ltd., Sydney	1	1
Kuehne + Nagel Ltd., Shanghai	30	31
Kuehne + Nagel spol.s.r.o., Prague	3	3
Kuehne + Nagel Investment S.a.r.l., Luxembourg	13	8
Kuehne + Nagel Investments S.L.U., Madrid	107	57
Kuehne + Nagel Investment AB, Stockholm	17	10
Kuehne + Nagel Inc., New York	180	145
Kuehne + Nagel Management AG, Schindellegi	129	83
Kuehne + Nagel AG, Zurich	13	22
Nacora Insurance Brokers AG, Zurich	1	1
Nacora Holding AG, Schindellegi	19	14
Nacora Agencies AG, Schindellegi	60	54
Kuehne + Nagel LLC, Dubai	3	–
Other	9	–
Total	**874**	**609**

8 SHARE CAPITAL

Share capital	Registered shares at nominal value of CHF 1 each	CHF million
Balance as of December 31, 2016	120,000,000	120

Authorised and conditional share capital

The Annual General Meeting held on May 3, 2016, extended its approval of authorised share capital up to a maximum of CHF 20 million by another two years until May 3, 2018.

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

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

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

9 RETAINED EARNINGS

Retained earnings	CHF million
Balance as of January 1, 2015 (before earnings for the year)	527
Earnings for the year 2015	521
Retained earnings as of December 31, 2015 (prior to appropriation of available earnings)	**1,048**
Distribution to the shareholders (representing CHF 5.00 per share)	–599
Subtotal (before earnings for the year)	**449**
Earnings for the year 2016	502
Balance as of December 31, 2016	**951**

Capital contribution reserves	CHF million
Capital contribution reserves as of December 31, 2016	6
Balance capital contribution reserves as of December 31, 2016	**6**

10 TREASURY SHARES

Own Shares	Number of transactions	All time low in CHF during the year	Maximum rate in CHF during the year	Average price of transactions in CHF	Number of shares	CHF million
Balance as of January 1, 2016					153,022	19
Purchases of own shares	35	124.85	133.00	130.37	506,236	66
Sale of own shares	65	111.37	136.90	125.67	–206,883	–26
Closing balance as of December 31, 2016					**452,375**	**59**

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

OTHER NOTES

11 PERSONNEL

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

12 SHAREHOLDING OF MEMBERS OF THE BOARD OF DIRECTORS AND MANAGEMENT BOARD

Shareholdings of members of the Board of Directors

As of December 31, 2016, the following number of shares were held by members of the Board of Directors and/or parties closely associated with them.

Name	2016	2015
Klaus-Michael Kuehne (Honorary Chairman)	64,082,000	64,060,126
Dr. Joerg Wolle (Chairman)	58,000	13,500
Karl Gernandt (Vice Chairman) [1]	70,400	65,300
Bernd Wrede (Vice Chairman) [2]	–	–
Dr. Renato Fassbind	1,700	1,700
Juergen Fitschen	–	–
Hans Lerch	2,500	2,500
Dr. Thomas Staehelin	10,000	10,000
Hauke Stars [3]	–	n/a
Dr. Martin C. Wittig	–	–
Total	**64,224,600**	**64,153,126**

1 Executive Chairman until May 3, 2016
2 Retired from the Board of Directors as of May 3, 2016
3 As of May 3, 2016 member of the Board of Directors

Shareholdings by members of the Management Board
As of December 31, 2016, the following number of the shares were held by members of the Management Board and/or parties closely associated with them:

Name	2016	2015
Dr. Detlef Trefzger, Chief Executive Officer	35,343	30,093
Markus Blanka-Graff, Chief Financial Officer	12,000	8,600
Lothar Harings, Chief Human Resources Officer	21,289	21,289
Martin Kolbe, Chief Information Officer	23,485	20,685
Stefan Paul, Executive Vice President Overland	8,033	5,750
Horst Joachim Schacht, Executive Vice President Seafreight	28,279	24,767
Yngve Ruud, Executive Vice President Airfreight [1]	27,650	n/a
Tim Scharwath, Executive Vice President Airfreight [3]	n/a	17,500
Gianfranco Sgro, Executive Vice President Contract Logistics [2]	4,500	3,500
Total	**160,579**	**132,184**

1 As of October 1, 2016 member of the Management Board.
2 As of February 1, 2015 member of the Management Board.
3 Resigned May, 2016 as member of the Management Board.

13 MAJOR SHAREHOLDER
Detailed information in the Corporate Governance Report.

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

15 PROPOSAL OF THE BOARD OF DIRECTORS TO THE ANNUAL GENERAL MEETING MAY 9, 2017, REGARDING THE APPROPRIATION OF THE AVAILABLE EARNINGS
For 2016 the Board of Directors is proposing a regular dividend amounting to CHF 5.50 per share for approval at the Annual General Meeting. If the dividend proposal is approved by shareholders, dividend payments will amount to CHF 658 million (2015: CHF 599 million) towards regular dividend resulting in a payout ratio of 91.6 per cent (2015: 88.6 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, 2016 (before income for the year)	449
Earnings for the year 2016	502
Available earnings as of December 31, 2016	951
Distribution to the shareholders (representing CHF 5.50 per share) [1]	–658
Retained earnings as of December 31, 2016 (after appropriation of available earnings)	**293**

1 The total dividend amount covers all outstanding shares (as per December 31, 2016: 119.547.625 shares). However, shares held in treasury on the date of the dividend declaration are not eligible for dividend payments. As a consequence, and if required, the reported total dividend amount is adjusted accordingly.

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

As statutory auditor, we have audited the financial statements of Kuehne + Nagel International AG, which comprise the income statement, balance sheet and notes on the pages 117 to 126 for the year ended December 31, 2016.

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 2016 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 judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities 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.

Investments and related income statement accounts	
Area of focus	Primary functions of the Company include holding the investments in its subsidiaries as well as financing and monitoring the group's activities. For statutory purposes, the Company is required to assess the valuation of its investments and determine potential impairments on an individual basis (refer to notes – accounting principles). We consider investments to subsidiaries and its related income statement accounts significant to our audit as the assessment involve judgment in estimating – amongst other factors – future revenues and margins, long-term growth and discount rates.
Our audit response	We examined the Company's process of identifying investments which potentially are subject to an impairment and assessed the valuation model used in order to determine the recoverable amount. We analyzed the underlying key assumptions, including future revenues and margins, long-term growth and discount rates. We assessed the historical accuracy of the Company's estimates and considered its ability to produce accurate long-term forecasts. We evaluated the sensitivity in the valuation resulting from changes to the key assumptions applied and compared these assumptions to corroborating information, including expected inflation rates and market growth.

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

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

Zurich, February 28, 2017

CORPORATE TIMETABLE 2017

April 20, 2017	Three-months 2017 results
May 9, 2017	Annual General Meeting
May 15, 2017	Dividend payment for 2016
July 18, 2017	Half-year 2017 results
September 20, 2017	Capital Markets Day
October 16, 2017	Nine-months 2017 results
February 28, 2018	Full-year 2017 results

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