

KUEHNE+NAGEL



Analyst conference – Half-Year 2019 results

Kuehne + Nagel International AG

23 July 2019 (CET 14.00) | Schindellegi, Switzerland

Forward-looking statements



This presentation contains forward-looking statements.

Such statements are subject to risks and uncertainties as various factors, many of which are beyond the control of Kuehne + Nagel International AG, may cause actual development and results to differ materially from the expectations contained in the presentation.

Reference is also made to our disclaimer on the last slide of this presentation.

Kuehne + Nagel – high level result in a tough environment



Group earnings at CHF 384 million for the first half-year 2019



Strong EBIT in Seafreight of CHF 235 million, CHF 25 million above first half-year 2018



Stable EBIT in Airfreight of CHF 174 million, CHF 8 million below the record year 2018

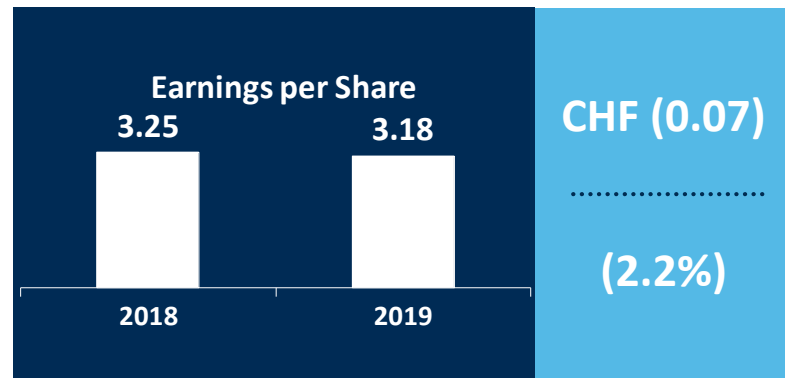
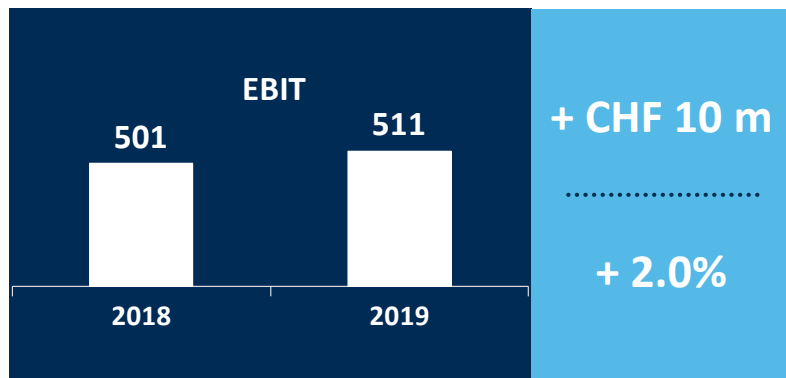
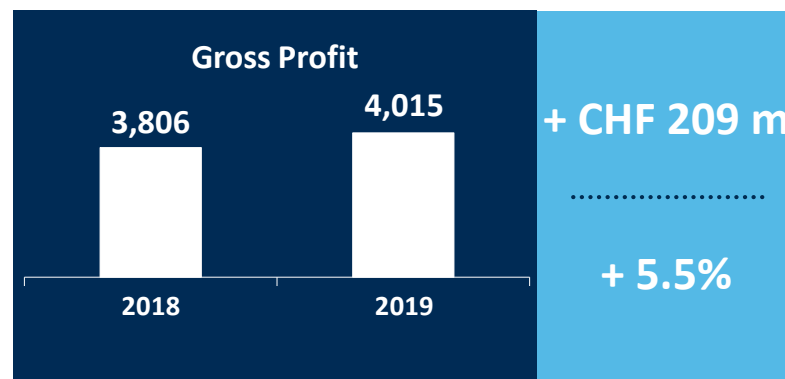
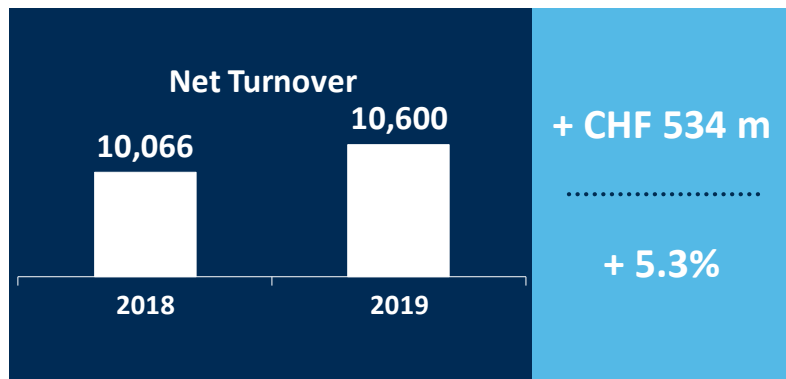


Net turnover growth in Overland of 3.3% and strong operational improvement of EBIT



Net turnover growth in Contract Logistics of 4.4% whilst restructuring the contract portfolio

Overview Group performance first half-year 2019



Seafreight



No. 1 worldwide

Selective growth strategy, focus on customer service and effective cost control leads to higher EBIT/TEU

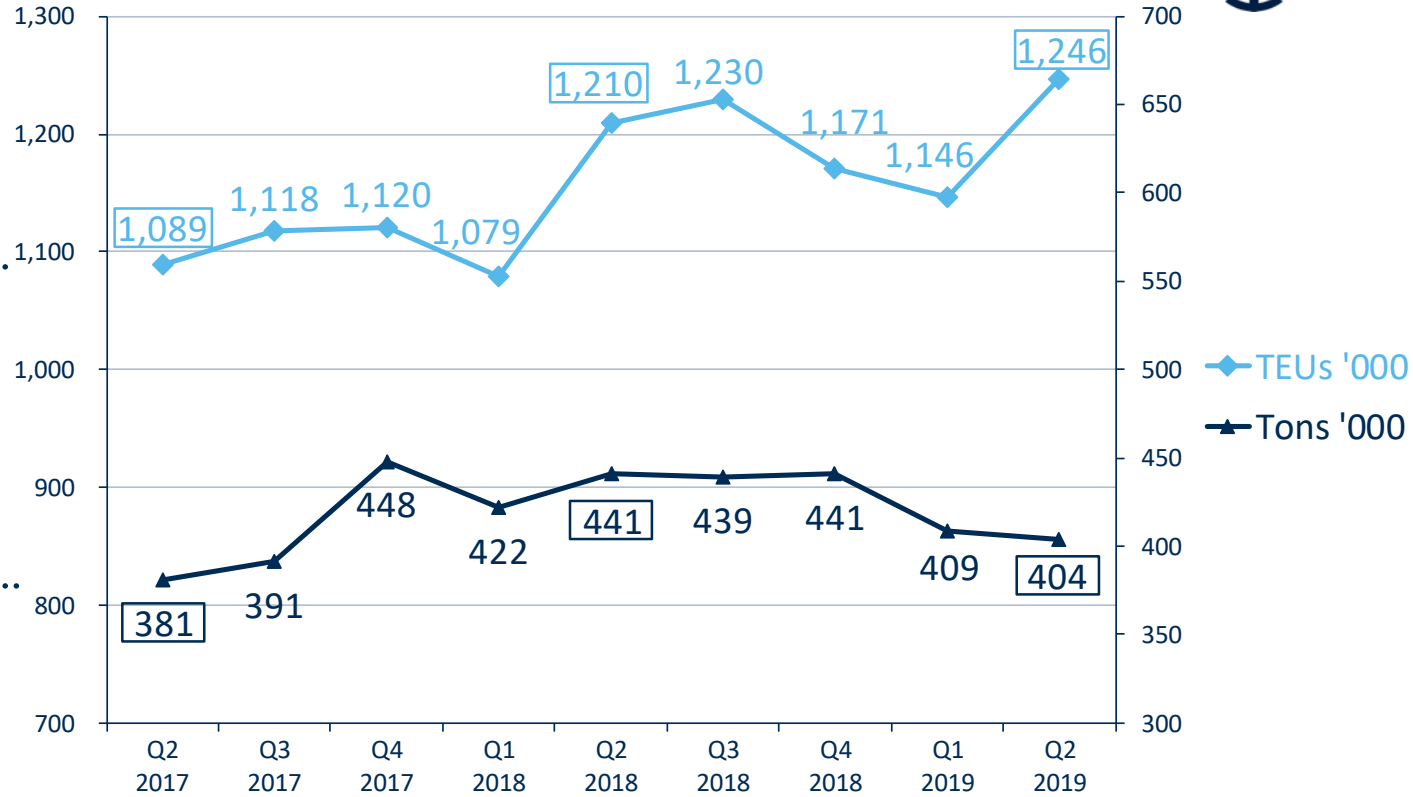
Airfreight



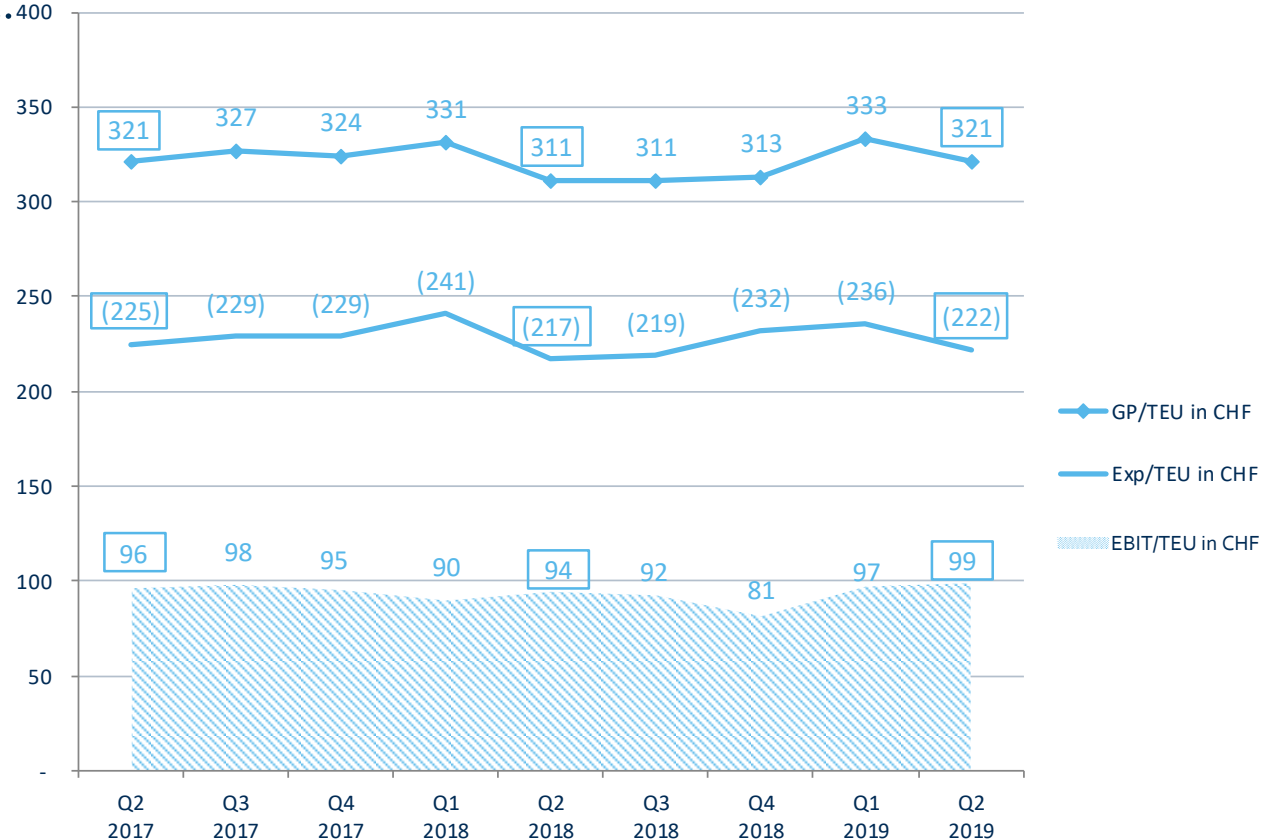
No. 2 worldwide

Contracting markets and low automotive volumes
Success with solutions for the pharma/healthcare industry and perishables

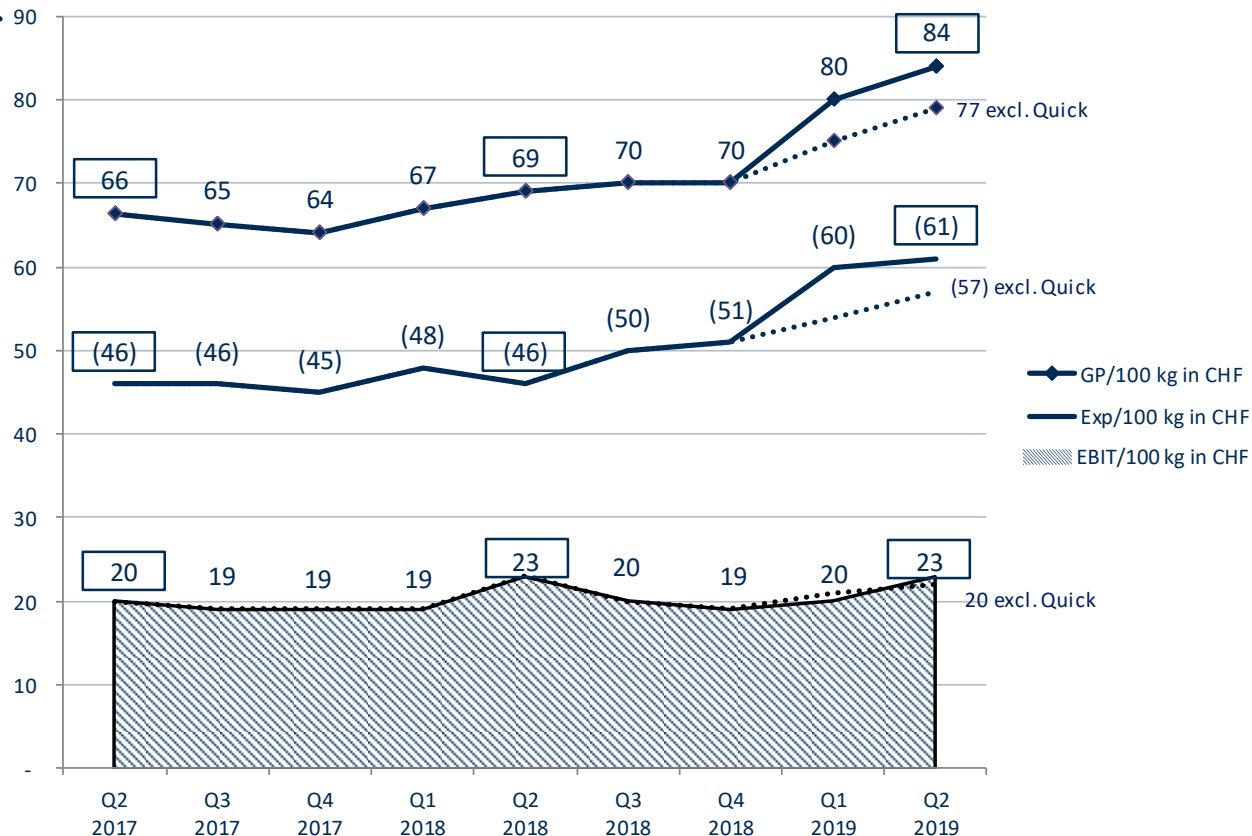
Seafreight and Airfreight – volume development



Seafreight – improved yield and active cost management



Airfreight – yield improvement partly through Quick





Overland



Strong performance of
European network business

Launch of digital platform in Asia

Overland – outstanding performance

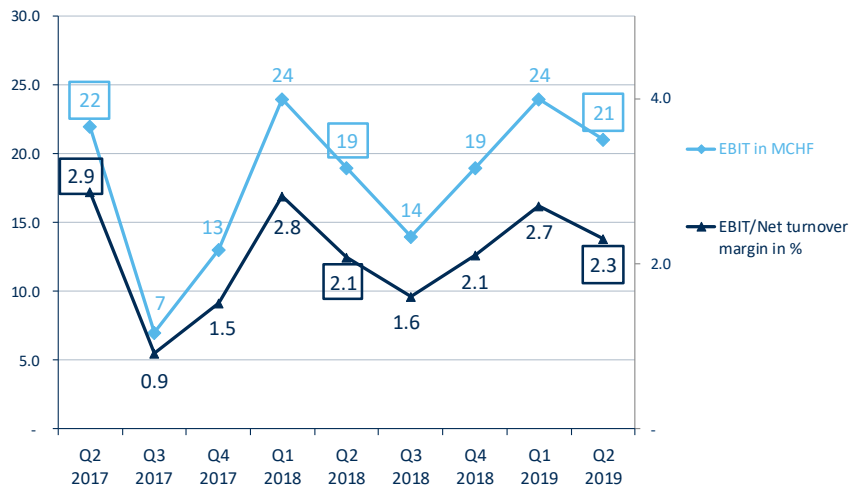


Income statement in CHF million

	HY1 2018	HY1 2019	Variance		
			2019/2018	Growth	Forex ¹
Net turnover	1,762	1,820	3.3%	5.6%	(2.3%)
Gross profit	550	577	4.9%	7.8%	(2.9%)
EBITDA ²	64	72	12.5%	14.1%	(1.6%)
EBIT ²	43	45	4.7%	7.0%	(2.3%)
EBITDA / Net turnover margin	3.6%	4.0%			
EBIT / Net turnover margin	2.4%	2.5%			

¹ Foreign currency translation impact

² The first half-year 2018 includes a one-off of CHF 7 million from the disposal of subsidiaries



Contract Logistics



Focus on restructuring of contract portfolio and cost management

Rollout of new WMS-solution and warehousing technology ongoing

Contract Logistics – restructuring the business



Income statement

in CHF million

	YTD HY1 2018	YTD HY1 2019
Net turnover	2,569	2,681
Gross profit	1,935	1,988
EBITDA	130	349
EBIT	66	57
EBITDA / Net turnover margin	5.1%	13.0%
EBIT / Net turnover margin	2.6%	2.1%

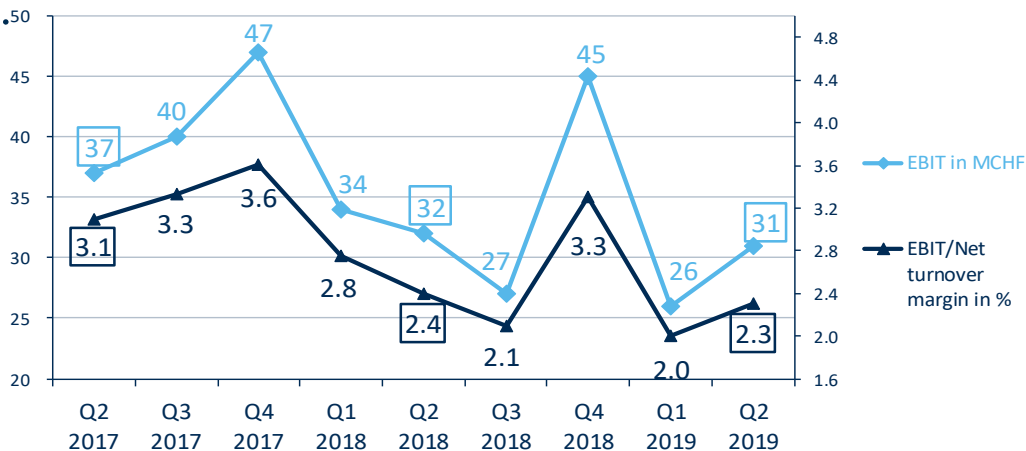
YTD HY1
2018

YTD HY1
2019

Variance

2019/2018	Growth	Acquisition	Forex ¹
4.4%	5.7%	1.7%	(3.0%)
2.7%	5.2%	0.7%	(3.2%)
168.5%	172.4%	2.3%	(6.2%)
(13.6%)	(13.6%)	-	-

¹ Foreign currency translation impact



Income Statement



CHF million	2018	2018	2018	2019	2019	2019	Variance			Variance in %			
	Q1	Q2					2019/2018	Q1	Q2	2019/2018	Growth	Acquisition	Forex ¹
Net turnover	4,862	5,204	10,066	5,237	5,363	10,600	534	375	159	5.3%	6.2%	1.8%	(2.7%)
Gross profit	1,843	1,963	3,806	1,978	2,037	4,015	209	135	74	5.5%	6.7%	1.7%	(2.9%)
Gross profit margin	37.9%	37.7%	37.8%	37.8%	38.0%	37.9%							
EBITDA	289	319	608	418	451	869	261	129	132	42.9%	44.4%	2.1%	(3.6%)
EBITDA margin	5.9%	6.1%	6.0%	8.0%	8.4%	8.2%							
Depreciation of property, plant & equipment	(45)	(48)	(93)	(48)	(49)	(97)							
Depreciation of right-of-use assets	-	-	-	(115)	(122)	(237)							
Amortisation of other intangibles	(8)	(6)	(14)	(13)	(11)	(24)							
EBIT	236	265	501	242	269	511	10	6	4	2.0%	4.6%	-	(2.6%)
EBIT margin to net turnover	4.9%	5.1%	5.0%	4.6%	5.0%	4.8%							
Conversion rate	12.8%	13.5%	13.2%	12.2%	13.2%	12.7%							
EBT	239	267	506	236	266	502	(4)	(3)	(1)	(0.8%)	1.8%	-	(2.6%)
EBT margin to net turnover	4.9%	5.1%	5.0%	4.5%	5.0%	4.7%							
Earnings for the period	184	206	390	181	203	384	(6)	(3)	(3)	(1.5%)	1.1%	-	(2.6%)

¹ Foreign currency translation impact

- FX impact: EUR (3.4%); USD + 3.1%; GBP (3.0%); impact on earnings for the period (2.6%)
- Tax rate stable at approx. 24% for 2019
- Conversion rate target 2022 of the Group of 16% confirmed

eTouch revisited



Addressing some common questions

- eTouch is not a platform or customer portal
- eTouch is not a specific product or service to be marketed to our customers
- eTouch is the banner under which technology-based operational efficiency gains are targeted
- eTouch is a pillar of our technology strategy alongside customer centricity, ease of doing business with and 24/7 data availability
- eTouch is the designation for shipments with a high-end conversion ratio*

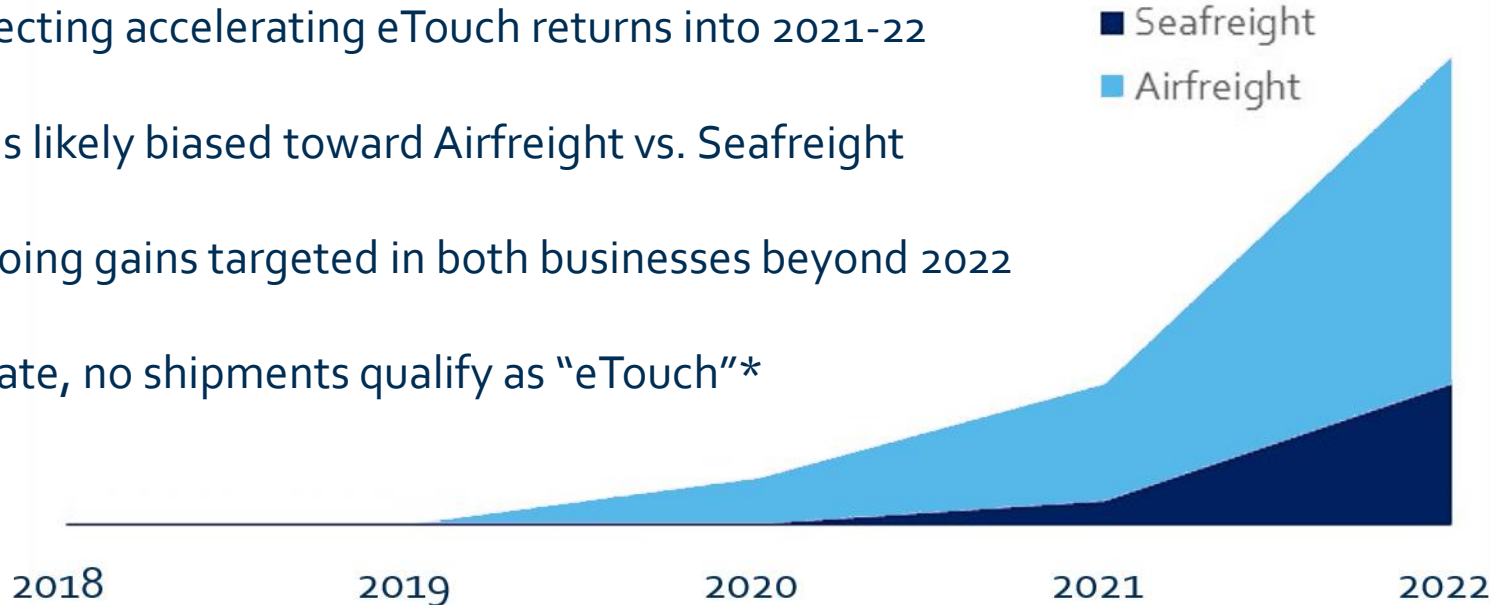
*Shipments with a conversion ratio of 60-80% to be deemed "eTouch."

eTouch revisited



Addressing some common questions

- Projecting accelerating eTouch returns into 2021-22
- Gains likely biased toward Airfreight vs. Seafreight
- Ongoing gains targeted in both businesses beyond 2022
- To date, no shipments qualify as “eTouch”*



*Shipments with a conversion ratio of 60-80% to be deemed “eTouch.”

Balance Sheet



CHF million	December 31, 2018	June 30, 2019		December 31, 2018	June 30, 2019
Assets			Liabilities and equity		
Property, plant and equipment	1,226	1,231	Equity attributable to the equity holders of the parent company	2,318	1,880
Right-of-use assets	-	1,737	Non-controlling interests	6	45
Goodwill	1,170	1,212	Total equity	2,324	1,925
Other intangibles	215	206	Non-current lease liabilities	1	1,286
Others	182	187	Others	676	1,110
Non-current assets	2,793	4,573	Non-current liabilities	677	2,396
Trade receivables	3,872	3,813	Trade payables	1,888	1,891
Contract assets	300	246	Contract liabilities	146	111
Cash and cash equivalents	499	505	Accrued trade expenses/deferred income	1,272	1,203
Others	414	500	Bank and other interest-bearing liabilities	351	395
Current assets	5,085	5,064	Current lease liabilities	3	459
Total assets	7,878	9,637	Others	1,217	1,257
			Current liabilities	4,877	5,316
			Total liabilities and equity	7,878	9,637

Impact IFRS 16 effective 1.1.2019



CHF million	December 31, 2018	June 30, 2019	CHF million	HY1 2019 impact
Balance Sheet			Income Statement - impact YTD June 2019	
Right-of-use assets*	-	1,737	Selling, general and admin expenses	(242)
Deferred tax assets	175	180	EBITDA	+242
Lease liabilities	4	1,745	Depreciation	+237
Equity ratio	29.5%	20.0%	EBIT	+5
Tangible common equity (TCE)	1,154	713	Financial expenses	(8)
TCE ratio	14.6%	7.4%	Profit before tax	(3)

* PPE under Finance lease of CHF 4 million was reclassified as of January 1, 2019 to Right-of-use assets

Cash and cash equivalents

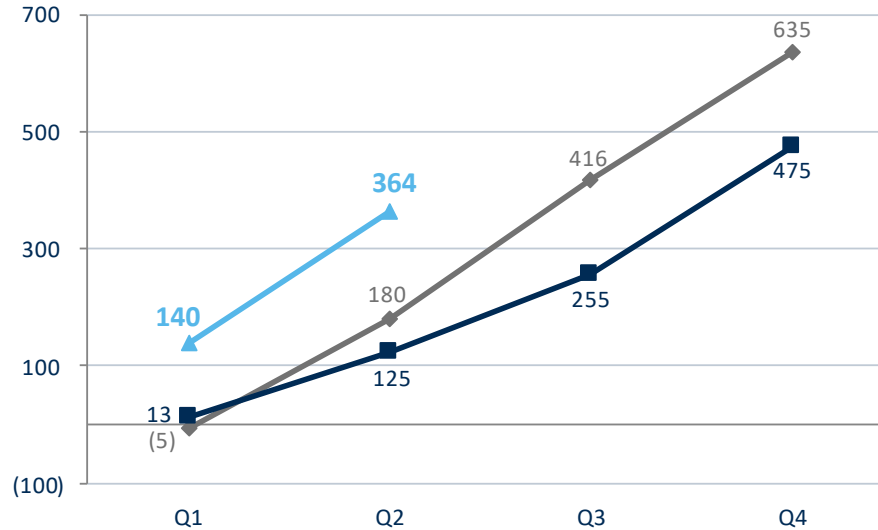


CHF million	YTD HY1 2018	YTD HY1 2019	Variance
Cash and cash equivalents January 1, net	710	488	(222)
Operational cash flow	587	872	285
Changes in working capital	(246)	(89)	157
Income taxes paid	(134)	(114)	20
Cash flow from operating activities	207	669	462
Cash flow from investing activities	(96)	(108)	(12)
Cash flow from financing activities	(704)	(553)	151
Exchange difference on cash and cash equivalents	(9)	(3)	6
Increase/(decrease) in cash and cash equivalents	(602)	5	607
Cash and cash equivalents June 30, net	108	493	385

Main variances 2019 vs. 2018

- Lower cash opening balance CHF (222)m
- Working capital CHF 157m
- Capex PPE net CHF (45)m

Free Cash Flow development (YTD in CHF million)



Like-for-like comparison:

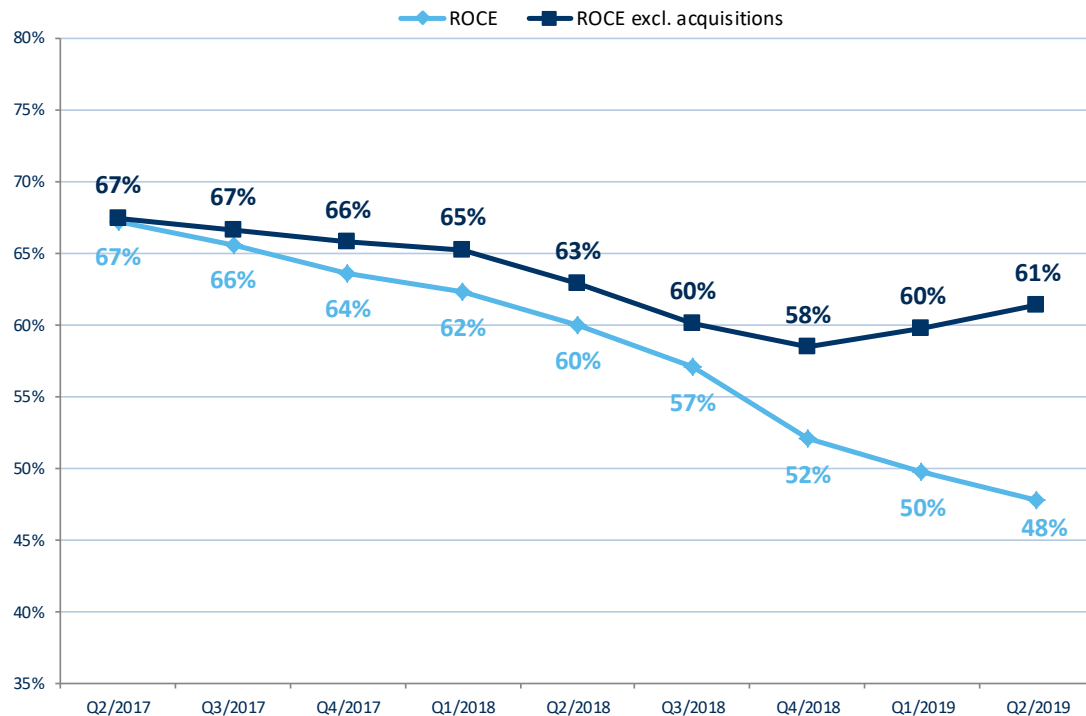
	2018	2019 excl. IFRS 16
Operational CF	CHF 587m	CHF 627m
CF from op. act.	CHF 207m	CHF 424m
CF from inv. act.	CHF (96)m	CHF (108)m
CF from fin. act.	CHF (704)m	CHF (308)m
Free Cash flow	CHF 125m	CHF 364m

Working Capital



CHF million	Dec 31, 2018	June 30, 2019	Better/(worse) 2019 vs. 2018
Trade receivables/Contract assets/Work in progress	4,238	4,127	111
Trade payables/Contract liabilities/Accrued trade expenses	(3,160)	(3,094)	(66)
Net working capital	1,078	1,033	45
KPIs:			
Working capital intensity	4.1%	4.0%	0.1%
DSO	54.2	54.5	(0.3)
DPO	61.5	63.2	1.7
Δ	7.3	8.7	1.4

Return on capital employed (EBIT)



Calculation: last four quarters EBIT (rolling EBIT) divided by the average of the last four quarters capital employed (rolling capital employed)

- Mix effect:

Stronger growth in Contract Logistics leads to higher asset allocation in proportion to Sea and Airfreight

- Acquisition effect:

Acquisition impact of one year due to assets added and full EBIT included only after one year

Quick	31.12.2018
Sincero	01.01.2019

Financial targets



CHF million	HY1 2019	Targets 2022
GROUP		
Conversion rate	12.7%	16%
ROCE (excl. acquisitions)	61%	70%
Effective tax rate	23 - 24%	approx. 24%
Working capital intensity	4.0%	3.5 - 4.5%
Cash and cash equivalents, net	493	
Capex	165	

Assumptions target 2022:

- Stable macro-economic environment
- No acquisition impacts considered



SEAFREIGHT

Volume growth

KN
2019

> 4%

Market
2019

~ 2 %



AIRFREIGHT

Volume growth

better
than
market

-4 to -5%



OVERLAND

Volume growth (net turnover in cc¹)

> 4%

~ 2%



CONTRACT LOGISTICS

Volume growth (net turnover in cc¹)

> 2%

2 to 3%

¹ in constant currency



Upcoming events 2019-2020



08.-22.10.2019
22.10.2019

Closed period
Nine-months 2019 results



02.01.-27.02.2020
27.02.2020

Closed period
Full-year 2019 results



08.-27.04.2020
27.04.2020

Closed period
Three-months 2020 results



05.05.2020

Annual General Meeting



07.-21.07.2020
21.07.2020

Closed period
Half-year 2020 results



06.-20.10.2020
20.10.2020

Closed period
Nine-months 2020 results

Quarter over Quarter 2019/2018



CHF million	2019*	2019			2018			Change in %			Change in mCHF		
	YTD	Q1	Q2	TOTAL	Q1	Q2	TOTAL	Q1	Q2	TOTAL	Q1	Q2	TOTAL
1. Seafreight													
A) Income Statement													
Turnover	4,890	2,437	2,453	4,890	2,170	2,166	4,336	+12.3	+13.3	+12.8	267	287	554
Net Turnover	3,739	1,852	1,887	3,739	1,635	1,736	3,371	+13.3	+8.7	+10.9	217	151	368
Gross Profit	782	382	400	782	357	376	733	+7.0	+6.4	+6.7	25	24	49
Opex	(535)	(263)	(271)	(534)	(255)	(257)	(512)	(3.1)	(5.4)	(4.3)	(8)	(14)	(22)
EBITDA	247	119	129	248	102	119	221	+16.7	+8.4	+12.2	17	10	27
Depreciation and Amortisation	(12)	(7)	(6)	(13)	(5)	(6)	(11)	(40.0)	-	(18.2)	(2)	-	(2)
EBIT	235	112	123	235	97	113	210	+15.5	+8.8	+11.9	15	10	25
B) KPI													
EBIT / GP conversion ratio	30.1%	29.3%	30.8%	30.1%	27.2%	30.1%	28.6%						
Volume (TEU's 'ooo)	2,392	1,146	1,246	2,392	1,079	1,210	2,289	+6.2	+3.0	+4.5	67	36	103
GROSS PROFIT	327	333	321	327	331	311	320	+0.6	+3.2	+2.2	2	10	7
EXPENSES	(229)	(236)	(222)	(229)	(241)	(217)	(228)	+2.1	(2.3)	(0.4)	5	(5)	(1)
EBIT	98	97	99	98	90	94	92	+7.8	+5.3	+6.5	7	5	6
2. Airfreight													
A) Income Statement													
Turnover	2,761	1,372	1,389	2,761	1,310	1,403	2,713	+4.7	(1.0)	+1.8	62	(14)	48
Net turnover	2,360	1,170	1,190	2,360	1,141	1,223	2,364	+2.5	(2.7)	(0.2)	29	(33)	(4)
Gross Profit	668	326	342	668	283	305	588	+15.2	+12.1	+13.6	43	37	80
Opex	(470)	(233)	(235)	(468)	(195)	(200)	(395)	(19.5)	(17.5)	(18.5)	(38)	(35)	(73)
EBITDA	198	93	107	200	88	105	193	+5.7	+1.9	+3.6	5	2	7
Depreciation and Amortisation	(24)	(13)	(13)	(26)	(7)	(4)	(11)	(85.7)	(225.0)	(136.4)	(6)	(9)	(15)
EBIT	174	80	94	174	81	101	182	(1.2)	(6.9)	(4.4)	(1)	(7)	(8)
B) KPI													
EBIT / GP conversion ratio	26.0%	24.5%	27.5%	26.0%	28.6%	33.1%	31.0%						
Volume (TON's 'ooo)	813	409	404	813	422	441	863	(3.1)	(8.4)	(5.8)	(13)	(37)	(50)
GROSS PROFIT	82	80	84	82	67	69	68	+19.4	+21.7	+20.6	13	15	14
EXPENSES	(61)	(60)	(61)	(61)	(48)	(46)	(47)	(25.0)	(32.6)	(29.8)	(12)	(15)	(14)
EBIT	21	20	23	21	19	23	21	+5.3	-	-	1	-	-

* Like-for-like comparison (excluding IFRS 16 impact)

Quarter over Quarter 2019/2018



CHF million	2019*	2019			2018			Change in %			Change in mCHF		
	YTD	Q1	Q2	TOTAL	Q1	Q2	TOTAL	Q1	Q2	TOTAL	Q1	Q2	TOTAL
3. Overland													
A) Income Statement													
Turnover	2,077	1,037	1,040	2,077	936	1,104	2,040	+10.8	(5.8)	+1.8	101	(64)	37
Net Turnover	1,820	901	919	1,820	850	912	1,762	+6.0	+0.8	+3.3	51	7	58
Gross Profit	577	285	292	577	264	286	550	+8.0	+2.1	+4.9	21	6	27
Opex	(512)	(249)	(256)	(505)	(231)	(255)	(486)	(7.8)	(0.4)	(3.9)	(18)	(1)	(19)
EBITDA	65	36	36	72	33	31	64	+9.1	+16.1	+12.5	3	5	8
Depreciation and Amortisation	(20)	(12)	(15)	(27)	(9)	(12)	(21)	(33.3)	(25.0)	(28.6)	(3)	(3)	(6)
EBIT	45	24	21	45	24	19	43	-	+10.5	+4.7	-	2	2
B) KPI													
EBITDA / Net turnover	3.6%	4.0%	3.9%	4.0%	3.9%	3.4%	3.6%						
EBIT / GP conversion rate	7.8%	8.4%	7.2%	7.8%	9.1%	6.6%	7.8%						
EBIT / Net turnover	2.5%	2.7%	2.3%	2.5%	2.8%	2.1%	2.4%						
4. Contract Logistics													
A) Income Statement													
Turnover	2,999	1,477	1,522	2,999	1,379	1,470	2,849	+7.1	+3.5	+5.3	98	52	150
Net turnover	2,681	1,314	1,367	2,681	1,236	1,333	2,569	+6.3	+2.6	+4.4	78	34	112
Gross Profit	1,988	985	1,003	1,988	939	996	1,935	+4.9	+0.7	+2.7	46	7	53
Opex	(1,871)	(815)	(824)	(1,639)	(873)	(932)	(1,805)	+6.6	+11.6	+9.2	58	108	166
EBITDA	117	170	179	349	66	64	130	+157.6	+179.7	+168.5	104	115	219
Depreciation and Amortisation	(65)	(144)	(148)	(292)	(32)	(32)	(64)	(350.0)	(362.5)	(356.3)	(112)	(116)	(228)
EBIT	52	26	31	57	34	32	66	(23.5)	(3.1)	(13.6)	(8)	(1)	(9)
B) KPI													
EBITDA / Net turnover	4.4%	12.9%	13.1%	13.0%	5.3%	4.8%	5.1%						
EBIT / GP conversion rate	2.6%	2.6%	3.1%	2.9%	3.6%	3.2%	3.4%						
EBIT / Net turnover	1.9%	2.0%	2.3%	2.1%	2.8%	2.4%	2.6%						

* Like-for-like comparison (excluding IFRS 16 impact)

Quarter over Quarter 2019/2018



CHF million	2019*	2019			2018			Change in %			Change in mCHF		
	YTD	Q1	Q2	TOTAL	Q1	Q2	TOTAL	Q1	Q2	TOTAL	Q1	Q2	TOTAL
5. Kuehne + Nagel Group													
A) Income Statement													
Turnover	12,727	6,323	6,404	12,727	5,795	6,143	11,938	+9.1	+4.2	+6.6	528	261	789
Customs duties and taxes	(2,127)	(1,086)	(1,041)	(2,127)	(933)	(939)	(1,872)	(16.4)	(10.9)	(13.6)	(153)	(102)	(255)
Net Turnover	10,600	5,237	5,363	10,600	4,862	5,204	10,066	+7.7	+3.1	+5.3	375	159	534
Net expenses for services from 3rd parties	(6,585)	(3,259)	(3,326)	(6,585)	(3,019)	(3,241)	(6,260)	(7.9)	(2.6)	(5.2)	(240)	(85)	(325)
Gross Profit	4,015	1,978	2,037	4,015	1,843	1,963	3,806	+7.3	+3.8	+5.5	135	74	209
Opex	(3,388)	(1,560)	(1,586)	(3,146)	(1,554)	(1,644)	(3,198)	(0.4)	+3.5	+1.6	(6)	58	52
EBITDA	627	418	451	869	289	319	608	+44.6	+41.4	+42.9	129	132	261
Depreciation and Amortisation	(121)	(176)	(182)	(358)	(53)	(54)	(107)	(232.1)	(237.0)	(234.6)	(123)	(128)	(251)
EBIT	506	242	269	511	236	265	501	+2.5	+1.5	+2.0	6	4	10
Result from finance and associates	(1)	(6)	(3)	(9)	3	2	5	(300.0)	(250.0)	(280.0)	(9)	(5)	(14)
EBT	505	236	266	502	239	267	506	(1.3)	(0.4)	(0.8)	(3)	(1)	(4)
Income tax	(119)	(55)	(63)	(118)	(55)	(61)	(116)	-	(3.3)	(1.7)	-	(2)	(2)
Earnings for the period	386	181	203	384	184	206	390	(1.6)	(1.5)	(1.5)	(3)	(3)	(6)
Non-controlling interests	(2)	(1)	(1)	(2)	(1)	-	(1)				-	(1)	(1)
Net Earnings	384	180	202	382	183	206	389	(1.6)	(1.9)	(1.8)	(3)	(4)	(7)
B) KPIs													
EBIT / GP conversion rate	12.6%	12.2%	13.2%	12.7%	12.8%	13.5%	13.2%						
GP / Net turnover	37.9%	37.8%	38.0%	37.9%	37.9%	37.7%	37.8%						
EBITDA / Net turnover	5.9%	8.0%	8.4%	8.2%	5.9%	6.1%	6.0%						
EBIT / Net turnover	4.8%	4.6%	5.0%	4.8%	4.9%	5.1%	5.0%						
EBT / Net turnover	4.8%	4.5%	5.0%	4.7%	4.9%	5.1%	5.0%						
Earnings for the period / Net turnover	3.6%	3.5%	3.8%	3.6%	3.8%	4.0%	3.9%						

* Like-for-like comparison (excluding IFRS 16 impact)



Kuehne + Nagel International AG

Dorfstrasse 50 | 8834 Schindellegi | Switzerland | Telephone +41 (0)44 786 95 11 | www.kuehne-nagel.com

Contact



Markus Blanka-Graff
CFO
markus.blanka@kuehne-nagel.com
Tel: +41 (0)44 7869 644

Christopher Combé
Head of Investor Relations
christopher.combe@kuehne-nagel.com
Tel: +41 (0)44 7869 693

Andrea Kobi
Investor Relations
andrea.kobi@kuehne-nagel.com
Tel: +41 (0)44 7869 561

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