



Financial
Statements 2017
of Kuehne + Nagel
International AG

KUEHNE+NAGEL



Income Statement

CHF million	Note	2017	2016
Income			
Income from investments in Group companies	1	1,612	526
Finance income			
– Interest income on loan receivables from Group companies		8	6
– Exchange gains		53	20
– Profit on sale of treasury shares		3	1
Other operational income	2	-	5
Total income		1,676	558
Expenses			
Finance expenses			
– Interest expenses on liabilities towards Group companies		-6	-4
– Exchange losses		-43	-12
– Loss on sale of treasury shares		-	-
Other operational expenses	3	-16	-18
Total expenses		-65	-34
Earnings before tax (EBT), depreciation and impairment			
		1,611	524
Depreciation and impairment of investment in Group companies		-157	-6
Earnings before tax (EBT)		1,454	518
Income Taxes		-14	-16
Earnings for the year		1,440	502

Balance Sheet

CHF million	Note	Dec. 31, 2017	Dec. 31, 2016
Assets			
Cash and cash equivalents	4	339	496
Other current receivables			
– from third parties		6	19
– from Group companies	5	266	154
Total current assets		611	669
Long term receivables from Group companies	5	53	51
Investments	6	1,910	1,252
Non-current assets		1,963	1,303
Total assets		2,574	1,972
Liabilities and equity			
Liabilities towards Group companies	7	682	874
Current liabilities			
– Other provisions and accruals		4	7
– Tax provision		12	13
Current liabilities		698	894
Total liabilities		698	894
Share capital	8	120	120
Legal capital contribution reserves		6	6
Legal reserves		60	60
Free reserves			
– Retained earnings	9	293	449
– Earnings for the year		1,440	502
Treasury shares	10	-43	-59
Equity		1,876	1,078
Total liabilities and equity		2,574	1,972

Schindellegi, February 27, 2018

KUEHNE + NAGEL INTERNATIONAL AG

Dr. Detlef Trefzger	Markus Blanka-Graff
CEO	CFO

NOTES TO THE FINANCIAL STATEMENTS 2017

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	2017	2016
Income from investments and others	1,484	417
Trademark fee	128	109
Total	1,612	526

2 OTHER OPERATIONAL INCOME

CHF million	2017	2016
Repayment of amortized paid-in surplus	-	5
Total operational income	-	5

3 OTHER OPERATIONAL EXPENSES

CHF million	2017	2016
Board of Directors fee	4	3
Trademark Marketing/IP concept	5	5
Other operational expenses	7	10
Total operational expenses	16	18

NOTES TO THE BALANCE SHEET

4 CASH AND CASH EQUIVALENTS

CHF million	Dec. 31, 2017	Dec. 31, 2016
The bank deposits are in the following currencies:		
CHF	158	428
EUR	135	41
USD	46	27
Total	339	496

5 RECEIVABLES FROM GROUP COMPANIES

Current receivables

CHF million	Dec. 31, 2017	Dec. 31, 2016
Kuehne + Nagel Ltd., Nairobi	19	-
Kuehne + Nagel Ltd., Bogota	4	3
Kuehne + Nagel Ltd., Amman	1	-
Kuehne + Nagel Ltd., Antwerpen	1	-
Kuehne + Nagel Ltd., Bahrain	6	-
Kuehne + Nagel Ltd., Buenos Aires	3	-
Kuehne + Nagel Ltd., Copenhagen	1	-
Kuehne + Nagel Ltd., Doha	2	-
Kuehne + Nagel Ltd., Dubai	1	-
Kuehne + Nagel Ltd., Kuwait	1	-
Kuehne + Nagel Ltd., Lima	1	-
Kuehne + Nagel AG, Luxembourg	4	-
Kuehne + Nagel Investment S.a.r.l., Luxembourg	16	-
Kuehne + Nagel Ltd., Mexico	11	-
Kuehne + Nagel Pty., Panama	2	-
Kuehne + Nagel N.N., Rotterdam	9	-
Kuehne + Nagel Ltd. Santiago	3	-
Kuehne + Nagel AB, Stockholm	1	-
Kuehne + Nagel d.o.o., Zagreb	1	-
Kuehne + Nagel Real Estate Holding AG, Schindellegi	39	41
Kuehne + Nagel Liegenschaften AG, Schindellegi	20	21
Kuehne + Nagel AS, Oslo	1	1
Kuehne + Nagel AG, Zürich	6	-
Kuehne + Nagel (AG & Co.) KG, Hamburg	33	-
Kuehne + Nagel Services Ltd., Vancouver	80	84
Other Group companies	-	4
Total	266	154

Long term receivables

CHF million	Dec. 31, 2017	Dec. 31, 2016
Kuehne + Nagel Pte. Ltd., Singapore	53	51
Total	53	51

6 DEVELOPMENT OF INVESTMENTS

CHF million	Investments in consolidated companies	Investments in affiliated companies	Total
Cost			
Balance as of January 1, 2017	2188	2	2,190
Additions	132	-	132
Repayment/Disposals	-4	-	-4
Balance as of December 31, 2017	2,316	2	2,318
Cumulative amortisation			
Balance as of January 1, 2017	936	2	938
Additions	-	-	-
Disposals	-530	-	-530
Balance as of December 31, 2017	406	2	408
Carrying amount			
As of January 1, 2017	1,252	-	1,252
As of December 31, 2017	1,910	-	1,910

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, 2017	Dec. 31, 2016
Kuehne + Nagel Ltd., Dublin	2	1
Kuehne + Nagel S.a.r.l., Luxembourg	11	29
Kuehne + Nagel S.A.S., Paris	106	12
Kuehne + Nagel N.V., Rotterdam	-	21
Kuehne + Nagel NV/SA, Antwerp	-	8
Kuehne + Nagel A/S, Copenhagen	-	4
Kuehne + Nagel GmbH, Vienna	13	7
Kuehne + Nagel Ltd., London	1	-
Kuehne + Nagel Ltd., Singapore	2	-
Kuehne + Nagel Management Ltd., Singapore	1	-
Kuehne + Nagel (AG & Co.) KG, Hamburg	-	163
Kuehne + Nagel Sp.z.o.o., Poznan	1	18
Kuehne + Nagel Real Estate Sp.z.o.o., Poznan	6	-
Kuehne + Nagel Ltd., Bermuda	12	18
Kuehne + Nagel Ltd., Hongkong	1	-
Kuehne + Nagel Ltd., Auckland	3	-
Kuehne + Nagel Kft., Budapest	3	8
Kuehne + Nagel Ltd., Sydney	1	1
Kuehne + Nagel Ltd., Shanghai	45	30
Kuehne + Nagel spol.s.r.o., Prague	-	3
Kuehne + Nagel Investment S.a.r.l., Luxembourg	-	13
Kuehne + Nagel Investment SL, Madrid	92	107
Kuehne + Nagel Investment AB, Stockholm	31	17
Kuehne + Nagel Inc., New York	79	180
Kuehne + Nagel Management AG, Schindellegi	181	129
Kuehne + Nagel AG, Zurich	-	13
Nacora Insurance Brokers AG, Zürich	1	1
Nacora Holding AG, Schindellegi	21	19
Nacora Agencies AG, Schindellegi	62	60
Kuehne + Nagel LLC, Dubai	3	3
Other	4	9
Total	682	874

8 SHARE CAPITAL

Share capital	Registered shares at nominal value of CHF 1 each	CHF million
Balance as of December 31, 2017	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, 2016 (before earnings for the year)	449
Earnings for the year 2016	502
Retained earnings as of December 31, 2016 (prior to appropriation of available earnings)	951
Distribution to the shareholders (representing CHF 5.50 per share)	-658
Subtotal (before earnings for the year)	293
Earnings for the year 2017	1,440
Balance as of December 31, 2017	1,733

Capital contribution reserves	CHF million
Capital contribution reserves as of December 31, 2017	6
Balance capital contribution reserves as of December 31, 2017	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, 2017					452,375	59
Purchases of own shares	-	-	-	-	-	-
Sale of own shares	17	113.40	179.40	130.34	-121,411	-16
Closing balance as of December 31, 2017					330,964	43

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, 2017, the following number of shares were held by members of the Board of Directors and/or parties closely associated with them.

Name	2017	2016
Klaus-Michael Kuehne (Honorary Chairman)	63,980,000	64,082,000
Dr. Joerg Wolle (Chairman)	58,000	58,000
Karl Gernandt (Vice Chairman) ¹	74,880	70,400
Dr. Renato Fassbind	1,700	1,700
Juergen Fitschen	-	-
Hans Lerch	2,500	2,500
Dr. Thomas Staehelin	10,000	10,000
Hauke Stars ²	-	-
Dr. Martin C. Wittig	-	-
Total	64,127,080	64,224,600

¹ Executive Chairman until May 3, 2016

² As of May 3, 2016 member of the Board of Directors

Shareholdings by members of the Management Board

As of December 31, 2017, the following number of the shares were held by members of the Management Board and/or parties closely associated with them:

Name	2017	2016
Dr. Detlef Trefzger, Chief Executive Officer	40,943	35,343
Markus Blanka-Graff, Chief Financial Officer	13,750	12,000
Lothar Harings, Chief Human Resources Officer	19,089	21,289
Martin Kolbe, Chief Information Officer	27,685	23,485
Stefan Paul, Executive Vice President Overland	10,778	8,033
Horst Joachim Schacht, Executive Vice President Seafreight	31,329	28,279
Yngve Ruud, Executive Vice President Airfreight ¹	28,350	27,650
Gianfranco Sgro, Executive Vice President Contract Logistics	5,900	4,500
Total	177,824	160,579

¹ As of October 1, 2016 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 8, 2018, REGARDING THE APPROPRIATION OF THE AVAILABLE EARNINGS

For 2017 the Board of Directors is proposing a regular dividend amounting to CHF 5.75 per share for approval at the Annual General Meeting. If the dividend proposal is approved by shareholders, dividend payments will amount to CHF 688 million (2016: CHF 658 million) towards regular dividend resulting in a payout ratio of 93.4 per cent (2016: 91.6 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, 2017 (before income for the year)	293
Earnings for the year 2017	1,440
Available earnings as of December 31, 2017	1,733
Distribution to the shareholders (representing CHF 5.75 per share) ¹	-688
Retained earnings as of December 31, 2017 (after appropriation of available earnings)	1,045

¹ The total dividend amount covers all outstanding shares (as per December 31, 2017: 119,669,036 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, 2017.



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 December 31, 2017, comply with Swiss law and the company's articles of incorporation.



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

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

We have fulfilled the responsibilities described in the Auditor's 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 paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exist, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

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

Ernst & Young Ltd

Christian Krämer
Licensed Audit Expert
(Auditor in Charge)

Philipp Baumann
Licensed Audit Expert

Zurich, February 27, 2018

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