

Investor Presentation – 9M Results 2016



14 November 2016



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1

Introduction

- We continue to progress on our strategic initiatives and achieved a profit in Q3 2016 (after a disappointing H1)

2

Market Update

- The industry fundamentals are showing signs of improvement
- The sector is consolidating and approaching a turning point

3

HL Financials

- Rate levels have stabilized with some positive reactions lately
- We are delivering on our cost savings with top-tier unit costs

4

UASC Merger

- UASC merger is strategically and operationally highly attractive
- Combined Entity is very well positioned to benefit from upturn

5

Next Steps

- Main focus going forward on further cost optimization, start of THE Alliance and completion of the transaction with UASC

Financial highlights:

We delivered a positive operating result in 9M 2016 ...



Transport volume

+1.3%

9M 2016: 5.7 TEU m

Freight rate

-17.7%

9M 2016: 1,037 USD/TEU

Transport expenses

-15.3%

9M 2016: 941 USD/TEU

EBITDA

USD 425 m

6.7% EBITDA margin

EBIT

USD 29 m

Positive operating result

Q3 EBIT:
USD 73 m

Group profit / loss

USD -149 m

0.2% ROIC annualized

Equity

USD 5.3 bn

44.6% equity ratio

Liquidity reserve¹⁾

USD 0.7 bn

Solid liquidity

Net debt

USD 3.8 bn

72.2% gearing

1) Including additional USD 60 m drawn from existing ABS program as of 31 October 2016 (after balance sheet date)

Strategic highlights:

... and continue to progress on our strategic initiatives



Way Forward



CUATRO and **OCTAVE** are expected to deliver synergies and earnings improvements of **USD 600 m** by 2017 – based on current predictions, **more than 90%** will already be **implemented in 2016**

In Q1, further measures were added – called **OCTAVE II** – leading to add. efficiency improvements of a **high double-digit USD million** figure by 2017

THE Alliance



THE Alliance plans to deploy a fleet of more than 240 modern ships in the **Asia / Europe, North Atlantic and Trans-Pacific** trade lanes including the Middle East and the Arabian Gulf / Red Sea

The start of **THE Alliance** as **the most integrated liner shipping consortia** is scheduled for April 2017 (subject to completion of all regulatory requirements)

UASC Merger



With the UASC acquisition **Hapag-Lloyd** is consolidating its market position as **one of the TOP 5 container lines**

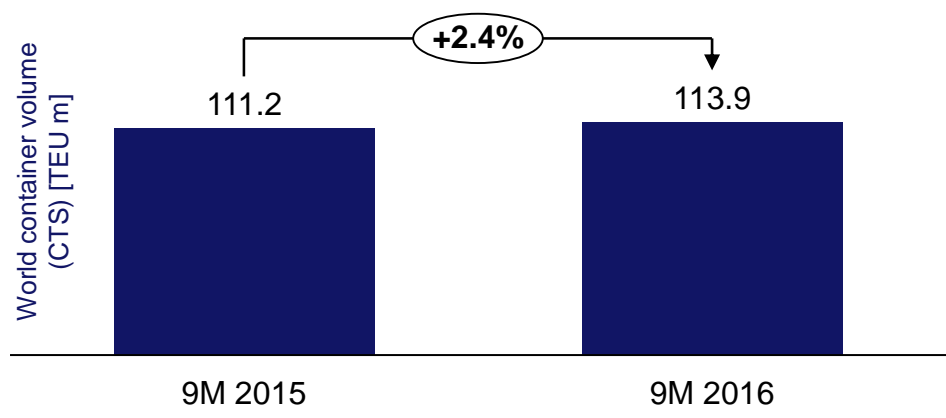
At the AGM **shareholders voted overwhelmingly for a new authorized capital** to issue up to 50 m new shares for completion of the deal

A **cash capital increase of USD 400 m within 6 months** of completion of the merger has been agreed

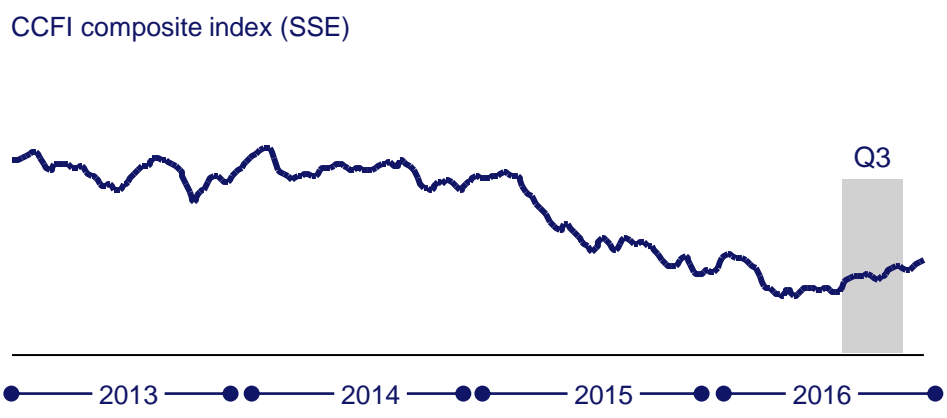
In Q3 most liners will continue to post negative results but freight rates are slowly improving from Q2 lows



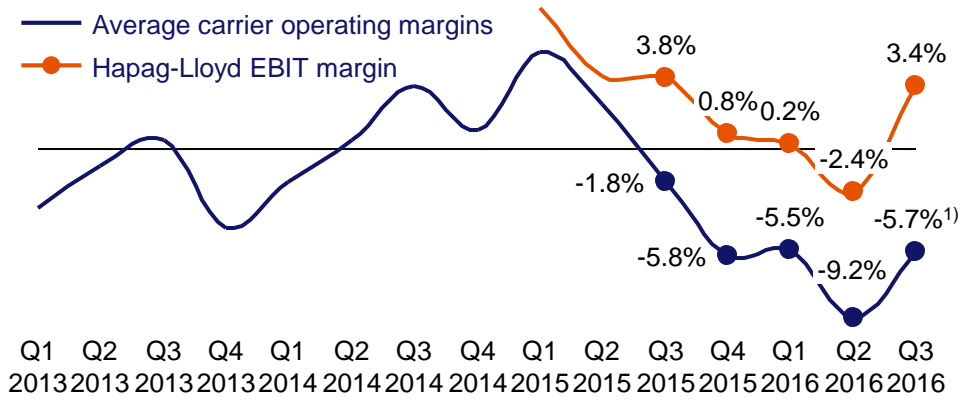
Global volumes in line with expectations ...



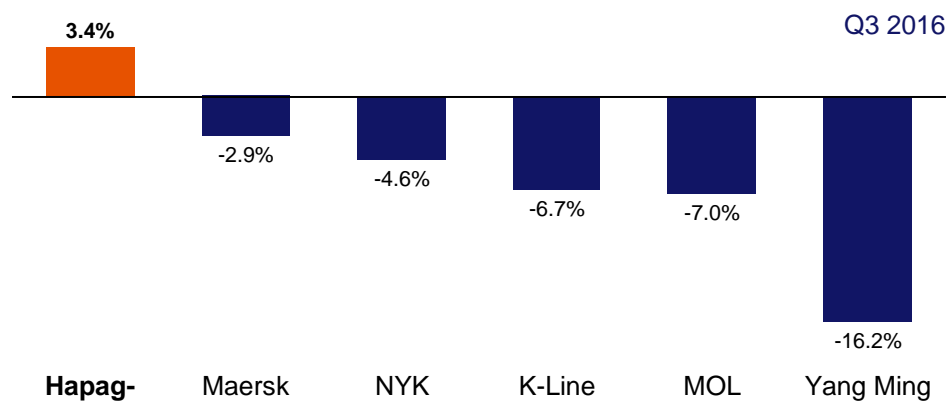
... while rates slowly improve from Q2 lows



Q3 average margins slightly improving ...



... but most carriers will still be negative



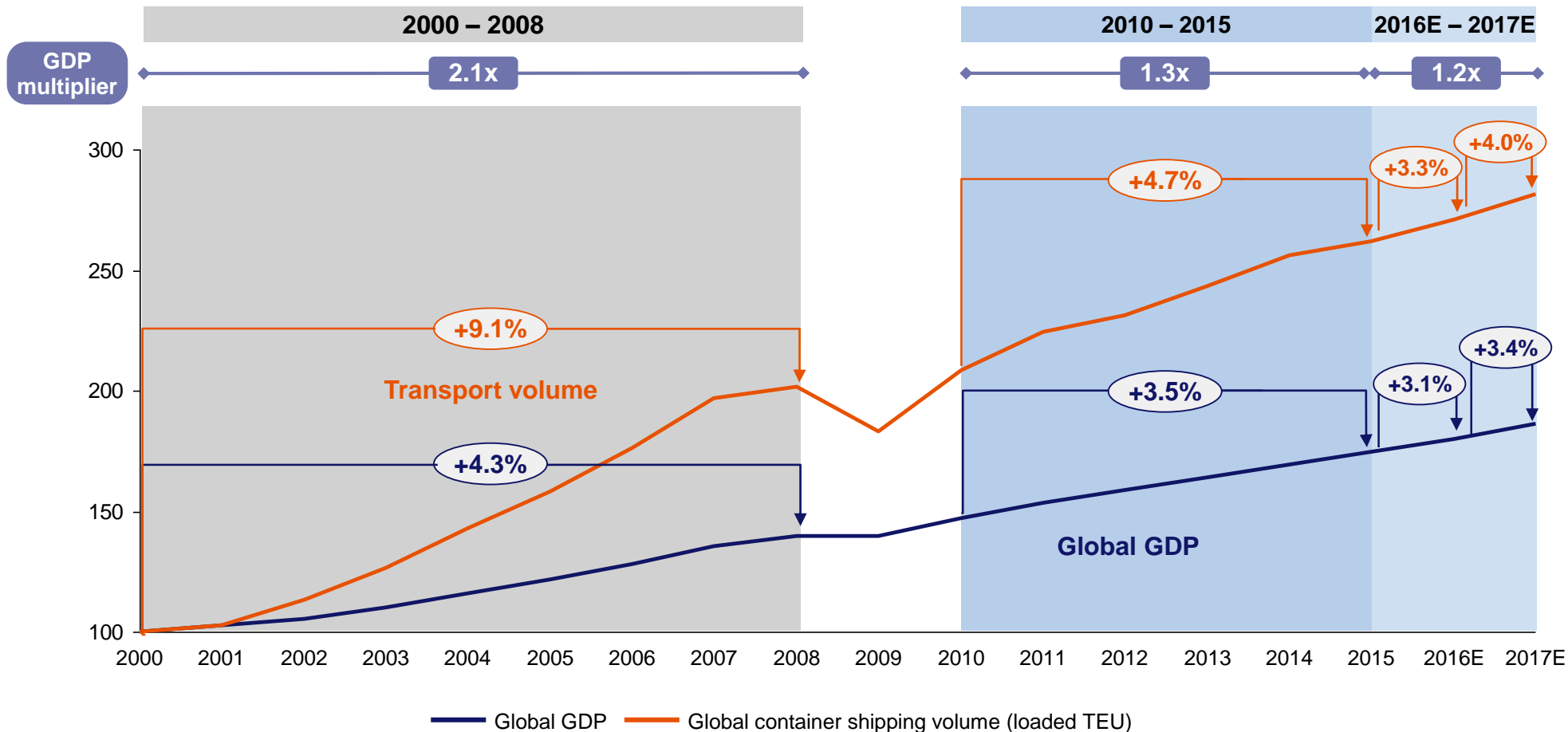
1) Calc. average EBIT margin of Hapag-Lloyd, Maersk, NYK, K-Line, MOL, Yang Ming

Demand: Container shipping remains an industry with healthy growth (and more balanced trade dynamics)



Container shipping volume and global GDP growth

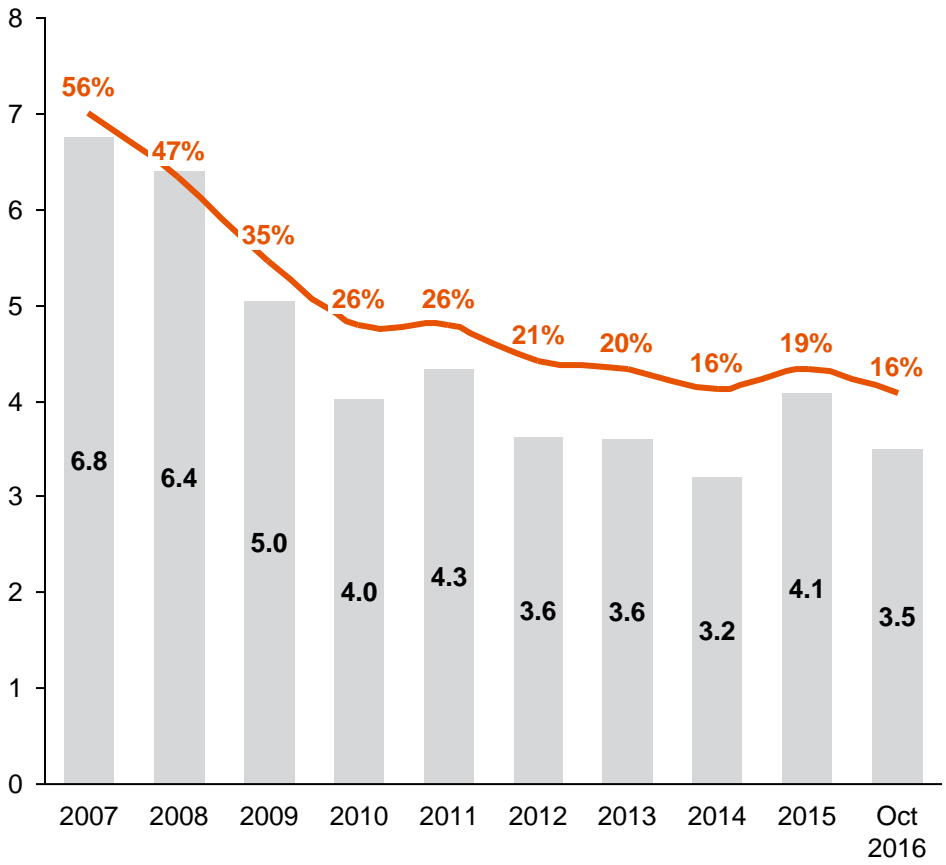
2000 = Indexed to 100



Source: Clarksons (November 2016), IMF WEO (October 2016)

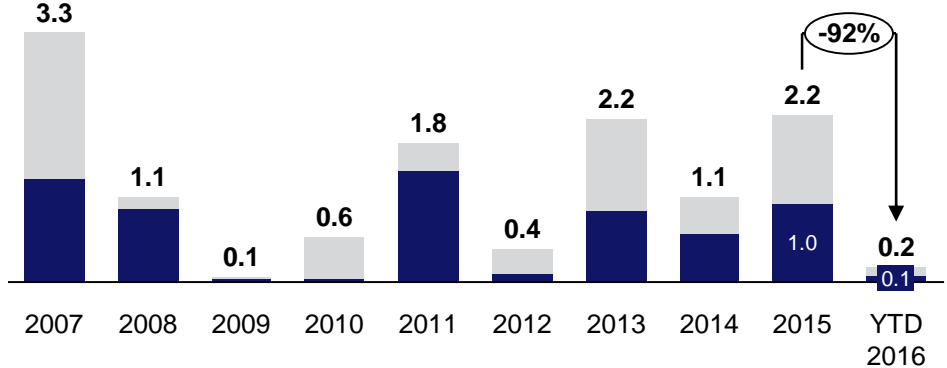
Orderbook continues to deplete ...

Orderbook-to-fleet [TEU m, %]



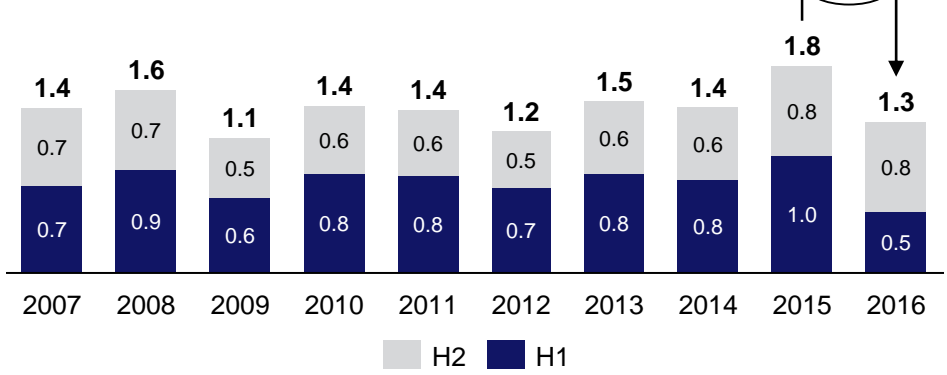
... with decreasing new orders ...

Orders placed by year [TEU m]



... and vessel deliveries slowing down

Vessel deliveries by year [TEU m]

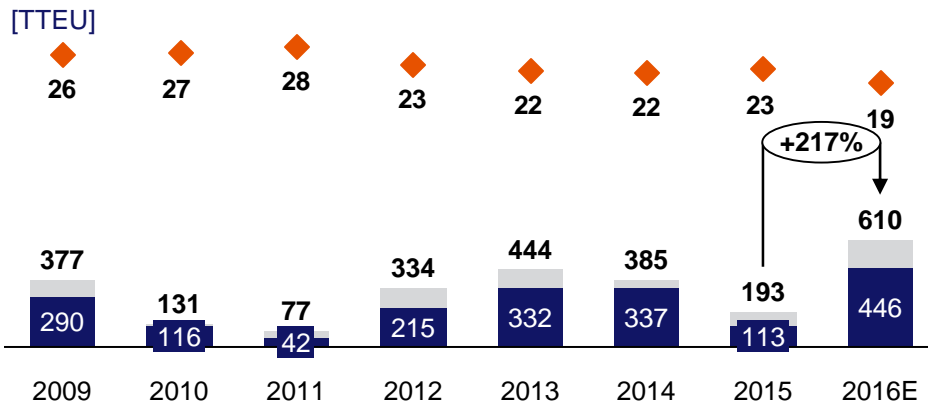


Source: Clarksons (November 2016), Transmodal (October 2016)

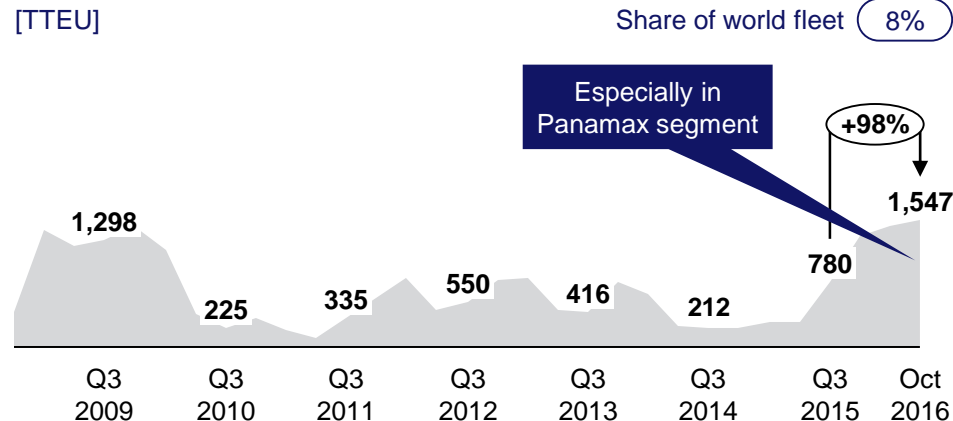
Supply: Scrapping and idling help to further reduce effective supply growth



Highest scrapping level ever ...

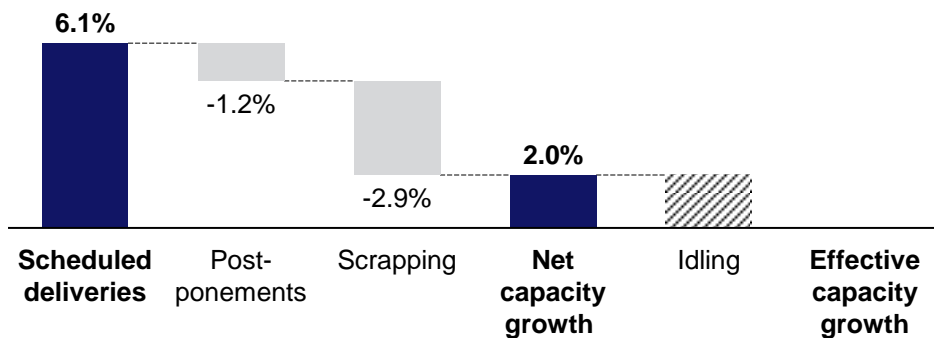


... and idling remains high ...

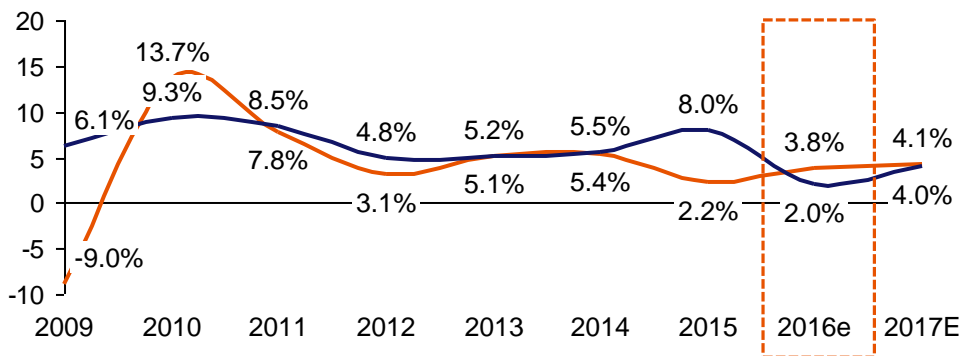


... keeping effective supply growth low ...

2016 estimated capacity growth



... slowly reducing supply / demand gap

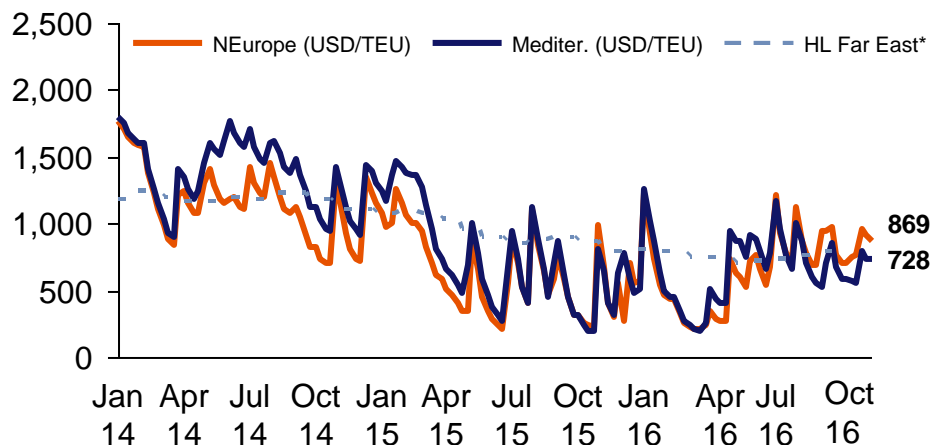


Source: Alphaliner, MDS Transmodal, Clarksons, Drewry

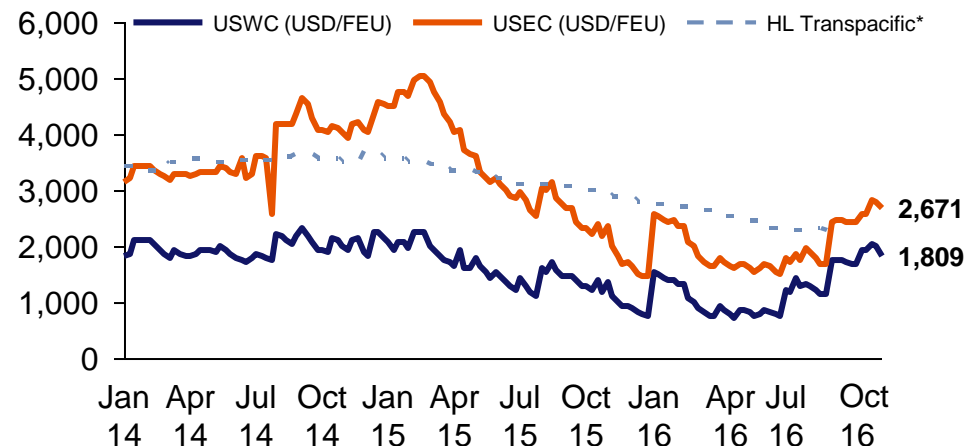
◆ Average age □ Q4 ■ 9M — Demand — Supply

Freight rates have started to stabilize slowly

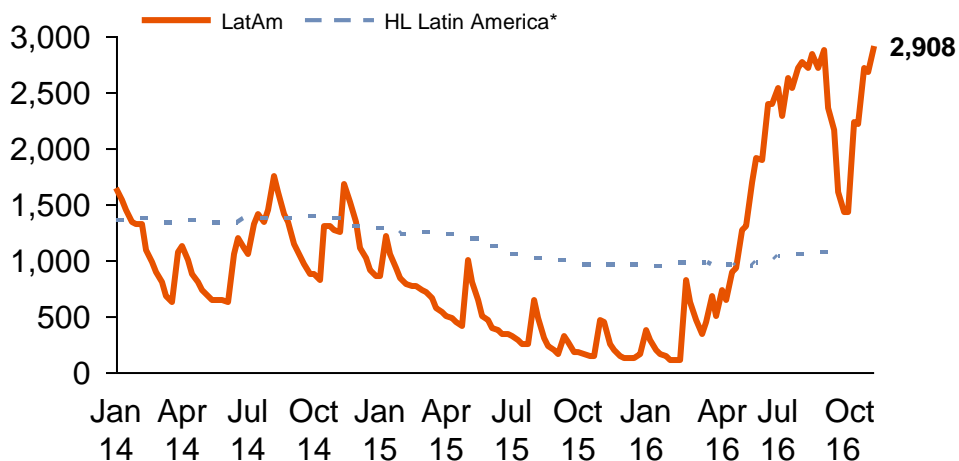
Shanghai – Europe (SCFI)



Shanghai – USA (SCFI)



Shanghai – Latin America (SCFI)



Comments

Further freight rate increases planned for 15 November and 1 December 2016 by various carriers, e.g.:¹⁾

- **Transpacific** USD/TEU 630, effective December
- **Asia-LatAm** USD/TEU 750, effective December
- **Asia-ISC** USD/TEU 200, effective November

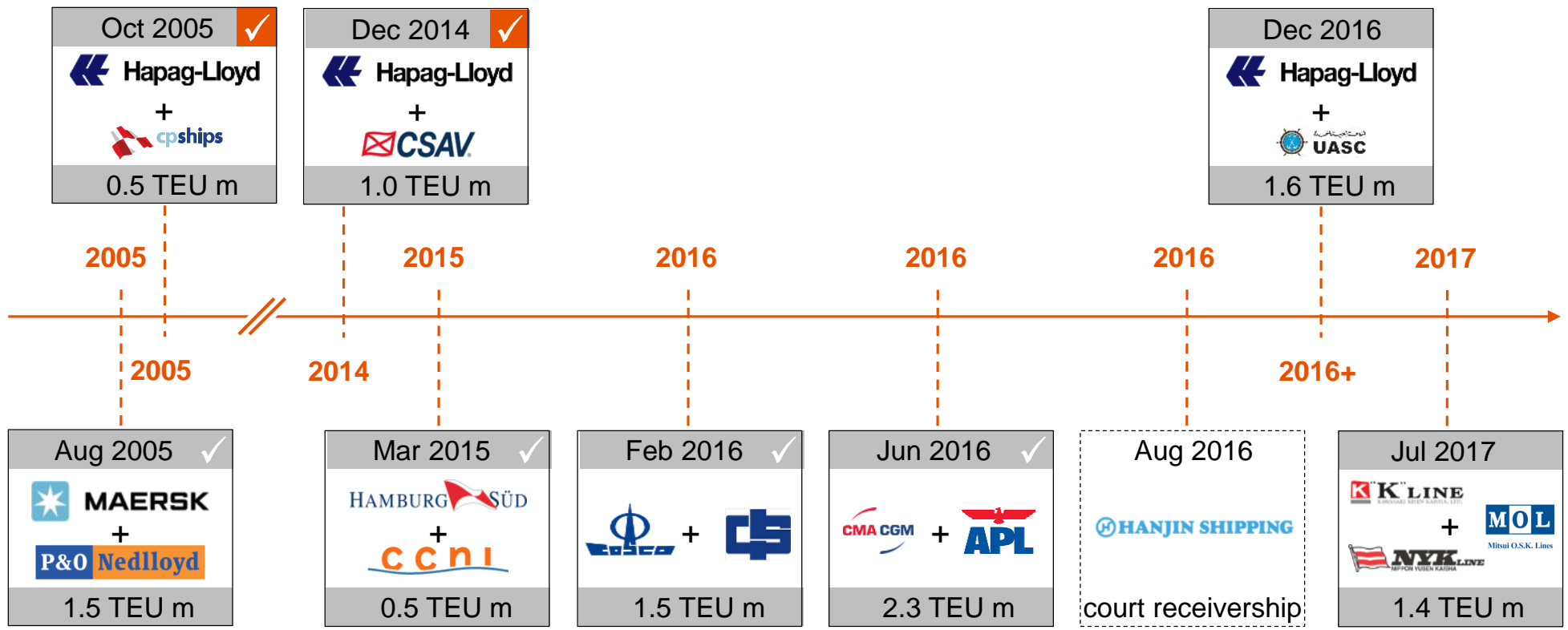
Hanjin insolvency releases pressure on rates (temporarily)

- Short term positive effect on Asia Europe
- Rate increase in Transpacific still holding
- Majority of Hanjin vessels will eventually reenter the market

Consolidation has accelerated as scale is important – Hapag-Lloyd is actively participating in that process



Consolidation in container shipping industry

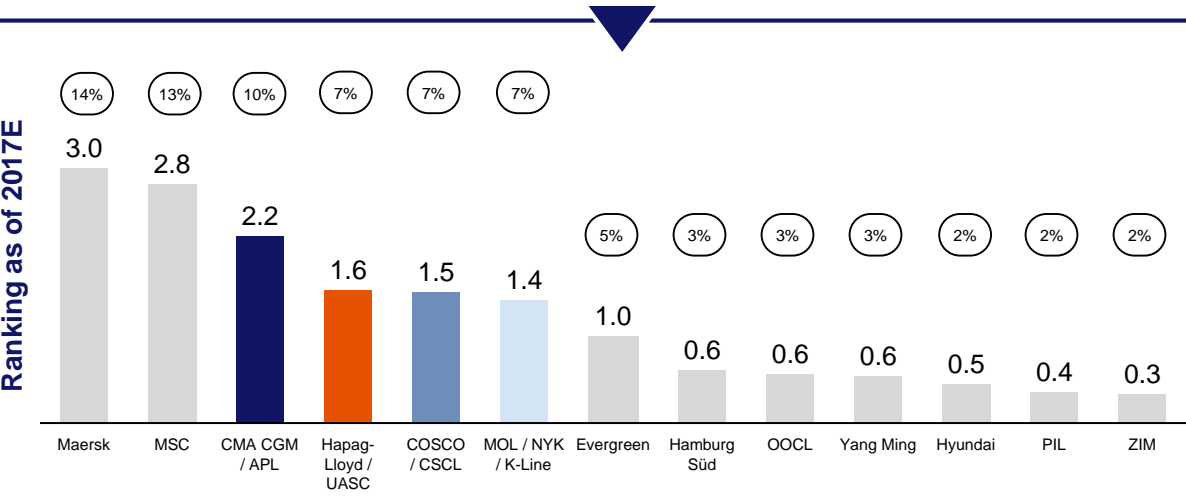
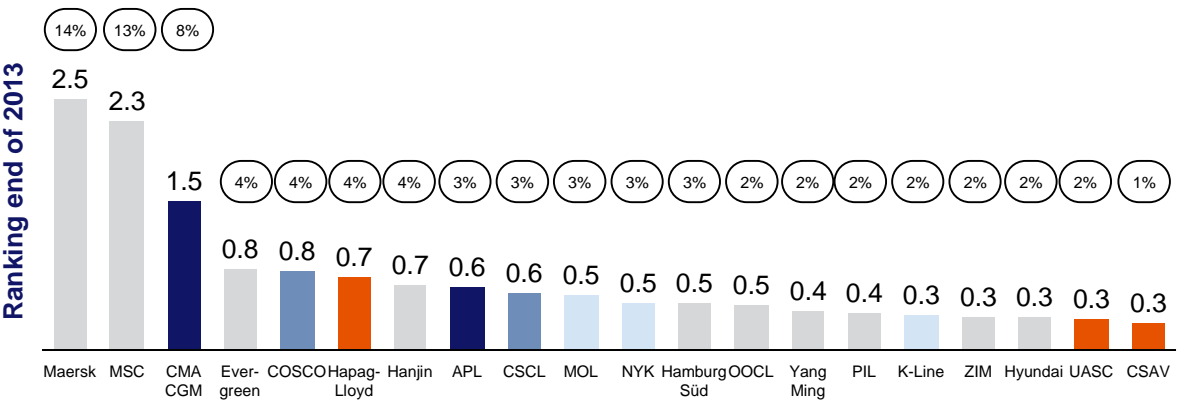


Current consolidation wave

Note: Diagram assuming that all currently announced mergers (Hapag-Lloyd & UASC; NYK & MOL & K-Line) will receive regulatory approvals and are executed as announced. Simple sum of stand-alone operating capacity.

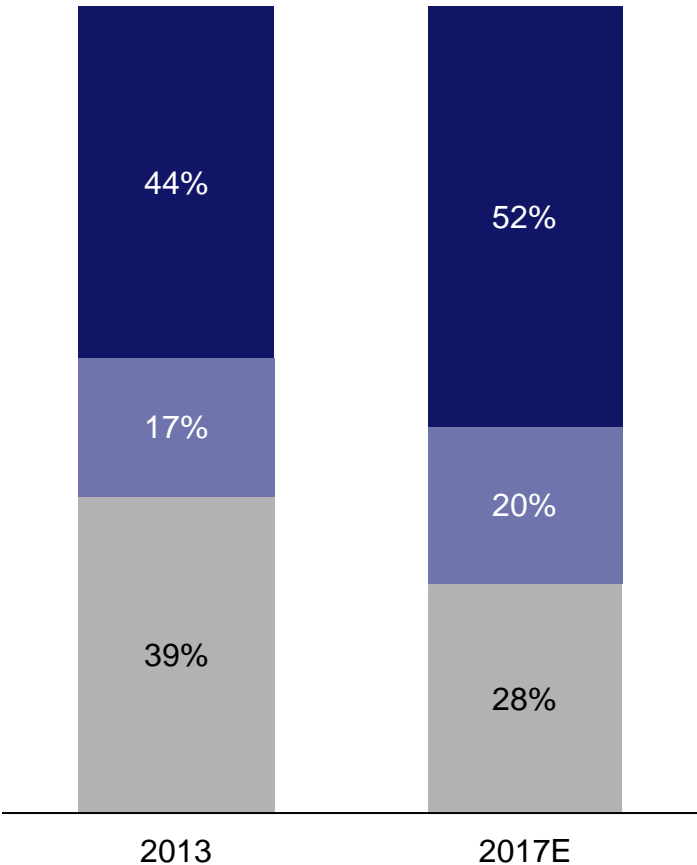
Current consolidation wave ...

Carrier capacity [TEU m] and global capacity share [%]



... leads to higher concentration

Global capacity share [%]

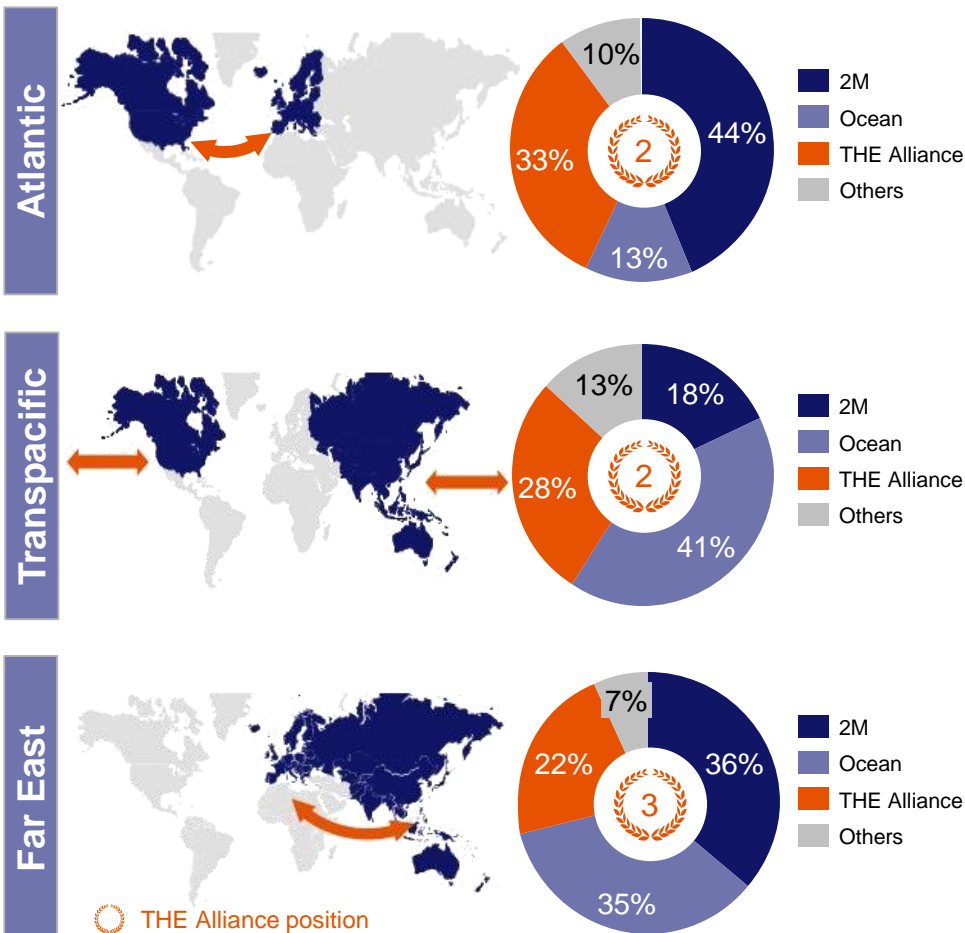


Note: Diagram assuming that all currently announced mergers (Hapag-Lloyd & UASC; NYK & MOL & K-Line) will receive regulatory approvals and are executed as announced. Simple sum of stand-alone operating capacity. Source: MDS Transmodal (October 2016, October 2013), Company data

On the back of this consolidation, alliances have been re-shaped with start of operations in April 2017



THE Alliance competitive on all trades



Strong partners in THE Alliance

- THE Alliance covers all East-West trades
 - Comprehensive network of 31 services will connect more than 75 major ports
- Binding agreement signed by all partners
 - Begin of operation in April 2017
 - The initial period will be 5 years
- Combined capacity of ~3.4 m TEU or around 17% of world fleet¹⁾ – vessel pool of more than 240 ships
- Leading product characterized by
 - fast transit times
 - broad port coverage
 - latest vessels
- After Japanese JV we are three strong partners in THE Alliance¹⁾:
 - Hapag-Lloyd (44%)
 - K-Line, MOL, NYK (40%)
 - Yang Ming (16%)

1) Total operating capacity of THE alliance partners, not all to be deployed in alliance (Hapag-Lloyd including UASC)

Hapag-Lloyd achieved a profit in the third quarter – Positive operating result after nine months



Hapag-Lloyd Results 9M 2016

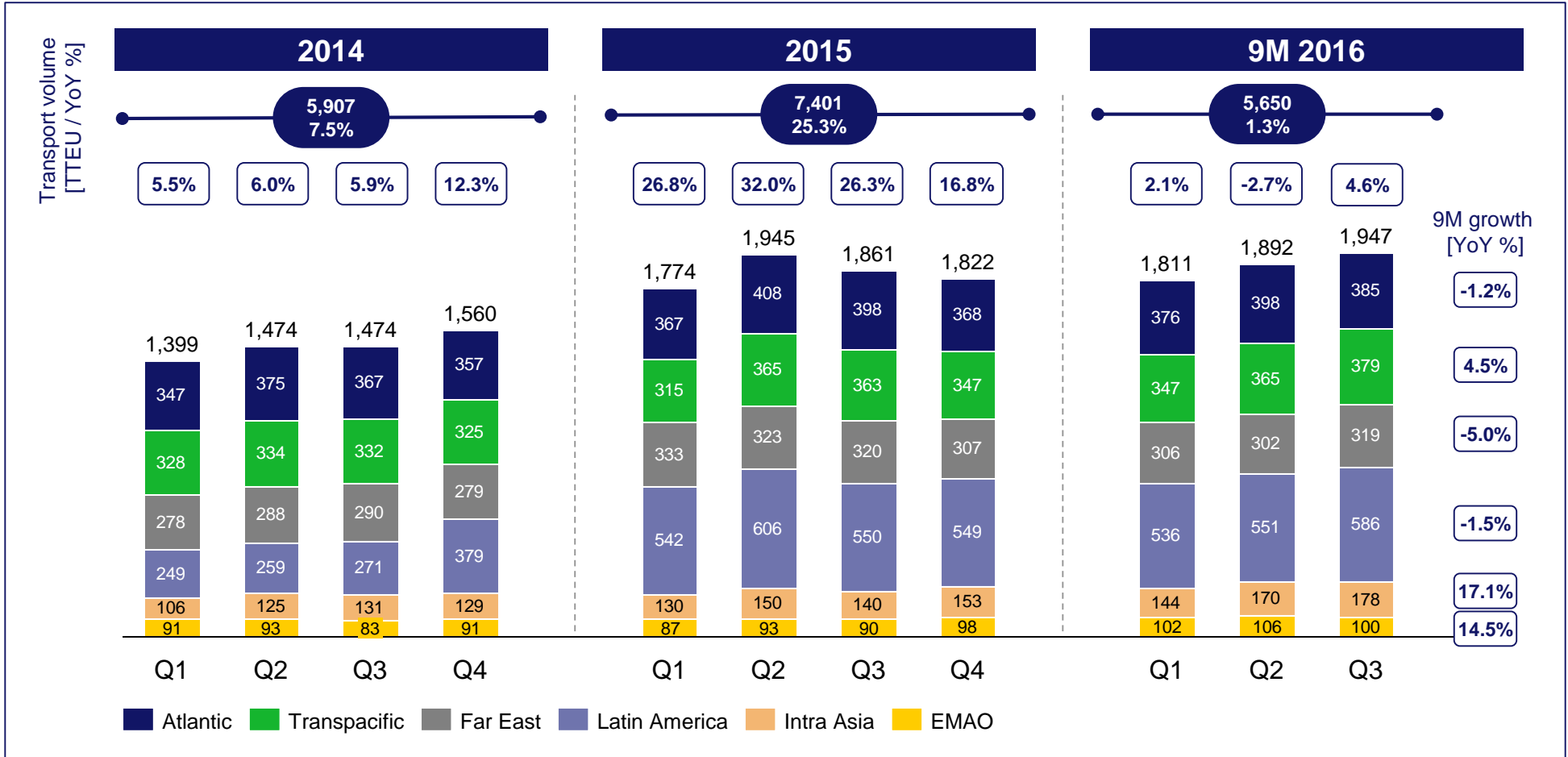
	Q1 2016	Q2 2016	Q3 2016	9M 2016	9M 2015	YoY Δ / %
Transport volume [TTEU]	1,811	1,892	1,947	5,650	5,579	71 / 1.3%
Freight rate [USD/TEU]	1,067	1,019	1,027	1,037	1,260	-223 / -17.7%
Bunker price [USD/t]	178	182	224	195	333	-138 / -41.5%
Exchange rate [EUR/USD]	1.10	1.12	1.13	1.12	1.12	-0.00 / -0.2%
Revenue [USD m]	2,124	2,088	2,152	6,364	7,598	-1,225 / -16.1%
EBITDA [USD m]	136	83	206	425	770	-345 / -44.8%
EBIT [USD m]	5	-50	73	29	389	-360 / -92.5%
EAT [USD m]	-47	-111	9	-149	179	-328 / n.m.
Investments [USD m]¹⁾	105	115	44	264	791	-527 / -66.6%

1) Balance sheet investments in PPE

Transport volume up 1.3% to 5.7 TEU m in 9M 2016



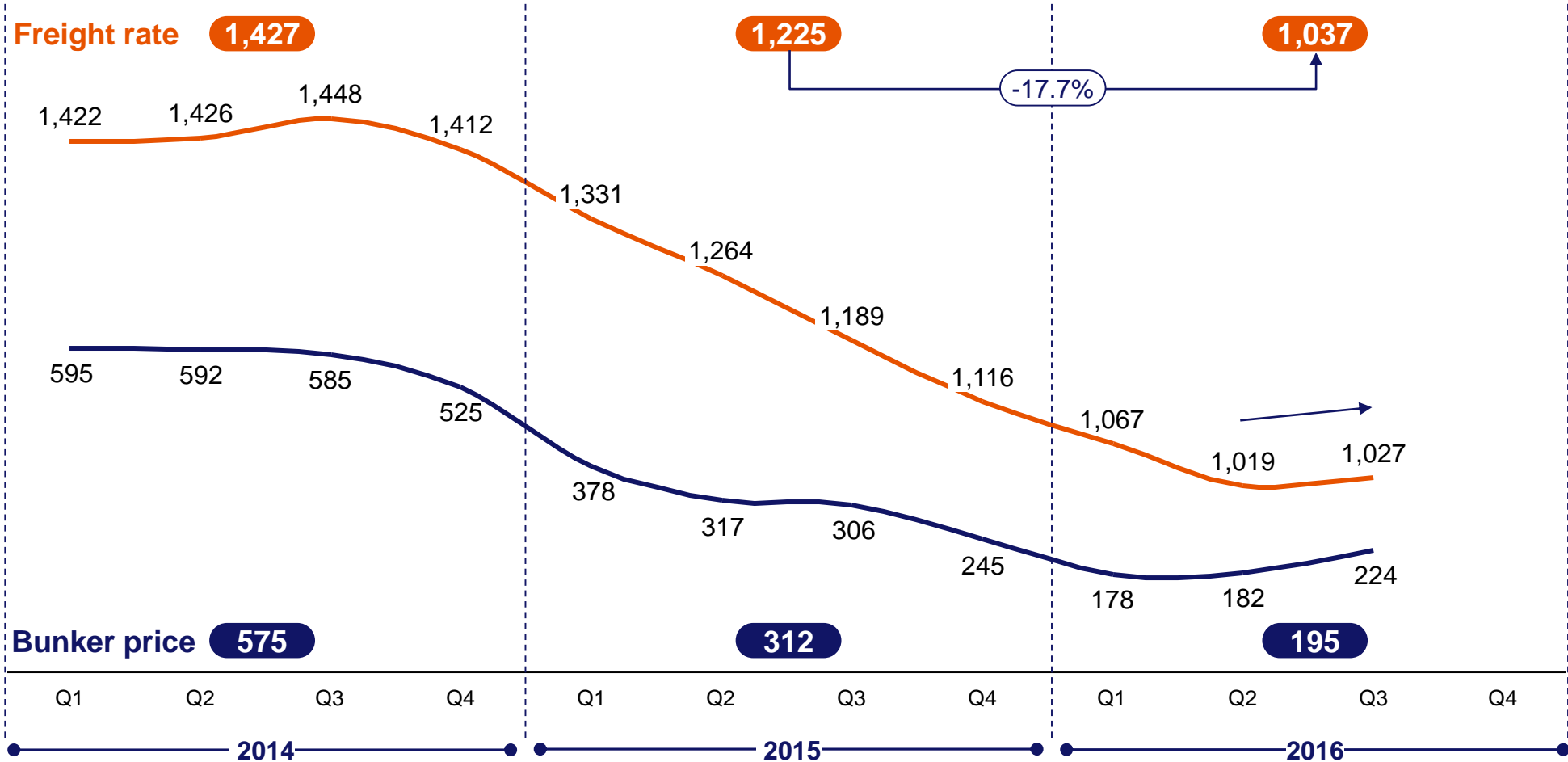
Transport volume [TTEU]



9M average freight rate decreased by 17.7% – But Q3 freight rate slight up vs. Q2 (first time after 2 years)



Freight rate¹⁾ [USD/TEU] vs. bunker price²⁾ [USD/t]

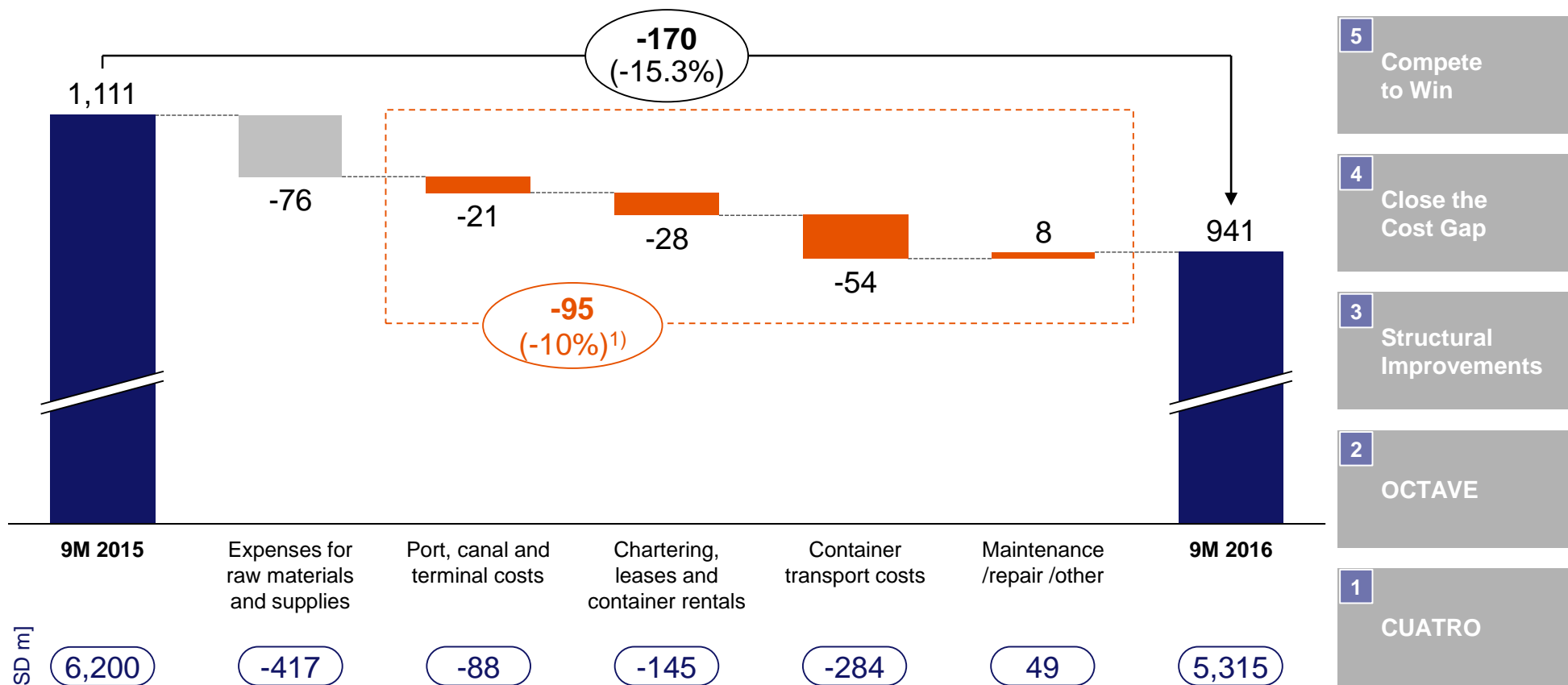


1) Hapag-Lloyd average freight rate for the period 2) Hapag-Lloyd average (MFO) consumption price for the period

Transport expenses reduced by USD 885 m thanks to bunker, synergies and efficiency programs

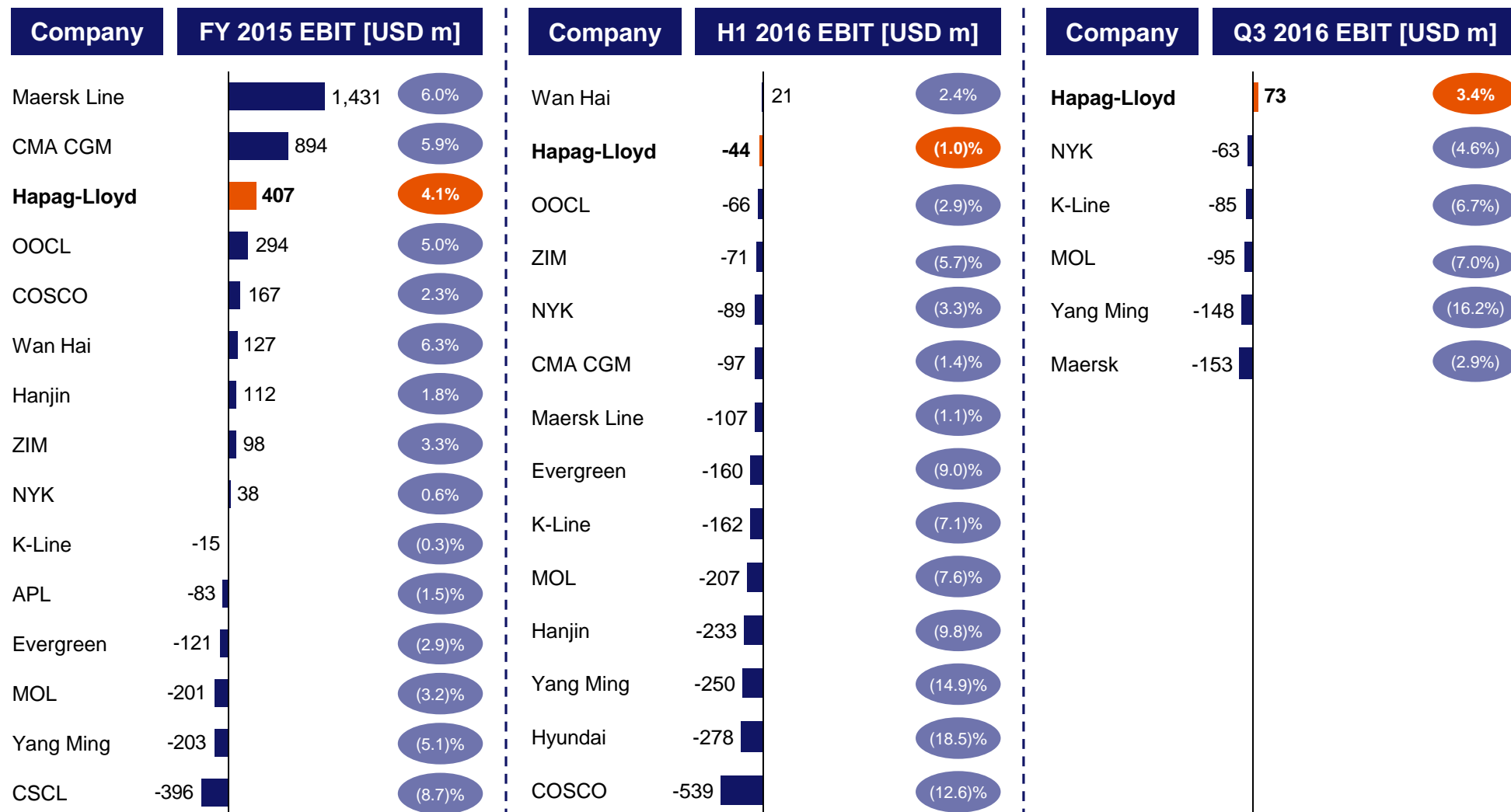


Transport expenses per TEU [USD/TEU]



1) Cost of purchased services 9M 2016: 847 USD/TEU

The effects of our further cost savings are clearly visible when looking at the relative performance

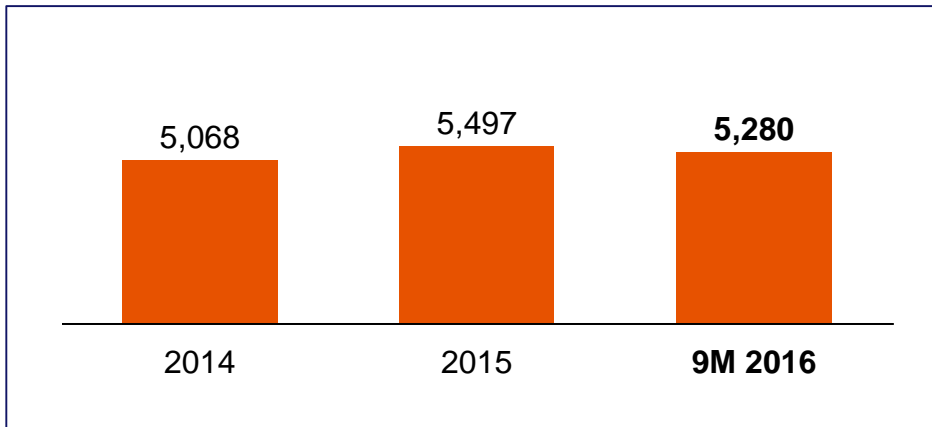


Note: For selected peers including terminals and other business if no liner figure available. Translation into USD based on average FX rates for individual periods.

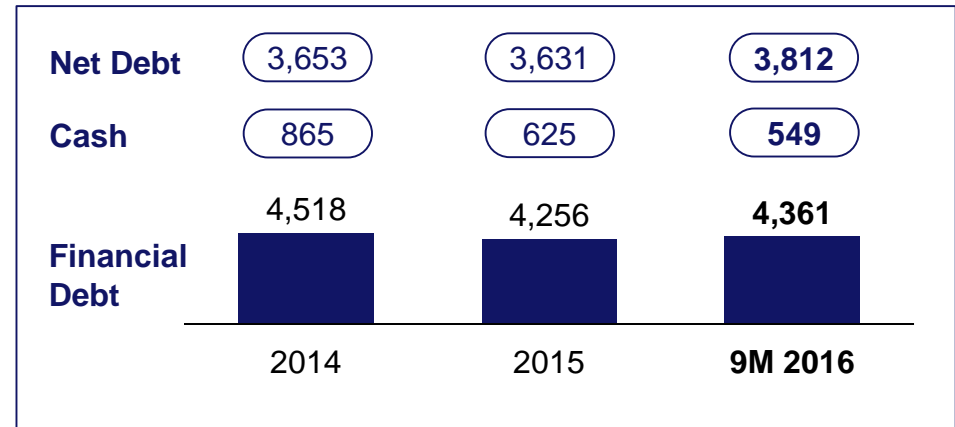
Equity at USD 5.3 bn and liquidity at USD 0.7 bn – Capital increase of USD 400 m post Closing



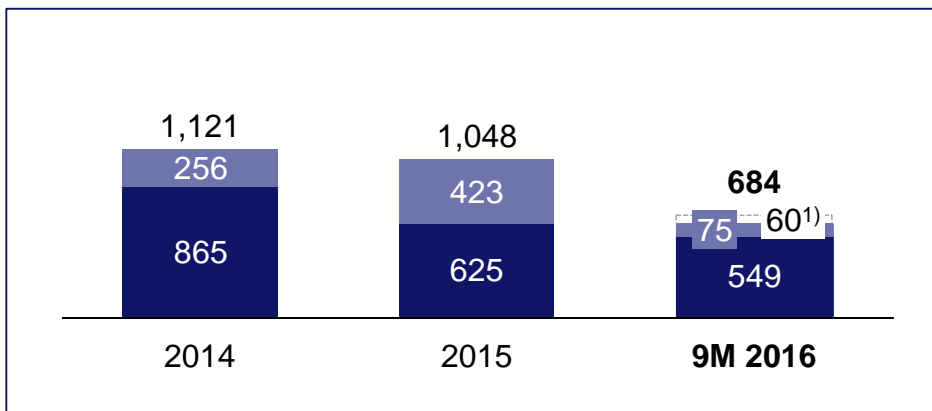
Strong equity base [USD m]



Stable financial debt [USD m]



Solid liquidity position [USD m]



UASC Merger implications

- **Cash capital increase of USD 400 m** (equivalent) to be executed within six months after closing (backstopped by certain core shareholders)
- **Strengthening of shareholder base** with the new key shareholders Qatar Holding LLC and the Public Investment Fund of the Kingdom of Saudi Arabia
- **Value protection** via guaranteed equity, cash and debt covenants (as of certain Relevant Dates)

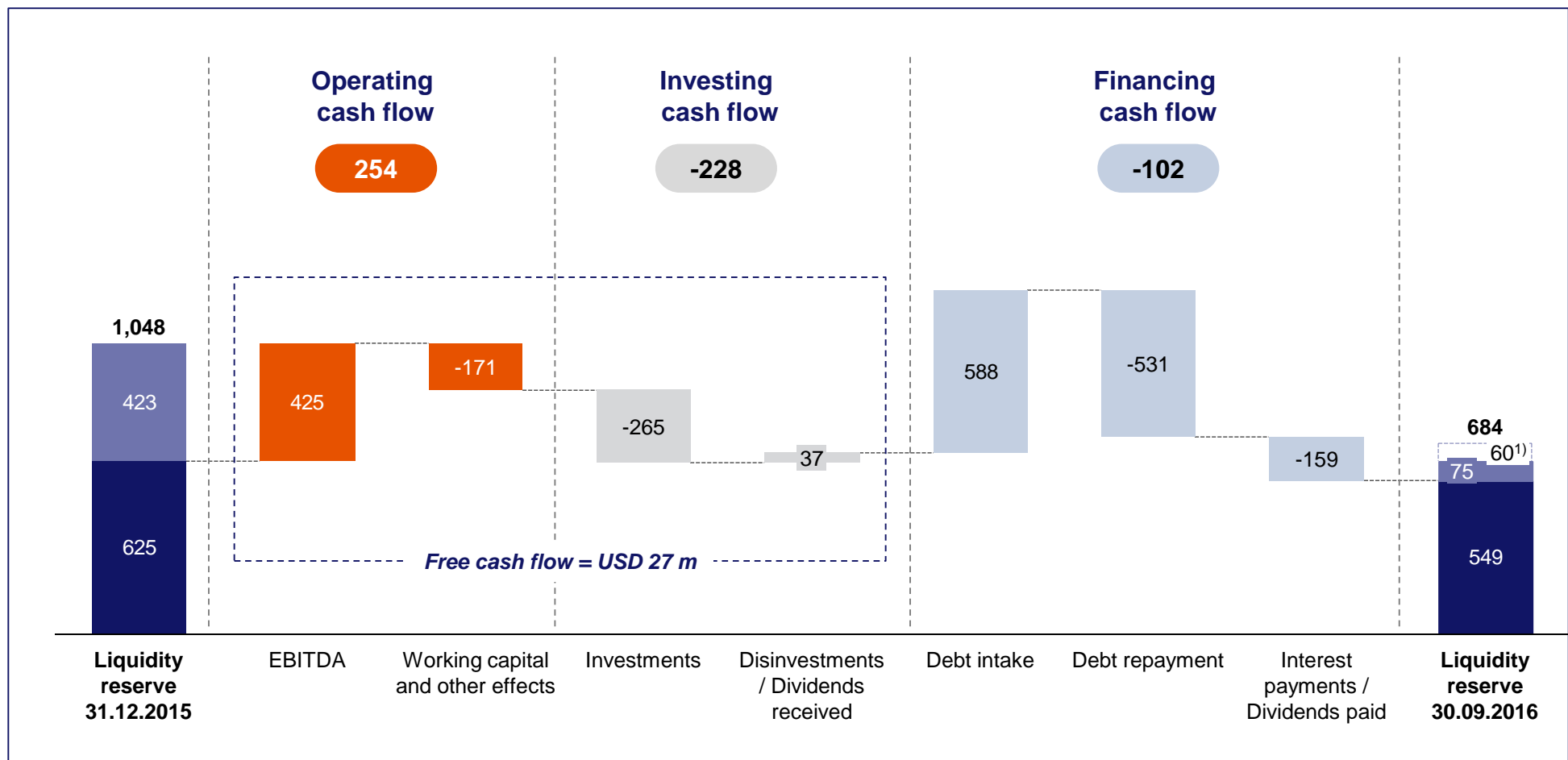
■ Unused credit lines ■ Cash and cash equivalents

1) Including additional USD 60 m drawn from existing ABS program as of 31 October 2016

Positive free cash flow of USD 27 m in 9M 2016



Cash flow 9M 2016 [USD m]



1) Including additional USD 60 m drawn from existing ABS program as of 31 October 2016

Hapag-Lloyd / UASC merger creates a top tier pure-play carrier



At a glance

	Hapag-Lloyd	UASC	Combined Entity ¹⁾
Corporate HQ	Hamburg	Dubai	Hamburg
Alliance membership	G6	Ocean 3	THE Alliance
Ships [#]	166	61	227
Capacity [TEU m]	1.0	0.6	1.6
Container [TEU m]	1.5	0.7	2.2

1) Sum of stand-alone figures

Deal rationale

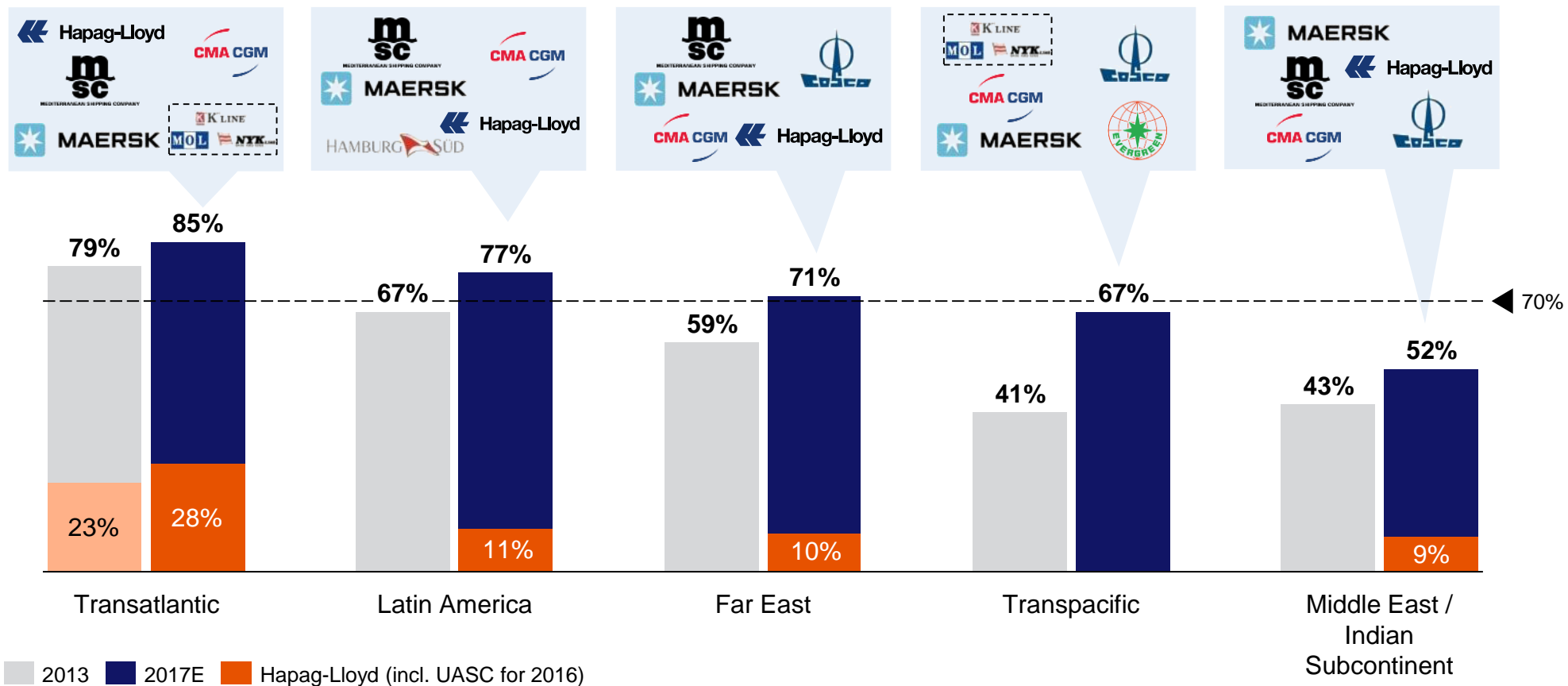
Scale	<ul style="list-style-type: none"> Combination assures top 5 position globally and on key trades in a consolidating market
Network	<ul style="list-style-type: none"> Further balancing of trade portfolio with leadership on Middle East Trades
Fleet	<ul style="list-style-type: none"> Access to young and fuel-efficient fleet with large share of ULCVs Sustainable market position without further short-term fleet investments
Synergies	<ul style="list-style-type: none"> Significant value creation through expected run-rate synergies of USD 435 m p.a.
Partner	<ul style="list-style-type: none"> Strong partner in light of the ongoing alliance reshuffling Supportive core shareholders and capital market investors

Scale: On important trades TOP 5 players now make up ~70% capacity share after current consolidation wave



TOP 5 concentration on individual trades (2013 versus 2017E)

Capacity share of TOP 5 container shipping lines



Source: Alphaliner monthly newsletter (June 2013 / October 2016) assuming Japanese merger

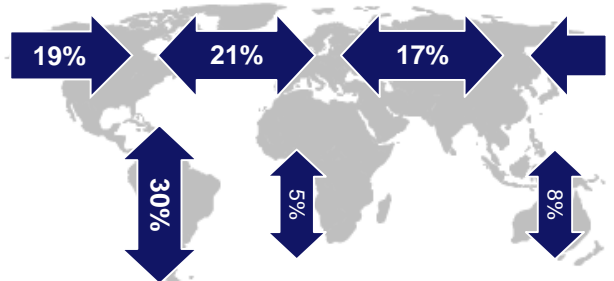
Note: Diagram assuming that all currently announced mergers (Hapag-Lloyd & UASC; NYK & MOL & K-Line) will receive regulatory approvals and are executed as announced. Simple sum of stand-alone operating capacity.

Network: Balanced trade portfolio – More than any TOP 5 liner – Further improved through merger with UASC



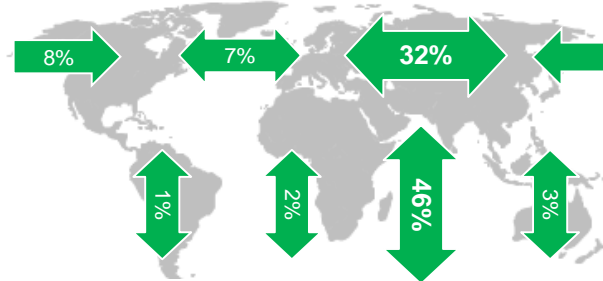
Transport volume by trade, 2015 (indicative)

Hapag-Lloyd



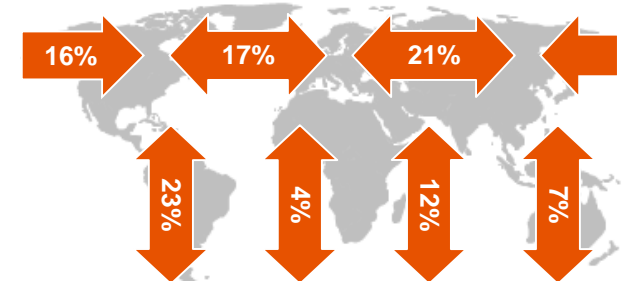
Trade	TEU m
Atlantic	1.5
Transpacific	1.4
Far East ¹⁾	1.3
Latin America	2.2
Intra Asia ¹⁾	0.6
EMAO	0.4
Total	7.4

UASC



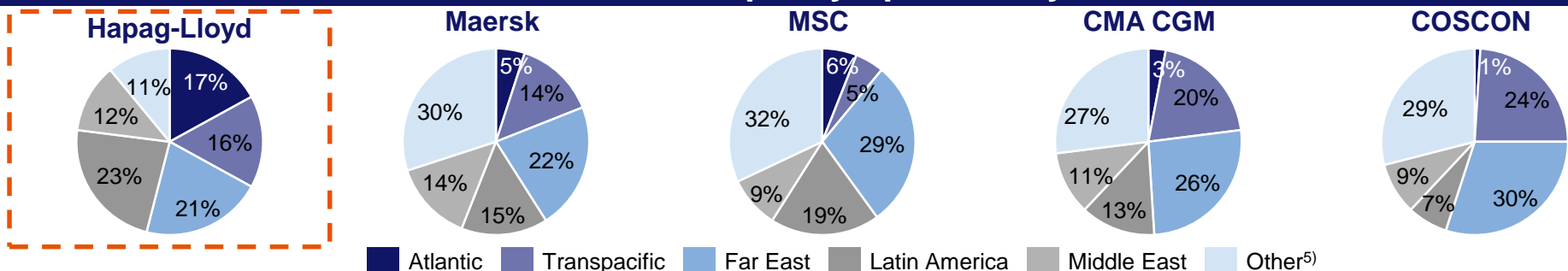
Trade ²⁾	TEU m
Atlantic	0.2
Transpacific	0.2
Far East	0.9
Latin America	0.0
Middle East	1.2
Intra Asia	0.1
EMAO	0.1
Total	2.6

Combined Entity



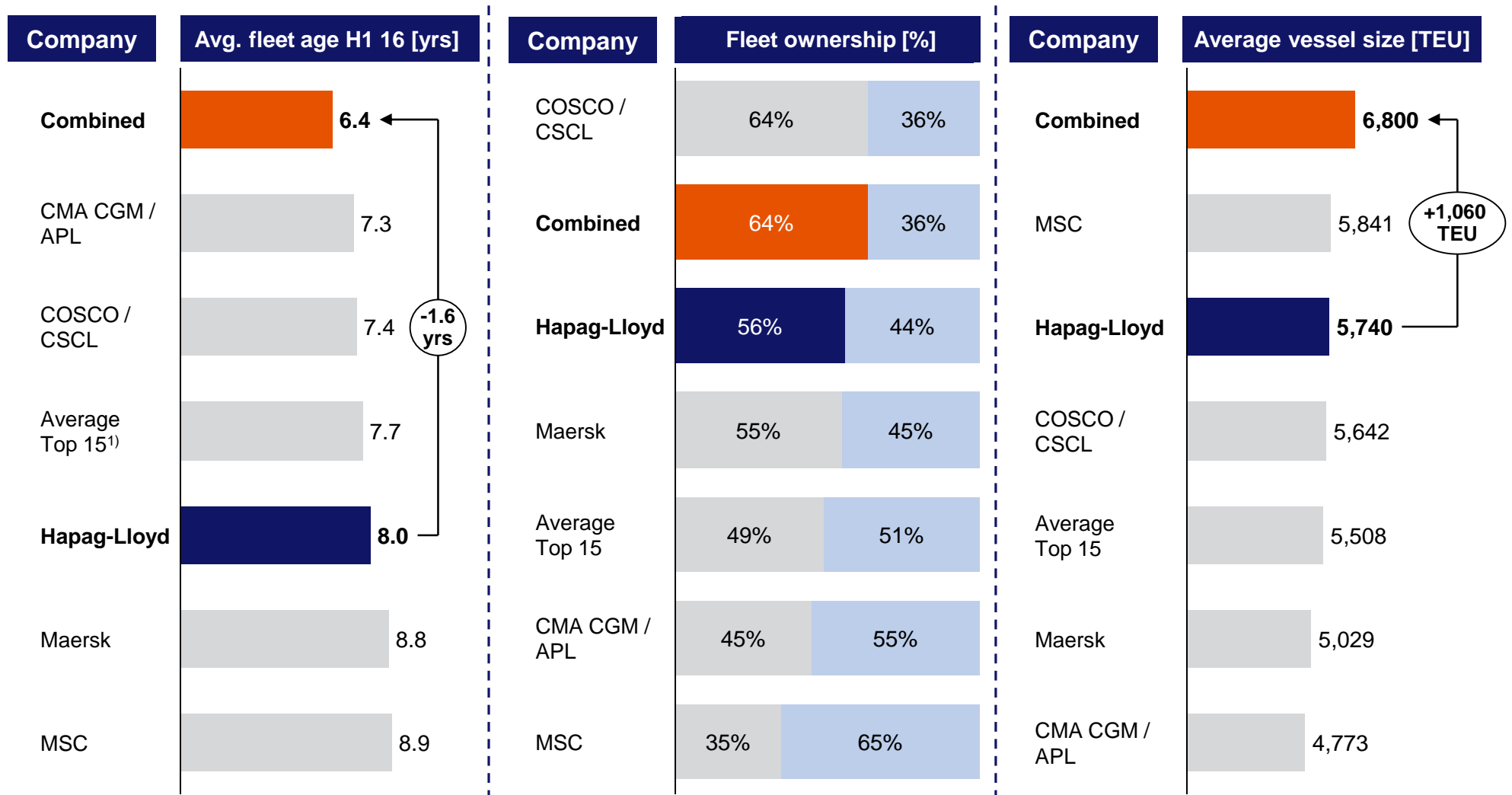
Trade ²⁾	TEU m
Atlantic	1.7
Transpacific	1.6
Far East	2.1
Latin America	2.3
Middle East ³⁾	1.2
Intra Asia	0.7
EMAO	0.4
Total	10.0

Breakdown of capacity operated by trade⁴⁾



1) Including Middle East volume as Middle East is no reported Hapag-Lloyd trade 2) Allocation of UASC volume according to Hapag-Lloyd trade definition plus Middle East trade based on assumptions and not necessarily final 3) Middle East is no reported Hapag-Lloyd trade 4) As of October 2016. Breakdown based on capacity deployed by individual carriers on direct services only. Excl. wayport capacity, transshipment services, slot exchange arrangements and cross-trade intra-alliance arrangements; numbers for Hapag-Lloyd based on exposure to global trades 5) Includes EMAO, Intra Asia trades and idle fleet Source: Alphaliner monthly newsletter (October 2016)


Fleet: Access to young and fuel-efficient fleet with large share of ULCVs ...



1) Weighted by carrier capacities

Fleet: ... with no need to further invest in the next years due to complimentary ship newbuildings

Vessel delivery schedule 2015-2017

VESSEL	2015		2016e		2017e
	H1	H2	H1	H2	H1
18,000 TEU Vessels					
 Capacity [TEU]	18,000	54,000	36,000	-	-
Vessels	1	3	2	-	-
15,000 TEU Vessels					
 Capacity [TEU]	45,000	15,000	60,000	-	30,000
Vessels	3	1	4	-	2
10,500 TEU Vessels					
 Capacity [TEU]	-	-	-	21,000 ¹⁾	31,500
Vessels	-	-	-	2 ¹⁾	3
9,300 TEU Vessels					
 Capacity [TEU]	37,200	9,300	-	-	-
Vessels	4	1	-	-	-
3,500 TEU Vessels					
 Capacity [TEU]	-	-	7,000	-	-
Vessels	-	-	2	-	-
TOTAL					
Capacity [TEU]	100,200	78,300	103,000	21,000 ¹⁾	61,500
Vessels	8	5	8	2 ¹⁾	5

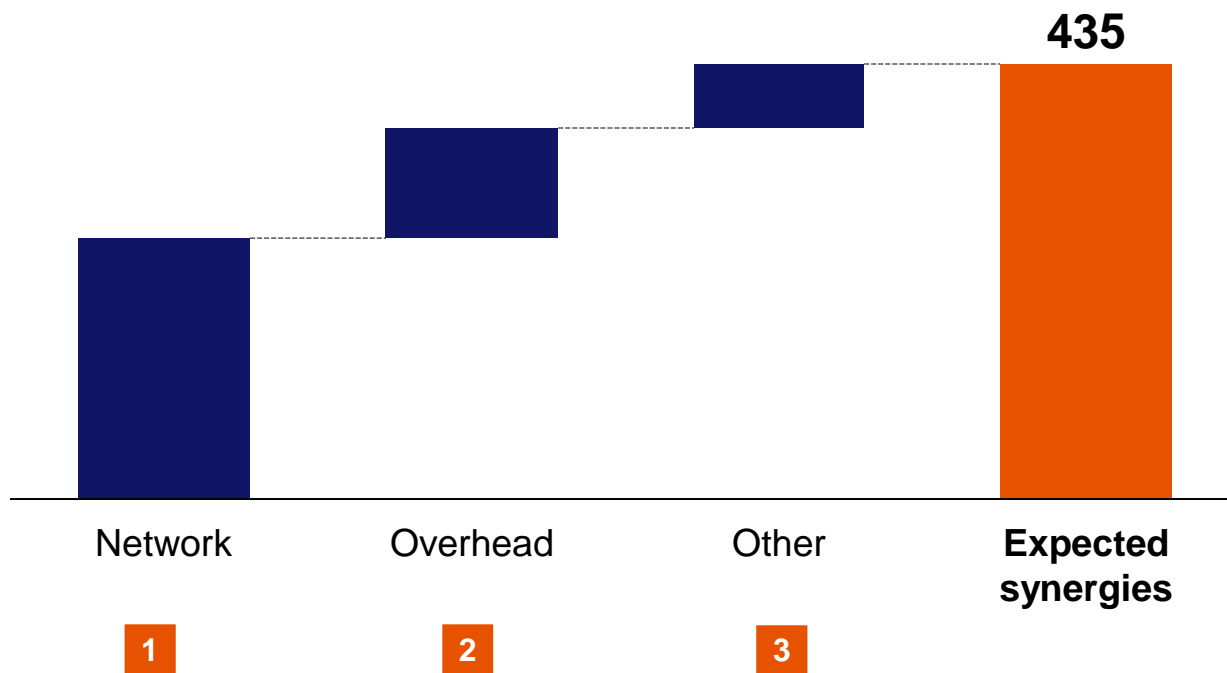
25 1) One vessel has already been delivered in November 2016

No further investments needed

- In order to be competitive mid-term, **Hapag-Lloyd would have needed significant investments** in ultra-large container vessels in upcoming years (as envisaged in IPO process)
- **UASC had recently ordered 17 big ships** (6x 18,000 TEU and 11x 15,000 TEU) with an investment amount of c. USD 2.3 bn most of them delivered in 2015/2016
- The Combined Entity will thereby operate **one of the youngest and most efficient fleets** in the industry
- Hence, no need for new vessel investment in next years – the **fleet expenditures have been basically “pulled forward”**
- The Combined Entity will **focus on maximizing free cash flow to deleverage quickly**

Synergies: Synergies of USD 435 m expected mainly in network and overhead

Synergy potential, full run-rate [USD m]



Comments

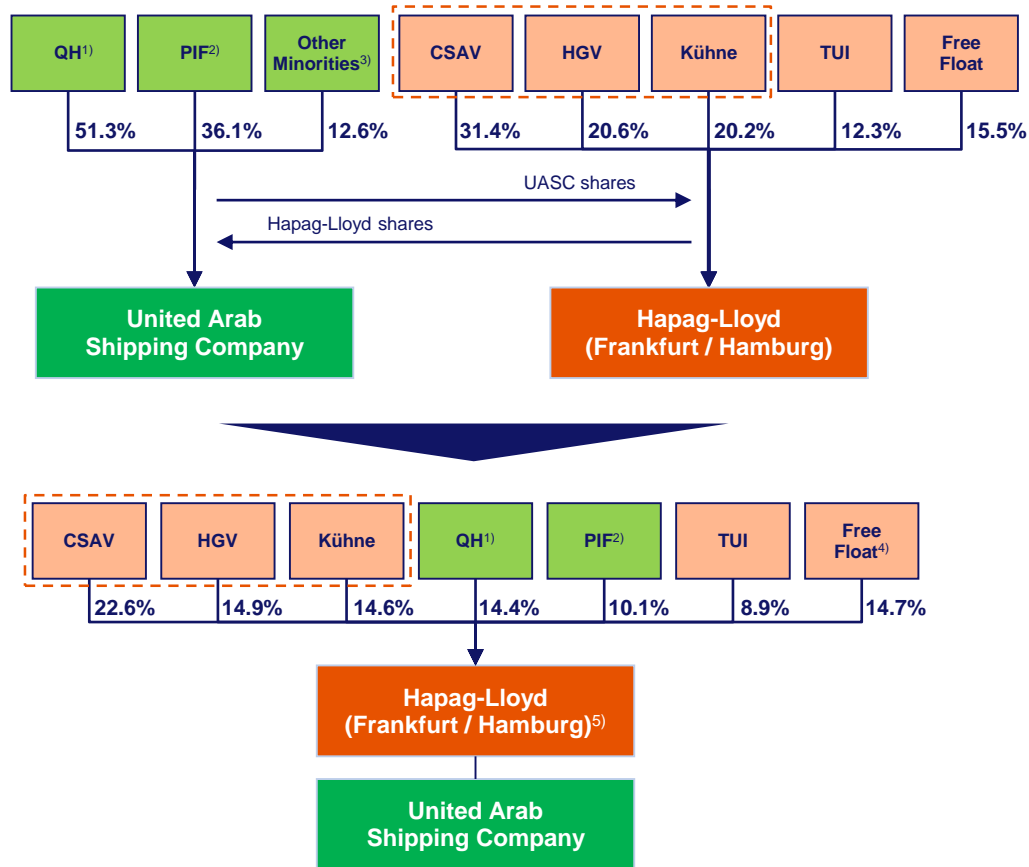
- 1 Network**
 - Optimized new vessel deployment / network
 - Slot cost advantages
 - Efficient use of new fleet
- 2 Overhead**
 - Consolidation of Corp. and Regional HQs
 - Consolidation of country organizations
 - Other overhead reductions (e.g. marketing, consultancy, audit)
- 3 Other (terminals, equipment and intermodal)**
 - Lower container handling rates per vendor/location
 - Imbalance reduction and leasing costs optimization
 - Optimization of inland haulage network
 - Best practice sharing

Synergies of USD 435 m per year from 2019 onwards –
 approx. 1/3 to be achieved in 2017 already
 One-off costs of approx. USD 150 m largely payable in 2016/2017

Partner: New core shareholders with strategic interest in the Combined Entity



Transaction overview



Shareholders' agreement / Controlling shareholders

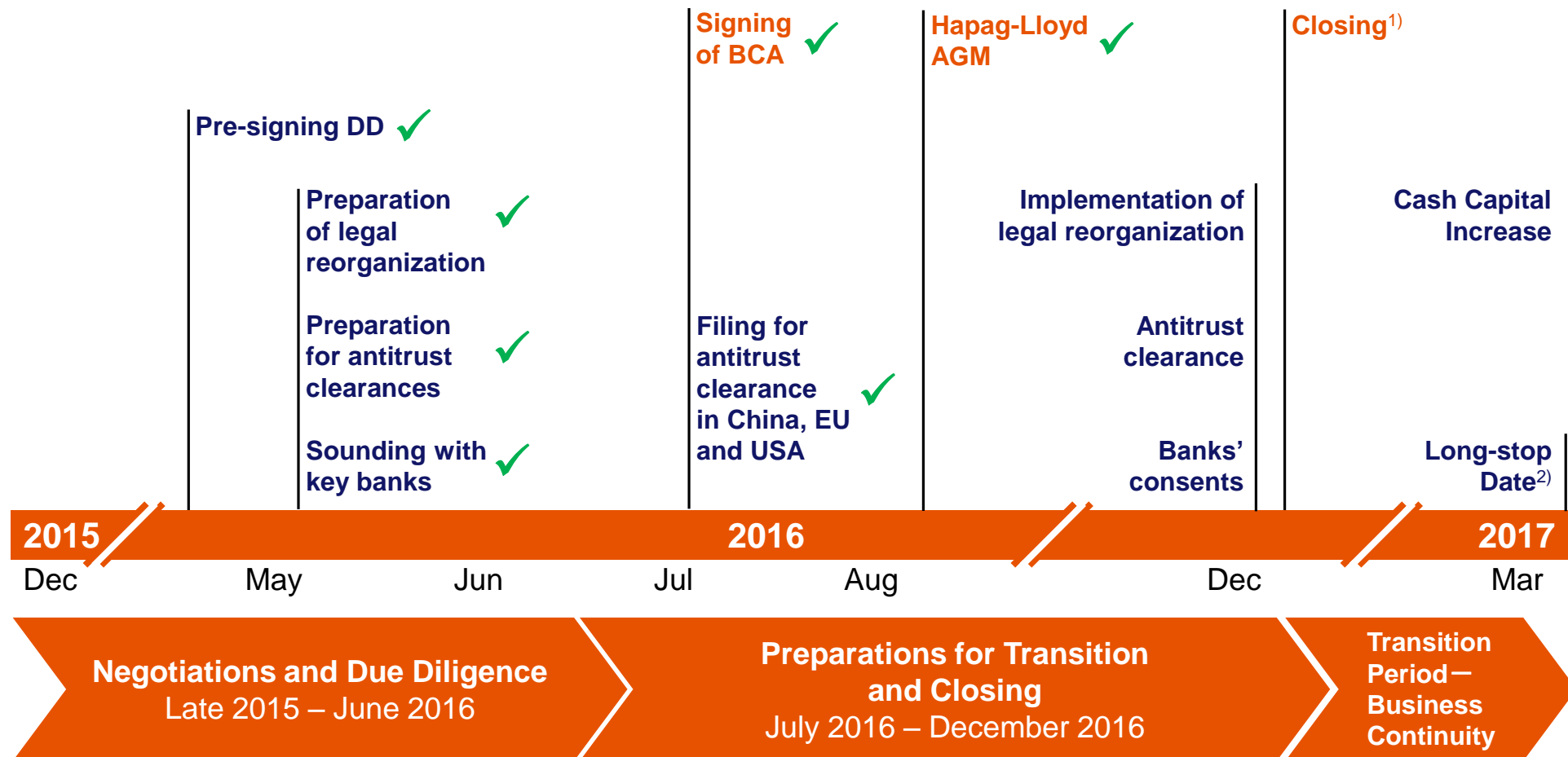
- UASC shares contributed to Hapag-Lloyd in exchange for newly issued Hapag-Lloyd shares
- Continued investment of sovereign wealth funds QIA and PIF highlight continued strategic importance of HL for the region
- C. 39% of shareholders representing governmental bodies and interests
- C. 37% of shareholders backed by wealthy entrepreneurs with focus on and long experience in logistics
- Planned cash capital increase of USD 400 m 50/50 backstopped by incumbent and new key shareholders within six months post closing

1) "QH" refers to Qatar Holding LLC on behalf of the State of Qatar 2) "PIF" refers to The Public Investment Fund on behalf of the Kingdom of Saudi Arabia 3) Other UASC Shareholders include Kuwait Investment Authority on behalf of the state of Kuwait (5.1%), Republic of Iraq (5.1%), United Arab Emirates (2.1%) and Bahrain (0.4%) 4) Including 3.6% Other UASC Shareholders (KIA, Iraq, UAE and Bahrain) 5) Shareholding structure prior to cash capital increase

Closing expected by the end of the year depending on approvals of competition authorities and banks

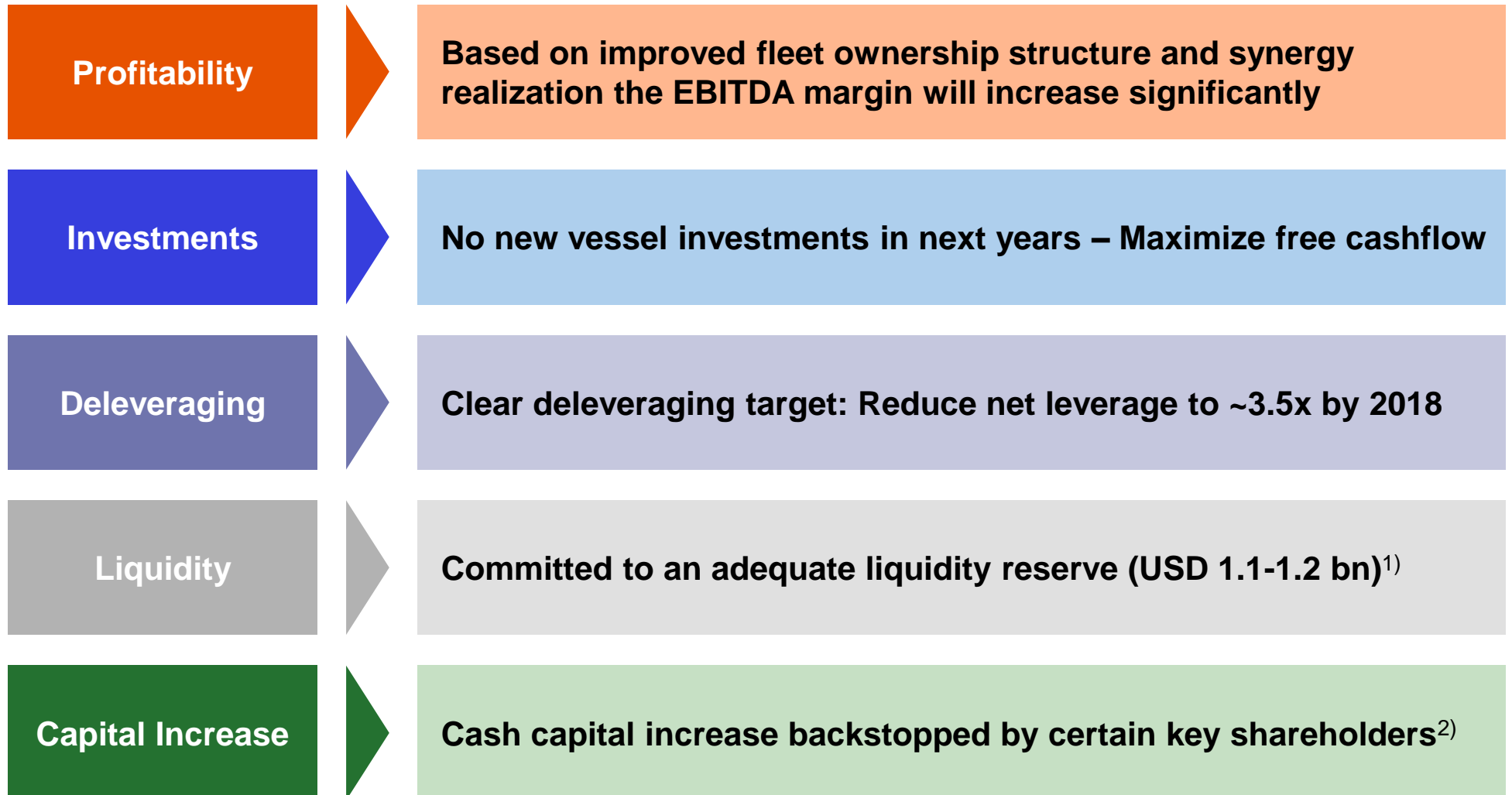


Indicative timeline



1) Subject to necessary approvals 2) Long stop date for closing conditions

Hapag-Lloyd with a clearly defined financial policy



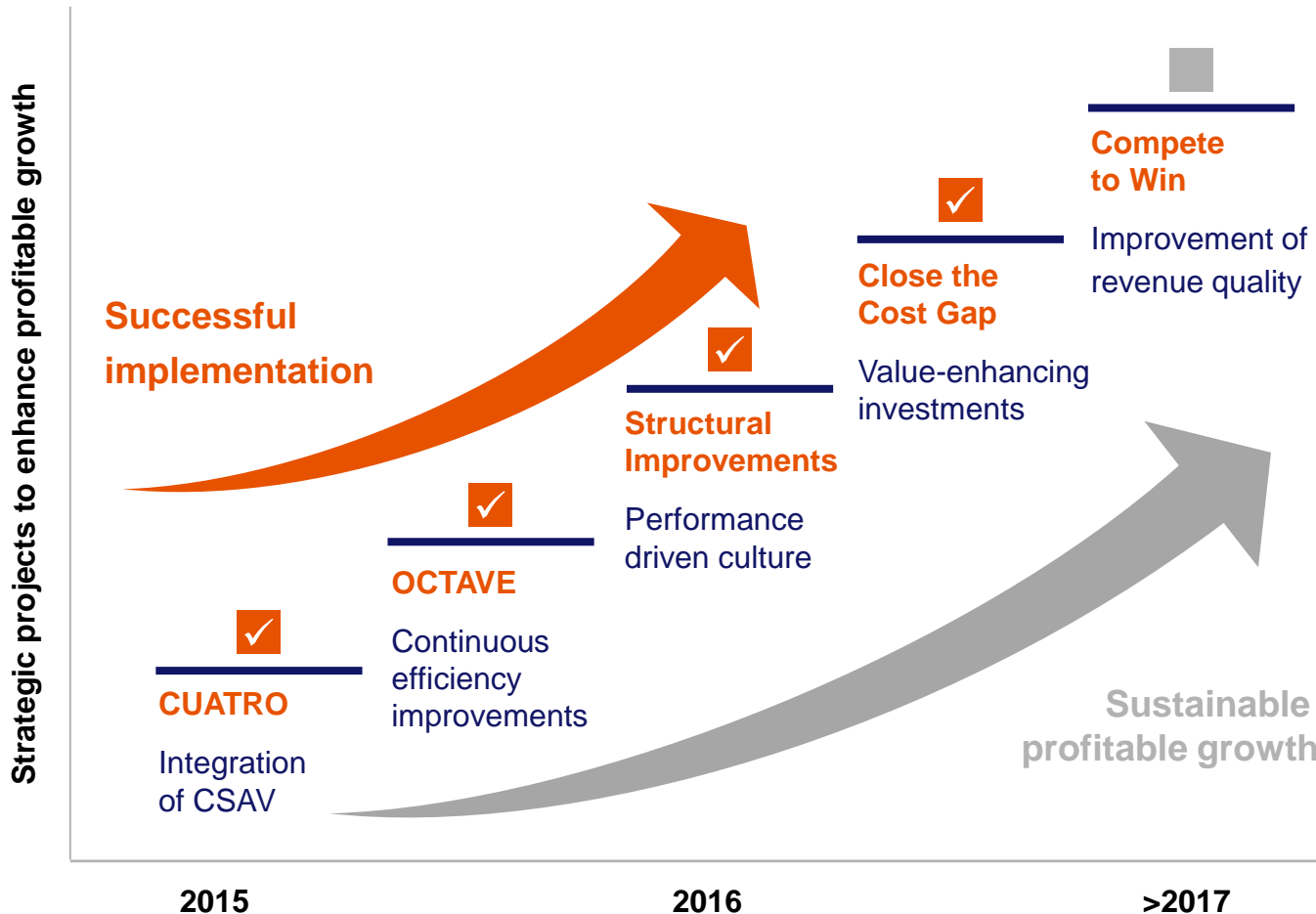
1) Cash and cash equivalents plus undrawn credit lines 2) 50% backstopped by QH and PIF, 50% backstopped by CSAV and Kühne

Q&A



Hapag-Lloyd

Tangible results and further upside



CUATRO synergies:

- Initial target: USD 300 m
- Revised target: USD 400 m

OCTAVE programs:

- OCTAVE I: USD 200 m
- OCTAVE I+II: USD 200 m plus high double-digit USD m

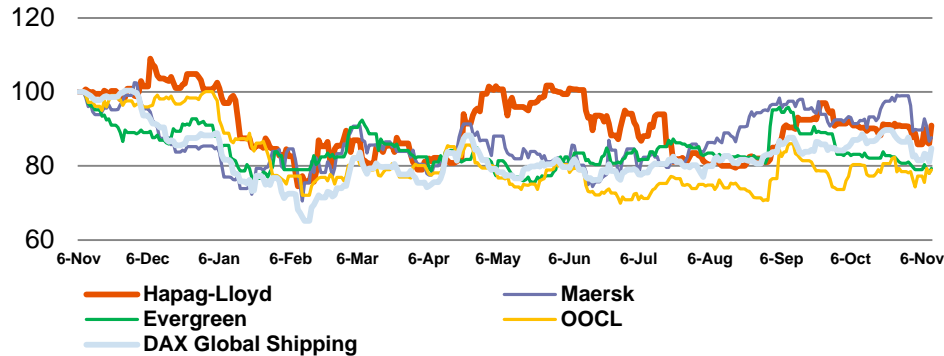
Further measures:

- Close the Cost Gap: 9.3k, 10.5k, Old Ladies, container and now UASC
- Compete to Win: Improvement of revenue quality

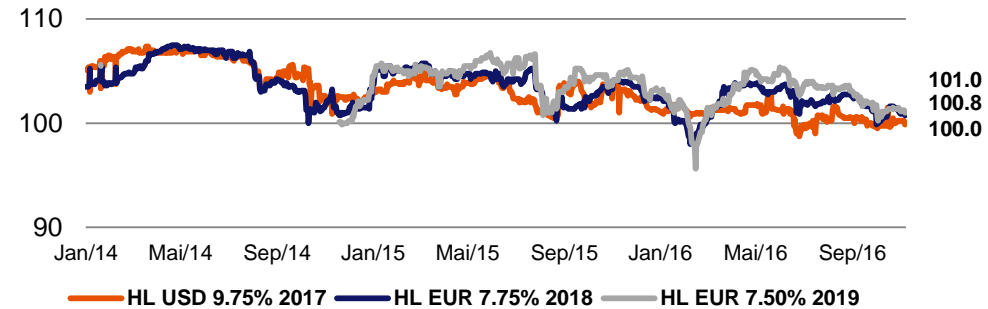
Hapag-Lloyd stock in SDAX since March 2016 – New bond call dates from October 2016



Share trading



Bonds trading



Stock exchange	Frankfurt Stock Exchange / Hamburg Stock Exchange
Market segment / Index	Regulated market (Prime Standard) / SDAX
ISIN / WKN / Ticker Symbol	DE000HLAG475 / HLAG47 / HLAG
Primary listing	6 November 2015
Number of shares	118,110,917
Lock-up	4 May 2016

	EUR Bond 2019	EUR Bond 2018	USD Bond 2017
Listing	Open market of the Luxembourg Stock Exchange (Euro MTF)		
Volume	EUR 250 m	EUR 400 m	USD 125 m ¹⁾
ISIN / WKN	XS1144214993 / A13SNX	XS0974356262 / A1X3QY	USD33048AA36 / A1E8QB
Maturity date	Oct 15, 2019	Oct 1, 2018	Oct 15, 2017
Redemption price	as of Oct 15, 2016:103.750% as of Oct 15, 2017:101.875% as of Oct 15, 2018:100%	as of Oct 1, 2015:103.875% as of Oct 1, 2016:101.938% as of Oct 1, 2017:100%	as of Oct 15, 2015:102.4375% as of Oct 15, 2016:100%
Coupon	7.50%	7.75%	9.75%

1) Partially redeemed by nominal USD 125 m on 30 Dec 2015

Hapag-Lloyd with positive EBITDA of USD 425 m



Income statement [USD m]

	9M 2016	9M 2015	% change
Revenue	6,364.0	7,589.4	-16%
Other operating income	100.7	162.7	-38%
Transport expenses	-5,315.1.1	-6,199.6	-14%
Personnel expenses	-420.6	-401.6	5%
Depreciation, amortization and impairment	-395.8	-381.4	4%
Other operating expenses	-324.6	-401.0	-19%
Operating result	8.6	368.5	-98%
Share of profit of equity-acc. investees	21.8	25.1	-13%
Other financial result	-1.6	-4.9	-67%
Earnings before interest and tax (EBIT)	28.8	388.7	-93%
EBITDA	424.6	770.1	-45%
Interest result	-161.5	-188.5	-14%
Income taxes	-16.4	-21.3	-23%
Group profit/loss	-149.1	178.9	n.m.

Transport expenses [USD m]

	9M 2016	9M 2015	% change
Expenses for raw materials and supplies	531.4	948.0	-44%
Cost of purchased services	4,783.7	5,251.6	-9%
Thereof			
Port, canal and terminal costs	2,209.8	2,297.7	-4%
Chartering, leases and container rentals	823.8	968.9	-15%
Container transport costs	1,568.4	1,852.5	-15%
Maintenance/repair/other	181.7	132.5	37%
Transport expenses	5,315.1	6,199.6	-14%

Transport expenses per TEU [USD/TEU]

	9M 2016	9M 2015	% change
Expenses for raw materials and supplies	94.1	169.9	-45%
Cost of purchased services	846.7	941.3	-10%
Thereof			
Port, canal and terminal costs	391.1	411.8	-5%
Chartering, leases and container rentals	145.8	173.7	-16%
Container transport costs	277.6	332.0	-16%
Maintenance/repair/other	32.2	23.8	35%
Transport expenses	940.7	1,111.2	-15%

Hapag-Lloyd with equity ratio of 44.6%



Balance sheet [USD m]

	30.09.2016	31.12.2015	30.09.2015
Assets			
Non-current assets	10,241.0	10,363.7	10,442.8
Of which fixed assets	10,169.0	10,301.7	10,381.0
Current assets	1,586.2	1,704.8	1,613.0
Of which cash and cash equivalents	549.3	625.0	542.8
Total assets	11,827.2	12,068.5	12,055.8
Equity and liabilities			
Equity	5,280.1	5,496.8	5,240.6
Borrowed capital	6,547.1	6,571.7	6,815.2
Of which non-current liabilities	3,875.9	3,958.4	4,275.1
Of which current liabilities	2,671.2	2,613.3	2,540.1
Of which financial debt	4,360.9	4,256.3	4,362.0
thereof			
Non-current financial debt	3,449.9	3,591.7	3,857.7
Current financial debt	911.0	664.6	504.3
Total equity and liabilities	11,827.2	12,068.5	12,055.8

Financial position [USD m]

	30.09.2016	31.12.2015	30.09.2015
Cash and cash equivalents	549.3	625.0	542.8
Financial debt	4,360.9	4,256.3	4,362.0
Net debt	3,811.6	3,631.3	3,819.2
Unused credit lines	75.0	423.4	486.4
Liquidity reserve	624.3	1,048.4	1,029.2
Equity	5,280.1	5,496.8	5,240.6
Gearing (net debt/equity) (%)	72.2%	66.1%	72.9%
Equity ratio (%)	44.6%	45.5%	43.5%



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<https://www.hapag-lloyd.com/en/ir.html>