

# Quarterly Report 2020

**Condensed  
Consolidated  
Interim Financial  
Statements 2020  
(unaudited)**

**January – June 2020**



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Schindellegi, July 20, 2020

## Income Statement

CHF million	Note	January – June			April – June		
		2020	2019	Variance in per cent	2020	2019	Variance in per cent
<b>Net turnover</b>	11	<b>9,808</b>	<b>10,600</b>	<b>-7.5</b>	<b>4,896</b>	<b>5,363</b>	<b>-8.7</b>
Net expenses for services from third parties	11	-6,158	-6,585		-3,124	-3,326	
<b>Gross profit</b>	11	<b>3,650</b>	<b>4,015</b>	<b>-9.1</b>	<b>1,772</b>	<b>2,037</b>	<b>-13.0</b>
Personnel expenses		-2,221	-2,447		-1,058	-1,242	
Selling, general and administrative expenses		-639	-708		-297	-345	
Other operating income/expenses, net		9	9		4	1	
<b>EBITDA</b>		<b>799</b>	<b>869</b>	<b>-8.1</b>	<b>421</b>	<b>451</b>	<b>-6.7</b>
Depreciation of property, plant and equipment		-91	-97		-42	-49	
Depreciation of right-of-use assets		-254	-237		-120	-122	
Amortisation of other intangibles		-35	-24		-24	-11	
<b>EBIT</b>		<b>419</b>	<b>511</b>	<b>-18.0</b>	<b>235</b>	<b>269</b>	<b>-12.6</b>
Financial income		3	3		1	2	
Financial expenses		-11	-14		-6	-7	
Result from joint ventures and associates		1	2		-	2	
<b>Earnings before tax (EBT)</b>		<b>412</b>	<b>502</b>	<b>-17.9</b>	<b>230</b>	<b>266</b>	<b>-13.5</b>
Income tax		-103	-118		-60	-63	
<b>Earnings for the period</b>		<b>309</b>	<b>384</b>	<b>-19.5</b>	<b>170</b>	<b>203</b>	<b>-16.3</b>
<b>Attributable to:</b>							
Equity holders of the parent company		308	382	-19.4	170	202	-15.8
Non-controlling interests		1	2		-	1	
<b>Earnings for the period</b>		<b>309</b>	<b>384</b>	<b>-19.5</b>	<b>170</b>	<b>203</b>	<b>-16.3</b>
<b>Basic earnings per share in CHF</b>		<b>2.58</b>	<b>3.18</b>	<b>-18.9</b>	<b>1.42</b>	<b>1.69</b>	<b>-16.0</b>
<b>Diluted earnings per share in CHF</b>		<b>2.57</b>	<b>3.18</b>	<b>-19.2</b>	<b>1.42</b>	<b>1.68</b>	<b>-15.5</b>

## Statement of Comprehensive Income

CHF million	January – June		April – June	
	2020	2019	2020	2019
<b>Earnings for the period</b>	<b>309</b>	<b>384</b>	<b>170</b>	<b>203</b>
<b>Other comprehensive income</b>				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Foreign exchange differences	-134	-40	2	-61
<i>Items that will not be reclassified to profit or loss:</i>				
Actuarial gains/(losses) on defined benefit plans	15	-43	-35	-27
Income tax on actuarial gains/(losses) on defined benefit plans	-4	10	8	6
<b>Total other comprehensive income, net of tax</b>	<b>-123</b>	<b>-73</b>	<b>-25</b>	<b>-82</b>
<b>Total comprehensive income for the period</b>	<b>186</b>	<b>311</b>	<b>145</b>	<b>121</b>
<b>Attributable to:</b>				
Equity holders of the parent company	186	310	145	121
Non-controlling interests	-	1	-	-

## Balance Sheet

CHF million	Note	June 30, 2020	Dec. 31, 2019	June 30, 2019
<b>Assets</b>				
Property, plant and equipment		978	1,089	1,231
Right-of-use assets		1,596	1,899	1,737
Goodwill		1,179	1,220	1,212
Other intangibles		170	185	206
Investments in joint ventures and associates		11	9	7
Deferred tax assets		206	219	180
<b>Non-current assets</b>		<b>4,140</b>	<b>4,621</b>	<b>4,573</b>
Prepayments		149	161	242
Contract assets		228	223	246
Trade receivables		3,273	3,601	3,813
Other receivables		128	264	147
Income tax receivables		98	45	111
Cash and cash equivalents		1,169	910	505
Assets held for sale	10	404	-	-
<b>Current assets</b>		<b>5,449</b>	<b>5,204</b>	<b>5,064</b>
<b>Total assets</b>		<b>9,589</b>	<b>9,825</b>	<b>9,637</b>

CHF million	Note	June 30, 2020	Dec. 31, 2019	June 30, 2019
<b>Liabilities and equity</b>				
Share capital		120	120	120
Reserves and retained earnings		2,047	1,398	1,416
Earnings for the period		308	798	382
<b>Equity attributable to the equity holders of the parent company</b>		<b>2,475</b>	<b>2,316</b>	<b>1,918</b>
Non-controlling interests		6	6	7
<b>Equity</b>		<b>2,481</b>	<b>2,322</b>	<b>1,925</b>
Provisions for pension plans and severance payments		410	431	418
Deferred tax liabilities		68	60	79
Borrowings		400	400	400
Non-current provisions		28	45	42
Other non-current liabilities		199	206	171
Non-current lease liabilities		1,175	1,432	1,286
<b>Non-current liabilities</b>		<b>2,280</b>	<b>2,574</b>	<b>2,396</b>
Bank and other interest-bearing liabilities		12	12	395
Trade payables		1,591	1,890	1,891
Contract liabilities		95	74	111
Accrued trade expenses		1,164	1,190	1,203
Income tax liabilities		208	169	190
Current provisions		67	80	66
Other current liabilities		923	1,004	1,001
Current lease liabilities		464	510	459
Liabilities directly associated with the assets held for sale	10	304	-	-
<b>Current liabilities</b>		<b>4,828</b>	<b>4,929</b>	<b>5,316</b>
<b>Total liabilities and equity</b>		<b>9,589</b>	<b>9,825</b>	<b>9,637</b>

Schindellegi, July 20, 2020

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

## Statement of Changes in Equity

CHF million	Share capital	Share premium	Treasury shares	Cumulative translation adjustment	Actuarial gains / (losses)	Retained earnings	Total equity attributable to the equity holders of parent company	Non-controlling interests	Total equity
Balance as of January 1, 2020	120	469	-28	-1,042	-161	2,958	2,316	6	2,322
Earnings for the period	-	-	-	-	-	308	308	1	309
<b>Other comprehensive income</b>									
Foreign exchange differences	-	-	-	-133	-	-	-133	-1	-134
Actuarial gains/(losses) on defined benefit plans, net of tax	-	-	-	-	11	-	11	-	11
<b>Total other comprehensive income, net of tax</b>	-	-	-	-133	11	-	-122	-1	-123
<b>Total comprehensive income for the period</b>	-	-	-	-133	11	308	186	-	186
Purchase of treasury shares	-	-	-36	-	-	-	-36	-	-36
Expenses for share-based compensation plans	-	-	-	-	-	9	9	-	9
<b>Total contributions by and distributions to owners</b>	-	-	-36	-	-	9	-27	-	-27
<b>Balance as of June 30, 2020</b>	<b>120</b>	<b>469</b>	<b>-64</b>	<b>-1,175</b>	<b>-150</b>	<b>3,275</b>	<b>2,475</b>	<b>6</b>	<b>2,481</b>



CHF million	Share capital	Share premium	Treasury shares	Cumulative translation adjustment	Actuarial gains / (losses)	Retained earnings	Total equity attributable to the equity holders of parent company	Non-controlling interests	Total equity
Balance as of January 1, 2019	120	477	-36	-995	-111	2,863	2,318	6	2,324
Earnings for the period	-	-	-	-	-	382	382	2	384
<b>Other comprehensive income</b>									
Foreign exchange differences	-	-	-	-39	-	-	-39	-1	-40
Actuarial gains/(losses) on defined benefit plans, net of tax	-	-	-	-	-33	-	-33	-	-33
<b>Total other comprehensive income, net of tax</b>	-	-	-	-39	-33	-	-72	-1	-73
<b>Total comprehensive income for the period</b>	-	-	-	-39	-33	382	310	1	311
Dividend paid <sup>1</sup>	-	-	-	-	-	-718	-718	-	-718
Expenses for share-based compensation plans	-	-	-	-	-	8	8	-	8
<b>Total contributions by and distributions to owners</b>	-	-	-	-	-	-710	-710	-	-710
<b>Balance as of June 30, 2019</b>	<b>120</b>	<b>477</b>	<b>-36</b>	<b>-1,034</b>	<b>-144</b>	<b>2,535</b>	<b>1,918</b>	<b>7</b>	<b>1,925</b>

<sup>1</sup> CHF 6.00 per share

## Cash Flow Statement

CHF million	Note	January – June			April – June		
		2020	2019	Variance	2020	2019	Variance
<b>Cash flow from operating activities</b>							
Earnings for the period		309	384		170	203	
Adjustments to reconcile earnings for the period to net cash flows:							
Income tax		103	118		60	63	
Financial income		-3	-3		-1	-2	
Financial expenses		11	14		6	7	
Result from joint ventures and associates		-1	-2		-	-2	
Depreciation of property, plant and equipment		91	97		42	49	
Depreciation of right-of-use assets		254	237		120	122	
Amortisation of other intangibles		35	24		24	11	
Expenses for share-based compensation plans		9	8		5	4	
(Gain)/loss on disposal of subsidiaries and associates		-	-1		-	-	
(Gain)/loss on disposal of property, plant and equipment, net		-9	-9		-4	-5	
Net addition to provisions for pension plans and severance payments		5	5		2	3	
<b>Subtotal operational cash flow</b>		<b>804</b>	<b>872</b>	<b>-68</b>	<b>424</b>	<b>453</b>	<b>-29</b>
(Increase)/decrease contract assets		-27	49		-25	18	
(Increase)/decrease trade and other receivables, prepayments		-54	-42		87	65	
Increase/(decrease) provisions		-6	-7		-	-2	
Increase/(decrease) other liabilities		20	-36		-35	-89	
Increase/(decrease) trade payables, contract liabilities and accrued trade expenses		-74	-53		40	32	
Income taxes paid		-111	-114		-45	-71	
<b>Total cash flow from operating activities</b>		<b>552</b>	<b>669</b>	<b>-117</b>	<b>446</b>	<b>406</b>	<b>40</b>

CHF million	Note	January - June			April - June		
		2020	2019	Variance	2020	2019	Variance
<b>Cash flow from investing activities</b>							
Capital expenditure							
- Property, plant and equipment	15	-79	-160		-31	-71	
- Other intangibles	15	-5	-5		-2	-1	
Disposal of property, plant and equipment		170	95		6	10	
Acquisition of subsidiaries, net of cash acquired	8/9	-35	-14		-	-	
Settlement of deferred/contingent considerations from business combinations		-7	-29		-7	-29	
Disposal of subsidiaries and associates		-	1		-	-	
Capital (contributions to)/distributions from joint ventures		-3	-		-3	-	
Dividend received from joint ventures and associates		1	1		1	1	
Interest received		2	3		1	2	
<b>Total cash flow from investing activities</b>		<b>44</b>	<b>-108</b>	<b>152</b>	<b>-35</b>	<b>-88</b>	<b>53</b>
<b>Cash flow from financing activities</b>							
Proceeds from borrowings and other interest-bearing liabilities		1	433		-	427	
Repayment of other interest-bearing liabilities		-1	-20		-1	-20	
Repayment of lease liabilities		-264	-236		-131	-121	
Interest paid on borrowings and other interest-bearing liabilities		-4	-3		-2	-1	
Interest paid on lease liabilities		-8	-9		-4	-5	
Purchase of treasury shares	13	-36	-		-	-	
Dividend paid to equity holders of parent company		-	-718		-	-718	
<b>Total cash flow from financing activities</b>		<b>-312</b>	<b>-553</b>	<b>241</b>	<b>-138</b>	<b>-438</b>	<b>300</b>
Foreign exchange difference on cash and cash equivalents		-29	-3	-26	-2	-11	9
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>255</b>	<b>5</b>	<b>250</b>	<b>271</b>	<b>-131</b>	<b>402</b>
<b>Cash and cash equivalents at the beginning of the period, net</b>		<b>904</b>	<b>488</b>	<b>416</b>	<b>888</b>	<b>624</b>	<b>264</b>
<b>Cash and cash equivalents at the end of the period, net</b>		<b>1,159</b>	<b>493</b>	<b>666</b>	<b>1,159</b>	<b>493</b>	<b>666</b>

# Notes to the Condensed Consolidated Interim Financial Statements

## 1 Organisation

Kuehne + Nagel International AG (the Company) is incorporated in Schindellegi (Feusisberg), Switzerland. The Company is one of the world's leading logistics providers. Its strong market position lies in the Sea Logistics, Air Logistics, Road Logistics and Contract Logistics businesses.

The Condensed Consolidated Interim Financial Statements of the Company for the six months ended June 30, 2020, comprise the Company, its subsidiaries (the Group) and its interests in joint ventures.

The Group voluntarily presents a balance sheet as of June 30, 2019.

## 2. Statement of compliance

The unaudited Condensed Consolidated Interim Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the Consolidated Financial Statements of the Group for the year ended December 31, 2019.

## 3. Basis of preparation

The Condensed Consolidated Interim Financial Statements are presented in Swiss Francs (CHF) million. They 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 the Condensed Consolidated Interim Financial Statements in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (IASB), requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The actual result may differ from these estimates. Judgements made by the management in the application of International Financial Reporting Standards that have a significant effect on the Condensed Consolidated Interim Financial Statements and estimates with a significant risk of material adjustment in the next period were the same as those applied to the Consolidated Financial Statements for the year ended December 31, 2019.

## 4. Accounting policies

The accounting policies applied in the preparation of the Condensed Consolidated Interim Financial Statements are consistent with those followed in the preparation of the Group's Consolidated Financial Statements for the year ended December 31, 2019,

except for the early adoption of Covid-19-Related Rent Concessions - Amendment to IFRS 16 Leases as of May 28, 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Other new, revised and amended standards, amendments, improvements and interpretations apply for the first time in 2020, but do not have a material impact on the Condensed Consolidated Interim Financial Statements of the Group.

## 5. Impact from COVID-19

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

The Kuehne+Nagel Group has precautionary measures in place to provide safe working environments for its employees and maintain business continuity. Dedicated teams at global and regional level are monitoring the situation as it develops and will adjust any measures based on the guidance of governments and other relevant authorities. To date, Kuehne+Nagel has not experienced any major disruptions to its operations. While demand in certain industries such as pharma, healthcare, high-tech, and e-commerce has increased, volumes of some other industries, especially automotive and aerospace, reduced significantly. In Asia and Europe, the major part of production has resumed, but the overall progression of the COVID-19 pandemic remains volatile and difficult to predict.

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

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

The Kuehne+Nagel Group has analysed whether any triggering events can be identified, that would indicate an impairment of its assets. In the first six months of 2020, no assets were impaired with the exception of a write-off of CHF 14 million related to the assets held for sale as described in note 10.

The Group has reassessed the expected credit loss by applying updated credit ratings and probabilities of default. The bad debt provision in per cent of trade receivables and contract assets has increased from 1.95 per cent as of December 31, 2019 to 2.46 per cent as of June 30, 2020.

The Group introduced short-time work in several jurisdictions and recorded benefits in the amount of CHF 57 million as a deduction of personnel expenses in the Condensed Consolidated Interim Financial Statements for the period ending June 30, 2020.

As of June 30, 2020, the Group received no material government subsidies and other assistance.

The Kuehne+Nagel Group closely monitors the business and results of its recent acquisitions, for which performance based earn outs have been agreed to be paid in the future. As of June 30, 2020, no material fair value changes of contingent consideration liabilities had to be recorded.

While the Kuehne+Nagel Group has ensured the continuation of its operations, the impact of COVID-19 on business growth and profitability cannot be quantified at this stage as it depends on the duration and severity of the pandemic.

## 6. Foreign exchange rates

Conversion rates of major foreign currencies are applied as follows:

### Income statement and cash flow statement

(average rates for the period)

Currency	Jan. - June 2020 CHF	Variance per cent	Jan. - June 2019 CHF
EUR 1.-	1.0656	-5.4	1.1268
USD 1.-	0.9668	-2.9	0.9961
GBP 1.-	1.2235	-5.0	1.2873

### Balance sheet

(period end rates)

Currency	June 2020 CHF	Variance per cent	June 2019 CHF	Dec. 2019 CHF
EUR 1.-	1.0634	-4.1	1.1088	1.0889
USD 1.-	0.9480	-2.6	0.9738	0.9769
GBP 1.-	1.1701	-5.6	1.2395	1.2755

## 7. Seasonality

The Group is not exposed to significant seasonal or cyclical variations in its operations.

## 8. Changes in the scope of consolidation

Major changes in the scope of consolidation **in the first six months of 2020** related to the following companies:

2020	Capital share in per cent equals voting rights	Acquisition date
<b>Acquisitions</b>		
Newco Logistics NV, Belgium <sup>1</sup>	100	January 7, 2020
Rotra Forwarding NV, Belgium <sup>1</sup>	100	January 7, 2020
Rotrexma 2 Holding BV, Netherlands <sup>1</sup>	100	January 7, 2020
Exmijro 2 BV, Netherlands <sup>1</sup>	100	January 7, 2020
TS Holding BV, Netherlands <sup>1</sup>	100	January 7, 2020
Global Parcel Services BV, Netherlands <sup>1</sup>	100	January 7, 2020
Roelofsen Transport BV, Netherlands <sup>1</sup>	100	January 7, 2020
Rotra Logistics Solutions BV, Netherlands <sup>1</sup>	100	January 7, 2020
Rotra Forwarding BV, Netherlands <sup>1</sup>	100	January 7, 2020
Logistics Software Solutions Holding BV, Netherlands <sup>1</sup>	100	January 7, 2020
Logistics Software Solutions BV, Netherlands <sup>1</sup>	100	January 7, 2020
Truck Supply Europe Srl, Romania <sup>1</sup>	100	January 7, 2020
S.C. Rotra Forwarding Srl, Romania <sup>1</sup>	100	January 7, 2020

<sup>1</sup> Refer to note 9 for details to the acquisition of subsidiaries.

Major changes in the scope of consolidation **in the first six months of 2019** related to the following companies:

2019	Capital share in per cent equals voting rights	Incorporation / Acquisition date
<b>Incorporation</b>		
Modern Office Pte Ltd, Singapore	100	January 1, 2019
<b>Acquisitions</b>		
KN-Sincero Logistics Co. Ltd., China (formerly Shanghai Ruichun Logistics Co., Ltd.) <sup>1</sup>	51	January 1, 2019
Zhejiang Jiajin Logistics Co. Ltd., China <sup>1</sup>	51	January 1, 2019
Wuhan Zhisheng Logistics Co. Ltd., China <sup>1</sup>	51	January 1, 2019
Shenzhen Hua Tie Xun Logistics Co. Ltd., China <sup>1</sup>	51	January 1, 2019

<sup>1</sup> Refer to note 9 for details to the acquisition of subsidiaries.

## 9. Acquisitions

### 2020 Acquisitions

The acquisition of subsidiaries in the first six months 2020 had the following effect on the Group's assets and liabilities:

CHF million	Recognised fair values
Property, plant and equipment	3
Right-of-use assets	27
Other intangibles	10
Trade receivables	17
Other current assets	1
Acquired cash and cash equivalents (net)	3
<b>Subtotal assets</b>	<b>61</b>
Non-current lease liabilities	-23
Other non-current liabilities	-3
Trade payables	-11
Current lease liabilities	-4
Other current liabilities	-7
<b>Total identifiable assets and liabilities, net</b>	<b>13</b>
Goodwill	25
<b>Purchase price, paid in cash</b>	<b>38</b>
Acquired cash and cash equivalents (net)	-3
<b>Net cash outflow</b>	<b>35</b>

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

dock facilities in the Netherlands and in Belgium. The purchase price of CHF 38 million was paid in cash.

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

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

Goodwill of CHF 25 million arose on the acquisition and represents management expertise and workforce, which do not meet the definition of an intangible asset to be recognised separately. Goodwill is not expected to be tax deductible.

The initial accounting for the acquisitions made in the first six months of 2020 has only been determined provisionally.

### 2019 Acquisitions

The acquisition of subsidiaries in the first six months 2019 had the following effect on the Group's assets and liabilities:

CHF million	Recognised fair values
Property, plant and equipment	2
Other intangibles	13
Acquired cash and cash equivalents (net)	2
<b>Subtotal assets</b>	<b>17</b>
Non-current lease liabilities	-3
<b>Total identifiable assets and liabilities, net</b>	<b>14</b>
Goodwill	64
<b>Total purchase price consideration</b>	<b>78</b>
Thereof deferred consideration	-13
Thereof contingent consideration	-49
<b>Purchase price, paid in cash</b>	<b>16</b>
Acquired cash and cash equivalents (net)	-2
<b>Net cash outflow</b>	<b>14</b>

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

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

The purchase price of CHF 78 million includes a deferred consideration of CHF 13 million and a contingent consideration of CHF 49 million depending on the achieved profitability targets until 2021. The consideration is determined by a multiplier of net profit. A change to the expected net profit scenario of +/- 10 per cent would result in a charge to the income statement of +/- CHF 5 million. The remaining portion of CHF 7 million of the deferred consideration was paid in 2020.

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

Year of payment	Expected payment in CHF million
2022	52
<b>Total</b>	<b>52</b>

#### 10. Agreed-upon divestment

On March 8, 2020, Kuehne+Nagel entered into a binding agreement to sell a major part of its contract logistics portfolio in the United Kingdom to XPO Logistics. The scope of the transaction includes the drinks logistics, food services and retail & technology businesses, whereby the pharma & healthcare businesses are retained. In 2019, these operations generated a turnover of CHF 750 million and earnings for the period of CHF 2 million. In the first six months 2020, they contributed CHF 315 million turnover and earnings for the period of below CHF 1 million. The assets and liabilities related to this divestment are classified as assets held for sale (CHF 404 million) and liabilities directly associated with the assets held for sale (CHF 304 million) and are presented separately in the balance sheet. On June 30, 2020, a write-down of goodwill of CHF 14 million was recognised to reduce the carrying amount of the assets held for sale to their fair value less costs to sell. The transaction is expected to close in the second half of 2020.



CHF million	June 30, 2020
Property, plant and equipment	47
Right of use assets	158
Goodwill	4
Trade receivables	124
Other current assets	69
Cash and cash equivalents	2
<b>Assets held for sale</b>	<b>404</b>
Non-current lease liabilities	-133
Other non-current liabilities	-12
Current lease liabilities	-14
Other current liabilities	-74
Trade payables	-71
<b>Liabilities directly associated with the assets held for sale</b>	<b>-304</b>
<b>Net assets directly associated with the disposal group</b>	<b>100</b>

## 11. Segment reporting

### a) Reportable segments

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

The four reportable segments, **Sea Logistics**, **Air Logistics**, **Road Logistics** and **Contract Logistics**, reflect the internal management and reporting structure to the Management Board (the chief operating decision maker, CODM) and are managed through specific organisational structures. The CODM reviews internal manage-

ment reports on a monthly basis. Each segment is a distinguishable business unit and is engaged in providing and selling discrete products and services.

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

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

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

### b) Geographical information

The Group operates on a worldwide basis in the following 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 ten per cent of the Group's total revenue.

## a) Reportable segments

January – June

CHF million	Total Group		Sea Logistics		Air Logistics	
	2020	2019	2020	2019	2020	2019
<b>Turnover (external customers)</b>	<b>11,573</b>	<b>12,727</b>	<b>4,330</b>	<b>4,890</b>	<b>2,800</b>	<b>2,761</b>
Customs duties and taxes	-1,765	-2,127	-944	-1,151	-340	-401
<b>Net turnover (external customers)</b>	<b>9,808</b>	<b>10,600</b>	<b>3,386</b>	<b>3,739</b>	<b>2,460</b>	<b>2,360</b>
Inter-segment turnover	-	-	1,110	1,298	1,546	1,230
Net expenses for services	-6,158	-6,585	-3,823	-4,255	-3,364	-2,922
<b>Gross profit</b>	<b>3,650</b>	<b>4,015</b>	<b>673</b>	<b>782</b>	<b>642</b>	<b>668</b>
Total expenses	-2,851	-3,146	-493	-534	-440	-468
<b>EBITDA</b>	<b>799</b>	<b>869</b>	<b>180</b>	<b>248</b>	<b>202</b>	<b>200</b>
Depreciation of property, plant and equipment	-91	-97	-11	-11	-10	-10
Depreciation of right-of-use assets	-254	-237	-1	-1	-1	-2
Amortisation of other intangibles <sup>1</sup>	-35	-24	-1	-1	-10	-14
<b>EBIT (segment profit)</b>	<b>419</b>	<b>511</b>	<b>167</b>	<b>235</b>	<b>181</b>	<b>174</b>
Financial income	3	3				
Financial expenses	-11	-14				
Result from joint ventures and associates	1	2				
<b>Earnings before tax (EBT)</b>	<b>412</b>	<b>502</b>				
Income tax	-103	-118				
<b>Earnings for the period</b>	<b>309</b>	<b>384</b>				
<b>Attributable to:</b>						
Equity holders of the parent company	308	382				
Non-controlling interests	1	2				
<b>Earnings for the period</b>	<b>309</b>	<b>384</b>				
<b>Additional information not regularly reported to CODM</b>						
Allocation of goodwill <sup>2</sup>	1,183	1,212	34	37	418	433
Allocation of other intangibles	170	206	-	-	117	151
Capital expenditure property, plant and equipment	79	160	6	9	5	8
Capital expenditure right-of-use assets	215	253	14	8	12	8
Capital expenditure other intangibles	5	5	1	1	1	1
Property, plant and equipment, goodwill and intangibles through business combinations	38	79	-	-	-	-

<sup>1</sup> Amortisation of other intangibles includes a write-off of CHF 14 million of goodwill in assets held for sale in the business unit Contract Logistics.

<sup>2</sup> Thereof CHF 4 million included in assets held for sale.



## b) Geographical information

January – June

CHF million	Total Group		EMEA		Americas	
	2020	2019	2020	2019	2020	2019
<b>Turnover (external customers)</b>	<b>11,573</b>	<b>12,727</b>	<b>7,287</b>	<b>7,902</b>	<b>2,997</b>	<b>3,490</b>
Customs duties and taxes	-1,765	-2,127	-1,244	-1,473	-414	-539
<b>Net turnover (external customers)</b>	<b>9,808</b>	<b>10,600</b>	<b>6,043</b>	<b>6,429</b>	<b>2,583</b>	<b>2,951</b>
Inter-segment turnover	-	-	2,124	2,190	523	615
Net expenses for services	-6,158	-6,585	-5,717	-5,932	-2,331	-2,681
<b>Gross profit</b>	<b>3,650</b>	<b>4,015</b>	<b>2,450</b>	<b>2,687</b>	<b>775</b>	<b>885</b>
Total expenses	-2,851	-3,146	-2,012	-2,197	-602	-671
<b>EBITDA</b>	<b>799</b>	<b>869</b>	<b>438</b>	<b>490</b>	<b>173</b>	<b>214</b>
Depreciation of property, plant and equipment	-91	-97	-58	-63	-21	-23
Depreciation of right-of-use assets	-254	-237	-165	-163	-58	-48
Amortisation of other intangibles <sup>1</sup>	-35	-24	-21	-4	-12	-18
<b>EBIT (segment profit)</b>	<b>419</b>	<b>511</b>	<b>194</b>	<b>260</b>	<b>82</b>	<b>125</b>
Financial income	3	3				
Financial expenses	-11	-14				
Result from joint ventures and associates	1	2				
<b>Earnings before tax (EBT)</b>	<b>412</b>	<b>502</b>				
Income tax	-103	-118				
<b>Earnings for the period</b>	<b>309</b>	<b>384</b>				
<b>Attributable to:</b>						
Equity holders of the parent company	308	382				
Non-controlling interests	1	2				
<b>Earnings for the period</b>	<b>309</b>	<b>384</b>				
<b>Additional information not regularly reported to CODM</b>						
Allocation of goodwill <sup>2</sup>	1,183	1,212	503	506	601	622
Allocation of other intangibles	170	206	42	5	120	190
Capital expenditure property, plant and equipment	79	160	59	105	13	29
Capital expenditure right-of-use assets	215	253	154	174	38	55
Capital expenditure other intangibles	5	5	5	3	-	1
Property, plant and equipment, goodwill and intangibles through business combinations	38	79	38	-	-	-

<sup>1</sup> Amortisation of other intangibles includes a write-off of CHF 14 million of goodwill in assets held for sale in the region EMEA.

<sup>2</sup> Thereof CHF 4 million included in assets held for sale.



## 12. Fair value of financial assets and liabilities

As of June 30, 2020				
CHF million	Financial assets at FVPL	Financial assets at amortized cost	Total carrying amount	Total fair value
Trade receivables	–	3,273	3,273	3,273
Other receivables	3	125	128	128
<b>Total</b>	<b>3</b>	<b>3,398</b>	<b>3,401</b>	<b>3,401</b>

CHF million	Financial liabilities at FVPL	Financial liabilities at amortized cost	Total carrying amount	Total fair value
Borrowings	–	400	400	397
Bank and other interest-bearing liabilities	–	12	12	12
Trade payables	–	1,591	1,591	1,591
Accrued trade expenses	–	1,164	1,164	1,164
Contingent consideration	220	–	220	220
Other liabilities	–	311	311	311
<b>Total</b>	<b>220</b>	<b>3,478</b>	<b>3,698</b>	<b>3,695</b>

As of December 31, 2019				
CHF million	Financial assets at FVPL	Financial assets at amortized cost	Total carrying amount	Total fair value
Trade receivables	–	3,601	3,601	3,601
Other receivables	2	261	263	263
<b>Total</b>	<b>2</b>	<b>3,862</b>	<b>3,864</b>	<b>3,864</b>

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

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

No significant impact resulted from the remeasurement of the liabilities measured at FVPL in the first six months 2020.

## Level 3 fair values

CHF million	Contingent consideration liabilities
Balance as of January 1, 2020	227
<b>Total unrealised (gains) / losses included in the income statement</b>	
- Fair value change included in financial expenses	1
<b>Total (gains) / losses included in other comprehensive income</b>	
Effects of movements in foreign exchange	-8
<b>Balance as of June 30, 2020</b>	<b>220</b>
of which	
- Current portion	21
- Non-current portion	199

**13. Equity**

The Company purchased 277,404 treasury shares for CHF 36 million (2019: none).

**14. Employees**

CHF million	June 30, 2020	June 30, 2019
EMEA	56,913	57,508
Americas	14,884	15,540
Asia-Pacific	8,874	9,346
<b>Total employees</b>	<b>80,671</b>	<b>82,394</b>
Full-time equivalents of employees	69,402	77,899
Full-time equivalents of temporary staff	18,092	20,708
<b>Full-time equivalents (total)</b>	<b>87,494</b>	<b>98,607</b>

**15. Capital expenditure**

From January to June 2020, the capital expenditure on property, plant and equipment (excluding other intangible assets and property, plant and equipment from acquisitions) was CHF 79 million (2019: CHF 160 million) and the non-cash capital expenditure on

right-of-use assets (excluding right-of-use assets from acquisitions) was CHF 215 million (2019: CHF 253 million).

**16. Legal claims**

Except for a mergers and acquisitions related lawsuit, which is deemed without merits and fully contested, the status of proceedings, disclosed in the notes 36 and 41 to the Consolidated Financial Statements for the year ended December 31, 2019, has not changed materially.

**17. Post balance sheet events**

On July 20, 2020, the Board of Directors of Kuehne + Nagel International AG decided to propose the distribution of a dividend of CHF 4.00 per share from the retained earnings 2019 to be approved by the shareholders in an extraordinary general meeting on September 2, 2020.

There have been no other material events between June 30, 2020, and the date of authorisation that would require adjustments of the Condensed Consolidated Interim Financial Statements or disclosure.

These unaudited Condensed Consolidated Interim Financial Statements of Kuehne + Nagel International AG were authorised for issue by the Audit Committee of the Group on July 20, 2020.

## Financial Calendar

October 20, 2020	Nine-months 2020 results
March 3, 2021	Full-year 2020 results
April 26, 2021	Three-months 2021 results
July 20, 2021	Half-year 2021 results





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