



PRESS INFO

Financial Statements 2012 of the Kuehne + Nagel Group

Further volume growth in all business units – margin pressure, cost increases and antitrust fine impact results

Schindellegi / CH, March 4, 2013 – In 2012, the globally operating Kuehne + Nagel Group sustained its position in a highly volatile market environment. Compared to the previous year, the company increased volumes in all business units despite slower international trade growth. However, results were negatively impacted by declining profit margins, cost increases and an antitrust fine of CHF 65 million imposed by the European Commission in March 2012.

Turnover increased by 5.9 per cent to CHF 20,753 million and gross profit improved by 3.3 per cent to CHF 6,094 million compared to the previous year. The operational result (EBITDA) declined by 5.8 per cent to CHF 921 million, including the one-off item for the antitrust fine to CHF 856 million. Net earnings decreased to 493 million.

For the 2012 business year, the Board of Directors will propose a slightly reduced dividend of CHF 3.50 per share.

Kuehne + Nagel Group	2012	2011
<i>CHF million</i>		
Turnover	20,753	19,596
Gross profit	6,094	5,898
Operational result (EBITDA)	921	978
Operational result incl. antitrust fine	856	
EBIT	699	750
EBIT incl. antitrust fine	634	
Earnings for the year	558	606
Earnings for the year incl. antitrust fine	493	
Kuehne + Nagel International AG		
Dividend per share in CHF	3.50*	3.85

* Proposal to the Annual General Meeting

Corporate Communications

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Reinhard Lange, CEO of Kuehne + Nagel International AG, comments: "Already in the first two quarters volume development in the international logistics industry suffered from the slowdown of growth in China and restrained consumer and investment spending in large parts of Europe. With the worsening of the sovereign debt crisis in the eurozone in the second half of the year, the economic climate deteriorated rapidly, and the decline of the European imports and exports influenced the trade with the emerging countries in Asia and South America more strongly. Overcapacity, unprecedented rate volatility and strong pressure on profit margins were the results of this development. Kuehne + Nagel managed to increase its volumes in all business units, but was not able to compensate margin pressure and higher costs with the volume growth achieved, thus results decreased compared to the previous year."

Development of the business units

Seafreight

While the international container market just grew by about 2 per cent in 2012, Kuehne + Nagel increased volume by 6 per cent, handling approximately 3.5 million TEU. Particularly in the export business from Asia to North and South America and to the Middle East volumes considerably increased contrary to declining market demand. In the Asia-Europe trades volumes decreased slightly compared to the previous year, while double-digit growth rates were realised on the routes from North America and Asia to South America. Sales of seafreight services for special products was successful, for instance in the reefer container business and in drinks logistics. In the oil & gas and projects sector, Kuehne + Nagel strengthened its position as one of the leading providers. The business unit's high productivity did not entirely compensate for margin pressure and cost increases. As a result EBITDA decreased by 5.3 per cent and the EBIT-to-gross profit margin to 30.7 per cent (32.8 per cent in 2011).

Airfreight

Contrary to the shrinking global airfreight market, Kuehne + Nagel raised its tonnage by 2 per cent. The company particularly maximised business opportunities in the intra-Asian traffic and in the export from Asia to North and South America. In Europe, however, Kuehne + Nagel could not counter the prevailing negative trend and suffered a volume decline. Crucial factors for Kuehne + Nagel's performance above market average were the expansion of the activities in the Perishables Logistics segment and the intensified marketing of industry-specific airfreight solutions. The new service for the pharmaceutical and healthcare industry, for instance, experienced a strong market acceptance. Furthermore, new businesses were won in the segments of aerospace, hotel and marine logistics. While gross profit margin improved to 20.6 per cent compared to the previous year (19.8 per cent), EBIT-to gross profit margin at 24.3 per cent was below 2011 (29.2 per cent) due to cost increases. EBITDA decreased by 9.1 per cent (excluding antitrust fine).

Road & Rail Logistics

With an increase in net turnover of 7.4 per cent, growth continued in the segments groupage, full and part loads and industry-specific distribution. However, volume growth slowed down in the second half of the year due to the further deterioration of the economy, particularly in Southern Europe. The British RH Freight Group, a member of the Kuehne + Nagel Group since 2011, fostered growth in the groupage sector, among others through the establishment of new line haul services between Great Britain and the Kuehne + Nagel organisations in Northern and Eastern Europe. Of strategic importance was the commissioning of the EuroHub in Hauneck / Bad Hersfeld in Hesse, Germany. As backbone of the European groupage network, this central hub enables Kuehne + Nagel to offer Europe-wide services with attractive transit times. Margin pressure and investments in infrastructure negatively affected the operational result of this business unit, which decreased by 14.3 per cent. EBITDA margin was at 1.1 per cent (2011: 1.4 per cent).

Contract Logistics

In contract logistics the year 2012 was characterised by demand fluctuation, regional variations in warehouse capacity utilisation and significant pressure on prices. In response to the volatility of the international contract logistics markets and the disappointing development of the results, Kuehne + Nagel has adjusted its strategy in this business unit and accelerated its implementation in the second half of the year. The focus is on controlled, profitable growth and the expansion of activities for multinational customers. In operations, the emphasis is on a continuous improvement of performance, the elimination of weak spots, higher efficiency and quality leadership. In the scope of these initiatives and to improve profitability, some 30 logistics locations were closed in 2012. Compared to the previous year, net turnover rose by 3.8 per cent while the operational result decreased by 6.2 per cent due to one-off start-up and restructuring costs. EBITDA margin was at 3.5 per cent (2011: 3.9 per cent).

EU Commission imposes fines in antitrust case

As already communicated in March 2012, the EU Commission has imposed fines against various logistics companies in antitrust proceedings pending since 2007, in the case of Kuehne + Nagel amounting to CHF 65 million. The companies were accused of having coordinated certain surcharges for airfreight forwarding services on specific trade lanes. As Kuehne + Nagel is of the opinion that the Commission has not correctly investigated the facts and the participation of Kuehne + Nagel and has drawn significantly incorrect factual and legal conclusions, the company has appealed against the decision before the European Court of Justice.

Turnover

In 2012, the Kuehne + Nagel Group achieved an invoiced turnover of CHF 20,753 million, an increase of 5.9 per cent compared to the previous year. While currency effects negatively impacted net turnover with CHF 25 million, acquisitions positively contributed with CHF 287 million.

The largest increases were recorded in the regions Middle East, Central Asia and Africa (17.4 per cent), Asia-Pacific (15.9 per cent) and North, Central and South America (13.8 per cent). In Europe, turnover increased by 0.6 per cent only.

Gross profit

Gross profit, for a logistics company the better performance indicator than turnover, rose by 3.3 per cent to CHF 6,094 million in 2012. Acquisitions positively contributed with CHF 73 million.

Middle East, Central Asia and Africa improved gross profit by 19.0 per cent and North, Central and South America by 10.8 per cent. In Europe, gross profit was up 1.5 per cent and in the Asia-Pacific region by 0.5 per cent compared to the previous year.

Operational result (EBITDA)

Earnings before interest, tax, depreciation and amortisation (EBITDA) was CHF 122 million (12.5 per cent) lower than in the previous year, also due to the EU antitrust fine of CHF 65 million. Acquisitions had a positive effect of CHF 4 million, currency impacts of CHF 5 million.

With CHF 474 million (55.4 per cent) the biggest contribution to the operational result came from Europe, followed by the Asia-Pacific region with CHF 181 million (21.1 per cent), North, Central and South America with CHF 161 million (18.8 per cent) and Middle East, Central Asia and Africa with CHF 40 million (4.7 per cent).

Dividend

In view of the sustained high cash flow of the Kuehne + Nagel Group, the Board of Directors will propose to the Annual General Meeting of May 7, 2013, to distribute a dividend of CHF 3.50 per share (previous year: CHF 3.85) which represents a payout ratio of 86 per cent.

Outlook 2013

There are still a lot of uncertainties regarding the economic development in 2013. It is assumed that the European economy will not recover quickly and sustainably, while there are encouraging signals from the emerging markets and the USA.

Karl Gernandt, Chairman of the Board of Directors of Kuehne + Nagel International AG: "In the difficult market environment 2012 the strategy of the Kuehne + Nagel Group to focus on regional and industry-specific growth segments has proven its worth. However, we did not manage to adjust our costs in a timely manner everywhere; as a result we had to experience setbacks in profitability in several countries. Taking this into consideration, Kuehne + Nagel will realign its management and organisational structures in order to react more quickly and efficiently to market demands and growth potentials. From our new members to the Management Board we expect important impulses for the operational development of the business units Contract Logistics and Road & Rail Logistics."

About Kuehne + Nagel

With over 63,000 employees at more than 1000 locations in over 100 countries, the Kuehne + Nagel Group is one of the world's leading logistics companies. Its strong market position lies in the seafreight, airfreight, contract logistics and overland businesses, with a clear focus on providing IT-based integrated logistics solutions.

Further information can be found at www.kuehne-nagel.com

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