KUEHNE+NAGEL

# Kuehne + Nagel Group

Analyst Call – Nine-Months 2009 Results

October 20, 2009 (CET 14.00)

Schindellegi, Switzerland

# Agenda: Nine-Months 2009 Results

| | |
|---|---|
| • Welcome and Highlights | Gerard van Kesteren |
| • Operating Review | Reinhard Lange |
| • Financial Review | Gerard van Kesteren |
| • Update on Antitrust Investigation/ Outlook 2009 | Reinhard Lange |

# Highlights of Nine-Months 2009 Results

- **Strong execution of dual strategy**
  - ♦ **Cost management**
  - ♦ **Market share gain**

- **Despite volume reduction:**

| | Kuehne + Nagel | Market* | |
|---|---|---|---|
| - Seafreight | - 8.5 % | - 16 % | ➡ TEU |
| - Airfreight | - 15.5 % | - 17 % | ➡ Tonnage |
| - Road & Rail | - 25.0 % | - 25 % | ➡ Volume / Price |
| - Contract Logistics | - 1.5 % | - 5 % | ➡ Volume |

**Solid results:**

| | | |
|---|---|---|
| EBITDA | CHF 694 Mio | (excluding forex - 8.2 %) |
| EBIT | CHF 486 Mio | (excluding forex - 7.4 %) |
| EAT | CHF 387 Mio | (excluding forex - 6.3 %) |

- **Continuous good Working Capital Management resulting in strong cash position**

* Kuehne + Nagel estimate

# Income Statement – January to September

| *CHF million* | 2007 | 2008 | 2009 | Variance 2009 / 2008: Variance | Growth | Acq. | Forex Impact |
|---|---|---|---|---|---|---|---|
| **Invoiced turnover** | **15'378** | **16'305** | **12'800** | **(21.5%)** | **(16.6%)** | **3.0%** | **(7.9%)** |
| Forwarding expenses | (10'951) | (11'574) | (8'412) | | | | |
| **Gross profit** | **4'427** | **4'731** | **4'388** | **(7.3%)** | **(4.5%)** | **6.1%** | **(8.9%)** |
| *Gross profit margin* | *28.8%* | *29.0%* | *34.3%* | | | | |
| Total expenses | (3'712) | (3'960) | (3'694) | | | | |
| **EBITDA** | **715** | **771** | **694** | **(10.0%)** | **(8.2%)** | **4.4%** | **(6.2%)** |
| *EBITDA margin* | *4.6%* | *4.7%* | *5.4%* | | | | |
| Depreciation of property, plant and equipment | (125) | (127) | (140) | | | | |
| Amortisation of Intangibles | (59) | (74) | (68) | | | | |
| **EBIT** | **531** | **570** | **486** | **(14.7%)** | **(7.4%)** | **(1.9%)** | **(5.4%)** |
| *EBIT margin* | *3.5%* | *3.5%* | *3.8%* | | | | |
| Financial Result / Joint ventures | 14 | 19 | 13 | | | | |
| **EBT** | **545** | **589** | **499** | **(15.3%)** | **(7.1%)** | **(2.9%)** | **(5.3%)** |
| *EBT margin* | *3.5%* | *3.6%* | *3.9%* | | | | |
| Tax | (131) | (134) | (110) | | | | |
| **Earnings for the period** | **414** | **455** | **389** | **(14.5%)** | **(6.5%)** | **(3.3%)** | **(4.7%)** |
| Minority interest | (2) | (3) | (2) | | | | |
| **Net earnings for the period** | **412** | **452** | **387** | **(14.4%)** | **(6.4%)** | **(3.3%)** | **(4.7%)** |

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# Income Statement – January to September

| *CHF million* | 2009 Q1 | 2009 Q2 | 2009 Q3 | 2009 Total | Variance 2009 / 2008 Q1 | Variance 2009 / 2008 Q2 | Variance 2009 / 2008 Q3 | Variance 2009 / 2008 Total |
|---|---|---|---|---|---|---|---|---|
| **Invoiced turnover** | **4'291** | **4'207** | **4'302** | **12'800** | **(19.2%)** | **(21.9%)** | **(23.2%)** | **(21.5%)** |
| Forwarding expenses | (2'847) | (2'722) | (2'843) | (8'412) | | | | |
| **Gross profit** | **1'444** | **1'485** | **1'459** | **4'388** | **(7.1%)** | **(6.3%)** | **(8.4%)** | **(7.3%)** |
| *Gross profit margin* | *33.7%* | *35.3%* | *33.9%* | *34.3%* | | | | |
| Total expenses | (1'214) | (1'249) | (1'231) | (3'694) | **6.0%** | **5.2%** | **8.9%** | **6.7%** |
| **EBITDA** | **230** | **236** | **228** | **694** | **(12.2%)** | **(11.9%)** | **(5.4%)** | **(10.0%)** |
| *EBITDA margin* | *5.4%* | *5.6%* | *5.3%* | *5.4%* | | | | |
| Depreciation of property, plant and equipment | (48) | (46) | (46) | (140) | | | | |
| Amortisation of Intangibles | (19) | (26) | (23) | (68) | | | | |
| **EBIT** | **163** | **164** | **159** | **486** | **(17.3%)** | **(16.8%)** | **(9.7%)** | **(14.7%)** |
| *EBIT margin* | *3.8%* | *3.9%* | *3.7%* | *3.8%* | | | | |
| Financial Result / Joint ventures | 5 | 5 | 3 | 13 | | | | |
| **EBT** | **168** | **169** | **162** | **499** | **(16.4%)** | **(16.3%)** | **(12.9%)** | **(15.3%)** |
| *EBT margin* | *3.9%* | *4.0%* | *3.8%* | *3.9%* | | | | |
| Tax | (39) | (39) | (32) | (110) | | | | |
| **Earnings for the period** | **129** | **130** | **130** | **389** | **(16.8%)** | **(16.1%)** | **(10.3%)** | **(14.5%)** |
| Minority interest | (1) | - | (1) | (2) | | | | |
| **Net earnings for the period** | **128** | **130** | **129** | **387** | **(16.9%)** | **(15.6%)** | **(10.4%)** | **(14.4%)** |

# Currency Development CHF

| Income Statement | Sep 2008 | Sep 2009 | Variance % | Impact Net Earning |
|---|---|---|---|---|
| Euro | 1.6156 | 1.5115 | (6.4%) | |
| US Dollar | 1.0661 | 1.0994 | 3.1% | (5%) |
| British Pound | 2.0836 | 1.6812 | (19.3%) | |

| Forecast for 2009 - Income Statement | 2008 | Q4 2009 | Variance % | Impact Net Earning |
|---|---|---|---|---|
| Euro | 1.5883 | 1.5000 | (5.6%) | |
| US Dollar | 1.0851 | 1.0200 | (6.0%) | (3%) |
| British Pound | 2.0024 | 1.6000 | (20.1%) | |

# Dual Strategy to Counteract the Economic Crisis

- **Business Development**
  - Expansion of sales force
  - ✓ Mergers & acquisitions opportunities

- **Cost Control**
  - ✓ Reduction of operational costs in line with volume development (FTE reduction 7.4% - September 09 compared to October 08)
  - Targeted travel cost reduction by 50 % vs. 2008
  - ✓ Targeted overhead reduction by 10 % vs. 2008

- **Cash Control**
  - ✓ Prudent asset management to safeguard cash & cash equivalents
  - ✓ Tight working capital control, having approx. 60 % receivables insured
  - Restrictive capital expenditure

# Segment Reporting by Business Unit January to September

| CHF million | Invoiced Turnover 2008 | Invoiced Turnover 2009 | Variance | Excl. Forex | Gross profit 2008 | Gross profit 2009 | Variance | Excl. Forex | EBITDA 2008 | EBITDA 2009 | Variance | Excl. Forex |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| - Seafreight | 7'475 | 5'619 | (24.8%) | (17.8%) | 1'014 | 908 | (10.5%) | (4.1%) | 326 | 295 | (9.5%) | (4.1%) |
| - Airfreight | 2'936 | 2'029 | (30.9%) | (23.7%) | 550 | 482 | (12.4%) | (6.5%) | 169 | 141 | (16.6%) | (11.9%) |
| - Road & Rail Logistics | 2'217 | 1'836 | (17.2%) | (9.2%) | 453 | 603 | 33.1% | 40.6% | 22 | 33 | 50.0% | 55.7% |
| - Contract Logistics | 3'581 | 3'227 | (9.9%) | 0.1% | 2'678 | 2'363 | (11.8%) | (1.0%) | 182 | 151 | (17.0%) | (9.1%) |
| - Insurance Brokers/Real Estate | 96 | 89 | (7.3%) | - | 36 | 32 | (11.1%) | - | 72 | 74 | 2.8% | - |
| **Total Group** | **16'305** | **12'800** | **(21.5%)** | **(13.6%)** | **4'731** | **4'388** | **(7.3%)** | **1.6%** | **771** | **694** | **(10.0%)** | **(3.8%)** |

# Performance Business Unit Seafreight 2007–2009

| *CHF million* | January - September 2007 | 2008 | 2009 | Variance | Excl. Forex |
|---|---|---|---|---|---|
| **Invoiced turnover** | 7'084 | 7'475 | 5'619 | (24.8%) | (17.8%) |
| **Gross profit** | 932 | 1'014 | 908 | (10.5%) | (4.1%) |
| **EBITDA** | 298 | 326 | 295 | (9.5%) | (4.1%) |
| **EBIT** | 274 | 296 | 270 | (8.8%) | (3.2%) |

| | 2007 | 2008 | 2009 |
|---|---|---|---|
| **EBITDA / Turnover margin** | 4.2% | 4.4% | 5.3% |
| **EBIT / Turnover margin** | 3.9% | 4.0% | 4.8% |
| **EBIT / GP margin** | 29.4% | 29.2% | 29.7% |
| **Operating exp. / GP** | 68.0% | 68.0% | 68.0% |

- Volume reduction Q1 -13%; Q2 -9%; Q3 -3%; Q3 vs. Q2 +11%
- GP per unit decreased in Q3 by approx.10% vs. Q2 due to freight rate development
- Productivity at 2007 level

# Performance Business Unit Airfreight 2007–2009

| *CHF million* | January - September 2007 | 2008 | 2009 | Variance | Excl. Forex |
|---|---|---|---|---|---|
| **Invoiced turnover** | 2'673 | 2'936 | 2'029 | (30.9%) | (23.7%) |
| **Gross profit** | 508 | 550 | 482 | (12.4%) | (6.5%) |
| **EBITDA** | 146 | 169 | 141 | (16.6%) | (11.9%) |
| **EBIT** | 132 | 151 | 127 | (15.9%) | (10.9%) |
| **EBITDA / Turnover margin** | 5.5% | 5.8% | 6.9% | | |
| **EBIT / Turnover margin** | 4.9% | 5.1% | 6.3% | | |
| **EBIT / GP margin** | 26.0% | 27.5% | 26.3% | | |
| **Operating exp. / GP** | 71.0% | 69.0% | 71.0% | | |

- Volume reduction Q1 -18%; Q2 -20%; Q3 -9%; Q3 vs. Q2 +7%
- GP per unit in Q3 10% reduced vs. Q2 due to freight rate development
- Productivity at 2007 level

# Performance Business Unit Road & Rail Logistics 2007–2009

| *CHF million* | January - September 2007 | 2008 | 2009 | 2008/2009 % | Forex | Acquisitions | Growth |
|---|---|---|---|---|---|---|---|
| **Invoiced turnover** | 2'096 | 2'217 | 1'836 | (17.2%) | (8.0%) | 15.2% | (24.4%) |
| **Net invoiced turnover** | 1'857 | 2'098 | 1'729 | (17.6%) | (8.0%) | 16.1% | (25.7%) |
| **Gross profit** | 379 | 453 | 603 | 33.1% | (7.5%) | 54.1% | (13.5%) |
| **EBITDA** | 25 | 22 | 33 | 50.0% | (5.7%) | 90.9% | (35.2%) |
| **EBITA** | 16 | 12 | (1) | - | - | - | - |
| **EBIT** | 4 | (3) | (23) | - | - | - | - |

| | 2007 | 2008 | 2009 |
|---|---|---|---|
| **EBITDA / Turnover margin** | 1.2% | 1.0% | 1.8% |
| **EBIT / Turnover margin** | 0.2% | (0.1%) | (1.3%) |

- Strong Q3 performance, despite seasonality especially in France
- Volume vs. last year 25 % down; start of recovery in September 2009
- Alloin integration on track

# Performance Business Unit Contract Logistics 2007–2009

| *CHF million* | January - September 2007 | 2008 | 2009 | 2008/2009 % | Forex | Acquisitions | Growth |
|---|---|---|---|---|---|---|---|
| **Invoiced turnover** | 3'428 | 3'581 | 3'227 | (9.9%) | (10.0%) | 0.5% | (0.4%) |
| **Net invoiced turnover** | 3'284 | 3'477 | 3'091 | (11.1%) | (10.1%) | 0.5% | (1.5%) |
| **Gross profit** | 2'576 | 2'678 | 2'363 | (11.8%) | (10.8%) | 0.5% | (1.4%) |
| **EBITDA** | 175 | 182 | 151 | (17.0%) | (7.9%) | (1.6%) | (7.5%) |
| **EBIT** | 78 | 72 | 55 | (23.6%) | (5.2%) | (9.1%) | (9.3%) |

| | 2007 | 2008 | 2009 |
|---|---|---|---|
| **EBITDA / Turnover margin** | 5.1% | 5.1% | 4.7% |
| **EBIT / Turnover margin** | 2.3% | 2.0% | 1.7% |

- Q3 09 EBIT exceed Q3 08
- Reduced volume from existing customers compensated with new business
- Strong execution especially in Europe; idle space in NAFTA and Eastern Europe

# Balance Sheet

| CHF million | Sep. 30, 2009 | Dec. 31, 2008 | Sep. 30, 2008 |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | 1'325 | 955 | 1'006 |
| Goodwill | 681 | 540 | 598 |
| Other intangibles | 307 | 202 | 234 |
| Investments in joint ventures | 11 | 10 | 12 |
| Deferred tax assets | 197 | 157 | 149 |
| **Non-current assets** | **2'521** | **1'864** | **1'999** |
| Prepayments | 124 | 88 | 173 |
| Work in progress | 200 | 269 | 320 |
| Trade receivables | 1'927 | 2'143 | 2'532 |
| Other receivables | 186 | 152 | 282 |
| Cash and cash equivalents | 817 | 1'039 | 1'097 |
| Asset held for sale | - | - | 42 |
| **Current assets** | **3'254** | **3'691** | **4'446** |
| **Total assets** | **5'775** | **5'555** | **6'445** |

| CHF million | Sep. 30, 2009 | Dec. 31, 2008 | Sep. 30, 2008 |
|---|---|---|---|
| **Liabilities and equity** | | | |
| Share capital | 120 | 120 | 120 |
| Reserves and retained earnings | 1'724 | 1'359 | 1'854 |
| Earnings for the period | 387 | 585 | 452 |
| **Total equity attributable to the equity holders of the parent company** | **2'231** | **2'064** | **2'426** |
| Minority interest | 9 | 9 | 11 |
| **Total equity** | **2'240** | **2'073** | **2'437** |
| Provision for pension plans and severance payments | 261 | 268 | 302 |
| Deferred tax liabilities | 234 | 111 | 129 |
| Bank liabilities | 7 | 12 | 57 |
| Finance lease obligations | 167 | 32 | 51 |
| **Non-current liabilities** | **669** | **423** | **539** |
| Bank and other interest bearing liabilities | 20 | 65 | 33 |
| Trade payables | 930 | 1'129 | 1'189 |
| Accrued trade expenses / deferred income | 851 | 873 | 1'115 |
| Current tax liabilities | 99 | 152 | 248 |
| Provisions | 123 | 111 | 94 |
| Other liabilities | 843 | 729 | 790 |
| **Current liabilities** | **2'866** | **3'059** | **3'469** |
| **Total liabilities and equity** | **5'775** | **5'555** | **6'445** |

# Development of Working Capital

| CHF million | Sep 2007 | Sep 2008 | Sep 2009 |
|---|---|---|---|
| Trade receivables | 2'535 | 2'601 | 2'014 |
| Work in progress | 335 | 320 | 200 |
| **Subtotal** | **2'869** | **2'921** | **2'214** |
| Trade payables | (1'135) | (1'189) | (930) |
| Accrued trade expenses | (971) | (951) | (709) |
| **Net Working Capital** | **763** | **781** | **575** |
| in % of annualised Revenue | 3.7% | 3.6% | 3.4% |
| KPI | | | |
| DSO | 42.2 | 41.8 | 42.1 |
| DPO | 49.1 | 48.3 | 52.4 |
| Work in progress | 5.9 | 5.4 | 4.6 |

- **Capex:** Actual capex Jan / Sep 2009: CHF 230 million, full year approx. CHF 275 million, which does not exceed 2009 depreciation / amortization charge

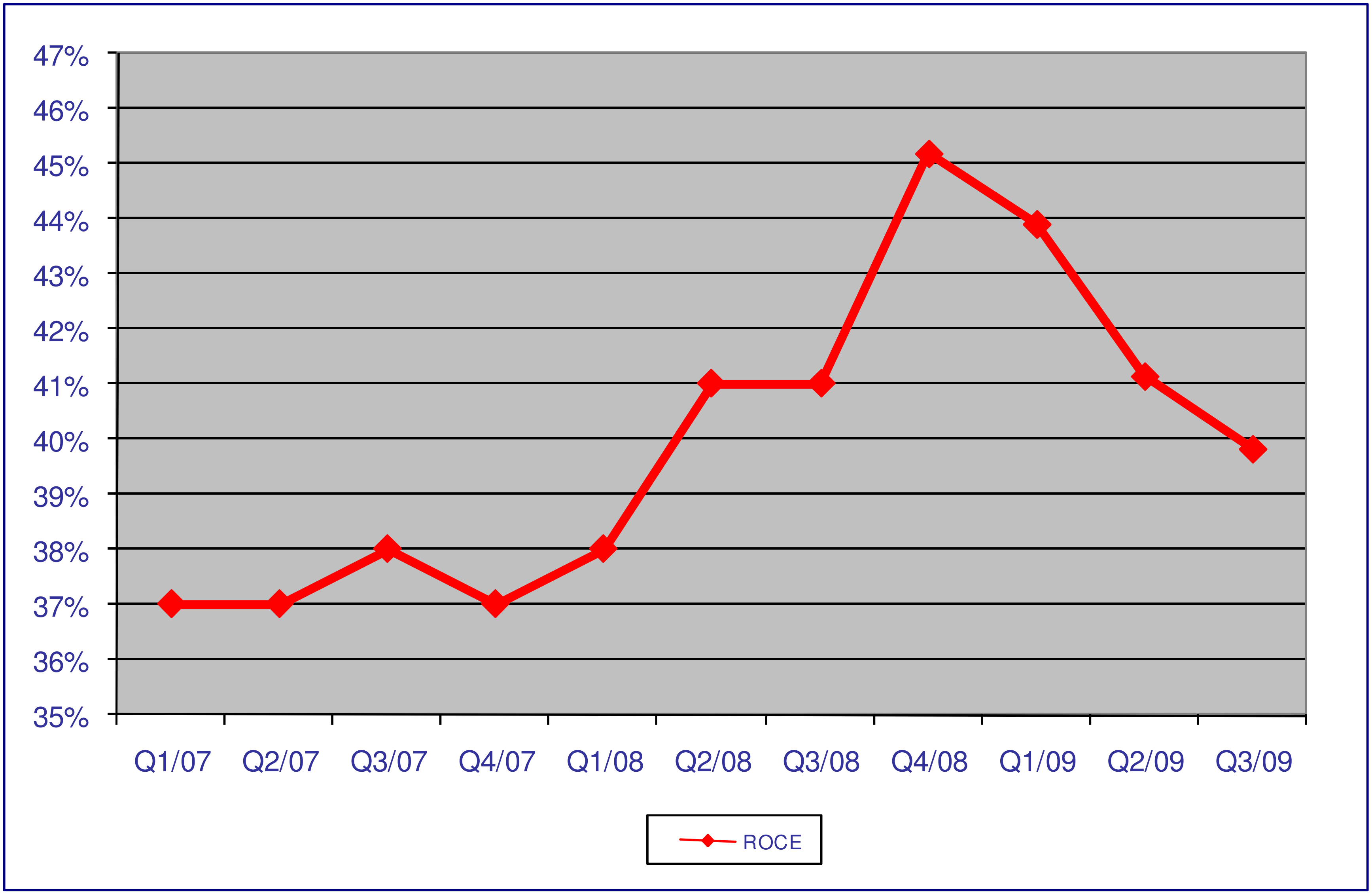
- **Cash Flow:** Increase of Cash & cash equivalent in Q3 of CHF 158 Mio.

  on account of :

| | CHF Mio. |
|---|---|
| - Operational cash flow | CHF 219 |
| - Capex | CHF (66) |
| - Other | CHF 5 |
| TOTAL | CHF 158 |

- **Tax Rate:** 22% sustainable for 2009 due to further tax optimization

# Return on Capital Employed



# Update on Antitrust Investigation

- On October 10, 2007, various Kuehne + Nagel organizations have been inspected.
- Class A action lawsuits were filed in the USA.
- Full co-operation with respective authorities.
- No decisions have been received from the respective authorities.
- No provision created.
- Dedicated compliance concept in place.

# CEO Comment

"We are reasonably satisfied with our results for the first nine months. Our dual strategy has proven effective – we have successfully counteracted substantial volume declines through strict cost management and increased sales activities. As a result, we have continuously expanded our market share and over-proportionally benefited from the third quarter's business stimulation."

Reinhard Lange, CEO

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