

Status Report 2020

Kuehne+Nagel Group key data

CHF million	2020	2019	2018	2017	2016	2015	2014
Turnover	23,812	25,295	24,825	22,220	19,985	20,283	21,291
Net turnover	20,382	21,094	20,774	18,594	16,525	16,731	17,501
Gross profit	7,475	7,981	7,709	7,023	6,550	6,251	6,288
In per cent of net turnover	36.7	37.8	37.1	37.8	39.6	37.4	35.9
EBITDA ¹	1,920	1,829	1,209	1,150	1,110	1,041	1,005
In per cent of net turnover ¹	9.4	8.7	5.8	6.2	6.7	6.2	5.7
EBIT	1,070	1,061	987	937	918	850	819
In per cent of net turnover	5.2	5.0	4.8	5.0	5.6	5.1	4.7
In per cent of gross profit (conversion rate)	14.3	13.3	12.8	13.3	14.0	13.6	13.0
EBT	1,059	1,047	994	955	935	878	824
In per cent of net turnover	5.2	5.0	4.8	5.1	5.7	5.2	4.7
Earnings for the year	789	800	772	740	720	679	644
In per cent of net turnover	3.9	3.8	3.7	4.0	4.4	4.1	3.7
Earnings for the year (Kuehne+Nagel share)	788	798	770	737	718	676	633
In per cent of net turnover	3.9	3.8	3.7	4.0	4.3	4.0	3.6
Depreciation, amortisation and impairment of assets ¹	850	768	222	213	192	191	186
In per cent of net turnover ¹	4.2	3.6	1.1	1.1	1.2	1.1	1.1
Operational cash flow ¹	1,904	1,746	1,156	1,148	1,062	1,045	1,000
In per cent of net turnover ¹	9.3	8.3	5.6	6.2	6.4	6.2	5.7
Capital expenditures for fixed assets	177	320	315	225	239	241	186
In per cent of operational cash flow	9.3	18.3	27.2	19.6	22.5	23.1	18.6
Total assets ¹	9,851	9,825	7,878	7,457	6,331	6,099	6,603
Non-current assets ¹	3,815	4,621	2,793	2,445	2,209	2,231	2,175
Equity	2,413	2,322	2,324	2,327	2,165	2,126	2,453
In per cent of total assets ¹	24.5	23.6	29.5	31.2	34.2	34.9	37.1
Total employees at year-end	78,249	83,161	81,900	75,876	70,038	67,236	63,448
FTEs of employees at year-end	72,021	78,448	77,416	71,263	65,718	63,343	59,484
FTEs at year-end including temporary staff	93,238	99,113	99,072	92,372	85,887	80,056	74,497
Personnel expenses	4,443	4,877	4,736	4,243	3,957	3,741	3,764
In per cent of net turnover	21.8	23.1	22.8	22.8	23.9	22.4	21.5
Gross profit in CHF 1,000 per FTE	80	81	78	76	76	78	84
Personnel expenses in CHF 1,000 per FTE	48	49	48	46	46	47	51
Basic earnings per share (nominal CHF 1) in CHF							
Consolidated earnings for the year (Kuehne+Nagel share) ²	6.59	6.67	6.43	6.16	5.99	5.64	5.28
Distribution in the following year	4.50	4.00	6.00	5.75	5.50	5.00	4.00 ³
In per cent of the consolidated net income for the year	68.3	60.0	93.3	93.4	91.8	88.6	75.8
Development of share price							
SIX Swiss Exchange (high/low in CHF)	206/121	164/126	181/123	181/133	144/124	148/118	136/115
Average trading volume per day	318,423	267,260	217,865	206,266	190,820	204,420	149,896

¹ Figures prior to 2019 have not been restated for the impact of IFRS 16 Leases.

² Excluding treasury shares.

³ Excluding extraordinary dividend.

Economic environment

The Kuehne+Nagel Group (the Group) delivered a strong result in 2020 despite the uncertainties of the COVID-19 pandemic. Once again, the Group confirmed its global leading position in Sea Logistics with 4.5 million TEUs managed in container traffic and its global number 2 market position with 1.4 million tons in Air Logistics. Despite the difficult market situation, Air Logistics reported significant growth and improved profitability. While the COVID-19 pandemic affected Road Logistics results overall negatively, a number of shipments rebound in the second half of the year. In Contract Logistics the Group has successfully completed the reorganisation in 2020.

Kuehne+Nagel is specialised in complex end-to-end supply chain solutions. They are managed in the global network through logistics control towers and executed by all Kuehne+Nagel business units. These integrated logistics solutions not only increase transparency and efficiency in the supply chain but also optimise information flows between the participating partners and customers. This allows Kuehne+Nagel to support its customers' value chain, a key factor in a highly competitive and fast growing market.

In 2020, the world economy experienced a global recession caused by COVID-19 with an estimated negative growth of 4.3 per cent (2019: 2.3 per cent positive growth). While there are signs that global economic activity is recovering, COVID-19 lockdowns reduced overall activity and income below pre-pandemic levels. The global economic recovery with an initial rebound mid-2020 slowed down, however, while trade and activity in the goods sector has increased, the services sector remains weak. For 2021 global growth of 4.0 per cent is forecasted.

The deceleration of the economic growth in 2020 was widespread and affected emerging markets and developing economies as well as mature economies. In mature economies the growth rate in 2020 declined to an estimated -5.4 per cent in comparison to 1.6 per cent in 2019. Emerging markets grew by 3.6 per cent in 2019 and by an estimated -2.6 per cent in 2020. (Based on: World Bank, Global Economic Prospects, January 2021)

In 2020, the international logistics industry experienced world trade volume growth below the level of 2019. The world trade volume growth is estimated to have slowed down to -9.6 per cent in 2020 versus 1.0 per cent in 2019.

Advanced economies' world trade volume grew by 1.4 per cent in 2019 and is estimated at -10.1 per cent in 2020. In emerging markets and developing economies these indicators were at

0.3 per cent in 2019 and estimated at -8.9 per cent in 2020. (Based on: IMF, World Economic Outlook Update, January 2021)

On the carrier side, the market in 2020 was characterised by a significant increase in freight rates caused by capacity shortage in Air Logistics but also Sea Logistics.

Kuehne + Nagel's volume growth was negative in line with the market, resulting in a 3.4 per cent lower net turnover than in 2019. Gross profit reduced by 6.3 per cent. The Group was able to increase EBIT by 0.8 per cent in 2020 by applying strict cost control.

The Group's strategy Roadmap 2022 was presented at the Capital Markets Day 2017 with the focus on creating additional value through customer excellence and expansion into new services and leveraging the Group's strengths to extend from supply chain to value chain services. The ambition is formulated as growing twice as fast as the market in the Group's core business over the entire timeline of the strategy programmes, creating sustainable growth in gross profit with new value chain services and selective acquisitions to leverage synergies and expertise. The overall aim is to reach an EBIT to gross profit margin (conversion rate) for the entire Group in excess of 16 per cent by 2022. The Group is well on track in the programme and will reach its ambitions through cost control to ascertain leverage benefits, digitisation as a game changer for productivity improvements, investments in new opportunities connected to value expansion and acquisitions as an accelerator.

As a pioneer in the industry, Kuehne+Nagel addresses proactively the CO2 footprint of the transportation services involving its suppliers – airlines, shipping lines and haulage companies. Kuehne+Nagel targets comprehensive CO2 neutralisation (Scope 3 of the Greenhouse Gas Protocol – GHG) by 2030. As a first step, all less-than-container-load (LCL) shipments are CO2 neutral since 2020.

Kuehne+Nagel's Net Zero Carbon programme leverages three fields of action: detection, reduction and compensation of CO2. The Group has started its own nature projects and has invested in various nature-based CO2 compensation projects, where carbon is being taken from the atmosphere. The emission credits obtained are in accordance with the highest international standards.

The Group's sustainability report addresses in detail Kuehne+Nagel's commitment to the principles of sustainable business practices and performance for the respective calendar year. Kuehne+Nagel's net turnover decreased by CHF 712 million or

Key financial figures

CHF million	2020	2019	Variance in per cent
Turnover	23,812	25,295	-5.9
Net turnover	20,382	21,094	-3.4
Gross profit	7,475	7,981	-6.3
Gross profit in per cent of net turnover	36.7	37.8	
EBITDA	1,920	1,829	5.0
EBIT	1,070	1,061	0.8
In per cent of net turnover	5.2	5.0	
In per cent of gross profit	14.3	13.3	
Earnings for the year	789	800	-1.4
Earnings for the year (Kuehne+Nagel share)	788	798	-1.3
Earnings per share basic (in CHF)	6.59	6.67	-1.2
Operational cash flow	1,904	1,746	9.1
Capital expenditures for fixed assets	177	320	-44.7
Total employees at year-end	78,249	83,161	-5.9
Total full-time equivalents of employees at year-end	72,021	78,448	-8.2

3.4 per cent in 2020, and gross profit declined by CHF 506 million or 6.3 per cent compared to the previous year.

In 2020, EBIT increased by CHF 9 million or 0.8 per cent. At constant exchange rates and excluding acquisitions the increase would have been CHF 75 million or 7.0 per cent. Earnings for the year 2020 decreased by CHF 11 million or 1.4 per cent compared to 2019. In constant currencies and excluding acquisitions the Group would have increased the earnings for the year by CHF 37 million or 4.7 per cent.

Capital expenditure in fixed assets decreased by CHF 143 million or 44.7 per cent to CHF 177 million compared to the previous year. In 2020, the Kuehne + Nagel Group decreased the number of employees year-on-year by 4,912 or 5.9 per cent from 83,161 to 78,249 employees. The number of full time equivalents of employees reached 72,021 versus 78,448, which is a decrease of 6,427 or 8.2 per cent.

Income Statement

Turnover

In 2020, Kuehne+Nagel's turnover amounted to CHF 23,812 million representing a decrease of 5.9 per cent or CHF 1,483 million compared to the previous year. Organic business growth resulted in a decrease of turnover of CHF 151 million (0.7 per cent) while acquisitions contributed with an increase of CHF 145 million (0.6 per cent). The exchange rate fluctuation had a negative impact of CHF 1,477 million (5.8 per cent).

Volumes in Sea Logistics decreased by 6.8 per cent (-332,000 TEUs), and turnover per TEU decreased by 1.2 per cent to CHF 1,981 per TEU (2019: CHF 2,006). In Air Logistics, the volume decreased by 12.8 per cent (-210,000 Tons), and the freight rate increased by 22 per cent per 100 kg to CHF 406 (2019: CHF 333).

From a regional view, Asia-Pacific (0.4 per cent) reported a slight increase in turnover for 2020. Europe, Middle East and Africa "EMEA" (5.5 per cent) and the Americas (9.2 per cent) reported a decreased turnover in 2020.

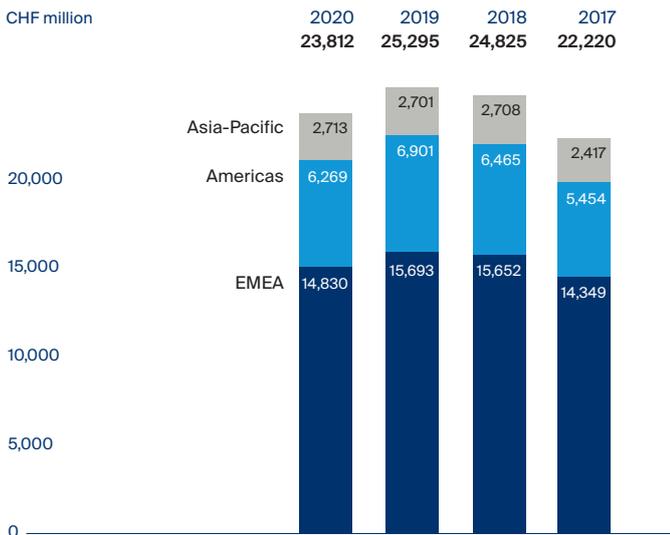
Exchange rate fluctuations between 2019 and 2020, based on average yearly exchange rates, led to a devaluation of the Euro, the British Pound and US Dollar as well as dependent currencies by 3.6, 4.7 and 5.2 per cent respectively, against the Swiss Franc, resulting in a negative impact of CHF 1,477 million (5.8 per cent) on turnover.

Net turnover

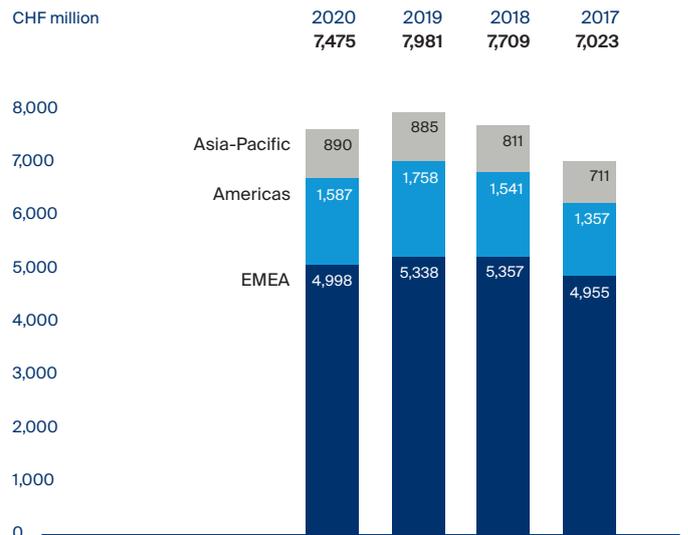
In 2020, Kuehne+Nagel's net turnover amounted to CHF 20,382 million representing a decrease of 3.4 per cent or CHF 712 million compared to the previous year. Organic business growth resulted in an increase in net turnover of CHF 401 million (1.9 per cent) and acquisitions contributed CHF 147 million (0.7 per cent). The exchange rate fluctuation had a negative impact of CHF 1,266 million (6.0 per cent).

From a regional view, Asia-Pacific (1.1 per cent) reported an increase of net turnover in 2020. EMEA (3.1 per cent) and the Americas (5.9 per cent) reported a decrease of net turnover in 2020.

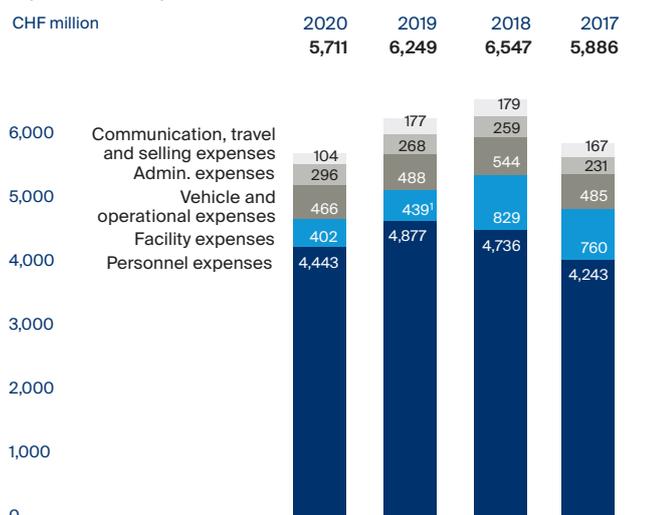
Regional turnover



Regional gross profit

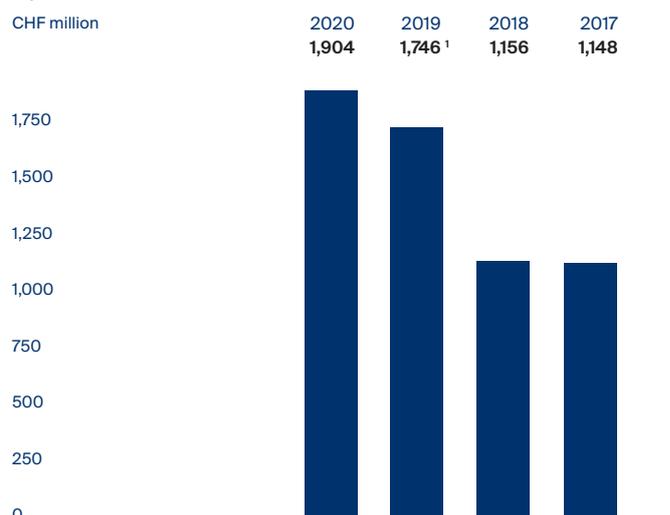


Operational expenses



¹ Figures prior to 2019 have not been restated for the impact of IFRS 16 Leases.

Operational cash flow



¹ Figures prior to 2019 have not been restated for the impact of IFRS 16 Leases.

Gross profit

Gross profit amounted to CHF 7,475 million in 2020, which represents a decrease of 6.3 per cent or CHF 506 million compared to the previous year. Organic business growth resulted in a decrease in gross profit of CHF 158 million (2.0 per cent). Exchange rate fluctuation had a negative impact of CHF 425 million (5.3 per cent) and acquisitions contributed CHF 77 million (1.0 per cent) positively.

From a regional view, Asia-Pacific (0.6 per cent) reported a slight increase in gross profit for 2020. EMEA (6.4 per cent) and the Americas (9.7 per cent) reported a lower gross profit in 2020.

Operational cash flow

The operational cash flow, the sum of the net income for the year plus/minus non-cash-related transactions, increased by CHF 158 million to CHF 1,904 million in 2020 (for further information, please refer to the Cash Flow Statement in the Consolidated Financial Statements 2020 on page 47).

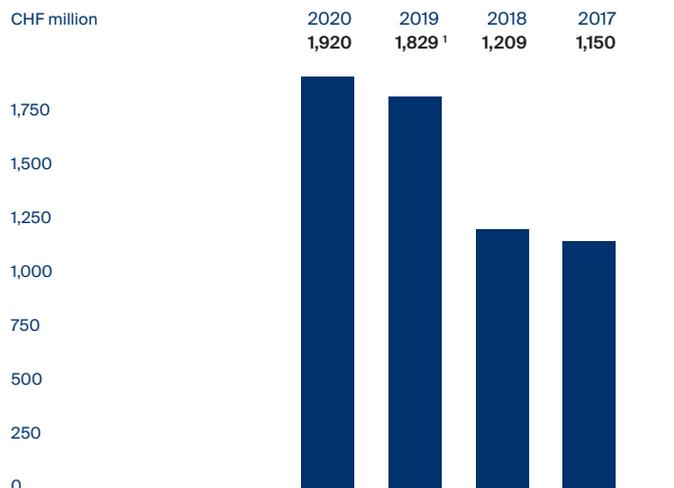
EBITDA

In 2020, earnings before interest, tax, depreciation, amortisation and impairment of property, plant and equipment, goodwill and other intangible assets, increased by CHF 91 million or 5.0 per cent to CHF 1,920 million compared to the previous year's CHF 1,829 million; EBITDA of organic business increased by CHF 331 million (18.1 per cent), acquisitions contributed CHF 6 million (0.3 per cent), and the exchange rate development had a negative impact of CHF 246 million (13.4 per cent).

EMEA generated the largest EBITDA contribution with CHF 978 million (50.9 per cent), followed by the Americas with CHF 535 million (27.9 per cent), and Asia-Pacific with CHF 407 million (21.2 per cent).

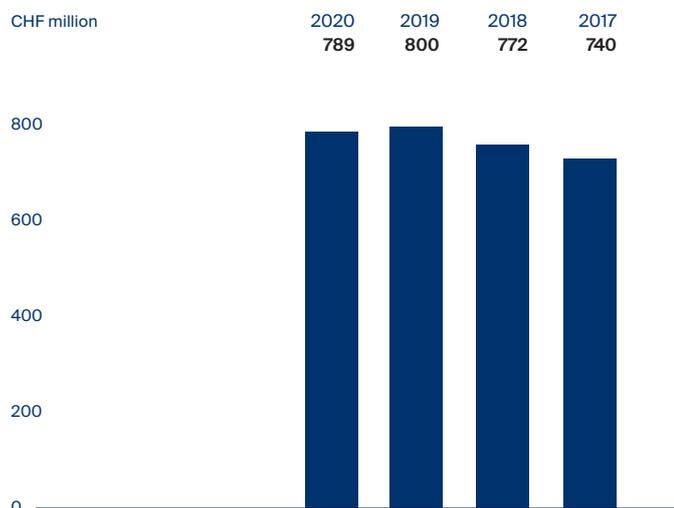
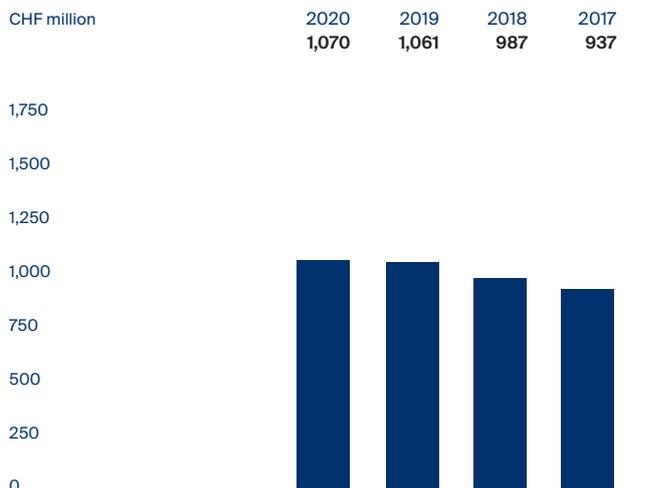
EBIT/Earnings for the year

In 2020, earnings before interest and tax (EBIT) increased by CHF 9 million to CHF 1,070 million (2019: CHF 1,061 million).

EBITDA

¹ Figures prior to 2019 have not been restated for the impact of IFRS 16 Leases.

The increase was mainly due to higher contribution from the organic business by CHF 75 million (7.0 per cent), whereas acquired business had a negative impact of CHF 2 million (0.2 per cent), the exchange rate development had a negative impact of CHF 64 million (6.0 per cent). The EBIT margin to net turnover for the Group increased to 5.2 per cent compared to 5.0 per cent in 2019. EBIT in per cent of gross profit (conversion rate), an important KPI for the Group, increased from 13.3 per cent in 2019 to 14.3 per cent in 2020.

Earnings for the year**EBIT**

In 2020, the region EMEA contributed CHF 444 million (41.5 per cent) to the Group's EBIT, followed by Asia-Pacific with CHF 318 million (29.7 per cent), and the Americas with CHF 308 million (28.8 per cent).

Earnings for the year 2020 decreased by CHF 11 million to CHF 789 million compared to the previous year's CHF 800 million, whereby the margin increased to 3.9 per cent (in per cent of net turnover) compared to the previous year's 3.8 per cent.

Financial position

In 2020, total assets and liabilities of the Group increased by CHF 26 million to CHF 9,851 million compared to 2019. The amount of cash and cash equivalents increased by CHF 787 million to CHF 1,697 million. For details of changes in the Balance Sheet and Cash Flow Statement, please refer to the Consolidated Financial Statements.

Trade receivables amounting to CHF 3,412 million represent the most significant asset of the Kuehne + Nagel Group. The days of trade receivables outstanding improved to 50.5 days as of December 2020 compared to the previous year's 52.5 days.

As of December 31, 2020, the equity of the Group increased by CHF 91 million to CHF 2,413 million compared to CHF 2,322 million as of December 31, 2019, which represents an equity ratio of 24.5 per cent (2019: 23.6 per cent).

Developments of other key financial indicators on capital structure are shown in the following table:

Kuehne+Nagel Group key figures on capital structure

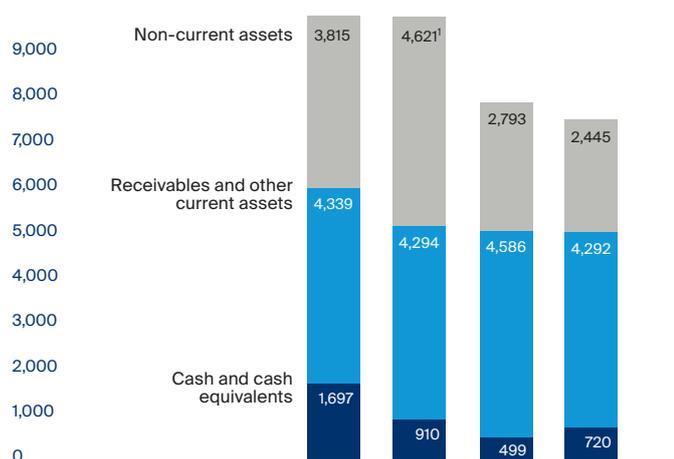
Key figures on capital structure	2020	2019	2018	2017	2016
1 Equity ratio (in per cent) *	24.5	23.6	29.5	31.2	34.2
2 Return on equity (in per cent)	32.8	33.6	32.4	32.1	32.8
3 Debt ratio (in per cent) *	75.5	76.4	70.5	68.8	65.8
4 Short-term ratio of indebtedness (in per cent)*	53.9	50.1	61.9	60.5	55.7
5 Intensity of long-term indebtedness (in per cent)*	21.6	26.2	8.6	8.3	10.1
6 Fixed assets coverage ratio (in per cent)	119.1	106.0	107.4	120.5	126.9
7 Working capital (in CHF million)	727	275	208	502	595
8 Receivables terms (in days)	50.5	52.5	54.2	53.9	46.6
9 Vendor terms (in days)	66.6	63.7	61.5	69.0	60.2
10 Intensity of capital expenditure (in per cent)*	38.7	47.0	35.5	32.8	34.9

* Figures prior to 2019 have not been restated for the impact of IFRS 16 Leases.

- 1 Total equity in relation to total assets at the end of the year.
- 2 Net earnings for the year in relation to share capital plus reserves plus retained earnings as of January 1 of the current year minus dividend paid during the current year as of the date of distribution plus capital increase (incl. share premium) as of the date of payment.
- 3 Total liabilities minus equity in relation to total assets.
- 4 Short-term liabilities in relation to total assets.
- 5 Long-term liabilities in relation to total assets.
- 6 Total equity (including non-controlling interests) plus long-term liabilities in relation to non-current assets.
- 7 Total current assets minus current liabilities.
- 8 Turnover in relation to receivables outstanding at the end of the current year.
- 9 Expenses for services from third parties in relation to trade liabilities/accrued trade expenses at the end of the current year.
- 10 Non-current assets in relation to total assets.

Assets

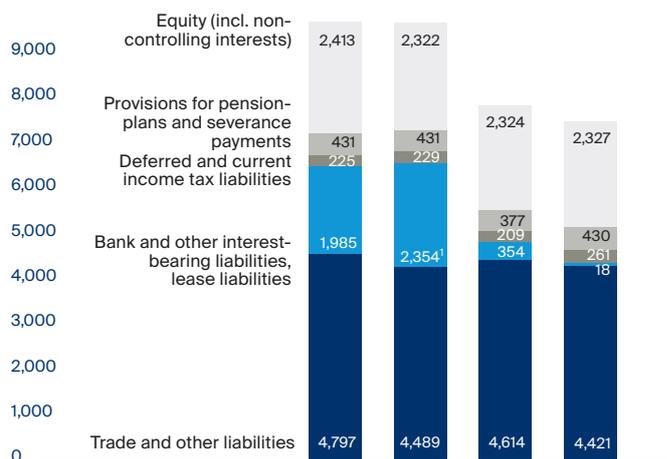
CHF million	2020	2019	2018	2017
	9,851	9,825	7,878	7,457



1 Figures prior to 2019 have not been restated for the impact of IFRS 16 Leases.

Liabilities and equity

CHF million	2020	2019	2018	2017
	9,851	9,825	7,878	7,457



1 Figures prior to 2019 have not been restated for the impact of IFRS 16 Leases.

Investments and depreciation

Property, plant and equipment

The Group continues to operate an asset-light business model and invests only into strategically important locations with high demand for state of the art or industry-specific logistics space.

In 2020, the Kuehne+Nagel Group invested a total of CHF 177 million (2019: CHF 320 million) in fixed assets. Investments in properties and buildings amounted to CHF 16 million (2019: CHF 59 million). CHF 161 million (2019: CHF 261 million) were invested in other fixed assets, operating and office equipment.

Depreciation of property, plant and equipment for the year 2020 amounted to CHF 185 million (2019: CHF 206 million). Refer to note 26 of the Consolidated Financial Statements for further details.

All capital expenditure in 2020 was financed through operational cash flow.

In 2020, the following major investments were made in properties and buildings:

Location	CHF million	Centres
Villefranche, France	8	Reconstruction of a logistics facility
Bremen, Germany	4	Construction of a new office building
Others	4	
Total Group	16	

The allocation of investments in other fixed assets, operating and office equipment by category is as follows:

CHF million	2020	2019
Operating equipment	69	107
Vehicles	10	26
Leasehold improvements	40	70
IT hardware	33	43
Office furniture and equipment	9	15
Total Group	161	261

The allocation by region is as follows:

CHF million	2020	2019
EMEA	118	165
Americas	27	57
Asia-Pacific	16	39
Total Group	161	261

The allocation by business unit is as follows:

CHF million	2020	2019
Sea Logistics	13	20
Air Logistics	16	22
Road Logistics	19	31
Contract Logistics	113	188
Total Group	161	261

Right-of-use assets

A total of CHF 512 million (2019: CHF 688 million) was invested in right-of-use assets. The allocation of investments in right-of-use assets is as follows:

CHF million	2020	2019
Buildings	418	598
Operating equipment	46	37
Vehicles	48	53
Total Group	512	688

The allocation by region is as follows:

CHF million	2020	2019
EMEA	394	422
Americas	68	195
Asia-Pacific	50	71
Total Group	512	688

The allocation by business unit is as follows:

CHF million	2020	2019
Sea Logistics	31	19
Air Logistics	24	21
Road Logistics	30	35
Contract Logistics	427	613
Total Group	512	688

Depreciation of right-of-use assets amounted to CHF 506 million (2019: CHF 497 million). Refer to note 27 of the Consolidated Financial Statements for further details.

Acquisitions

Effective January 7, 2020 the Group acquired 100 per cent of the shares of the road 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 overland transportation as well as contract logistics services for Dutch, Belgian and international customers. It manages cross-dock facilities in the Netherlands and in Belgium.

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, Inc. (NYSE: XPO). The scope of the transaction includes the drinks logistics, food services and retail & technology businesses, whereas the pharma & healthcare businesses are retained. On December 31, 2020, the assets and liabilities related to this divestment are classified as assets held for sale (CHF 434 million) and liabilities directly associated with the assets held for sale (CHF 419 million) and are presented separately in the Balance Sheet. Impairments of goodwill allocated to the disposal group of CHF 18 million as well as CHF 49 million of the other assets were recognised to reduce the net carrying amount of the assets held for sale to their fair value less costs to sell. In addition, the Group recorded transaction costs of CHF 4 million (included in the line item "selling, general and administrative expenses" in the Income Statement). The transaction closed on January 1, 2021.

Agreed upon acquisition

On February 22, 2021, the Group entered into an agreement to acquire 87.3% of the shares of Apex International Corporation (Apex), one of the leading Asian freight forwarders, especially in the transpacific and intra-Asia. The Group of companies is a renowned specialist for air logistics services, founded in China in 2001 and headquartered in Shanghai and Hong Kong. With approximately 1,600 employees, Apex generates a yearly turnover in excess of CHF 2.1 billion. In 2020, it handled a total air freight volume of approximately 750,000 tons and sea freight volume of 190,000 TEU. The acquisition of Apex follows the Group's strategic growth ambition in Asia. The purchase price in the range between CHF 1.1 and 1.2 billion will be financed by the Company's own funds and, if needed, by available credit lines. The acquisition is subject to customary closing conditions, including merger clearance by the competent competition authorities. The transaction is expected to close in the third quarter of 2021.

Business units

The main contributor to the Group's result are the business units Sea and Air Logistics. In 2020, major profitability improvements were generated in the Air Logistics business unit.

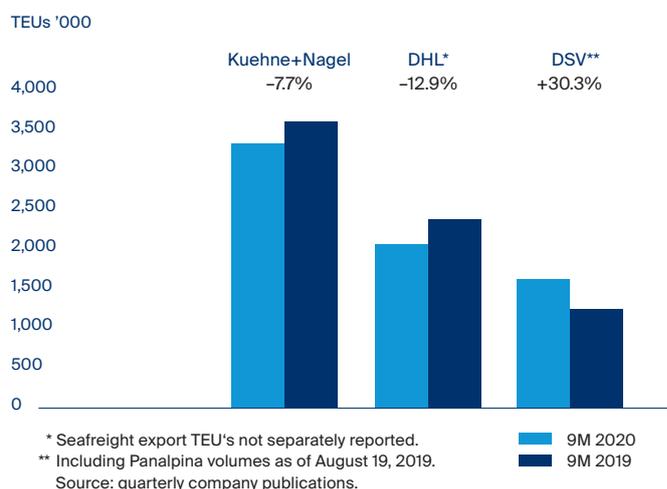
Sea Logistics

Sea Logistics volumes decreased by 6.8 per cent to 4,529,000 TEUs. Specialised services for temperature controlled cargo in reefer containers, pharma and e-commerce have significantly contributed to the result. In an uncertain market environment during COVID-19 pandemic Kuehne+Nagel maintained its global leading position in Sea Logistics. Customers from the pharma and healthcare industry use Kuehne+Nagel to handle temperature-

sensitive products. From a regional perspective, the volume increase of imports in Europe and North America from Asia has continued in 2020. Despite lower SME (small and medium-sized enterprises) volumes a favourable cargo mix and tight cost control contributed to the increased margins. In 2020, the absolute amount of EBIT decreased by 7.2 per cent compared to the previous year, while the ratio of EBIT to gross profit (conversion rate) increased to 29.9 per cent (2019: 29.6 per cent).

It remains the Group's target to achieve volume growth that is substantially above the market and thereby gaining market shares. Simultaneously, the Group's focus is on the Sea and Air Logistics profitability and continuous efficiency gains through productivity improvements.

Sea Logistics volumes: Market growth ~ -5%



Performance Sea Logistics

CHF million	2020	2019	2018
Turnover	8,973	9,751	9,366
Net turnover	7,091	7,457	7,129
Gross profit	1,417	1,539	1,482
EBITDA	451	485	441
EBIT	423	456	418
EBIT in per cent of gross profit (conversion rate)	29.9	29.6	28.2
Number of operating staff	10,393	10,535	10,025
TEUs '000	4,529	4,861	4,690

Air Logistics

Due to the global reduction in Air Logistics volumes, the Group experienced lower levels of volumes by 12.8 per cent with 1,433,000 tons, therewith maintaining the number two position in the global airfreight market. EBIT-to-gross-profit margin increased to 37.9 per cent in 2020 (2019: 25.0 per cent). EBIT increased by 53.5 per cent compared to the previous year. In 2020, the increased demand for transport services of higher yielding crisis related goods contributed to better results. A positive one-off impact related to a former acquisition of net CHF 63 million impacted EBIT significantly. While demand in certain industries increased, volumes in other industries, especially in automotive, aviation and aerospace, reduced until Q2 2020. The automotive and perishables industries show signs of recovery starting in the second half of the year 2020 while the aviation sector remained weak.

The outlook for the time-critical logistics business, acquired through Quick International Courier (Quick) at the end of 2018, was affected negatively by the COVID-19 pandemic, driven from a down-trading of several major aviation customers. The recovery of these customers is uncertain and depending on the recovery of air travel – which is expected to take well beyond 2021 and will not return to pre-crisis levels until 2024 as per the International Air Transport Association (IATA). In the third quarter 2020, a slower than initially expected recovery of the aviation sector and the changed medium and long-term outlook for aviation customers led to an impairment charge of other intangible assets (customer lists) in Air Logistics of CHF 52 million.

In the light of the above, the Kuehne+Nagel Group reached an agreement with the sellers of Quick for an early settlement of the contingent consideration, resulting in the aforementioned net

positive one-off impact of CHF 63 million. Further details regarding the measurement of contingent considerations are described in note 45.

The successful global COVID-19 vaccine rollout will heavily depend on an efficient and fast distribution. Most notably, the Kuehne+Nagel Group has entered into an agreement with Moderna, Inc. (NASDAQ: MRNA) to support the storage and distribution of its COVID-19 vaccine via road and air using the existing network of more than 240 pharma certified operations worldwide.

The Group has developed world class expertise in industry- and product-specific supply chain services through various strategic programmes. Organic growth in areas such as perishables and pharma logistics, together with selected bolt-on acquisitions, continue to ascertain the Group's leading position.

Performance Air Logistics

CHF million	2020	2019	2018
Turnover	5,817	5,465	5,620
Net turnover	5,194	4,653	4,870
Gross profit	1,331	1,317	1,202
EBITDA	600	394	380
EBIT	505	329	355
EBIT in per cent of gross profit (conversion rate)	37.9	25.0	29.5
Number of operating staff	7,845	8,115	7,412
Tons '000	1,433	1,643	1,743

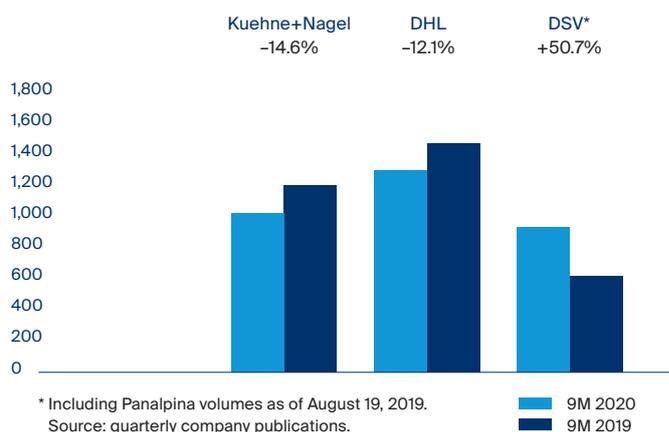
Road Logistics

Road Logistics experienced a strong decline in net turnover by 10.2 per cent in 2020, due to down-trading caused by the COVID-19 pandemic measures with reduced land transport activities in Europe. The Group continued to expand its service offering through the acquisition of Rotra in Belgium and the Netherlands to further intensify the Europe-wide road transportation. The key performance indicator EBITDA to net turnover margin deteriorated to 3.7 per cent from previous year's 3.8 per cent. EBIT decreased to CHF 62 million (2019: CHF 78 million).

While the second quarter of 2020 was characterised by a significant decline in Road Logistics volumes, the third quarter marked a significant increase in the number of shipments. In particular, the

Air Logistics volumes: Market growth ~ -11%

Tons '000



demand for national transport capacities in Europe was at pre-crisis level. In North America, demand for all product segments, with the exception of pharma & healthcare and e-commerce, was well below the previous year. In the last quarter, however, a further recovery in the market was evident.

Further, the digital platform "Your Easy Brexit Solution" developed by Kuehne+Nagel enables uninterrupted shipping of goods to and from the UK. With this digital solution, Kuehne+Nagel customers can handle customs processes automatically.

With the expansion of services to industry-specific solutions, Road Logistics has significantly contributed to the success of the Group's integrated logistics offering.

Performance Road Logistics

CHF million	2020	2019	2018
Turnover	3,633	4,102	4,009
Net turnover	3,222	3,586	3,526
Gross profit	1,089	1,121	1,088
EBITDA	119	136	118
EBIT	62	78	76
EBIT in per cent of gross profit (conversion rate)	5.7	7.0	7.0
Number of operating staff	9,363	8,781	8,456

Contract Logistics

The focus on specialised end-to-end solutions for industries such as high-tech, consumer goods, pharmaceuticals, healthcare, and e-commerce fulfilment led to numerous new customer contracts. However, overall lower demand caused by COVID-19 down-trading, impacted net turnover (net of currency impact) negatively and the Group recorded a negative growth of 9.7 per cent for 2020. Market share gains in pharma & healthcare services and in e-commerce fulfilment as well as productivity gains improved the operational results.

At the same time the Group has focused on a customer portfolio that allows leveraging the other business units and makes use of scalable and sustainable logistics solutions. This has led to the reshaping of business size in some European countries including adaption of the real estate footprint. This initiative was successfully completed in 2020.

EBITDA to net turnover margin improved to 15.4 per cent versus 15.1 per cent in 2019. The sale of a major part of the Contract Logistics business in the UK had a negative one-off impact on EBIT of CHF 62 million. Hence, EBIT decreased by 59.6 per cent.

Kuehne+Nagel further strengthened its global leading position in the field of integrated logistics. The Group offers specialised global end-to-end supply chain management solutions, which are managed from logistics control towers and performed in seamless operation with other business units, supporting customers to optimise their value chain. Integrated logistics experts develop, implement and manage solutions that streamline the customer's supply chain to make it lean, agile and demand-driven.

Performance Contract Logistics

CHF million	2020	2019	2018
Turnover	5,389	5,977	5,830
Net turnover	4,875	5,398	5,249
Gross profit	3,638	4,004	3,937
EBITDA	750	814 ¹	270
EBIT	80	198	138
EBIT in per cent of gross profit (conversion rate)	2.2	4.9	3.5
Number of operating staff	39,360	43,661	43,694
Warehousing and logistics space in sqm	11,343,955	11,388,643	11,587,597
Idle space in sqm	227,889	336,696	343,081
Idle space in per cent	2.0	3.0	3.0

¹ Figures prior to 2019 have not been restated for the impact of IFRS 16 Leases.

Shareholder return

Dividend

For 2020, the Board of Directors is proposing a dividend amounting to CHF 4.50 per share for approval at the Annual General Meeting. If the dividend proposal is approved by the shareholders, the dividend payment on the shares will amount to CHF 538 million

(2019: CHF 478 million) resulting in a payout ratio of 68.3 per cent (2019: 60.0 per cent) of the earnings for the year attributable to the equity holders of the Company. Based on the share price at year-end 2020, the dividend yield on the Kuehne+Nagel share is 2.0 per cent (2019: 3.7 per cent).

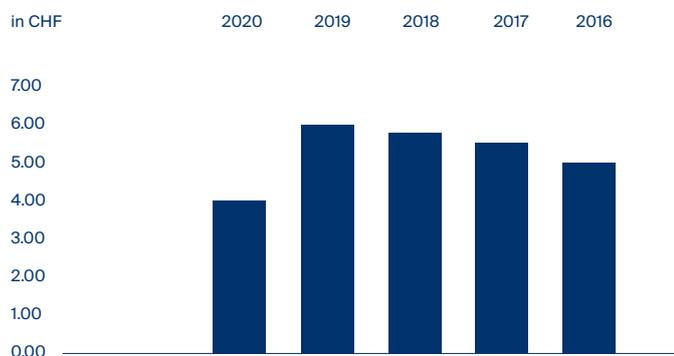
Share price and market capitalisation (December 31)

Share price and market capitalisation	2020	2019	2018	2017	2016
Share price (in CHF)	200.80	163.20	126.35	172.50	134.60
Market capitalisation (in CHF million)	24,096	19,584	15,162	20,700	16,152

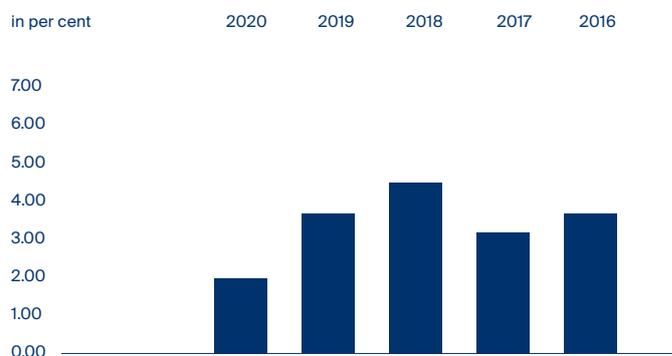
Total shareholder return development

in CHF per share	2020	2019	2018	2017	2016
Increase/(decrease) of share price year over year	37.60	36.85	-46.15	37.90	-3.20
Dividend per share paid	4.00	6.00	5.75	5.50	5.00
Total return	41.60	42.85	-40.40	43.40	1.80
Dividend yield in per cent	2.0	3.7	4.6	3.2	3.7

Dividend per share paid



Dividend yield



Risk management, objectives and policies

Group risk management

Risk management is a fundamental element of the Group's business practice on all levels and is embedded into the business strategy, planning and controlling processes of the Group. Material risks are monitored and regularly discussed within the Risk and Compliance Committee and the Audit Committee of the Board of Directors.

The Risk and Compliance Committee headed by the CEO and the CFO, the Chief Compliance Officer, the Head of Internal Audit, and the Group General Counsel as members, monitors the risk profile of the Group and the development of essential internal controls to mitigate these risks.

A risk is defined as the possibility of an adverse event which has a negative impact on the achievement of the Group's objectives.

The Group carries out an annual risk assessment and in conformity with the Swiss Code of Best Practice for Corporate Governance; the Group's risk management system covers both financial and operational risks.

Risk management as an integral part of the Internal Control System (ICS) for financial reporting

Risk management is incorporated within the ICS. Preventive, risk-mitigating measures to control risks are proactively taken at different levels and are an integral part of management responsibility.

Risk assessment in 2020

An independent risk assessment procedure is implemented for operational risks review. The Regional Management is interviewed on a regular basis in order to assess the risks for each country in their respective region. In addition, each Management Board member assesses the overall strategic risk exposure of the Group. Within the framework of the Corporate Governance process, the updated risk assessment is presented to the Audit Committee of the Board of Directors.

Financial risks analysis and assessment are carried out by the finance and accounting department.

The following risk areas have been identified amongst others for which mitigating actions have been implemented:

- Financial risks such as development of interest rates, credit and financial markets and currency risks are constantly monitored and controlled by the corporate finance and accounting department.

- Risks of unstable macroeconomic developments as well as the uncertainties in the financial markets. These risks are mitigated by appropriate risk diversification and avoidance of regional and industry clustering.
- Risks of political instability, civil war and pandemic or epidemic spread of diseases is constantly monitored and assessed for impact on the business model as well as on the staff. The group keeps back-up structures and business continuity plans updated.
- Risks related to IT network availability, IT data and security are managed by the permanent monitoring of systems, redundant infrastructure as well as interlinked data centers with back-up structures and business continuity plans.
- The increase of regulations, growing complexity and customer expectations have led to rising security requirements and risks; such risks and requirements are considered in the planning of supply chain solutions and worldwide operation.
- Organised crime, terrorism, legal and non-compliance risks such as fraud, intentional and unintentional violations of the law and internal regulations are counteracted by comprehensive and worldwide staff training and a network of compliance officers at regional and national levels.

Organisation of risk management

A continuous dialogue between the Management Board, Risk and Compliance Committee and Audit Committee ensures the Group's effective risk management. The risk management system is governed by the Risk Assessment Guideline defining risk groups and sub-groups, the structure and the process of risk assessments. The risk catalogue is reviewed regularly and critical analysis ensures a continuous development of the risk management system.

Summarised assessment of the risk situation

Based on the risk assessment, the most material risks remain the uncertainty of the global economic development, in particular in relation to the COVID-19 measures, the geopolitical instability, volatile currency fluctuations and the financial markets, thus all of those factors being in focus of the management.

Since the overall development of the COVID-19 pandemic is still unforeseeable, predictions remain difficult. The impact of the COVID-19 outbreak and containment measures taken by various governments are considered and assessments for the future are based on various scenarios. The Kuehne+Nagel Group has precautionary measures in place to provide safe working environments for its employees and maintain business continuity. Further details regarding the impact from COVID-19 pandemic are described in the Consolidated Financial Statements on pages 51 to 52.

In 2020, the Group successfully managed and partially mitigated the above risks and demonstrated high levels of resilience resulting in strong financial performance.

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